



CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

SEPTEMBER 30, 2023

ONE Adventist Health Way
Roseville, CA 95661

Consolidated Financial Statements (Unaudited)
and Supplementary Information

Adventist Health

September 30, 2023

Consolidated Financial Statements

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Adventist Health

Consolidated Balance Sheets
(In millions of dollars)

	September 30 2023 (Unaudited)	December 31 2022 (Audited)
Assets		
Cash and cash equivalents	\$ 254	\$ 379
Short-term investments	70	51
Patient accounts receivable	783	693
Receivables from third-party payors	623	486
Other current assets	337	261
Total current assets	2,067	1,870
Noncurrent investments	1,936	1,924
Other assets	460	445
Property and equipment, net	2,248	2,123
Total assets	\$ 6,711	\$ 6,362
Liabilities and net assets		
Accounts payable	\$ 379	\$ 441
Accrued compensation and related payables	346	327
Liabilities to third-party payors	44	97
Other current liabilities	177	186
Short-term financing	149	
Current maturities of long-term debt	267	38
Total current liabilities	1,362	1,089
Long-term debt, net of current maturities	2,354	2,362
Other noncurrent liabilities	396	330
Total liabilities	4,112	3,781
Net assets without donor restrictions:		
Controlling	2,489	2,485
Noncontrolling	18	15
Net assets with donor restrictions	92	81
Total net assets	2,599	2,581
Total liabilities and net assets	\$ 6,711	\$ 6,362

Adventist Health

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

	Nine months ended September 30	
	2023	2022
	(Unaudited)	(Unaudited)
Revenues and support:		
Patient service revenue	\$ 3,845	\$ 3,488
Premium revenue	192	161
Other revenue	325	271
Net assets released from restrictions for operations	16	17
Total revenues and support	4,378	3,937
Expenses:		
Employee compensation	2,046	1,899
Professional fees	609	595
Supplies	640	577
Purchased services and other	947	929
Interest	68	50
Depreciation and amortization	143	141
Total expenses	4,453	4,191
Loss from operations	(75)	(254)
Nonoperating income:		
Investment income gain (loss)	44	(387)
Gain on acquisitions & divestitures	28	-
Other nonoperating gains	-	4
Total nonoperating income gain (loss)	72	(383)
Deficit of revenues over expenses	(3)	(637)
Less excess of revenues over expenses from noncontrolling interests	(3)	-
Deficit of revenues over expenses from controlling interests	(6)	(637)

Adventist Health

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

	Nine months ended September 30	
	2023	2022
	(Unaudited)	(Unaudited)
Net assets without donor restrictions:		
Controlling:		
Deficit of revenues over expenses from controlling interests	\$ (6)	\$ (637)
Net change in unrealized gains and losses on other-than-trading securities	–	(11)
Net assets released from restrictions for capital additions	10	1
Decrease in net assets without donor restrictions – controlling	4	(647)
Excess of revenues over expenses from noncontrolling interests	3	–
Increase in net assets without donor restrictions – noncontrolling	3	–
Net assets with donor restrictions:		
Restricted gifts and grants	39	23
Net assets released from restrictions	(26)	(18)
Other donor restricted activity	(2)	–
Increase in net assets with donor restrictions	11	5
Decrease in net assets	(14)	(642)
Net assets, beginning of year	2,581	3,129
Net assets, end of year	\$ 2,599	\$ 2,487

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 (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.

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 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 September 30, 2023.

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 September 30, 2023:

	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Observable Inputs (Level 2)	Totals
Cash and cash equivalents	\$ 254	\$ –	\$ 254
Money market funds	95	–	95
Fixed income:			
U.S. government treasury obligations	41	–	41
U.S. corporation and agency debentures	–	38	38
U.S. agency mortgage-backed securities	–	4	4
U.S. corporate debt securities	–	199	199
Municipal bonds	–	5	5
Mutual funds	132	140	272
Equities:			
Equities	4	–	4
Mutual funds	722	–	722
Total financial assets stated at fair value	\$ 1,248	\$ 386	1,634
Commercial real estate			20
Investments measured at NAV			606
Other investments			127
Total cash and investments			\$ 2,387

