Audited Consolidated Financial Statements

December 31, 2024

AdventHealth

Table of Contents

Consolidated Balance Sheets

December 31, 2024 and 2023

(dollars in thousands)	2024	2023
ASSETS		
Current Assets		
Cash and cash equivalents	$ 1,970,963	$ 2,230,710
Investments	8,376,931	6,036,304
Current portion of assets whose use is limited	640,309	473,224
Patient accounts receivable	1,432,031	1,370,051
Due from brokers	242,052	239,626
Estimated settlements from third parties	554,249	510,586
Other receivables	1,089,550	863,183
Inventories	413,758	321,469
Prepaid expenses and other current assets	225,843	158,645
	14,945,686	12,203,798
Property and Equipment	9,418,262	8,633,707
Operating Lease Assets	358,343	372,081
Assets Whose Use is Limited, net of current portion	418,366	435,280
Other Assets	1,781,711	1,770,464
	$ 26,922,368	$ 23,415,330
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	$ 2,457,607	$ 2,179,632
Estimated settlements to third parties	241,696	201,456
Due to brokers	406,446	269,645
Other current liabilities	881,617	723,650
Short-term financings	459,480	566,160
Current maturities of long-term debt	78,791	79,839
	4,525,637	4,020,382
Long-Term Debt, net of current maturities	3,478,182	3,370,855
Operating Lease Liabilities, net of current portion	328,336	341,893
Other Noncurrent Liabilities	727,600	601,740
	9,059,755	8,334,870
Net Assets		
Net assets without donor restrictions	17,559,453	14,803,298
Net assets with donor restrictions	251,056	227,861
	17,810,509	15,031,159
Noncontrolling interests	52,104	49,301
	17,862,613	15,080,460
Commitments and Contingencies		
	$ 26,922,368	$ 23,415,330

The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statements of Operations and Changes in Net Assets

For the years ended December 31, 2024 and 2023

(dollars in thousands)	2024	2023
Revenue		
Net patient service revenue	$ 18,544,709	$ 16,003,402
Other	1,265,598	790,254
Total operating revenue	19,810,307	16,793,656
Expenses		
Employee compensation	9,558,557	8,608,753
Supplies	2,923,783	2,569,786
Purchased services	1,347,045	1,186,228
Professional fees	1,102,703	1,086,115
Other	1,607,447	1,383,921
Interest	109,627	109,956
Depreciation and amortization	859,017	824,471
Total operating expenses	17,508,179	15,769,230
Income from Operations	2,302,128	1,024,426
Nonoperating Gains		
Investment return	414,639	528,635
Gain on extinguishment of debt	1,313	82
Contribution from business combination	21,695	–
Total nonoperating gains	437,647	528,717
Excess of revenue and gains over expenses	2,739,775	1,553,143
Noncontrolling interests	(3,054)	(2,876)
Excess of Revenue and Gains over Expenses Attributable to Controlling Interest	2,736,721	1,550,267

Continued on following page.

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

For the years ended December 31, 2024 and 2023

(dollars in thousands)	2024	2023
CONTROLLING INTEREST		
Net Assets Without Donor Restrictions		
Excess of revenue and gains over expenses	$ 2,736,721	$ 1,550,267
Net assets released from restrictions for purchase of property and equipment	32,096	11,569
Change in unrealized gains and losses on assets whose use is limited	(1,465)	6,027
Other	(11,197)	(6,450)
Increase in net assets without donor restrictions	2,756,155	1,561,413
Net Assets With Donor Restrictions		
Gifts and grants	36,679	28,513
Net assets released from restrictions for purchase of property and equipment or use in operations	(38,098)	(25,569)
Investment return	3,978	1,977
Other	20,636	5,336
Increase in net assets with donor restrictions	23,195	10,257
NONCONTROLLING INTERESTS		
Net Assets Without Donor Restrictions		
Excess of revenue and gains over expenses	3,054	2,876
Distributions	(2,144)	(2,639)
Other	1,893	4,292
Increase in noncontrolling interests	2,803	4,529
Increase in Net Assets	2,782,153	1,576,199
Net assets, beginning of year	15,080,460	13,504,261
Net assets, end of year	$ 17,862,613	$ 15,080,460

