

**MUNICIPAL SECONDARY MARKET DISCLOSURE
INFORMATION COVER SHEET**

This cover sheet should be sent with all submissions made to the Municipal Securities Rulemaking Board and Nationally Recognized Municipal Securities Information Repositories (NRMSIRS) pursuant to Securities and Exchange Commission rule 15c2-12 or any analogous state statute.

Issuers' and/or Other Obligated Person's Names: California Health Facilities Financing Authority, California Adventist Health System/West (CHFFA)
California Statewide Communities Development Authority
Adventist Health System/West (CSCDA)
Multnomah County Hospital Facilities Authority
Roseville Finance Authority

CUSIP Numbers:

CSCDA AHS/W 2007A	CSCDA 2015A – cont.	Roseville Finance Authority	CSCDA 2018A – cont.
13080SYC2	13080SJJ4	13080SJM7	13080SWC4 13080SWG5
CHFFA AHS/W 2009 Series B	13080SJK1	13080SJN5	13080SWD2 13080SWH3
13033LBC0	13080SJL9	13080SJP0	13080SWE0 13080SWJ9
CHFFA AHS/W 2013 Series A	CHFFA AHS/W 2016 Series A	2017 Series B	13080SWF7 13080SWK6
13033LR74 13033LS32	13032UFX1 13032UGE2	77781PDL8 77781PDS3	Multnomah County, OR 2019
13033LR82 13033LS40	13032UFY9 13032UGF9	77781PDM6 77781PDT1	62551PCX3
13033LS73 13033LS65	13032UFZ6 13032UGG7	77781PDX2 77781PDU8	CHFFA AHS/W 2022 Series A
13033LR90 13033LS57	13032UGA0 13032UGH5	77781PDN4 77781PDV6	13032UG93
13033LS24	13032UGB8 13032UGJ1	77781PDP9 77781PDW4	CHFFA AHS/W 2023 Series A
CSCDA AHS/W 2015 Series A	13032UGC6 13032UGK8	CSCDA AHS/W 2018 Series A	13032UH50
13080SJA3 13080SJE5	13032UGD4 13032UGL6	13080SVS0 13080SVX9	CHFFA AHS/W 2023 Series B
13080SJB1 13080SJF2	AHS/W Taxable 2019	13080SVT8 13080SVY7	13032UJ33
13080SJC9 13080SJG0	007944AE1 007944AG6	13080SVU5 130808VZ4	
13080SJD7 13080SJH8	007944AF8	13080SVV3 13080SWA8	
		13080SVW1 13080SWB6	

Description of Material Event Notice/Financial Information (Check One):

1. _____ Principal and interest payment delinquencies
2. _____ Non-payment related defaults
3. _____ Unscheduled draws on debt service reserves reflecting financial difficulties
4. _____ Unscheduled draws on credit enhancements reflecting financial difficulties
5. _____ Substitution of credit or liquidity providers, or their failure to perform
6. _____ Adverse tax opinions or events affecting the tax-exempt status of the security
7. _____ Modifications to rights of security holders
8. _____ Bond calls
9. _____ Defeasances
10. _____ Release, substitution or sale of property securing repayment of the securities
11. _____ Rating changes
12. _____ Failure to provide annual financial information as required
13. _____ Other material event notice
14. X Financial information (not to be filed with the MSRB): Please check all appropriate boxes

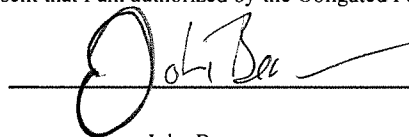
CAFR ¹: a. X includes Annual Financial Information ___ does not include Annual Information
b. Audited? Yes X No ___

Operating Data

Period Covered: 12 months ended December 31, 2023

I hereby represent that I am authorized by the Obligated Person to distribute this information publicly:

Signature: _____



Name: John Beaman Title: CFO
Employer: Adventist Health System/West
Address: ONE Adventist Health Way
City, State, and Zip Code: Roseville, CA 95661
Voice Telephone Number: 916.406.1372

Adventist Health System/West
Annual Report: December 31, 2023
Per Continuing Disclosure Certificates:
CSCDA 2007 Series A
CHFFA 2009 Series B
CHFFA 2013 Series A
CSCDA 2015 Series A
CHFFA 2016 Series A
Roseville Finance Authority 2017 Series B
CSCDA 2018 Series A
Multnomah County, OR 2019 Series A
Adventist Health System/West Taxable Bonds 2019
CHFFA 2022 Series A
CHFFA 2023 Series A
CHFFA 2023 Series B

<u>Certificate Reference</u>	<u>Requirement</u>	<u>Location</u>
Section 3(b)(2)*	Long-term debt disclosure	Tab “Financial Ratios”
Section 3(b)(3)*	Statement regarding accounts receivable liens	Tab “Financial Ratios”
Section 4(a)	Audited combined financial statement	Tab “AH 2023 Audited Financials”
Section 4(b)(1)	Summary Listing of Hospitals	Tab “Operating/Utilization Statistics”
	(2) Combined Summary of Revenues & Expenses Note that 22.3% of Revenues are from entities outside of the Obligated Group	Tab “AH 2023 Audited Financials”
	(3) Combined Balance Sheet Note that 14.0% of Assets and (1.9%) of Unrestricted Net Assets are from entities outside of the Obligated Group	Tab “AH 2023 Audited Financials”
	(4) Debt Service Coverage, Capitalization and Days Cash on Hand	Tab “Financial Ratios”
	(5) Payor Mix – Obligated Group	Tab “Operating/Utilization Statistics”
	(6) Utilization Statistics – Obligated Group	Tab “Operating/Utilization Statistics”
	(7) Operating Statistics – Obligated Group	Tab “Operating/Utilization Statistics”
Section 4(c)	Combining financial statements	Tab “AH 2023 Audited Financials”

* Does not apply for CSCDA 2007A, CSCDA 2015A, CHFFA 2016A, Multnomah 2019A, CHFFA 2022A, CHFFA 2023A and CHFFA 2023B



Consolidated Financial Statements
and Supplementary Information

Adventist Health System/West

Years Ended December 31, 2023
and 2022 with Report of
Independent Auditors

Audited Consolidated Financial Statements
and Supplementary Information

Adventist Health System/West

Years Ended December 31, 2023 and 2022

Audited Consolidated Financial Statements

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Report of Independent Auditors

The Board of Directors
Adventist Health System/West

Opinion

We have audited the consolidated financial statements of Adventist Health System/West (Adventist Health), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Adventist Health at December 31, 2023 and 2022, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Adventist Health 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 Financial Statements

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

Ernst & Young LLP

March 22, 2024

Adventist Health

Consolidated Balance Sheets
(In millions of dollars)

	December 31	
	2023	2022
Assets		
Cash and cash equivalents	\$ 91	\$ 379
Short-term investments	131	51
Patient accounts receivable	828	693
Receivables from third-party payors	610	486
Other current assets	293	261
Total current assets	<u>1,953</u>	<u>1,870</u>
Noncurrent investments	2,110	1,924
Other assets	500	445
Property and equipment, net	<u>2,267</u>	<u>2,123</u>
Total assets	<u><u>\$ 6,830</u></u>	<u><u>\$ 6,362</u></u>
Liabilities and net assets		
Accounts payable	\$ 391	\$ 441
Accrued compensation and related payables	361	327
Liabilities to third-party payors	82	97
Other current liabilities	179	186
Short-term financing	150	–
Current maturities of long-term debt	268	38
Total current liabilities	<u>1,431</u>	<u>1,089</u>
Long-term debt, net of current maturities	2,313	2,362
Other noncurrent liabilities	<u>362</u>	<u>330</u>
Total liabilities	<u>4,106</u>	<u>3,781</u>
Net assets without donor restrictions:		
Controlling	2,609	2,485
Noncontrolling	20	15
Net assets with donor restrictions	<u>95</u>	<u>81</u>
Total net assets	<u>2,724</u>	<u>2,581</u>
Total liabilities and net assets	<u><u>\$ 6,830</u></u>	<u><u>\$ 6,362</u></u>

See notes to consolidated financial statements.

Adventist Health

Consolidated Statements of Operations and Changes in Net Assets
(In millions of dollars)

	Year Ended December 31	
	2023	2022
Revenues and support		
Patient service revenue	\$ 5,263	\$ 4,688
Premium revenue	246	216
Other revenue	450	468
Net assets released from restrictions for operations	26	33
Total revenues and support	5,985	5,405
Expenses		
Employee compensation	2,816	2,565
Professional fees	828	802
Supplies	878	786
Purchased services and other	1,281	1,235
Interest	94	68
Depreciation and amortization	196	190
Total expenses	6,093	5,646
 Loss from operations	 (108)	 (241)
Nonoperating income		
Net realized and unrealized gains (losses) on investments	156	(319)
Gain on acquisitions and divestures	80	–
Other nonoperating (loss) gain	(12)	3
Total nonoperating income (loss)	224	(316)
 Excess (deficit) of revenues over expenses	 116	 (557)
 Less excess of revenues over expenses from noncontrolling interests	 (5)	 –
 Excess (deficit) of revenues over expenses from controlling interests	 111	 (557)

See notes to consolidated financial statements.

Adventist Health

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

	Year Ended December 31	
	2023	2022
Net assets without donor restrictions		
Controlling		
Excess (deficit) of revenues over expenses from controlling interests	\$ 111	\$ (557)
Net change in unrealized gains and losses on other-than-trading securities	2	(11)
Net assets released from restrictions for capital additions	11	9
Increase (decrease) in net assets without donor restrictions – controlling	124	(559)
Noncontrolling		
Excess of revenues over expenses from noncontrolling interests	5	–
Increase in net assets without donor restrictions – noncontrolling	5	–
Net assets with donor restrictions		
Restricted gifts and grants	52	53
Net assets released from restrictions	(38)	(42)
Increase in net assets with donor restrictions	14	11
Increase (decrease) in net assets	143	(548)
Net assets, beginning of year	2,581	3,129
Net assets, end of year	\$ 2,724	\$ 2,581

See notes to consolidated financial statements.

Adventist Health

Consolidated Statements of Cash Flows
(In millions of dollars)

	Year Ended December 31	
	2023	2022
Operating activities		
Increase (decrease) in net assets	\$ 143	\$ (548)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Inherent contribution from affiliation	(80)	–
Depreciation and amortization	196	190
Amortization of bond issuance costs and discount/premium	(8)	(7)
Noncash operating lease expense	34	38
Loss on note receivable	34	–
Net unrealized (gain) loss on investments	(167)	430
Net loss (gain) on sale of property and equipment	–	(3)
Net changes in operating assets and liabilities:		
Patient accounts receivable	(102)	(4)
Other assets	14	(67)
Net payables to third-party payors and other liabilities	(328)	(212)
Net cash used in operating activities	(264)	(183)
Investing activities		
Purchases of property and equipment	(271)	(129)
Proceeds from sale of property and equipment	2	4
Purchase of investments	(401)	(1,156)
Proceeds from sale of investments	308	1,199
Cash acquired in affiliation	7	–
Net cash used in investing activities	(355)	(82)
Financing activities		
Proceeds from issuance of short-term financing	149	151
Payments on short-term financing	–	(181)
Proceeds from lines of credit	330	270
Payments on lines of credit	(280)	(270)
Payments on long-term debt	(38)	(81)
Proceeds from bond issuance	170	451
Net cash provided by financing activities	331	340
(Decrease) increase in cash and cash equivalents	(288)	75
Cash and cash equivalents, beginning of year	379	304
Cash and cash equivalents, end of year	\$ 91	\$ 379

See notes to consolidated financial statements.

Adventist Health

Notes to Consolidated Financial Statements

(In millions of dollars)

Note A – Summary of Significant Accounting Policies

Reporting Entity and Principles of Consolidation: Adventist Health System/West (“Adventist Health”) is a California not-for-profit religious corporation that controls and operates hospitals and other healthcare facilities, and wellness promoting operations in the western United States and beyond (collectively, the “System”). Many of the hospitals now controlled and operated by Adventist Health were formerly operated by various conferences of the Seventh-day Adventist Church (the “Church”). The obligations and liabilities of Adventist Health and its hospitals and other healthcare facilities are neither obligations nor liabilities of the Church or any of its other affiliated organizations. Adventist Health maintains close ties to our heritage through connection to our Sponsor, the Church. Church leaders serve on the Adventist Health Membership and the Board of Directors (the “Board”) but the Church does not control or have ownership in the System.