Adventist Health

Notes to Consolidated Financial Statements - Continued

(In millions of dollars)

Note B – Fair Value of Financial Instruments (continued)

As of September 30, 2023, 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 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 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:

	September 30, 2023			
	NAV	Unfunded Commitments	Redemption Frequency (if currently Eligible)	Redemption Notice Period (if currently Eligible)
Commingled funds – equity securities	\$ 87	\$ –	Weekly/Monthly Daily/Weekly/ Monthly/Quarterly	4-30 days
Hedge funds	324	12		1-90 days
Private equity funds	195	121	None	None
Total	\$ 606	\$ 133		

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.

Adventist Health

Notes to Consolidated Financial Statements - Continued

(In millions of dollars)

Note B – Fair Value of Financial Instruments (continued)

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 September 30, 2023:

% of Hedge Funds	Redemption Criteria	Notice Period
8%	Redeemable daily	1 day
10%	Redeemable weekly	30 days
14%	Redeemable monthly	60 days
44%	Redeemable quarterly	45–65 days
16%	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:

	September 30 2023	December 2022
Total unrestricted investments	\$ 1,852	\$ 1,806
Assets designated by the Board, primarily for property and equipment	26	29
Investments held by trustees for:		
Future capital projects	50	73
Self-insurance programs	64	53
Charitable annuities and other	2	2
Total investments held by trustees	116	128
Donor-restricted investments for:		
Charitable trusts and life estate tenancies	5	5
Other purposes	7	7
Total donor-restricted investments	12	12
Total investments	2,006	1,975
Less short-term investments	70	51
Total noncurrent investments	\$ 1,936	\$ 1,924

Total investments and assets whose use is limited above excludes other investments of \$127 and \$119 at September 30, 2023 and December 31, 2022, respectively, which includes retirement plan assets, joint ventures, and partnerships and 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 \$1,854 at September 30, 2023 may be utilized if necessary. Total cash and unrestricted investments was \$2,132 at September 30, 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:

	September 30 2023
Cash and cash equivalents	\$ 254
Short-term investments	70
Patient accounts receivable	783
Receivables from third-party payors	623
Other receivables	106
	\$ 1,836

Note D – Investment Income

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

	Nine Months Ended September 30	
	2023	2022
Realized (losses) gains, net	\$ (4)	\$ 102
Unrealized gains (losses), net	48	(489)
	44	(387)
Interest and dividend income	37	31
	\$ 81	\$ (356)

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)

E – Patient Accounts Receivable

The System manages its receivables by regularly reviewing its patient accounts and contracts and by providing appropriate allowances for contractual reimbursement, policy discounts, charity and uncollectible amounts. These allowances are estimated based upon an evaluation of governmental reimbursements, negotiated contracts and historical payments.

Note F – Patient Service Revenue

Patient service revenue is recognized when services are provided and reported at the estimated net realizable amounts from patients, third-party payors, and others, including estimated retrospective settlements under reimbursement agreements with third-party payors. Retrospective settlements are accrued on an estimated basis in the period the related services are rendered.

Patient service revenue includes revenues from California Medicaid Quality Assurance Fee programs in the amount of \$379 for the Nine months ending September 30, 2023. Related fees for the programs of \$148 for the Nine months ending September 30, 2023 are recorded in purchased services and other expenses. These amounts are based on management's current estimate of the amounts that meet the criteria for revenue recognition as both probable and estimable.

Note G – 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 option that are reasonably certain to be exercised. The exercise of lease renewal or termination options are 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 used the incremental borrowing rate at January 1, 2019 for operating leases that commenced prior to that date.

Adventist Health

Notes to Consolidated Financial Statements - Continued

(In millions of dollars)

Note G – Leases (continued)

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 to not 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 lease term of its leases based on all facts and circumstances through the effective date.