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended December 31, 2024 and 2023

(dollars in thousands)	2024	2023
Operating Activities		
Increase in net assets	$ 2,782,153	$ 1,576,199
Increase in net assets from business combination	(21,695)	–
Depreciation and amortization	859,017	824,471
Amortization of deferred financing costs and original issue discounts and premiums	(28,648)	(26,060)
Gain on sale of entities	–	(64,383)
Loss (gain) on sale of property, equipment, and other assets	5,188	(2,066)
Gain on extinguishment of debt	(1,313)	(82)
Net realized and unrealized gains on investments	(258,715)	(376,016)
Unrealized gains on assets whose use is limited	(17,844)	(24,114)
Reclass of restricted gifts and grants and investment return	(40,657)	(30,490)
Income from equity method investments	(102,919)	(30,990)
Distributions from equity method investments	8,227	9,832
Changes in operating assets and liabilities:		
Patient accounts receivable	(1,451,426)	(1,205,090)
Other receivables	(129,100)	(11,990)
Other current assets	(158,501)	26,401
Other noncurrent assets	99,075	79,069
Accounts payable and accrued liabilities	239,259	296,690
Estimated settlements to third parties, net	(3,423)	(168,463)
Other current liabilities	136,636	159,502
Other noncurrent liabilities	47,117	(90,157)
Net cash provided by operating activities	1,962,431	942,263
Investing Activities		
Purchases of property and equipment	(1,489,964)	(1,080,845)
Proceeds from sale of property and equipment	3,004	62,547
Sales and maturities of investments	8,827,528	7,664,845
Purchases of investments	(10,909,440)	(7,234,829)
Due from brokers	(2,426)	(161,719)
Due to brokers	136,801	165,986
Sales, maturities, and uses of assets whose use is limited	320,818	989,532
Purchases of and additions to assets whose use is limited	(306,996)	(939,814)
Subsequent cash receipts on sold patient accounts receivable	1,294,603	1,241,834
Proceeds received for sale of entities, net	–	161,166
Return of capital from equity-method investments	51,249	47,403
Capital investment in equity-method investments	(31,950)	–
Consideration paid to acquire Health First, Inc. investment	–	(100,000)
Additional investment in Adventist Midwest Health, Inc.	–	(73,500)
Increase in other assets	(17,669)	(30,552)
Net cash (used in) provided by investing activities	(2,124,442)	712,054

Continued on following page.

Consolidated Statements of Cash Flows (continued)

For the years ended December 31, 2024 and 2023

(dollars in thousands)	2024	2023
Financing Activities		
Repayments of long-term borrowings	$ (161,781)	$ (126,118)
Proceeds from issuance of long-term borrowings	279,110	317,514
Repayments of short-term borrowings	(106,680)	(261,096)
Proceeds from issuance of short-term borrowings	–	100,000
Payment of deferred financing costs	(2,893)	(2,589)
Restricted gifts and grants and investment return	40,657	30,490
Net cash provided by financing activities	48,413	58,201
(Decrease) Increase in Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents	(113,598)	1,712,518
Cash, cash equivalents, restricted cash, and restricted cash equivalents at beginning of year	2,692,609	980,091
Cash, Cash Equivalents, Restricted Cash, and Restricted Cash Equivalents at End of Year	$ 2,579,011	$ 2,692,609
Supplemental Noncash Investing Activity		
Beneficial interest obtained in exchange for patient accounts receivable	$ (1,390,056)	$ (1,229,241)

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and 2023 (dollars in thousands)

1. Significant Accounting Policies

Reporting Entity

Adventist Health System Sunbelt Healthcare Corporation d/b/a AdventHealth (Healthcare Corporation) is a not-for-profit healthcare corporation that owns and/or operates hospitals, physician offices, urgent care centers and other healthcare facilities, and a philanthropic foundation with various informal divisions (collectively referred to herein as the System). The System's 46 affiliated hospitals and related healthcare facilities are controlled through their by-laws, governing board appointments, or operating agreements. The System manages six additional hospitals within noncontrolled joint ventures. These 52 hospitals and the philanthropic foundation operate in 9 states – Colorado, Florida, Georgia, Illinois, Kansas, Kentucky, North Carolina, Texas, and Wisconsin.