The consolidated financial statements include the accounts of the following entities:

Adventist Health System/West dba Adventist Health – Roseville, California
San Joaquin Community Hospital dba Adventist Health Bakersfield and dba Adventist Health Specialty
Bakersfield – Bakersfield, California
Adventist Health Care Network, Inc. – Roseville, CA
Castle Medical Center dba Adventist Health Castle – Kailua, Hawaii
Adventist Health Clearlake Hospital, Inc., dba Adventist Health Clear Lake – Clearlake, California
Mid-Columbia Medical Center, dba Adventist Health Columbia Gorge – The Dalles, Oregon
Adventist Health Delano – Delano, California
Feather River Hospital dba Adventist Health Feather River – Paradise, California
Glendale Adventist Medical Center dba Adventist Health Glendale – Glendale, California
Hanford Community Hospital dba Adventist Health Hanford and dba Adventist Health Selma – Hanford,
California and Selma, California, respectively
Willits Hospital, Inc., dba Adventist Health Howard Memorial – Willits, California
Lodi Memorial Hospital Association, Inc., dba Adventist Health Lodi Memorial – Lodi, California
Adventist Health Mendocino Coast – Fort Bragg, California
Adventist Health Plan, Inc. – Roseville, California
Adventist Health Physicians Network – Roseville, California
Portland Adventist Medical Center dba Adventist Health Portland – Portland, Oregon
Reedley Community Hospital dba Adventist Health Reedley – Reedley, California
Rideout Memorial Hospital dba Adventist Health and Rideout – Marysville, California
Simi Valley Hospital and Health Care Services dba Adventist Health Simi Valley – Simi Valley, California
Sonora Community Hospital dba Adventist Health Sonora – Sonora, California
St. Helena Hospital dba Adventist Health St. Helena and dba Adventist Health Vallejo – St. Helena,
California and Vallejo, California, respectively
Adventist Health Medical Center Tehachapi dba Adventist Health Tehachapi Valley – Tehachapi, California
Northwest Medical Foundation of Tillamook dba Adventist Health Tillamook – Tillamook, Oregon
Adventist Health Tulare – Tulare, California
Ukiah Adventist Hospital dba Adventist Health Ukiah Valley – Ukiah, California
White Memorial Medical Center dba Adventist Health White Memorial and dba White Memorial
Montebello – Los Angeles, California and Montebello, California, respectively
Western Health Resources dba Adventist Health Home Care – Roseville, California

Adventist Health

Notes to Consolidated Financial Statements – Continued

(In millions of dollars)

Note A – Summary of Significant Accounting Policies (continued)

The Board of Adventist Health or Stone Point Health serves as the legal board for each individual hospital corporation. Adventist Health management serves as the legal board of the non-hospital corporations, except for Adventist Health Physicians Network whose legal board is the same as Adventist Health. All material intercompany transactions have been eliminated in consolidation.

Basis of Accounting: The financial statements are prepared in conformity with United States generally accepted accounting principles (“U.S. GAAP”).

Cash and Cash Equivalents: Cash and cash equivalents consist primarily of unrestricted readily marketable securities with original maturities not in excess of three months when purchased and net deposits in demand accounts. Cash deposits are federally insured in limited amounts.

Marketable Securities: Marketable securities, stated at fair value, consist primarily of U.S. government treasury, U.S. agency securities, corporate notes, exchange-traded funds, open-end mutual funds composed of fixed-income securities and domestic and international equities, and alternative investments composed of commingled funds and hedge funds. Investment income or loss (including realized gains and losses on investments and unrealized gains and losses on trading investments) is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law. Interest and dividends are included in other revenue. Securities with remaining maturity dates of one year or less as of the consolidated balance sheet date are classified as current.

Investments and Assets Whose Use Is Limited: Certain System investments are limited as to use through Board resolution, provisions of contractual arrangements with third parties, terms of indentures, self-insurance trust arrangements, or donors who restrict the use of specific assets. Assets that are expected to be expended within one year are classified as current, including board-designated assets that are available and periodically borrowed for working capital needs.

Goodwill: The System records goodwill as the excess of purchase price and related costs over the fair value of identifiable net assets acquired. These amounts are evaluated for impairment annually or when there is an indicator of impairment. If it is determined that goodwill is impaired, the carrying value is reduced. The System had goodwill of \$75 and \$73 at December 31, 2023 and 2022, respectively, which is included in other long-term assets with additions of \$2 and \$0 in 2023 and 2022, respectively.

Property and Equipment: Property and equipment are reported on the basis of cost, except for donated items, which are recorded as an increase in net assets without donor restrictions based on fair market value at the date of the donation. During the period of construction, the System capitalizes expenditures and interest costs, net of earnings on invested bond proceeds that materially increase values, change capacities, and extend useful lives.

Management periodically evaluates the carrying amounts of long-lived assets for impairment. The System estimates that it will recover the carrying value of long-lived assets from the estimated future undiscounted cash flows; however, considering the regulatory environment, competition, and other factors affecting the industry, there is at least a reasonable possibility this estimate might change in the near term. The effect of any change could be material.

Adventist Health

Notes to Consolidated Financial Statements – Continued

(In millions of dollars)

Note A – Summary of Significant Accounting Policies (continued)

Depreciation is computed using the straight-line method over the expected useful lives of the assets, which range from 1 to 55 years. Amortization of equipment is included in depreciation expense.

Short-Term Financing: In December 2020, the System initiated a taxable commercial paper program supported by self-liquidity for general corporate purposes. Under the program, the System is registered to issue up to \$150. There was \$150 and \$0 of commercial paper outstanding at December 31, 2023 and 2022, respectively.

Debt Issuance Costs: Debt issuance costs are reported as a reduction of long-term debt and are deferred and amortized over the life of the financings using the effective interest method.

Bond Discounts/Premiums: Bonds payable are included in long-term debt, net of unamortized original issue discounts or premiums. Such discounts or premiums are amortized using the effective interest method based on outstanding principal over the life of the bonds.

Other Noncurrent Liabilities: Other noncurrent liabilities are composed primarily of accruals for workers' compensation claims, professional and general liability claims, deferred revenue, lease liabilities, and long-term charitable gift annuity obligations.

Net Assets: All resources not restricted by donors are included in net assets without donor restrictions. Resources restricted by donors for specific operating purposes, or for a period of time greater than one year, are reported as net assets with donor restrictions. When the restrictions have been met, the net assets with donor restrictions are reclassified to net assets without donor restrictions. Resources restricted by donors for additions to property and equipment are initially reported as net assets with donor restrictions and are transferred to net assets without donor restrictions when expended. Investment income is classified as net assets without donor restrictions or net assets with donor restrictions based on the intent of the donor. Gifts of future interests are reported as net assets with donor restrictions. Gifts, grants, and bequests not restricted by donors are reported as other revenue.

Charity Care: The System provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. In assessing a patient's ability to pay, the System uses federal poverty income levels and evaluates the relationship between the charges and the patient's income. The System did not materially change its charity care policy during 2023 or 2022. The estimated cost of charity care was \$22 and \$26 in 2023 and 2022, respectively. The costs were determined using cost-to-charge ratios.

Premium Revenue: The System has agreements with various Health Maintenance Organizations ("HMOs") to provide medical services to subscribing participants. Under these agreements, the System receives monthly capitation payments based on the number of each HMO's covered participants, regardless of the services actually performed by the System.

Other Revenue: Other revenue is composed primarily of contributions received related to the Public Health and Social Services Emergency Fund and other programs ("Federal Emergency Management Agency"), insurance payments, rental income, retail pharmacy, interest, and other miscellaneous income.

Adventist Health

Notes to Consolidated Financial Statements – Continued (In millions of dollars)

Note A – Summary of Significant Accounting Policies (continued)

Income Tax: The principal operations of the System are exempt from taxation pursuant to Internal Revenue Code Section 501(c)(3) and related state provisions. The System recognizes tax benefits from any uncertain tax positions only if it is more likely than not the tax position will be sustained, based solely on its technical merits, with the taxing authority having full knowledge of all relevant information. The System records a liability for unrecognized tax benefits from uncertain tax positions as discrete tax adjustments in the first interim period the more likely than not threshold is not met. The System recognizes deferred tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis of its assets and liabilities, along with net operating loss and tax credit carryovers only for tax positions that meet the more likely than not recognition criteria. At December 31, 2023 and 2022, no such assets or liabilities were recorded.

The System currently files Form 990 (informational return of organizations exempt from income taxes) and Form 990-T (business income tax return for an exempt organization) in the U.S. federal jurisdiction and the state of California. The System is not subject to income tax examinations prior to 2020 in major tax jurisdictions.

Loss From Operations: The System's consolidated statements of operations and changes in net assets include an intermediate measure of operations, labeled "Loss from operations." Items that are considered nonoperating are excluded from loss from operations and include net realized and unrealized gains (losses) on investments, gains (losses) on acquisitions and divestitures, and gains (losses) on debt refinancing.

Excess (Deficit) of Revenues Over Expenses: The consolidated statements of operations and changes in net assets include excess of revenues over expenses as a performance indicator. Changes in net assets without donor restrictions that are excluded from excess of revenues over expenses include unrealized gains and losses on investments in other-than-trading debt securities, contributions of long-lived assets, and use of net assets with donor-restricted funds for capital additions.

Use of Estimates: The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and the accompanying notes. Actual results could differ from these estimates.

Adventist Health

Notes to Consolidated Financial Statements – Continued (In millions of dollars)

Note B – Fair Value of Financial Instruments

The System accounts for certain assets at fair value. A fair value hierarchy for valuation inputs has been established to prioritize the valuation inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels determined by the lowest level of input considered significant to the fair value measurement in its entirety. These levels are defined as follows:

Level 1: Quoted prices are available in active markets for identical assets as of the measurement date. Financial assets in this category generally include U.S. treasury securities, U.S. and foreign equities, and exchange-traded mutual funds.

Level 2: Pricing inputs are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Financial assets in this category generally include U.S. government agencies and municipal bonds, asset-backed securities, and U.S. corporate bonds.

Level 3: Pricing inputs are generally unobservable for the assets and include situations where there is little, if any, market activity for the investment. The System had no Level 3 investments at December 31, 2023 or 2022.

Adventist Health

Notes to Consolidated Financial Statements – Continued
(In millions of dollars)

Note B – Fair Value of Financial Instruments (continued)

The following represents assets measured at fair value or at net asset value (“NAV”) as a practical expedient on a recurring basis at December 31, 2023:

	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Observable Inputs (Level 2)	Totals
	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents	\$ 91	\$ –	\$ 91
Money market funds	94	–	94
Fixed income:			
U.S. government treasury obligations	118	–	118
U.S. corporation and agency debentures	–	40	40
U.S. agency mortgage-backed securities	–	4	4
U.S. corporate debt securities	–	207	207
Municipal bonds	–	6	6
Mutual funds	166	151	317
Equities:			
Equities	5	–	5
Mutual funds	795	–	795
Total financial assets stated at fair value	<u>\$ 1,269</u>	<u>\$ 408</u>	<u>1,677</u>
Commercial real estate			20
Investments measured at NAV			635
Other investments			129
Total cash and investments			<u><u>\$ 2,461</u></u>

Adventist Health

Notes to Consolidated Financial Statements – Continued
(In millions of dollars)

Note B – Fair Value of Financial Instruments (continued)

The following represents assets measured at fair value or at NAV as a practical expedient on a recurring basis at December 31, 2022:

	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Observable Inputs (Level 2)	Totals
	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents	\$ 379	\$ –	\$ 379
Money market funds	109	–	109
Fixed income:			
U.S. government treasury obligations	43	–	43
U.S. corporation and agency debentures	–	40	40
U.S. agency mortgage-backed securities	–	5	5
U.S. corporate debt securities	–	199	199
Municipal bonds	–	5	5
Mutual funds	139	141	280
Equities:			
Equities	6	–	6
Mutual funds	737	–	737
Total financial assets stated at fair value	<u>\$ 1,413</u>	<u>\$ 390</u>	<u>1,803</u>
Commercial real estate			21
Investments measured at NAV			530
Other investments			119
Total cash and investments			<u><u>\$ 2,473</u></u>

Adventist Health

Notes to Consolidated Financial Statements – Continued (In millions of dollars)

Note B – Fair Value of Financial Instruments (continued)

As of December 31, 2023 and 2022, the Level 2 instruments listed in the fair value hierarchy tables above use the following valuation techniques and inputs:

U.S. corporation and agency debentures: The fair value of investments in U.S. corporation and agency debentures is primarily determined using consensus pricing methods of observable market-based data. Significant observable inputs include dealer quotes, spreads, and data points for yield curves.