		Nine Months Ended September 30	
Classification		2023	2022
Right-of-use Assets			
Operating	Other assets	\$ 167	\$ 169
Finance	Other assets	6	8
		\$ 173	\$ 177
Current Lease liabilities			
Operating	Other current liabilities	\$ 26	\$ 27
Finance	Other current liabilities	2	2
Noncurrent Lease liabilities			
Operating	Other noncurrent liabilities	147	148
Finance	Other noncurrent liabilities	4	6
Total lease liabilities		\$ 179	\$ 183
		Nine Months Ended September 30	
Classification		2023	2022
Operating lease expense			
Operating lease cost	Purchased services and other	\$ 26	\$ 28
Finance lease cost:			
Amortization of leased assets	Depreciation and amortization	\$ 2	\$ 2
Interest on lease liabilities	Interest	\$ –	\$ –

Adventist Health

Notes to Consolidated Financial Statements - Continued

(In millions of dollars)

Note G – Leases (continued)

Cash paid for amounts not included in the measurement of lease liabilities	Nine Months Ended September 30	
	2023	2022
	\$ 26	\$ 29

Operating cash outflows for operating leases

Right-of-use assets obtained in exchange for lease obligations	Nine Months Ended September 30	
	2023	2022
	\$ 24	\$ 17

Operating

Finance

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 leases with initial terms in excess of one year are as follows for the period ended September 30, 2023:

Maturity of Lease Liabilities	Operating Leases	Finance Leases
2023	\$ 9	\$ 1
2024	33	2
2025	29	2
2026	24	1
2027	22	–
Thereafter	116	–
Total lease payments	233	6
Less imputed interest	(45)	–
	\$ 188	\$ 6

Lease Term and Discount Rate	September 30, 2023
Weighted average operating remaining lease term (years)	9.58
Weighted average finance remaining lease term (years)	2.92
Weighted average operating lease discount rate	4.11%
Weighted average finance lease discount rate	2.73%

Adventist Health

Notes to Consolidated Financial Statements - Continued

(In millions of dollars)

Note H – COVID-19 and Other Revenue

On March 11, 2020, the World Health Organization declared the novel coronavirus disease (COVID-19) a pandemic. Following this, the Centers for Disease Control and Prevention declared a national public health emergency, followed by state emergency declarations, and the Centers for Medicare & Medicaid Services (CMS) issued guidance regarding elective procedures. Several national restrictions were put in place and the governors in the states in which the System has operations issued shelter-in-place orders and executive orders postponing nonessential or elective surgeries. The U.S Department of Health and Human Services declared the pandemic over on May 11, 2023.

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 quarter ended September 30, 2023 the System received approval for \$44 of FEMA grant requests which are included in other revenue.

Note I – Purchase of Beverly Community Hospital (dba Adventist Health White Memorial Montebello)

On August 25th, 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, 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.

**Adventist Health System/West
Municipal Secondary Market Disclosure
September 30, 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 September 30, 2023, the long-term debt of the Members of the Obligated Group (including current maturities) totaled \$2,615. Of that amount, \$297 was variable interest rate debt, with the remaining \$2,318 being fixed interest rate debt.

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

During the nine months ended September 30, 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.



Management Discussion and Analysis of Financial Condition and Results of Operations

(Dollars in millions)

Quarter End: September 30, 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 37,000 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 systemwide: Oregon State Network, Northern California Network, Central California Network, Southern California Network, and Hawaii State Network. 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 operates 25 hospitals, approximately 370 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 prevention of disease 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 pillars: People; Growth; Quality; Experience; and Finances, we have developed a mission-aligned strategy that shapes our present and future trajectory.

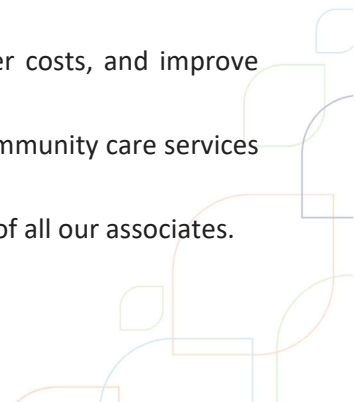
Adventist Health's brand is woven throughout the Western United States. The map on page three of this analysis shows the location of the corporation's headquarters and the system's owned or leased hospital facilities. The corporate office is centrally located in Roseville, California. Outside of California, 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 370 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 provides.