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

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

Mission

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

Specifically, the System provides:

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

Benefit to the elderly, as provided through governmental Medicare funding, by subsidizing the unreimbursed costs associated with this care.

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

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

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

Principles of Consolidation

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

Use of Estimates

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

Recently Adopted Accounting Guidance

In March 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2023-01, *Leases (Topic 842): Common Control Arrangements*. This ASU requires that leasehold improvements associated with arrangements between entities under common control, which are determined to be leases, be amortized by the lessee over the useful life of the leasehold improvements to the common control group as long as the lessee controls the use of the underlying asset through a lease. The System adopted the standard effective January 1, 2024, using a prospective approach. This standard did not have a material impact on the System's accompanying consolidated financial statements.

Recent Accounting Guidance Not Yet Adopted

In August 2023, the FASB issued ASU No. 2023-05, *Business Combinations – Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement*. The ASU requires that joint ventures apply a new basis of accounting for contributions received upon formation. By applying a new basis of accounting, the joint ventures will recognize and initially measure its assets and liabilities at fair value. The amendments do not apply to the formations of entities determined to be not-for-profit entities or joint ventures that may be proportionately consolidated by one or more of the ventures. This ASU will be effective for the System beginning in 2025. Management does not anticipate this guidance will have a material impact to the System's consolidated financial statements.

Net Patient Service Revenue

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

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

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

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

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. The System is subject to retroactive revenue adjustments due to future audits, reviews, and investigations. Additionally, the System participates in certain state programs that provide supplemental Medicaid funding to partially offset unreimbursed Medicaid costs. These programs include a combination of intergovernmental transfers and federal matching dollars. They are typically approved by governmental agencies on an annual basis and, as such, funding for future years is not certain and subject to change. Contracts the System has with commercial payors also provide for retroactive audit and review of claims. Settlements with third-party payors for retroactive adjustments are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence with the payor, and the System's historical settlement activity, attempting to ensure that a significant revenue reversal will not occur when the final amounts are subsequently determined. Estimated settlements are adjusted in future periods as new information becomes available, or as years are settled or are no longer subject to such audits, reviews, and investigations. Net adjustments for prior-year cost reports and related valuation allowances, principally related to Medicare and Medicaid, resulted in increases to revenue of approximately $33,000 and $112,000 for the years ended December 31, 2024 and 2023, respectively.

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

Consistent with the System's mission, care is provided to patients regardless of their ability to pay. Therefore, the System has determined that it has provided implicit price concessions to uninsured patients and patients with other uninsured balances such as copays and deductibles. The difference between amounts billed to patients and the amounts the System expects to collect based on its collection history with those patients is recorded as implicit price concessions, or as a direct reduction to net patient service revenue. Subsequent adjustments that are determined to be the result of an adverse change in the patient's or payor's ability to pay are recognized as bad debt expense. Bad debt expense for the years ended December 31, 2024 and 2023 was not material for the System, and is included within other expense in the accompanying consolidated statements of operations and changes in net assets, rather than as a deduction to arrive at revenue.

For the years ended December 31, 2024 and 2023 (dollars in thousands)

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

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

	Year Ended December 31,			
	2024		2023	
	Amount	%	Amount	%
Managed Care	$10,304,858	55%	$ 8,652,597	54%
Medicare	2,545,341	14	2,419,455	15
Managed Medicare	3,407,333	18	2,843,810	18
Medicaid	434,023	2	458,025	3
Managed Medicaid	1,033,498	6	932,349	6
Self-pay	149,961	1	175,925	1
Other	669,695	4	521,241	3
	$18,544,709	100%	$ 16,003,402	100%

Charity Care

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

The cost of charity care is calculated by applying a cost to gross charges ratio to uncompensated charges associated with providing charity care to patients and totaled $549,806 and $469,352 for the years ended December 31, 2024 and 2023, respectively. The System also receives certain funds to offset or subsidize charity care services provided. These funds are primarily received from various state sponsored programs. Funds received to offset or subsidize charity care services (included in net patient service revenue) were $215,389 and $157,979 for the years ended December 31, 2024 and 2023, respectively.