U.S. agency mortgage-backed securities: The fair value of U.S. agency mortgage-backed securities is primarily determined using matrices. These matrices utilize observable market data of bonds with similar features, prepayment speeds, credit ratings, and discounted cash flows. Additionally, observed market movements, tranche cash flows, and benchmark yields are incorporated in the pricing models.

U.S. corporate debt securities: The fair value of investments in U.S. corporate debt securities is primarily determined using techniques that are consistent with the market approach. Significant observable inputs include reported trades, dealer quotes, security-specific characteristics, and multiple sources of spread data points in developing yield curves.

Municipal bonds: The fair value of municipal bonds is determined using a market approach. The inputs include yield benchmark curves, prepayment speeds, and observable market data, such as institutional bids and dealer quotes.

Certain of the investments are reported using a calculated NAV or its equivalent. These investments are not expected to be sold at amounts that are different from NAV. The following table and explanations identify attributes relating to the nature of the risk of such investments:

	December 31, 2023			
	NAV	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period (if Currently Eligible)
Commingled funds – equity securities	\$ 96	\$ –	Weekly/Monthly Daily/Weekly/	4-30 days
Hedge funds	340	6	Monthly/Quarterly	1-90 days
Private equity funds	199	165	None	None
Total	\$ 635	\$ 171		

Adventist Health

Notes to Consolidated Financial Statements – Continued
(In millions of dollars)

Note B – Fair Value of Financial Instruments (continued)

	December 31, 2022			
	<u>NAV</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if Currently Eligible)</u>	<u>Redemption Notice Period (if Currently Eligible)</u>
Commingled funds – equity securities	\$ 83	\$ –	Weekly/Monthly Daily/Weekly/ Monthly/Quarterly	4-30 days
Hedge funds	302	22	None	1-65 days
Private equity funds	145	169	None	None
Total	<u>\$ 530</u>	<u>\$ 191</u>		

Commingled funds – equity securities: This class includes investments in commingled funds that invest primarily in U.S. or foreign equity securities and attempt to match the returns of specific equity indices.

Hedge funds: This class includes investments in hedge funds that expand the universe of potential investment approaches available by employing a variety of strategies and techniques within and across various asset classes. The primary objective for these funds is to balance returns while limiting volatility by allocating capital to external portfolio managers selected for expertise in one or more investment strategies, which may include, but are not limited to, equity long/short, event driven, relative value, and directional. The following summarizes the redemption criteria for the hedge fund portfolio as of December 31, 2023:

<u>% of Hedge Funds</u>	<u>Redemption Criteria</u>	<u>Notice Period</u>
7%	Redeemable daily	1 day
11%	Redeemable weekly	30 days
13%	Redeemable monthly	60 days
43%	Redeemable quarterly	45-65 days
18%	Up to 12.5% redeemable quarterly on non-consecutive quarters	60 days
8%	Up to 12.5% redeemable quarterly	90 days

Private equity funds: These investments cannot be redeemed by the System; rather, the System has committed an amount to invest in the private funds over the respective commitment periods. After the commitment period has ended, the nature of the investments in this category is that the distributions are received through the liquidation of the underlying assets.

Adventist Health

Notes to Consolidated Financial Statements – Continued
(In millions of dollars)

Note C – Investments and Assets Whose Use Is Limited

The following is a summary of unrestricted investments and assets whose use is limited:

	December 31	
	2023	2022
Total unrestricted investments	\$ 2,009	\$ 1,806
Assets designated by the Board, primarily for property and equipment	27	29
Investments held by trustees for:		
Debt service	77	–
Future capital projects	72	73
Self-insurance programs	41	53
Charitable annuities and other	2	2
Total investments held by trustees	192	128
Donor-restricted investments for:		
Charitable trusts and life estate tenancies	5	5
Other purposes	8	7
Total donor-restricted investments	13	12
Total investments	2,241	1,975
Less short-term investments	131	51
Total noncurrent investments	\$ 2,110	\$ 1,924

Total investments and assets whose use is limited above excludes other investments of \$129 and \$119 at December 31, 2023 and 2022, respectively, which includes retirement plan assets, joint ventures, and partnerships that are included in other assets.

Liquidity Management: As part of its liquidity management, the System’s strategy is to structure its financial assets to be available to satisfy general operating expenses, current liabilities, and other obligations as they come due. The System invests cash in excess of daily requirements in short-term investments and has a committed syndicated line of credit and a commercial paper program to help manage unanticipated liquidity needs. Additionally, other unrestricted noncurrent investments of \$2,004 at December 31, 2023 may be utilized if necessary. Total cash and unrestricted investments was \$2,127 at December 31, 2023.

Adventist Health

Notes to Consolidated Financial Statements – Continued
(In millions of dollars)

Note C – Investments and Assets Whose Use Is Limited (continued)

The System’s financial assets available for general operating expenses within one year are as follows:

	December 31 2023
Cash and cash equivalents	\$ 91
Short-term investments	54
Patient accounts receivable	828
Receivables from third-party payors	610
Other current assets	111
	\$ 1,694

Note D – Investment Income

Net realized and unrealized investment income, including capital gains on unrestricted, board designated, and trustee-held funds, includes the following:

	Year Ended December 31	
	2023	2022
Realized (losses) gains, net	\$ (8)	\$ 111
Unrealized gains (losses), net	164	(430)
	156	(319)
Interest and dividend income	58	52
	\$ 214	\$ (267)

Interest and dividend income are included in other revenue. For purposes of performance evaluation, management considers interest and dividend earnings to be components of operating income. Realized and unrealized gains and losses are components of nonoperating income and are reported in investment income on the accompanying consolidated financial statements.

Changes in net unrealized gains and losses on other-than-trading debt securities, reported at fair value, are separately disclosed in the consolidated statements of operations and changes in net assets. Unrealized gains and losses associated with these securities relate principally to market changes in interest rates for similar types of securities. Since the System has the intent and ability to hold these securities for the foreseeable future, and it is more likely than not that the System will not be required to sell the investments before their recovery, the declines are not reported as realized unless they are deemed to be other than temporary. In determining whether the losses are other than temporary, the System considers the length of time and extent to which the fair value has been less than cost or carrying value, the financial strength of the issuer, and the intent and ability of the System to retain the security for a period of time sufficient to allow for anticipated recovery or maturity.

Adventist Health

Notes to Consolidated Financial Statements – Continued (In millions of dollars)

Note E – Patient Accounts Receivable

The System's primary concentration of credit risk is patient accounts receivable, which consists of amounts owed by various governmental agencies, insurance companies, and self-pay patients. The System manages its receivables by regularly reviewing its patient accounts and contracts and by providing appropriate price concessions for contractual reimbursement, policy discounts, and charity. These price concessions are estimated based upon an evaluation of governmental reimbursements, negotiated contracts, and historical payments.

The following is a summary of significant concentrations of net patient accounts receivable:

	December 31	
	2023	2022
Medicare	37%	35%
Medicaid	20	21
Other third-party payors	41	42
Self-pay	2	2
	<u>100%</u>	<u>100%</u>

Adventist Health

Notes to Consolidated Financial Statements – Continued
(In millions of dollars)

Note F – Property and Equipment

The following is a summary of property and equipment:

	December 31	
	<u>2023</u>	<u>2022</u>
Land	\$ 188	\$ 180
Land improvements	89	92
Buildings and improvements	3,237	3,065
Equipment	<u>1,519</u>	<u>1,384</u>
	5,033	4,721
Less accumulated depreciation	<u>(2,857)</u>	<u>(2,671)</u>
	2,176	2,050
Construction-in-progress	<u>91</u>	<u>73</u>
	<u><u>\$ 2,267</u></u>	<u><u>\$ 2,123</u></u>

The System has commitments to complete certain construction projects approximating \$13 (unaudited) at December 31, 2023.

The System is in the process of developing internal use software for clinical and financial operations. Amounts capitalized are included in property and equipment as follows:

	December 31	
	<u>2023</u>	<u>2022</u>
Equipment	\$ 298	\$ 288
Less accumulated depreciation	<u>(236)</u>	<u>(217)</u>
	62	71
Construction-in-progress	<u>3</u>	<u>10</u>
	<u><u>\$ 65</u></u>	<u><u>\$ 81</u></u>

Adventist Health

Notes to Consolidated Financial Statements – Continued
(In millions of dollars)

Note G – Long-Term Debt

The following is a summary of long-term debt:

	December 31	
	2023	2022
Non-taxable debt:		
Long-term bonds payable, with fixed rates currently ranging from 3.00% to 5.70%, payable in installments through 2054	\$ 1,189	\$ 1,118
Long-term bonds payable, with rates that vary with market conditions, payable in installments through 2041	119	44
Taxable debt:		
Long-term bonds payable, with fixed rates currently ranging from 2.43% to 5.43%, payable in installments through 2049	1,105	1,105
Long-term notes payable, with fixed rates currently ranging from 3.00% to 6.50%, payable in installments through 2045	67	71
Long-term revolving line of credit, with rates that vary with market conditions, payable in 2026	50	–
Net unamortized debt issuance costs and net original issue premium	51	62
	2,581	2,400
Less current maturities	(268)	(38)
	\$ 2,313	\$ 2,362

A master note under the master bond indenture provides security for substantially all long-term debt. Under the terms of the master bond indenture, substantially all System consolidated entities are jointly and severally obligated for the payments to be made under the master note. In addition, security is provided by bank letters of credit aggregating to \$122 at December 31, 2023. Bonds are not secured by any property of the System.

The System has a syndicate line of credit to meet temporary capital requirements and to provide flexibility in meeting the System’s capital needs of \$400. Draws outstanding under this line of credit were \$50 and \$0 at December 31, 2023 and 2022, respectively.

Adventist Health

Notes to Consolidated Financial Statements – Continued (In millions of dollars)

Note G – Long-Term Debt (continued)

The System is obligated under variable-rate demand instruments, which are subject to certain market risks. The letters of credit, which the System intends to renew on a long-term basis, expire between 2025 and 2029, with the arrangements converting any unpaid amounts to term loans due within three years after conversion. The term loans would bear interest based on a fixed rate, the Prime Rate, the Federal Funds Rate, the Secured Overnight Financing Rate or the 30-year U.S. Treasury bond yield.

Certain financing agreements impose limitations on the issuance of new debt by the System and require it to maintain specified financial ratios. The System was in compliance with its debt covenants at December 31, 2023.

Interest paid, net of amounts capitalized, totaled \$85 and \$68 in 2023 and 2022, respectively.

In December 2023, the System issued \$95 of bonds through the California Health Facilities Financing Authority (“CHFFA”) for the purpose of acquiring Adventist Health Specialty Bakersfield and Adventist Health White Memorial Montebello hospitals along with financing costs of construction and equipping health facilities of the System. The issuance of these bonds included a fixed-to-floating rate swap agreement. Under the swap, the System pays an initial bond rate subject to adjustment based on a floating interest rate equal to the Securities Industry and Financial Markets Association Index plus a spread. The swap agreement expires on January 2, 2029.

In December 2023, the System issued \$77 of variable rate demand bonds through CHFFA for the purpose of establishing a refunding escrow for the 2011 CHFFA A series bonds which will be refunded on March 1, 2024. On a pro forma basis, current maturities of long-term debt is \$191 and combined long-term debt and current maturities of long-term debt is \$2,505 after taking into account the escrow of the 2011 CHFFA bonds.

Scheduled maturities of long-term debt are as follows as of December 31, 2023:

	Long-Term Debt
2024	\$ 261
2025	31
2026	81
2027	33
2028	34
Thereafter	2,090
	<u>\$ 2,530</u>

Adventist Health

Notes to Consolidated Financial Statements – Continued (In millions of dollars)

Note H – Leases

The System leases certain locations, office space, land, and equipment. The System determines whether an arrangement contains a lease at inception. Assets held under finance leases are included in property and equipment. Operating leases are expensed on a straight-line basis over the life of the lease beginning on the commencement date. Any direct and indirect costs for the leases are expensed and are immaterial for the System.

At lease commencement, the System determines the lease term by assuming the exercise of the renewal options that are reasonably certain to be exercised. The exercise of lease renewal or termination options is at the System's sole discretion. The depreciable life of assets and leasehold improvements is limited by the expected lease terms, unless there is a transfer of title or purchase option reasonably certain of exercise.

Some lease agreements include rental payments based on annual percentage increases, and others include rental payments adjusted periodically for inflation. Certain leases require the System to pay real estate taxes, insurance, maintenance, and other operating expenses associated with the leased premises.

The System's lease agreements do not contain any material residual value guarantees or material restricted covenants.

The System uses the incremental borrowing rate based on the information available at the lease commencement date to determine the present value of lease payments.