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 Ukiah Valley
- Adventist Health and Rideout
- Adventist Health Sonora
- Adventist Health St. Helena
- Adventist Health Vallejo
- Dameron Hospital*

Central California Network

- Adventist Health Bakersfield
- Adventist Health Delano
- Adventist Health Hanford
- Adventist Health Reedley
- Adventist Health Selma
- Adventist Health Tehachapi Valley
- Adventist Health Tulare
- Bakersfield Heart Hospital

Southern California Network

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

Hawaii State Network

- Adventist Health Castle

*Managed facility



Affiliation and Other Activities

Dameron Hospital

In December 2019, Adventist Health entered into an 18-month agreement to manage Dameron Hospital in Stockton, California. This agreement was subsequently extended to March 31, 2027. Extending the service area of Adventist Health Lodi Memorial in neighboring Lodi, California, Dameron Hospital adds more than 200 inpatient beds to Adventist Health's footprint and ensures ongoing access to a population of more than 310,000. At the conclusion of the management services agreement, the organization will have the option to pursue a membership transfer.

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, OR. 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, 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.

COVID-19 Update

As revenues have declined due to the impact of COVID-19, our expense structure has increased. The system has served its communities in innovative but costly new ways throughout the pandemic. Facilities were reconfigured and expanded in anticipation of volume surges. Virtual care capabilities were expanded. Resources were redirected to public health initiatives including patient education and COVID-19 screening and vaccination initiatives. Ongoing operating costs have also climbed. Labor costs have increased as a result of shortages in nurses and support teams. Supply shortages have increased cost per unit, and changes in treatment protocol have increased the quantity of supplies required. These factors have caused a rapid acceleration in the ongoing cost of labor and supplies. Management has implemented strategies as discussed later to offset these increases.

In response to COVID-19, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was enacted on March 27, 2020, and the American Rescue Plan was enacted on March 11, 2021. These acts authorize funding to hospitals and

other healthcare providers through the Public Health and Social Services Emergency Fund (Provider Relief Fund) and other mechanisms. Grant payments from these acts are intended to reimburse healthcare providers for lost revenue and increased expenses due to the pandemic and to fund treatment and mitigation of the impacts of COVID-19. As of September 30, 2023, Adventist Health has received approximately \$473 of provider relief funds from various provisions in these acts in which last payment was received in June 2022, of which \$10 has been recognized through September 30, 2023, as contributions in other revenue in the consolidated statement of operations and changes in net assets. The system has recognized all provider relief funds received over the past several years with the last recognition in March 2023. The Pandemic was declared over on May 11, 2023.

As of September 30, 2023, the system has filed claims with the Federal Emergency Management Agency (FEMA) in excess of \$190 for pandemic-related expenses. For the quarter ended September 30, 2023, \$83 of these claims have been approved by FEMA and have been recognized as other revenue in the consolidated statement of operations and changes in net assets. The amount and timing of further FEMA approvals, if any, cannot be predicted.

Ratings and Outlook Updates

In November 2022, Fitch Ratings affirmed its A long-term rating and revised the outlook from Stable to Negative, and S&P Global Ratings downgraded its long-term rating from A to A- and revised the outlook from Negative to Stable on Adventist Health's bonds. The Fitch rating affirmation reflects management's sharp focus on improving operations from current levels while continuing to lead market positions throughout its three-state hospital footprint through a reasonable and accretive strategic plan that addresses negative operational pressure caused by a series of unfavorable events including wildfires, the COVID-19 pandemic, and acute labor pressures affecting the entire healthcare industry. The S&P outlook revision reflects a multi-year trend of negative operating performance that has pressured the financial profile. S&P's view of Adventist Health includes solid operating liquidity, a conservative debt profile, and improving integration and centralization of administrative processes over the past several years, generating consistent operating and strategy execution.



Key Operating Metrics: Volume Trends

Adventist Health has seen significant growth in several key volume categories. Total surgeries increased by 8.2% from the same period in the previous year with inpatient surgeries increasing by 4.6% and outpatient surgeries increasing by 9.6%, along with an increase of 5.1% for emergency department visits.