Other Operating Revenue

Other operating revenue within the consolidated statements of operations and changes in net assets includes grant revenue, unrestricted contributions, income or loss from equity method investments, gains and losses on sale of entities, and gains and losses on the sale of property and equipment.

During the COVID-19 pandemic, the System incurred significant expenses related to premium labor costs and the purchase of high-demand supplies, life-saving equipment, and personal protective equipment to help ensure the safety of its communities and applied for reimbursement from the Federal Emergency Management Agency (FEMA). During the year ended December 31, 2024, the System recognized grant revenue of $342,126 in other operating revenue, which represents public assistance funding from FEMA for the reimbursement of such costs. Subsequent to December 31, 2024, the System recognized an additional $222,285 of FEMA funding. Revenue is recognized upon FEMA obligating the funds and the completion of state and federal award reviews and approvals. No FEMA funding was recognized in 2023.

For the years ended December 31, 2024 and 2023 (dollars in thousands)

Excess of Revenue and Gains over Expenses

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

Contributed Resources

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

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

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

The following table provides a reconciliation of cash, cash equivalents, restricted cash, and restricted cash equivalents reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the statements of cash flows. Restricted cash and cash equivalents consist of funds included in assets whose use is limited. Certain of the System's investments are limited as to use through the terms of trust agreements, internal designation, under the terms of bond indentures, or the provisions of other contractual agreements.

	December 31, 2024	December 31, 2023
Cash and cash equivalents	$ 1,970,963	$ 2,230,710
Restricted cash and restricted cash equivalents included in assets whose use is limited	608,048	461,899
Total cash, cash equivalents, restricted cash, and restricted cash equivalents shown in the statements of cash flows	$ 2,579,011	$ 2,692,609

Investments

Investments include marketable securities with readily determinable fair values which are measured at fair value, based on quoted market prices, and primarily designated as trading securities. The System uses trade date accounting where unsettled trades represent amounts due to or due from brokers and are presented as such on the accompanying balance sheets. The cost of securities sold is based on the average cost method. The System also invests in hedge funds, commingled funds, and private market funds, which determine fair value using net asset values (NAV). The value of such investments is estimated, and those estimates may change in the near term. The financial statements of the funds are audited annually by independent auditors.

Additionally, investments include exchange-traded and over-the-counter derivative contracts, which are recognized as assets or liabilities in the consolidated balances at fair value. Derivatives are not designated as hedging instruments. Investment return includes realized gains and losses, interest, dividends, and net change in unrealized gains and losses. See Note 3 for further discussion of investments.

The investment return on investments restricted by donor or law is recorded as increases or decreases to net assets with donor restrictions. Investment returns earned on the System's self-insurance trust funds and employee benefits funds are recorded in other operating revenue.

Assets Whose Use is Limited

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

Sale of Patient Accounts Receivable

The System and certain of its member affiliates maintain a program for the continuous sale of certain patient accounts receivable to the Highlands County, Florida, Health Facilities Authority (Highlands) on a nonrecourse basis. Highlands has partially financed the purchase of the patient accounts receivable through the issuance of private placement, tax-exempt, variable-rate bonds (Bonds). Highlands had Bonds outstanding of $150,000 and $200,000 as of December 31, 2024 and 2023, respectively. The Bonds have a put date and a final maturity date of November 2027. The System is the servicer of the receivables under this arrangement and is responsible for performing all accounts receivable administrative functions.