The System elected the package of practical expedients within the lease transitional guidance, which allow it to carry forward its historical assessments of 1) whether contracts are or contain leases; 2) lease classification; and 3) initial direct costs, where applicable. The System also elected the practical expedient not to separate lease components from non-lease components for all existing lease classes. The System implemented a policy of not recording leases on its balance sheets when the leases have a term of 12 months or less. The System did not elect the practical expedient allowing the use of hindsight, which would require the System to reassess the term of its leases based on all facts and circumstances through the effective date.

Adventist Health

Notes to Consolidated Financial Statements – Continued
(In millions of dollars)

Note H – Leases (continued)

	Classification	December 31	
		2023	2022
Right-of-use assets			
Operating	Other assets	\$ 205	\$ 166
Finance	Other assets	5	7
		<u>\$ 210</u>	<u>\$ 173</u>
Current lease liabilities			
Operating	Other current liabilities	\$ 27	\$ 27
Finance	Other current liabilities	2	2
Noncurrent lease liabilities			
Operating	Other noncurrent liabilities	185	144
Finance	Other noncurrent liabilities	3	5
Total lease liabilities		<u>\$ 217</u>	<u>\$ 178</u>

	Classification	December 31	
		2023	2022
Operating lease expense			
Operating lease cost	Purchased services and other	\$ 35	\$ 38
Finance lease cost:			
Amortization of leased assets	Depreciation and amortization	\$ 2	\$ 2
Interest on lease liabilities	Interest	\$ –	\$ –

	December 31	
	2023	2022
Cash paid for amounts not included in the measurement of lease liabilities		
Operating cash outflows for operating leases	\$ 34	\$ 38

	December 31	
	2023	2022
Right-of-use assets obtained in exchange for lease obligations		
Operating	\$ 68	\$ 17
Finance	\$ 2	\$ –

Adventist Health

Notes to Consolidated Financial Statements – Continued
(In millions of dollars)

Note H – Leases (continued)

Operating lease payments include payments relating to options to extend lease terms that are reasonably certain of being exercised. Excluded are any legally binding lease payments for signed leases not yet commenced, which are immaterial for the System. Minimum lease payments for operating and finance leases with initial terms in excess of one year are as follows for the period ended December 31, 2022:

Maturity of Lease Liabilities	Operating Leases	Finance Leases
	<u> </u>	<u> </u>
2024	\$ 36	\$ 2
2025	32	2
2026	27	1
2027	25	–
2028	23	–
Thereafter	115	–
Total lease payments	<u>258</u>	<u>5</u>
Less imputed interest	(46)	–
	<u>\$ 212</u>	<u>\$ 5</u>

Lease Term and Discount Rate	December 31	
	2023	2022
	<u> </u>	<u> </u>
Weighted average operating remaining lease term (years)	9.86	9.90
Weighted average finance remaining lease term (years)	2.65	3.66
Weighted average operating lease discount rate	4.16%	3.56%
Weighted average finance lease discount rate	2.71%	2.71%

Adventist Health

Notes to Consolidated Financial Statements – Continued (In millions of dollars)

Note I – Net Assets With Donor Restrictions

The System receives donations from generous individuals and organizations that support certain programs and services. Donations included in net assets with donor restrictions were maintained for the following purposes:

	December 31	
	2023	2022
Subject to expenditure for specified purpose:		
Capital projects and medical equipment	\$ 38	\$ 24
Research and education	43	44
	81	68
Subject to passage of time	3	3
Investment in perpetuity – endowment	11	10
	\$ 95	\$ 81

The Board has designated certain net assets without donor restrictions funds to be used in the future for specific projects. Board-designated funds included in net assets without donor restrictions are held for the following purposes:

	December 31	
	2023	2022
Capital	\$ 16	\$ 17
Subject to expenditures for patient care, education, and other	6	6
Board designated – endowments	5	6
	\$ 27	\$ 29

Note J – Patient Service Revenue and Premium Revenue

Patient service revenue is reported at the amount the System expects to be paid for providing patient care. These amounts are due from patients and third-party payors (including health insurers and government programs) and include variable consideration for retroactive revenue adjustments due to the settlement of audits, reviews, and investigations. Generally, the System bills the patients and third-party payors soon after the services are performed.

Patient service revenue is recognized as performance obligations are satisfied based on the nature of the services provided by the System. Revenue for performance obligations that are satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. The System 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 receiving inpatient services. The System measures the performance obligation for inpatient services 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. The System measures the performance obligations for outpatient services over a period of less than one day when goods or services are provided and the System does not believe it is required to provide additional goods or services to the patient.

Adventist Health

Notes to Consolidated Financial Statements – Continued (In millions of dollars)

Note J – Patient Service Revenue and Premium Revenue (continued)

Because all its performance obligations relate to contracts with a duration of less than one year, the System has elected to apply the optional exemption provided in ASC 606. Under this exemption, the System 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. Since the unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient services at the end of the reporting period, the performance obligations for these contracts are generally completed within days or weeks of the end of the reporting period.

The System determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the System's policy, and other implicit price concessions provided to uninsured patients. The System determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and its historical settlement experience. The System determines its estimate of implicit price concessions for uninsured patients based on its historical collection experience with this class of patients.

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

- **Medicare:** Certain services are paid at prospectively determined rates based on clinical, diagnostic, and other factors. Certain services are paid based on cost-reimbursement methodologies (subject to certain limits) with final settlement determined after Medicare Administrative Contractors have audited annual cost reports submitted by the System. Physician services are paid based upon established fee schedules based on services provided.
- **Medicaid:** Reimbursements for Medicaid services are generally paid at prospectively determined rates per discharge, per occasion of service, or per covered member. Supplemental funding is generally provided by the various states in which the System operates for Medicaid Disproportionate Share and hospital fee programs.
- **Other:** Payment agreements with certain commercial insurance carriers, HMOs, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

The healthcare industry is subject to laws and regulations concerning government programs, including Medicare and Medicaid, which are complex and subject to varying interpretation. 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. While the System operates a compliance program, which reviews its compliance with these laws and regulations, there can be no assurance that regulatory authorities will not challenge the System's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the System. In addition, the contracts the System has with commercial payors also provide for retroactive audit and review of claims.

Adventist Health

Notes to Consolidated Financial Statements – Continued (In millions of dollars)

Note J – Patient Service Revenue and Premium Revenue (continued)

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the System'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 becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in the transaction price and from the finalization of prior-year settlements were immaterial for the years ended December 31, 2023 and 2022, respectively.

Consistent with the System's mission, care is provided to patients regardless of their ability to pay. Therefore, the System has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). For uninsured patients, the System applies a policy discount from standard charges to determine amounts billed to those patients. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the System expects to collect based on its collection history with that class of patients.

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to 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 bad debt expense. Bad debt expense for the years ended December 31, 2023 and 2022 was not significant.

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

	Year Ended December 31	
	2023	2022
Medicare	\$ 1,372	\$ 1,316
Medicaid	2,054	1,803
Other payors	1,837	1,569
	<u>\$ 5,263</u>	<u>\$ 4,688</u>

Adventist Health

Notes to Consolidated Financial Statements – Continued
(In millions of dollars)

Note J – Patient Service Revenue and Premium Revenue (continued)

The composition of patient service revenues by area of operation and business type is as follows:

	Year Ended December 31	
	2023	2022
Inpatient	\$ 2,736	\$ 2,672
Outpatient and other	1,471	1,107
Emergency	569	495
Physician services	592	523
Eliminations	(105)	(109)
Grand total	\$ 5,263	\$ 4,688

Premium revenues: The System has entered into payment agreements with certain HMOs to provide medical services to subscribing participants. Under these agreements, the System receives monthly capitation payments based on the number of each HMO's covered participants regardless of the services actually provided by the System. The transaction price may be adjusted for stop loss recoveries, ceded premiums, and risk adjustment factors. Performance obligations are satisfied over the passage of time by standing ready to provide services.

The composition of premium revenues based on area of operation and payor class is as follows:

	Year Ended December 31	
	2023	2022
Medicaid managed care	\$ 207	\$ 190
Other managed care	39	26
	\$ 246	\$ 216

The composition of premium revenues based on type of service and area of operation is as follows:

	Year Ended December 31	
	2023	2022
Institutional services	\$ 146	\$ 181
Professional services	100	35
	\$ 246	\$ 216

The System recorded variable consideration from state programs for serving a disproportionate share of Medicaid and low-income patients in the amount of \$71 and \$66 in 2023 and 2022, respectively, including final settlements on prior years.

Adventist Health

Notes to Consolidated Financial Statements – Continued (In millions of dollars)

Note J – Patient Service Revenue and Premium Revenue (continued)

The State of California enacted legislation for a hospital fee program to fund certain Medi-Cal program coverage expansions. The program charges hospitals a quality assurance fee that is used to obtain federal matching funds for Medi-Cal with the proceeds redistributed as supplemental payments to California hospitals that treat Medi-Cal patients. There was one hospital fee program active in 2023: a 24-month program covering the period from January 1, 2023 to December 31, 2024. On December 15, 2023, CMS approved the 8th HQAF program covering services between January 1, 2023 and December 31, 2024. Accordingly, all related supplemental payments have been recognized as variable consideration and related quality assurance fees recognized as expense as of December 31, 2023.

Federal and state payments received from these programs are included in patient service revenue, and fees paid or payable to the state and California Health Foundation and Trust (“CHFT”) are included in purchased services and other expenses, as follows:

	Year Ended December 31	
	2023	2022
Patient service revenue	\$ 510	\$ 401
Purchased services:		
Quality assurance fees	196	148
CHFT payments	3	3
Total purchased services and other expenses	199	151
Income from operations	\$ 311	\$ 250

Accrued net receivables related to the hospital fee programs are included in receivables from third-party payors, and amount to \$494 and \$415 as of December 31, 2023 and 2022, respectively.

Note K – COVID-19

On March 11, 2020, the World Health Organization declared the novel coronavirus disease (“COVID-19”) a pandemic. In response to COVID-19, the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) was enacted on March 27, 2020 and the American Rescue Plan (“ARP”) was enacted on March 11, 2021. The System received approximately \$11 during the year ended December 31, 2022 and an additional \$0 through December 31, 2023. The consolidated statements of operations and changes in net assets recognized contributions in other revenue in the amount of \$0 and \$71 for the years ended 2023 and 2022, respectively.

The System has submitted requests for public assistance to the Federal Emergency Management Agency (“FEMA”) for the cost of various expenses that resulted from the COVID-19 pandemic. For the year ended December 31, 2023, the System received approval for \$91 of grant requests which are included in other revenue. Of these grants, \$33 are recorded as other current receivables as of December 31, 2023.

Adventist Health

Notes to Consolidated Financial Statements – Continued (In millions of dollars)

Note L – Functional Classification of Expenses

The System groups like expenses into financial statement lines and classifies programmatic expenses by business line. Expenses that are attributable to one or more programs or supporting functions are allocated based on operating expenses, square footage, and other criteria.

The following is a functional classification of the System’s expenses:

	Year Ended December 31, 2023		
	Program Services	General and Administrative	Total
Employee compensation	\$ 2,260	\$ 556	\$ 2,816
Professional fees	753	75	828
Supplies	886	(8)	878
Purchased services and other	1,123	158	1,281
Interest	94	–	94
Depreciation and amortization	183	13	196
Total expenses	\$ 5,299	\$ 794	\$ 6,093

	Year Ended December 31, 2022		
	Program Services	General and Administrative	Total
Employee compensation	\$ 2,023	\$ 542	\$ 2,565
Professional fees	717	85	802
Supplies	780	6	786
Purchased services and other	1,029	206	1,235
Interest	68	–	68
Depreciation and amortization	180	10	190
Total expenses	\$ 4,797	\$ 849	\$ 5,646

Note M – Retirement Plan

Most of the System’s operating entities participate in a single defined contribution plan (the “Plan”). The Plan is exempt from the Employee Retirement Income Security Act of 1974. The Plan provides, among other things, that the employer will contribute 3% of wages plus additional amounts for employees earning more than the Social Security wage base capped by the IRS compensation limit for the Plan year. Additionally, the Plan provides that the employer will match 50% of the employee’s contributions up to 4% of the contributing employee’s wages. Substantially all full-time employees who are at least 18 years of age are eligible for coverage in the Plan. The cost to the System for the Plan is included in employee compensation in the amount of \$93 and \$74 for the years ended December 31, 2023 and 2022, respectively.