During the nine months ended September 30, 2023, the System's inpatient discharges increased by 0.9%. Observation patients increased by 8.9%. On combined inpatient and observation stays, total discharges increased by 2.0% from the same period in the previous year.

UTILIZATION STATISTICS

Nine Months Ended September 30,	2023	2022
Discharges	93,491	92,700
Patient days	493,848	490,156
Observation stays	17,374	15,956
Outpatient procedures	3,350,445	3,122,137
Emergency department visits	597,403	568,428
Inpatient surgeries	17,115	16,357
Outpatient surgeries	45,152	41,203
Capitated lives	292,246	257,037
Average length of stay (in days)	5.3	5.3
Outpatient revenues as % of gross patient revenue	52.7%	50.1%

Key Operating Metrics: Total Operating Revenue and Income from Operations

Total operating revenue increased by 11.2% for the nine months ended September 30, 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 5.1%, 8.9%, and 9.6%, 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 \$2,155, an increase over 2022 of 1%. Average hourly rate increased by 1.2% and increase paid FTEs by 4.3% for the nine months ended September 30, 2023, compared to the nine months ended September 30, 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 50% of Total operating revenue in 2023 from 52% in 2022.

Supplies have seen favorable performance through 2023, increasing by 10.9% from the previous year against a backdrop of significantly higher inflation and increased volume. Management accomplished this through procurement programs and the standardization of pharmaceutical formularies.

Purchased services and other expense increased by 1.9% 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 (1.7%) and (6.5%) for the nine months ended September 30, 2023, and September 30, 2022, respectively.

The organization has seen continued improvement, with the most recent quarter's EBIDA at \$136 and 3.1% for the nine months ended September 30, 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

Nine Months Ended September 30,	2023	2022
Total operating revenue	\$4,378	\$3,937
Total EBIDA expenses	\$4,242	\$4,000
EBIDA	\$136	(\$63)
EBIDA as a percentage of total operating revenue	3.1%	(1.6%)
Depreciation and interest expense	\$211	\$191
Loss from operations	(\$75)	(\$254)
Loss from operations as a percentage of total operating revenue	(1.7%)	(6.5%)



Key Operating Metrics: Total Nonoperating Income

Investment income increased for the nine months ended September 30, 2023, as compared to the previous year. Realized losses of (\$5) and realized gains of \$101 are included in investment income at September 30, 2023 and September 30, 2022, respectively. Gain on acquisition is a result of the affiliation with Adventist Health Columbia Gorge. Management maintains a long-term asset allocation strategy.

NONOPERATING INCOME

Nine Months Ended September 30,	2023	2022
Investment income (loss)	\$44	(\$387)
Other nonoperating gains	\$0	\$4
Nonoperating income (loss) before gain on acquisition and divestitures	\$44	(\$383)
Gain on acquisitions and divestitures	\$28	\$0
Nonoperating income	\$72	(\$383)

Balance Sheet Ratios

Cash and unrestricted investments decreased by \$82 for the nine months ended September 30, 2023. Days cash on hand decreased to 135.0 on September 30, 2023 from 148.1 at December 31, 2022. Long-term debt to capitalization increased to 48.7% on September 30, 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	Sep 30, 2023	Dec 31, 2022
Total cash and unrestricted investments	\$2,132	\$2,214
Days cash on hand	135.0	148.1
Cash-to-debt	90.6%	93.7%
Long-term debt-to-capitalization	48.4%	48.6%
Capital expenditures as a percentage of depreciation expense	176.2%	67.9%



Forward-Looking Statements

Certain of the discussions in this document may include “forward-looking statements” which involve known and unknown risks and uncertainties inherent in the operation of health care 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 health care facilities, federal and state regulation of health care 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,” “intends,” “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 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 Specialty Bakersfield
 Adventist Health and Rideout
 United Com-Serve
 Adventist Health St. Helena
 St. Helena Center for Behavioral Health
 Adventist Health Tulare
 Western Health Resources

Entities in italics are consolidated with their respective parent entities