As of December 31, 2024 and 2023, the estimated net realizable value, as defined in the underlying agreements, of patient accounts receivable sold by the System and removed from the accompanying consolidated balance sheets was $851,226 and $805,773, respectively. The patient accounts receivable sold consist primarily of amounts due from government programs and commercial insurers. The proceeds received from Highlands consist of cash from the Bonds, a note on a subordinated basis with the Bonds, and a note on a parity basis with the Bonds. The note on a subordinated basis with the Bonds is in an amount to provide the required over-collateralization of the Bonds and was $37,500 and $50,000 at December 31, 2024 and 2023, respectively. The note on a parity basis with the Bonds is the excess of eligible accounts receivable sold over the sum of cash received and the subordinated note and was $663,726 and $555,773 at December 31, 2024 and 2023, respectively. These notes are included in other receivables in the accompanying consolidated balance sheets. Due to the nature of the patient accounts receivable sold, collectability of the subordinated and parity notes is not significantly impacted by credit risk.

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

Inventories

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

For the years ended December 31, 2024 and 2023 (dollars in thousands)

Property and Equipment

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

Goodwill

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

	December 31, 2024	December 31, 2023
Goodwill	$ 756,122	$ 746,975
Less: accumulated amortization	(280,993)	(207,253)
Goodwill, net	$ 475,129	$ 539,722

Goodwill is amortized over a period of ten years. Amortization expense for goodwill was $73,767 and $74,249 for the years ended December 31, 2024 and 2023, respectively, and is included in depreciation and amortization in the accompanying consolidated statements of operations and changes in net assets.

Interest in the Net Assets of Unconsolidated Foundations

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

Impairment of Long-Lived Assets

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

Deferred Financing Costs

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

Bond Discounts and Premiums

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

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

NAHS is a wholly owned, for-profit subsidiary of Healthcare Corporation. NAHS and its subsidiary are subject to federal and state income taxes. NAHS files a consolidated federal income tax return and, where appropriate, consolidated state income tax returns. The provision for federal and state income tax for the years ended December 31, 2024 and 2023 is approximately $1,619 and $1,140, respectively.

The Income Taxes Topic of the Accounting Standards Codification (ASC) 740, *Income Taxes* (ASC 740) prescribes the accounting for uncertainty in income tax positions recognized in financial statements. ASC 740 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return. There were no material uncertain tax positions as of December 31, 2024 and 2023.

Reclassifications
Certain reclassifications were made to the 2023 consolidated financial statements to conform to the classifications used in 2024. These reclassifications had no impact on the consolidated excess of revenue and gains over expenses, changes in net assets, or cash flows previously reported.

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

2. Organizational Changes

Florida Market Changes
On November 22, 2024, the System entered into an asset purchase agreement to acquire ShorePoint Health Port Charlotte, a 254-bed hospital, for approximately $265,000. The acquisition is scheduled to close on March 1, 2025, and includes the purchase of substantially all the property and equipment of the hospital, the related outpatient services, certain real estate in the area, and certain working capital.

North Carolina Market Changes
On July 18, 2024, the System entered into an agreement to sublease St. Luke's Hospital, Inc., a 25-bed critical access hospital, along with its rural health clinics and other related facilities in Polk County, North Carolina for an initial term of 20 years. The transaction became effective on October 1, 2024. As part of this transaction, St. Luke's Hospital, Inc. was renamed AdventHealth Polk.

The non-cash transaction was accounted for as a business combination. The System recorded the fair value of the assets acquired of $24,938 and the liabilities assumed of $3,243 as of October 1, 2024. The fair value of AdventHealth Polk's net assets of $21,695 was recognized in the consolidated statement of operations and changes in net assets as a contribution from business combination and is included in nonoperating gains. The results of operations and changes in net assets for AdventHealth Polk were included in the System's consolidated financial statements beginning October 1, 2024.

Illinois Market Changes

During 2022, the System entered into an affiliation agreement with The University of Chicago Medical Center (UCMC), an unrelated third party. The transaction resulted in UCMC holding a controlling 51% membership interest in Adventist Midwest Health, Inc. which owns four Illinois hospitals and related facilities. The System continues to own a noncontrolling 49% membership interest (Note 6) and manages Adventist Midwest Health, Inc. In January 2023, the System and UCMC contributed an aggregate $150,000 to Adventist Midwest Health, Inc. to fund additional working capital needs, of which the System contributed $73,500.