Adventist Health

Notes to Consolidated Financial Statements – Continued

(In millions of dollars)

Note N – Self-Insurance Liability Programs

The System has established a separate self-insurance program (the “System Program”) that covers the System’s entities for professional and general liability claims up to \$9 per occurrence and \$30 and \$25 in the aggregate for the years ended December 31, 2023 and 2022, respectively. The System contracts with Adhealth, Limited (“Adhealth”), a Bermuda company, to provide excess coverage for professional and general liability claims that exceed the System Program limits. Adhealth provided excess coverage with aggregate and per claim limits of \$120 for professional and general liability claims for the years ended December 31, 2023 and 2022, which brought total coverage per claim and aggregate limits to \$129 for the years ended December 31, 2023 and 2022. Adhealth has purchased reinsurance through commercial insurers for 100% of the excess limits of coverage.

Claim liabilities (reserves) for future losses and related loss adjustment expenses for professional liability claims have been determined by an actuary at the present value of future claim payments using a 2% discount rate for program years 2023 and 2022. Such claim reserves are based on the best data available to the System; however, these estimates are subject to a significant degree of inherent variability. Accordingly, there is at least a reasonable possibility that a material change to the estimated reserves will occur in the near term. The System Program’s accrued liability for professional and general liability claims is included in the consolidated balance sheets in the amount of \$116 and \$128 at December 31, 2023 and 2022, respectively.

The System has a 50% ownership position in Adhealth at December 31, 2023 and 2022, and accounts for its investment using the equity method of accounting. The cost of acquiring commercial insurance by Adhealth is reflected as an expense in the consolidated statements of operations and changes in net assets.

The System maintains a self-insured workers’ compensation plan to pay for the cost of workers’ compensation claims. The System has entered into an excess insurance agreement with an insurance company to limit its losses on claims. The cost of workers’ compensation claims is accrued using actuarially determined estimates that are based on historical factors. Such claim reserves are based on the best data available to the System; however, these estimates are subject to a significant degree of inherent variability. Accordingly, there is at least a reasonable possibility that a material change to the estimated reserves will occur in the near term.

Workers’ compensation claim liabilities have been determined by an actuary at the present value of future claim payments using a 2% discount rate for program years 2023 and 2022. The System’s accrued liability for workers’ compensation claims is recorded in the consolidated balance sheets in the amount of \$86 and \$85 at December 31, 2023 and 2022, respectively.

Adventist Health

Notes to Consolidated Financial Statements – Continued (In millions of dollars)

Note O – Commitments and Contingencies

Certain member organizations are involved in litigation and investigations arising in the ordinary course of business. In addition, certain member organizations in the ordinary course of business identified matters that they have reported to CMS, CMS contractors, or Medicaid/Medi-Cal contractors. Such disclosures typically involve simple repayment of affected claims; however, federal and state contractors may refer these matters to the Department of Health and Human Services' Office of Inspector General to investigate whether certain member organizations have submitted false claims to the Medicare and Medicaid programs or have violated other laws. Submission of false claims or violation of other laws can result in substantial civil and/or criminal penalties and fines, including treble damages and/or possible debarment from future participation in such programs. The System is committed to cooperating in such investigations as they arise. Although management does not believe these matters will have a material adverse effect on the System's consolidated financial position, there can be no assurance that this will be the case.

Note P – Camp Fire Impact

For the year ended December 31, 2023, the System received insurance payments of \$0 and a final payment of \$30 from the PG&E bankruptcy trust, all of which is applicable to business interruption losses. The System does not expect to receive any further insurance or PG&E bankruptcy trust payments related to the 2018 Camp Fire.

Note Q – Acquisitions

The System entered into purchase agreement on April 21, 2023 with NWI Bakersfield Hospital, LP, a Delaware limited partnership ("NWI"), dba: Bakersfield Heart Hospital, located in Bakersfield, California. This agreement was effective May 31, 2023. This purchase allowed the System the ability to provide expanded healthcare services in the Central California Region. The System recorded a gain on acquisition of \$17, which is reported as a gain on acquisition and divestitures in a separate line in the accompanying consolidated financial statements. No intangible assets were recorded as a result of this affiliation. In addition, the System entered into a separate asset purchase agreement with NWI for the purchase of two real properties in Bakersfield.

The System entered into an affiliation agreement with MCMC Mid-Columbia Medical Center, an Oregon nonprofit public benefit corporation ("MCMC"), dba: Mid-Columbia Gorge, located in The Dalles, Oregon. Stone Point Health ("Stone Point"), a California nonprofit, charitable, public benefit corporation whose sole member is Adventist Health, became the sole corporate member of MCMC. This agreement was effective June 1, 2023. This acquisition allowed the System the ability to provide expanded healthcare services in the Oregon market. The System committed to invest \$100 in capital expenditures to be invested in MCMC (the "Capital Commitment") during the 10 years immediately following the closing date. The affiliation resulted in the System recording a gain on acquisition of \$43, which is reported as a gain on acquisition and divestitures in a separate line in the accompanying consolidated financial statements. No intangible assets were recorded.

Adventist Health

Notes to Consolidated Financial Statements – Continued

(In millions of dollars)

Note Q – Acquisitions (continued)

On August 7, 2023, there was an Asset Purchase Agreement (“Agreement”) between White Memorial Medical Center, a California nonprofit religious corporation; DBA Adventist Health White Memorial (“White” or “AHWM”), as Purchaser; and Beverly Community Hospital Association DBA Beverly Hospital, a California nonprofit public benefit corporation, and Montebello Community Health Services, a California nonprofit public benefit corporation, as Sellers. The Agreement was filed in a bid in Bankruptcy Court. The Agreement was approved by the Bankruptcy Court and the closing date of the Agreement was September 7, 2023. The purchase was for \$43 and resulted in the System recording a gain on acquisition of \$20, which is reported as a gain on acquisition and divestitures in a separate line in the accompanying consolidated financial statements. No intangible assets were recorded as a result of this Agreement. This purchase will expand the System’s mission in the Southern California Network.

The fair value of assets acquired and liabilities assumed at the acquisition dates consisted of the following:

Assets acquired:		
Cash and cash equivalents	\$	7
Short-term investments		6
Patient accounts receivable		34
Property and equipment		113
Other assets, including noncurrent investments		93
	\$	<u>253</u>
Liabilities assumed:		
Accounts payable and current liabilities	\$	93
Other noncurrent liabilities		30
		<u>123</u>
Net assets without donor restrictions – controlling		<u>130</u>
Less:		
Cash considerations		43
Acquisition cost		7
Gain on acquisitions and divestitures	\$	<u><u>80</u></u>

Acquisition results of operations and changes in net assets were included in the System’s consolidated financial statements. Summary operating results, exclusive of the gain on acquisition recorded at acquisition, were as follows for the period ended December 31, 2023:

Revenues and support	\$	127
Excess of revenues over expense		(26)
Decrease in net assets without donor restrictions		(1)

Adventist Health

Notes to Consolidated Financial Statements – Continued (In millions of dollars)

Note Q – Acquisitions (continued)

The following pro forma consolidated operating results for the years ended December 31, 2023 and 2022 give effect to the acquisitions as if they had occurred on January 1, 2022. Pro forma amounts for both periods were adjusted to exclude the gain on acquisition recognized from acquisitions. The pro forma consolidated operating results do not necessarily represent the System's consolidated operating results had the acquisitions occurred on the date assumed, nor are these results necessarily indicative of the System's future consolidated operating results.

	Year Ended December 31	
	2023	2022
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Pro forma revenues and support	\$ 6,112	\$ 5,767
Pro forma excess of revenues over expense	(9)	(693)

Note R – Subsequent Events

The System has evaluated subsequent events and disclosed all material events through March 22, 2024, the date the accompanying consolidated financial statements were issued.

In February 2024, Adventist Health signed definitive agreements to purchase from Tenet Healthcare, Sierra Vista Regional Medical Center and Twin Cities Community Hospital, located on the Central California Coast. This includes the related physician practices and imaging centers. The transaction is expected to be completed in the spring of 2024, subject to customary regulatory approvals, clearances, and closing conditions.

The following pro forma consolidated operating results for the years ended December 31, 2023 and 2022 give effect to the potential acquisition as if it had occurred on January 1, 2022. The pro forma consolidated operating results do not necessarily represent the System's consolidated operating results had the acquisition occurred on the date assumed, nor are these results necessarily indicative of the System's future consolidated operating results.

	Year Ended December 31	
	2023	2022
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Pro forma revenues and support	\$ 6,304	\$ 5,712
Pro forma excess of revenues over expense	154	(517)



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Report of Independent Auditors on Supplementary Information

The Board of Directors
Adventist Health System/West

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying consolidating financial statement schedules for Adventist Health System/West is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Ernst & Young LLP

March 22, 2024

Adventist Health
Consolidating Balance Sheets
(In millions of dollars)
December 31, 2023

	Consolidated Balances	Adjustments and Eliminations	Adventist Health System Office	Adventist Health Bakersfield	Adventist Health Care Network	Adventist Health Castle	Adventist Health Clear Lake	Adventist Health Columbia Gorge	Adventist Health Delano	Adventist Health Feather River	Adventist Health Glendale	Adventist Health Hanford	Adventist Health Howard Memorial	Adventist Health Lodi Memorial
Assets														
Cash and cash equivalents	\$ 91	\$ (1,807)	\$ 30	\$ 74	\$ 4	\$ 65	\$ 42	\$ 7	\$ 107	\$ 3	\$ –	\$ 448	\$ 60	\$ –
Short-term investments	131	–	126	–	–	–	–	4	–	–	1	–	–	–
Patient accounts receivable	828	(13)	1	86	–	30	20	21	14	–	93	46	11	45
Receivables from third-party payors	610	(2)	–	79	–	4	37	1	29	5	20	93	15	36
Other current assets	293	(797)	634	63	1	11	6	2	4	–	23	14	3	22
Total current assets	1,953	(2,619)	791	302	5	110	105	35	154	8	137	601	89	103
Noncurrent investments	2,110	(9)	2,057	–	–	16	–	1	–	3	3	–	–	–
Other assets	500	14	195	9	–	23	9	27	–	–	32	46	10	6
Property and equipment, net	2,267	–	250	200	–	131	38	32	44	9	163	151	38	116
Total assets	<u>\$ 6,830</u>	<u>\$ (2,614)</u>	<u>\$ 3,293</u>	<u>\$ 511</u>	<u>\$ 5</u>	<u>\$ 280</u>	<u>\$ 152</u>	<u>\$ 95</u>	<u>\$ 198</u>	<u>\$ 20</u>	<u>\$ 335</u>	<u>\$ 798</u>	<u>\$ 137</u>	<u>\$ 225</u>
Liabilities and net assets														
Accounts payable	\$ 391	\$ –	\$ 152	\$ 30	\$ –	\$ 7	\$ 6	\$ 4	\$ 7	\$ –	\$ 22	\$ 15	\$ 4	\$ 15
Accrued compensation and related payables	361	(13)	209	13	–	7	7	8	4	–	18	11	3	9
Liabilities to third-party payors	82	(1)	19	7	–	–	10	1	–	1	3	5	8	–
Other current liabilities	179	(713)	288	111	4	14	12	4	5	–	35	26	5	25
Short-term financing	150	(354)	153	–	–	–	–	–	–	–	62	–	–	16
Current maturities of long-term debt	268	–	106	8	–	9	8	–	3	–	12	21	2	9
Total current liabilities	1,431	(1,081)	927	169	4	37	43	17	19	1	152	78	22	74
Long-term debt, net of current maturities	2,313	(88)	513	151	1	63	58	18	39	–	208	212	25	126
Other noncurrent liabilities	362	(1,445)	1,594	7	–	10	9	23	–	–	21	22	8	4
Total liabilities	4,106	(2,614)	3,034	327	5	110	110	58	58	1	381	312	55	204
Net assets (deficit) without donor restrictions:														
Controlling	2,609	–	253	171	–	164	41	37	140	16	(61)	485	81	19
Noncontrolling	20	–	–	–	–	1	–	–	–	–	–	–	–	–
Net assets with donor restrictions	95	–	6	13	–	5	1	–	–	3	15	1	1	2
Total net assets (deficit)	2,724	–	259	184	–	170	42	37	140	19	(46)	486	82	21
Total liabilities and net assets	<u>\$ 6,830</u>	<u>\$ (2,614)</u>	<u>\$ 3,293</u>	<u>\$ 511</u>	<u>\$ 5</u>	<u>\$ 280</u>	<u>\$ 152</u>	<u>\$ 95</u>	<u>\$ 198</u>	<u>\$ 20</u>	<u>\$ 335</u>	<u>\$ 798</u>	<u>\$ 137</u>	<u>\$ 225</u>

See accompanying auditors' report on supplementary information.

Adventist Health Mendocino Coast	Adventist Health Physicians Network	Adventist Health Plan	Adventist Health Portland	Adventist Health Reedley	Adventist Health and Rideout	Adventist Health Simi Valley	Adventist Health Sonora	Adventist Health St. Helena	Adventist Health Tehachapi Valley	Adventist Health Tillamook	Adventist Health Tulare	Adventist Health Ukiah Valley	Adventist Health White Memorial	Western Health Resources
\$ 18	\$ 7	\$ 13	\$ 43	\$ 161	\$ -	\$ -	\$ 208	\$ -	\$ 17	\$ 69	\$ -	\$ 106	\$ 416	\$ -
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20	14	-	56	20	80	35	40	34	9	15	10	25	104	12
4	2	1	2	33	45	5	29	21	9	-	14	36	92	-
4	19	-	38	2	26	9	10	15	3	5	2	9	165	-
46	42	14	139	216	151	49	287	70	38	89	26	176	777	12
-	-	-	-	-	-	-	-	39	-	-	-	-	-	-
5	-	-	24	38	10	13	10	7	1	2	2	14	1	2
5	-	-	138	49	312	105	77	101	38	10	14	71	174	1
<u>\$ 56</u>	<u>\$ 42</u>	<u>\$ 14</u>	<u>\$ 301</u>	<u>\$ 303</u>	<u>\$ 473</u>	<u>\$ 167</u>	<u>\$ 374</u>	<u>\$ 217</u>	<u>\$ 77</u>	<u>\$ 101</u>	<u>\$ 42</u>	<u>\$ 261</u>	<u>\$ 952</u>	<u>\$ 15</u>
\$ 5	\$ 5	\$ -	\$ 18	\$ 9	\$ 21	\$ 7	\$ 12	\$ 11	\$ 3	\$ 4	\$ 3	\$ 8	\$ 20	\$ 3
1	3	-	10	5	17	6	7	6	1	3	2	6	15	3
-	-	1	-	6	4	1	-	12	-	2	-	1	2	-
11	15	10	30	14	27	13	17	19	3	6	6	23	163	6
-	-	-	-	-	50	57	-	116	-	-	33	-	-	17
-	-	-	5	11	12	5	11	5	13	1	8	6	13	-
17	23	11	63	45	131	89	47	169	20	16	52	44	213	29
50	-	-	89	41	236	96	76	63	50	5	111	50	119	1
3	2	-	23	27	11	7	7	5	-	2	-	12	9	1
70	25	11	175	113	378	192	130	237	70	23	163	106	341	31
(15)	17	3	121	189	76	(25)	242	(46)	7	78	(121)	151	602	(16)
-	-	-	-	-	19	-	-	-	-	-	-	-	-	-
1	-	-	5	1	-	-	2	26	-	-	-	4	9	-
(14)	17	3	126	190	95	(25)	244	(20)	7	78	(121)	155	611	(16)
<u>\$ 56</u>	<u>\$ 42</u>	<u>\$ 14</u>	<u>\$ 301</u>	<u>\$ 303</u>	<u>\$ 473</u>	<u>\$ 167</u>	<u>\$ 374</u>	<u>\$ 217</u>	<u>\$ 77</u>	<u>\$ 101</u>	<u>\$ 42</u>	<u>\$ 261</u>	<u>\$ 952</u>	<u>\$ 15</u>

Adventist Health
Consolidating Statements of Operations and Changes in Net Assets
(In millions of dollars)
Year Ended December 31, 2023

	Consolidated Balances	Adjustments and Eliminations	Adventist Health System Office	Adventist Health Bakersfield	Adventist Health Care Network	Adventist Health Castle	Adventist Health Clear Lake	Adventist Health Columbia Gorge	Adventist Health Delano	Adventist Health Feather River	Adventist Health Glendale	Adventist Health Hanford	Adventist Health Howard Memorial	Adventist Health Lodi Memorial
Revenues and support														
Patient service revenue	\$ 5,263	\$ (109)	\$ (21)	\$ 559	\$ –	\$ 217	\$ 170	\$ 65	\$ 96	\$ –	\$ 546	\$ 359	\$ 90	\$ 283
Premium revenue	246	(31)	–	–	17	8	6	2	–	–	–	30	4	–
Other revenue	450	(637)	734	28	–	21	12	4	10	–	45	19	2	22
Net assets released from restrictions for operations	26	–	1	2	–	1	3	–	–	–	1	–	–	–
Total unrestricted revenues and support	5,985	(777)	714	589	17	247	191	71	106	–	592	408	96	305
Expenses														
Employee compensation	2,816	(121)	397	228	–	122	80	47	45	–	250	154	40	119
Professional fees	828	–	46	59	–	12	40	5	13	–	51	40	13	40
Supplies	878	–	(7)	118	–	46	14	11	12	–	105	49	12	44
Purchased services and other	1,281	(656)	275	169	17	64	40	13	29	2	178	123	22	90
Interest	94	(28)	27	4	–	3	2	1	1	–	12	8	1	5
Depreciation and amortization	196	–	32	16	–	9	3	2	4	–	15	15	4	10
Total expenses	6,093	(805)	770	594	17	256	179	79	104	2	611	389	92	308
(Loss) income from operations	(108)	28	(56)	(5)	–	(9)	12	(8)	2	(2)	(19)	19	4	(3)
Nonoperating income														
Investment income (loss)	156	(28)	5	4	–	9	4	1	9	5	1	38	5	–
Gain (loss) on acquisitions and divestitures	80	–	(1)	18	–	–	–	44	–	–	–	–	–	–
Other nonoperating (loss) gains	(12)	–	(12)	–	–	–	–	–	–	–	–	–	–	–
Total nonoperating income (loss)	224	(28)	(8)	22	–	9	4	45	9	5	1	38	5	–
Excess (deficit) of revenues over expenses	116	–	(64)	17	–	–	16	37	11	3	(18)	57	9	(3)
Less: excess of revenues over expenses from noncontrolling interests	(5)	–	–	–	–	(1)	–	–	–	–	–	–	–	–
Excess (deficit) of revenues over expense from controlling interests	111	–	(64)	17	–	(1)	16	37	11	3	(18)	57	9	(3)

See accompanying auditors' report on supplementary information.

Adventist Health Mendocino Coast	Adventist Health Physicians Network	Adventist Health Plan	Adventist Health Portland	Adventist Health Reedley	Adventist Health and Rideout	Adventist Health Simi Valley	Adventist Health Sonora	Adventist Health St. Helena	Adventist Health Tehachapi Valley	Adventist Health Tillamook	Adventist Health Tulare	Adventist Health Ukiah Valley	Adventist Health White Memorial	Western Health Resources
\$ 82	\$ 150	\$ –	\$ 371	\$ 186	\$ 495	\$ 210	\$ 303	\$ 237	\$ 59	\$ 112	\$ 59	\$ 196	\$ 493	\$ 55
–	8	52	4	3	–	–	–	29	–	–	–	48	66	–
1	10	–	31	3	21	10	26	33	4	4	6	16	25	–
–	2	–	–	3	1	–	–	2	–	–	2	2	6	–
83	170	52	406	195	517	220	329	301	63	116	67	262	590	55
37	77	–	207	86	235	102	127	103	27	49	38	85	237	45
20	134	–	33	46	56	15	46	31	7	17	13	45	44	2
10	21	–	57	13	69	30	63	59	5	13	10	43	79	2
19	(65)	51	94	45	161	71	66	104	14	27	23	77	219	9
2	1	–	3	2	17	7	3	9	2	–	6	2	3	1
1	–	–	15	4	17	8	7	10	2	1	2	6	13	–
89	168	51	409	196	555	233	312	316	57	107	92	258	595	59
(6)	2	1	(3)	(1)	(38)	(13)	17	(15)	6	9	(25)	4	(5)	(4)
1	1	–	5	14	8	–	17	1	1	5	–	10	40	–
–	–	–	–	–	–	–	–	–	–	–	–	–	19	–
–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
1	1	–	5	14	8	–	17	1	1	5	–	10	59	–
(5)	3	1	2	13	(30)	(13)	34	(14)	7	14	(25)	14	54	(4)
–	–	–	–	–	(4)	–	–	–	–	–	–	–	–	–
(5)	3	1	2	13	(34)	(13)	34	(14)	7	14	(25)	14	54	(4)

Adventist Health
Consolidating Statements of Operations and Changes in Net Assets (continued)
(In millions of dollars)
Year Ended December 31, 2023

	<u>Consolidated Balances</u>	<u>Adjustments and Eliminations</u>	<u>Adventist Health System Office</u>	<u>Adventist Health Bakersfield</u>	<u>Adventist Health Care Network</u>	<u>Adventist Health Castle</u>	<u>Adventist Health Clear Lake</u>	<u>Adventist Health Columbia Gorge</u>	<u>Adventist Health Delano</u>	<u>Adventist Health Feather River</u>	<u>Adventist Health Glendale</u>	<u>Adventist Health Hanford</u>	<u>Adventist Health Howard Memorial</u>	<u>Adventist Health Lodi Memorial</u>
Net assets without donor restrictions														
Controlling														
Excess (deficit) of revenues over expenses from controlling interests	\$ 111	\$ –	\$ (64)	\$ 17	\$ –	\$ (1)	\$ 16	\$ 37	\$ 11	\$ 3	\$ (18)	\$ 57	\$ 9	(3)
Net change in unrealized gains on other-than-trading securities	2	–	2	–	–	–	–	–	–	–	–	–	–	–
Net assets released from restrictions for capital additions	11	–	–	1	–	2	–	–	–	–	–	1	–	–
Transfers from (to) related parties	–	–	210	(4)	–	1	(1)	–	–	(166)	(14)	(2)	–	(2)
Increase (decrease) in net assets without donor restrictions – controlling	124	–	148	14	–	2	15	37	11	(163)	(32)	56	9	(5)
Noncontrolling														
Excess of revenues over expenses from noncontrolling interests	5	–	–	–	–	1	–	–	–	–	–	–	–	–
Increase in net assets without donor restrictions – noncontrolling	5	–	–	–	–	1	–	–	–	–	–	–	–	–
Net assets with donor restrictions														
Restricted gifts and grants	52	–	4	13	–	1	1	–	–	1	6	2	–	1
Net assets released from restrictions	(38)	–	(1)	(3)	–	(3)	(2)	–	–	–	(1)	(2)	–	–
Increase (decrease) in net assets with donor restrictions	14	–	3	10	–	(2)	(1)	–	–	1	5	–	–	1
Increase (decrease) in net assets	143	–	151	24	–	1	14	37	11	(162)	(27)	56	9	(4)
Net assets, beginning of year	2,581	–	108	160	–	169	28	–	129	181	(19)	430	73	25
Net assets, end of year	<u>\$ 2,724</u>	<u>\$ –</u>	<u>\$ 259</u>	<u>\$ 184</u>	<u>\$ –</u>	<u>\$ 170</u>	<u>\$ 42</u>	<u>\$ 37</u>	<u>\$ 140</u>	<u>\$ 19</u>	<u>\$ (46)</u>	<u>\$ 486</u>	<u>\$ 82</u>	<u>\$ 21</u>

See accompanying auditors' report on supplementary information.

Adventist Health Mendocino Coast	Adventist Health Physicians Network	Adventist Health Plan	Adventist Health Portland	Adventist Health Reedley	Adventist Health and Rideout	Adventist Health Simi Valley	Adventist Health Sonora	Adventist Health St. Helena	Adventist Health Tehachapi Valley	Adventist Health Tillamook	Adventist Health Tulare	Adventist Health Ukiah Valley	Adventist Health White Memorial	Western Health Resources
\$ (5)	\$ 3	\$ 1	\$ 2	\$ 13	\$ (34)	\$ (13)	\$ 34	\$ (14)	\$ 7	\$ 14	\$ (25)	\$ 14	\$ 54	\$ (4)
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	1	-	-	-	2	1	-	-	3	-
-	-	-	(5)	(1)	(4)	(3)	(2)	(2)	-	-	-	(1)	(8)	4
(5)	3	1	(3)	12	(37)	(16)	32	(16)	9	15	(25)	13	49	-
-	-	-	-	-	4	-	-	-	-	-	-	-	-	-
-	-	-	-	-	4	-	-	-	-	-	-	-	-	-
-	3	-	-	2	2	(1)	1	3	-	1	2	2	8	-
-	(3)	-	-	(2)	(2)	-	-	(2)	(2)	(1)	(2)	(3)	(9)	-
-	-	-	-	-	-	(1)	1	1	(2)	-	-	(1)	(1)	-
(5)	3	1	(3)	12	(33)	(17)	33	(15)	7	15	(25)	12	48	-
(9)	14	2	129	178	128	(8)	211	(5)	-	63	(96)	143	563	(16)
<u>\$ (14)</u>	<u>\$ 17</u>	<u>\$ 3</u>	<u>\$ 126</u>	<u>\$ 190</u>	<u>\$ 95</u>	<u>\$ (25)</u>	<u>\$ 244</u>	<u>\$ (20)</u>	<u>\$ 7</u>	<u>\$ 78</u>	<u>\$ (121)</u>	<u>\$ 155</u>	<u>\$ 611</u>	<u>\$ (16)</u>

Section 4(b)(4)
Includes all members of the Obligated Group

Debt Service Coverage	<u>2023</u>
Excess of Revenues over Expenses from Continuing Operations	\$ 155
Net unrealized (gains) losses on investments	(141)
Depreciation, amortization, interest expense and other excluded items	<u>256</u>
Income available for debt service	270
Maximum annual debt service	145
Debt service coverage ratio	<u><u>1.9</u></u>

Capitalization	<u>2023</u>
Long-term Debt (including current maturities)	\$ 2,577
Unrestricted Net Assets	<u>2,680</u>
Total Capitalization	5,257
Total Long-term Debt as a Percentage of Total Capitalization	<u><u>49.0%</u></u>

Days Cash on Hand	<u>2023</u>
Unrestricted Cash and Investments	\$ 2,263
Expenses per Day	12.3
Days Cash on Hand	<u><u>184.0</u></u>

**Adventist Health System/West
Municipal Secondary Market Disclosure
December 31, 2023
(In millions of dollars)**

The following information is provided pursuant to Section 3(b) of the Continuing Disclosure Certificate executed by the System in connection with the issuance of:

California Health Facilities Financing Authority Revenue Bonds, 2009 Series B
California Health Facilities Financing Authority Revenue Bonds, 2013 Series A

Section 3(b)(2) Long-term debt disclosure:

On December 31, 2023, the long-term debt of the Members of the Obligated Group (including current maturities) totaled \$2,577. Of that amount, \$169 was variable interest rate debt, with the remaining \$2,408 being fixed interest rate debt.

Section 3(b)(3) Statement regarding accounts receivable liens:

During the twelve months ended December 31, 2023 no Member of the Obligated Group has granted a Lien on accounts receivable nor sold any accounts receivable as permitted under the Master Indenture.

Section 4(b)(1). Below is a listing of the System's hospital facilities, grouped by state, and sorted within each state alphabetically.

Summary Listing of the System's Hospitals

Obligated Group Hospital Name	Location	Number of Licensed Beds at December 31, 2023	2023 Patient Service Revenue (in millions)
Adventist Health Bakersfield	Bakersfield, CA	301	\$559
Adventist Health Clear Lake ⁽¹⁾	Clearlake, CA	25	170
Adventist Health Delano	Delano, CA	156	96
Adventist Health Hanford	Hanford, CA	235	359
Adventist Health Feather River	Paradise, CA	-	-
Adventist Health Glendale	Glendale, CA	515	546
Adventist Health Howard Memorial ⁽¹⁾	Willits, CA	25	90
Adventist Health Lodi Memorial	Lodi, CA	194	283
Adventist Health Reedley	Reedley, CA	49	186
Adventist Health Simi Valley	Simi Valley, CA	144	210
Adventist Health Sonora	Sonora, CA	152	303
Adventist Health Tehachapi Valley ⁽¹⁾	Tehachapi, CA	25	59
Adventist Health Ukiah Valley	Ukiah, CA	68	196
Adventist Health White Memorial	Los Angeles, CA	545	493
Adventist Health Castle	Kailua, HI	160	217
Adventist Health Portland	Portland, OR	302	371
Adventist Health Tillamook ⁽¹⁾	Tillamook, OR	25	112
Non-Obligated Group Hospital Name			
Adventist Health Columbia Gorge	The Dalles, OR	49	65
Adventist Health Mendocino Coast ⁽¹⁾	Fort Bragg, CA	25	82
Adventist Health and Rideout	Marysville, CA	366	495
Adventist Health St Helena	Deer Park, CA	212	237
Adventist Health Tulare	Tulare, CA	108	59

⁽¹⁾ Critical Access Hospital.

Source: The Corporation.

Adventist Health System/West
Obligated Group Operating Statistics

Section 4(b)(5)

	Payor Mix		
	2021	2022	2023
Medicare	43.9%	45.0%	45.1%
Medicaid	30.4%	30.0%	30.7%
HMO/PPO	21.2%	17.8%	17.2%
Commercial	2.5%	5.0%	4.5%
Self-Pay and Other	1.9%	2.2%	2.5%

Section 4(b)(6)

<u>Hospital</u>	Patient Days (Including Sub-Acute)		
	2021	2022	2023
Adventist Health Hanford	52,475	44,025	40,479
Adventist Health Portland	30,810	35,095	33,912
Adventist Health Reedley	7,703	7,176	6,241
Adventist Health Castle	25,679	25,662	24,612
Adventist Health Feather River	-	-	-
Adventist Health Glendale	91,885	86,884	98,807
Adventist Health Howard Memorial	8,067	6,982	6,101
Adventist Health Lodi Memorial	30,723	32,567	34,813
Adventist Health Clearlake	6,064	5,841	5,463
Adventist Health Bakersfield	70,154	65,669	68,335
Adventist Health Delano	25,737	23,412	22,891
Adventist Health Tehachapi Valley	6,017	3,486	3,226
Adventist Health Sonora	34,809	32,453	32,496
Adventist Health Simi Valley	34,047	31,948	30,018
Tillamook Regional Medical Center	4,160	3,969	3,454
Adventist Health Ukiah Valley	13,797	13,262	12,142
Adventist Health White Memorial	79,272	80,667	86,319
	<u>521,399</u>	<u>499,098</u>	<u>509,309</u>

Hospital

	Average Length of Stay		
	2021	2022	2023
Adventist Health Hanford	4.11	4.64	4.38
Adventist Health Portland	4.70	4.60	4.55
Adventist Health Reedley	4.06	3.99	3.69
Adventist Health Castle	4.04	4.12	3.90
Adventist Health Feather River	-	-	-
Adventist Health Glendale	5.15	5.15	5.52
Adventist Health Howard Memorial	3.74	4.12	4.03
Adventist Health Lodi Memorial	4.72	4.53	4.57
Adventist Health Clearlake	4.29	4.92	4.10
Adventist Health Bakersfield	4.17	4.13	4.12
Adventist Health Delano	10.95	11.01	10.84
Adventist Health Tehachapi Valley	3.10	3.54	3.77
Adventist Health Sonora	6.66	7.29	7.27
Adventist Health Simi Valley	4.29	4.51	4.29
Tillamook Regional Medical Center	3.68	3.99	3.75
Adventist Health Ukiah Valley	3.79	4.01	3.76
Adventist Health White Memorial	4.64	4.52	4.79
	<u>4.89</u>	<u>4.76</u>	<u>4.79</u>

Adventist Health System/West
Obligated Group Operating Statistics

Section 4(b)(6)

Hospital	Discharges (Including Sub-Acute)		
	2021	2022	2023
Adventist Health Hanford	10,709	9,495	9,247
Adventist Health Portland	7,465	7,628	7,453
Adventist Health Reedley	1,768	1,799	1,691
Adventist Health Castle	6,350	6,232	6,305
Adventist Health Feather River	-	-	-
Adventist Health Glendale	16,884	16,887	17,895
Adventist Health Howard Memorial	1,865	1,696	1,513
Adventist Health Lodi Memorial	6,898	7,194	7,620
Adventist Health Clearlake	1,360	1,186	1,332
Adventist Health Bakersfield	15,743	15,906	16,597
Adventist Health Delano	2,139	2,127	2,112
Adventist Health Tehachapi Valley	1,126	985	856
Adventist Health Sonora	4,872	4,449	4,469
Adventist Health Simi Valley	7,447	7,090	6,998
Tillamook Regional Medical Center	1,078	994	922
Adventist Health Ukiah Valley	3,496	3,304	3,231
Adventist Health White Memorial	17,385	17,848	18,030
	<u>106,585</u>	<u>104,820</u>	<u>106,271</u>

Section 4(b)(7)

	Other Key Volume Indicators		
	2021	2022	2023
Number of Licensed Beds	2,682	2,682	2,921
Discharges	106,585	104,820	106,271
Patient Days	521,399	499,098	509,309
Occupancy - Licensed Beds	53.3%	51.0%	47.8%
Average Length of Stay	4.89	4.76	4.79
Outpatient Revenues as % of Gross Pt. Revenues	46.6%	50.3%	51.7%



Management Discussion and Analysis of Financial Condition and Results of Operations

(Dollars in millions)

Year End: December 31, 2023

Adventist Health Overview

Adventist Health System/West, doing business as Adventist Health, is a faith-based, nonprofit organization. The health system serves more than 80 communities in California, Hawaii, Oregon and Washington, along with more than 60 others nationwide through its Blue Zones organization. With a workforce of approximately 38,000 associates, including physicians, allied health professionals, and support services, this transformational organization realizes its mission by providing health, wholeness, and hope. It operates five networks of care and one service area systemwide: Oregon State Network, Northern California Network, Central California Network, Southern California Network, Hawaii State Network and Central Coast Service Area. Teams of clinical staff provide coordinated care across these networks utilizing advanced medical technology, innovative models of health transformation, and compassionate care to revolutionize the delivery of health. Adventist Health owns or manages 28 hospitals, approximately 442 clinics (physician clinics, hospital-based clinics, and the largest rural health clinic network in California), 15 home care agencies, eight hospice agencies, one fully owned continuing care retirement community, and three joint-venture retirement centers.

Adventist Health is a care delivery company with an emphasis on well-being and disease prevention rooted in the Adventist healthcare legacy and focused on caring for mind, body, and spirit. Adventist Health is dedicated to the integration of hospitals, physicians, and other providers in a manner that best serves and cooperates with its communities, both in terms of commitment to quality and a demonstrated ability to provide cost-effective care in an environment increasingly driven by competitive market forces.

Adventist Health's vision is to provide exceptional care at every stage of life, inspiring community transformation through health and well-being for all. Through our five operating pillars, People, Growth, Quality, Experience, and Finances, we have developed a mission-aligned strategy that shapes our present and future trajectory.

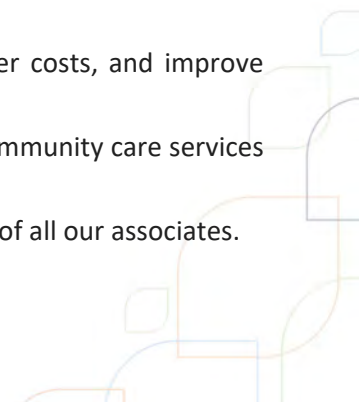
Adventist Health's brand is woven throughout the Western United States. The map on page three of this analysis shows the location of the corporation's headquarters and the system's owned or leased hospital facilities. The corporate office is centrally located in Roseville, California. Outside of California, Adventist Health includes Hawaii medical services, three medical centers in Oregon, and a joint-venture retirement center in Washington. While the map does not show the location of each of the system's approximately 442 clinics, the geographic area served by the system's clinics and its hospital facilities is depicted on the map.

Strategy and Mission

Adventist Health has laid out an aspirational plan based on the calling of our mission of living God's love by inspiring health, wholeness, and hope. We are focused on the core delivery needs of the communities we serve. This includes deepening our capabilities to be an integrated care delivery provider.

Embedded within the Adventist Health strategy are several key themes:

- **Consumer Oriented** — becoming a consumer-oriented company using consumer insights and segmentation to develop products and services to better serve individuals on their personal well-being path.
- **Cost Transformation** — transforming costs and pricing to improve the affordability of health services for individuals, employers, communities, and payers.
- **Payer Integration** — integrating with payers to manage the health of populations, lower costs, and improve market share.
- **Philanthropic Development** — elevating and uniting philanthropic efforts in support of community care services and large-scale well-being initiatives.
- **People Focused** — focusing on our people to raise engagement and the overall well-being of all our associates.



- **Quality Care** —providing access and quality with an intentional focus on health equity and empowering mission-aligned clinicians to provide quality care in every setting.

Our five operating pillars are core to our reviews and reports. They have proven to sharpen our focus systemwide. They are essential to our networks in strengthening our hospitals, ambulatory centers, clinics, home health, and post-acute services. The networks continue to allow for increased focus on care integration, efficient utilization of valuable resources, and greater relevance in the lives of our patients. The unique community voices are amplified through the collaboration and shared responsibility that the network and system structure provide.

Operating Pillars

People — Adventist Health engages robust and innovative talent to shape a thriving culture.

Quality — Adventist Health empowers teams to deliver unparalleled care for all.

Growth — Adventist Health expands networks of care to create community relevance and well-being.

Experience — Adventist Health creates exceptional customer experiences and tells their stories.

Finances — Adventist Health embeds disciplined stewardship that drives operational excellence.



Organization Structure

Oregon State Network

- Adventist Health Columbia Gorge
- Adventist Health Portland
- Adventist Health Tillamook

Northern California Network

- Adventist Health Clear Lake
- Adventist Health Howard Memorial
- Adventist Health Lodi Memorial
- Adventist Health Mendocino Coast
- Adventist Health and Rideout
- Adventist Health Sonora
- Adventist Health St. Helena
- Adventist Health Vallejo
- Adventist Health Ukiah Valley
- Dameron Hospital*

Central California Network

- Adventist Health Bakersfield
- Adventist Health Specialty Bakersfield
- Adventist Health Delano
- Adventist Health Hanford
- Adventist Health Reedley
- Adventist Health Selma
- Adventist Health Tehachapi Valley
- Adventist Health Tulare

Central Coast Service Area

- Twin Cities Community Hospital
- Sierra Vista Medical Center

Southern California Network

- Adventist Health Glendale
- Adventist Health Simi Valley
- Adventist Health White Memorial
- Adventist Health White Memorial Montebello

Hawaii State Network

- Adventist Health Castle

*Managed facility



Affiliation and Other Activities

Mid-Columbia Medical Center (dba Adventist Health Columbia Gorge)

On March 1, 2023, Mid-Columbia Medical Center (MCMC) and Adventist Health executed a definitive agreement for affiliation of MCMC with Adventist Health, with regulatory approvals granted on April 13, 2023. MCMC is located 80 miles east of Adventist Health Portland in The Dalles, Oregon. The closing date occurred on June 1, 2023. The facility, with a 122-year history and a team of 850-plus employees and nearly 100 providers, is now known as Adventist Health Columbia Gorge. The affiliation of MCMC marks a significant step forward as we continue to grow our presence in Oregon and add 49 licensed beds and about \$125 annual net revenue to the system.

Visalia Medical Clinic

On May 1, 2023, Adventist Health Physicians Network began a partnership with Visalia Medical Clinic (VMC). VMC is the largest physician-owned clinic in Tulare County, California, and brings 200 employees, 62 primary and specialty providers and four Visalia locations into the system. The clinic addition supports Adventist Health's strategic objective to expand services to care for more patients and strengthen its network.

Bakersfield Heart Hospital (dba Adventist Health Specialty Bakersfield)

On June 1, 2023, Adventist Health completed transactions for the acquisition of the real estate portion of Bakersfield Heart Hospital (BHH), as well as the purchase of the operations. This specialty hospital has been a healthcare pillar of the Bakersfield community for the past 24 years and its 47 beds, three operating rooms and four cardiac catheterization labs will significantly increase the capacity for care at Adventist Health in Kern County and is expected to add about \$60 annual net revenue to the system.

Beverly Community Hospital (dba Adventist Health White Memorial Montebello)

On August 25, 2023, the Bankruptcy Court approved an asset purchase agreement between Beverly Community Hospital and Adventist Health. Beverly Community Hospital became part of Adventist Health White Memorial and is now known as Adventist Health White Memorial Montebello and adds 192 beds to the system. On September 7, 2023, Adventist Health White Memorial began operating a full-service emergency department and one 24-bed medical surgical unit supporting the emergency department, two surgical suites, a stroke center and wound care at the Montebello site. For decades, Beverly has provided critical and low-cost medical services to Montebello and its surrounding communities and has been a vital acute care hospital serving a primarily Medi-Cal and Medicare population.

Sierra Vista Regional Medical Center and Twin Cities Community Hospital

In February 2024, Adventist Health signed definitive agreements to purchase from Tenet Healthcare, Sierra Vista Regional Medical Center and Twin Cities Community Hospital located on the Central California Coast. This includes the related physician practices and imaging centers. The acquisition will enable Adventist Health to expand its mission of providing access to high-quality care on the central coast and to broaden Adventist Health's geographic diversification. The transaction closed on March 28, 2024, and adds 284 beds to the system.

The accounting for this acquisition has not been finalized as of the date of this report; accordingly, a summary of fair value of net assets to be acquired and liabilities to be assumed is not available. The following tables summarize the System's net revenue, EBIDA and EBIDA margin as if the acquisition had occurred at January 1, 2022:



ACQUISITION PRO FORMA

Twelve Months Ended December 31, 2023

	Adventist Health	Acquisitions	Combined
Total operating revenue	\$5,985	\$338	\$6,323
EBIDA	\$182	\$51	\$233
EBIDA as a percentage of total operating revenue	3.0%	15.1%	3.7%

Twelve Months Ended December 31, 2022

	Adventist Health	Acquisitions	Combined
Total operating revenue	\$5,405	\$327	\$5,732
EBIDA	\$17	\$52	\$69
EBIDA as a percentage of total operating revenue	0.3%	15.9%	1.2%

Ratings and Outlook Updates

In November 2023, Fitch Ratings affirmed its long-term rating of A with Negative outlook, and S&P Global Ratings affirmed its long-term rating of A- with Stable outlook on Adventist Health's bonds. The Fitch rating affirmation reflects management's continued focus on improving operations while continuing to lead market positions throughout its three-state hospital footprint, an adequate liquidity position and a reasonable and accretive strategic plan. The S&P rating affirmation reflects a healthy enterprise profile and an experienced management team focused on market relevancy and operational improvement.



Key Operating Metrics: Volume Trends

Adventist Health has seen significant growth in several key volume categories. Total surgeries increased by 8.7% from the same period in the previous year with inpatient surgeries increasing by 4.9% and outpatient surgeries increasing by 10.1%, along with an increase of 5.2% for emergency department visits.

During the twelve months ended December 31, 2023, the System's inpatient discharges increased by 1.8%. Observation patients increased by 9.8%. On combined inpatient and observation stays, total discharges increased by 2.9% from the same period in the previous year.

UTILIZATION STATISTICS

Twelve Months Ended December 31,	2023	2022
Discharges	126,694	124,498
Patient days	666,032	657,112
Observation stays	23,687	21,576
Outpatient procedures	4,529,758	4,154,780
Emergency department visits	815,027	775,083
Inpatient surgeries	22,627	21,579
Outpatient surgeries	60,714	55,122
Capitated lives	221,654	259,635
Average length of stay (in days)	5.3	5.3
Outpatient revenues as % of gross patient revenue	52.4%	50.1%

Key Operating Metrics: Total Operating Revenue and Income from Operations

Total operating revenue increased by 10.7% for the twelve months ended December 31, 2023, as compared to the previous year. The increase in operating revenue was the result of stronger outpatient volume compared to the prior year. Emergency department visits, outpatient procedures and outpatient surgeries grew 5.2%, 9.9%, and 10.1%, respectively. Outpatient revenues have grown to 29% of the system's gross patient revenue. Operating revenue in 2023 includes \$30 from the PG&E bankruptcy trust for claims associated with the 2018 Camp Fire.

Management's resolve to improve employee turnover and improve employee recruitment can be seen in salaries, wages & benefits (including contract labor) at \$2,958, an increase over 2022 of 7.5%. Average hourly rate increased by 2.2% and decreased paid FTEs by 2.8% for the twelve months ended December 31, 2023, compared to the twelve months ended December 31, 2022, improving quality and employee satisfaction. Management's ability to manage labor, even under significant inflation pressures, resulted in salaries, contract labor & employee benefits improving to 49% of Total operating revenue in 2023 from 51% in 2022.

Supplies have seen an increase of 11.7% in 2023 over 2022, primarily due to increased volume.

Purchased services and other expenses increased by 3.7% from the previous year due to rapidly increasing costs of property insurance, increased purchased services under capitated contracts, and other expenses.

Loss from operations as a percentage of total operating revenue was (1.8%) and (4.5%) for the twelve months ended December 31, 2023, and December 31, 2022, respectively.

The organization has seen continued improvement, with EBIDA at \$182 and 3.0% for the twelve months ended December 31, 2023. This is a result of actions taken in growth, revenue optimization including governmental programmatic reimbursement programs, labor and benefits, length of stay, administrative cost structure, focused markets, purchased services, supplies and professional fees. Additionally, efforts to improve volume after the COVID-19-related volume declines have seen continued improvement, specifically in surgery and clinics, are underway, along with yield enhancement through revenue cycle initiatives. Capital deployment is focused on critical and high-return projects.

TOTAL OPERATING REVENUE AND INCOME FROM OPERATIONS

Twelve Months Ended December 31,	2023	2022
Total operating revenue	\$5,985	\$5,405
Total EBIDA expenses	\$5,803	\$5,388
EBIDA	\$182	\$17
EBIDA as a percentage of total operating revenue	3.0%	0.3%
Depreciation and interest expense	\$290	\$258
Loss from operations	(\$108)	(\$241)
Loss from operations as a percentage of total operating revenue	(1.8%)	(4.5%)



Key Operating Metrics: Total Nonoperating Income

Investment income increased for the twelve months ended December 31, 2023, as compared to the previous year. Realized losses of (\$8) and realized gains of \$111 are included in investment income at December 31, 2023 and December 31, 2022, respectively. Gain on acquisition is a result of the affiliation with Adventist Health Columbia Gorge and the purchases of Adventist Health Specialty Hospital and Adventist Health White Memorial Montebello. Management maintains a long-term asset allocation strategy.

NONOPERATING INCOME

Twelve Months Ended December 31,	2023	2022
Investment income (loss)	\$156	(\$319)
Other nonoperating (losses) gains	\$(12)	\$3
Nonoperating income (loss) before gain on acquisition and divestitures	\$144	(\$316)
Gain on acquisitions and divestitures	\$80	\$0
Nonoperating income	\$224	(\$316)



Balance Sheet Ratios

Cash and unrestricted investments decreased by \$87 for the twelve months ended December 31, 2023. Days cash on hand decreased to 131.7 on December 31, 2023 from 148.1 at December 31, 2022. Long-term debt to capitalization decreased to 46.8% on December 31, 2023, from 48.6% at December 31, 2022. Adventist Health is able to maintain lower cash-to-debt and long-term debt-to-capitalization ratios as the system has no pension liability and operates under a defined contribution plan.

BALANCE SHEET RATIOS

Period Ended	Dec 31, 2023	Dec 31, 2022
Total cash and unrestricted investments	\$2,127	\$2,214
Days cash on hand	131.7	148.1
Cash-to-debt	92.0%	93.7%
Long-term debt-to-capitalization	46.8%	48.6%
Debt service coverage (Obligated Group)	1.9	1.6
Capital expenditures as a percentage of depreciation expense	138.3%	67.9%

Forward-Looking Statements

Certain discussions in this document may include “forward-looking statements” which involve known and unknown risks and uncertainties inherent in the operation of healthcare facilities. Actual actions or results may differ materially from those presented herein, and past or current trends may not continue. Specific factors that might cause such differences include competition from other healthcare facilities, federal and state regulation of healthcare providers, staffing shortages, organized labor initiatives, and reimbursement policies of the state and federal governments and managed care organizations. In particular, statements that are preceded by, followed by or include the word “will,” “believes,” “estimates,” “expects,” “anticipates,” “projects,” “continue,” “intends,” “plans,” “scheduled,” or other similar expressions are or may constitute forward-looking statements.



Adventist Health Hospitals

OBLIGATED GROUP MEMBERS

Adventist Health System Office
 Adventist Health Bakersfield
 Adventist Health Specialty Bakersfield
 Adventist Health Castle
 Adventist Health Clear Lake
 Adventist Health Delano
 Adventist Health Feather River
 Adventist Health Glendale
 Adventist Health Hanford
 Adventist Health Selma
 Adventist Health Howard Memorial
 Adventist Health Lodi Memorial
 Adventist Health Portland
 Adventist Health Reedley
 Adventist Health Simi Valley
 Adventist Health Sonora
 Adventist Health Tehachapi Valley
 Adventist Health Tillamook
 Adventist Health Ukiah Valley
 Adventist Health White Memorial
 Adventist Health White Memorial Montebello

NON-MEMBER ENTITIES

Adventist Health Care Network
 Adventist Health Columbia Gorge
 Adventist Health Plan, Inc.
 Adventist Health Physicians Network
 Adventist Health Mendocino Coast
 Adventist Health and Rideout
 United Com-Serve
 Adventist Health St. Helena
 St. Helena Center for Behavioral Health
 Adventist Health Tulare
 Sierra Vista Regional Medical Center
 Twin Cities Community Hospital
 Western Health Resources

Entities in italics are consolidated with their respective parent entities