Colorado Market Changes

In February 2023, the System and CommonSpirit Health (Sponsors) announced plans to end their joint operating agreement whereby Centura Health Corporation (Centura), a co-owned management company, managed the Sponsors' healthcare facilities in Colorado and Western Kansas (the Disaffiliation). The Disaffiliation was effective July 31, 2023. Following the Disaffiliation, the System operates its five hospitals and certain related healthcare facilities in Colorado and continues to control and consolidate those facilities. In accordance with the Disaffiliation, on August 1, 2023, the System received a payment from CommonSpirit of $46,327 in exchange for its membership interest in Centura. In connection with the Disaffiliation, effective July 31, 2024, the System withdrew its membership interest in another Centura related joint venture in exchange for a payment from CommonSpirit and related entities of $68,750. The Disaffiliation and the subsequent withdrawal of its membership interest in the related joint venture did not have a material impact on the System's consolidated financial statements.

Divestiture

In March 2023, the System sold its two skilled nursing facilities in Texas and Kansas. Net cash consideration of $15,426 was received by the System for the sale and the net carrying amount of the assets and liabilities sold, totaling $9,517, was deconsolidated. The resulting gain of $5,909 was recognized within other revenue in accompanying consolidated statement of operations and changes in net assets for the year ended December 31, 2023.

In June 2023, the System sold its remaining skilled nursing facilities in Florida. Net cash consideration of $145,740 was received for the sale and the net carrying amount of the assets and liabilities sold, totaling $100,363, was deconsolidated. The resulting gain of $45,377 was recognized as other revenue in the accompanying consolidated statement of operations and changes in net assets for the year ended December 31, 2023. In connection with the sale, the System exercised its right to terminate a lease for a skilled nursing facility operated in Florida, recognizing a loss on disposal of the associated leasehold improvements and equipment. The loss on disposal along with other related transaction costs totaled $18,393 and were recognized as other expense in the accompanying consolidated statement of operations and changes in net assets for the year ended December 31, 2023.

Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and 2023 (dollars in thousands)

3. Investments and Assets Whose Use is Limited

The System's investment portfolio includes allocations to effect a diversified multi-asset strategy designed to achieve balanced risk contributions across asset classes. This strategy, by design, results in lower standalone risk exposure through its public market asset holdings. As such, to achieve the System's targeted risk-adjusted return profile, derivative instruments are used to increase the portfolio's notional exposure to align with the System's overall risk target. Derivatives are used in a systematic manner, adjusted based on market conditions, asset class volatility, and liquidity considerations, to manage risk and use capital efficiently.

The System holds investments in alternative investments, such as commingled and hedge funds, that utilize similar diversified multi-asset strategies. Commingled funds provide the System with information around the fund's investment strategy, exposure information, and underlying investment holding detail, while hedge funds do not provide the underlying investment holding detail. The fair value of these funds is determined using NAV calculated by a third-party administrator. The financial statements of the funds are audited annually by independent auditors. The System's risk is limited to its investment in the fund. Fund redemption terms range from daily to quarterly.

The System also invests in private market funds to gain exposure to private equity, credit, real estate, and infrastructure markets. Private market funds determine fair value using NAV calculated by a third-party administrator and the financial statements of the funds are audited annually by independent auditors. The System's risk is limited to its investment in the fund. Many private market funds held by the System require capital commitments over an initial period of time and capital is returned as monetization events occur, outside of which invested funds generally cannot be redeemed other than through secondary market transactions. Certain other private market funds held by the System have monthly and annual redemption terms. Unfunded commitments related to private market funds were approximately $1,883,000 and $1,283,000 as of December 31, 2024 and 2023, respectively. The System does not presently intend to sell its funds in a secondary market prior to the end of the fund term.

For the years ended December 31, 2024 and 2023 (dollars in thousands)

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

	December 31, 2024	December 31, 2023
Debt securities		
U.S. government agencies and sponsored entities	$ 1,688,376	$ 1,903,447
Foreign government agencies and sponsored entities	1,194	239,776
Corporate bonds	44,640	49,218
Mortgage backed	38,879	145,887
Other asset backed	–	35,057
Short-term investments	224,419	495,490
Accrued interest	19,458	12,725
	2,016,966	2,881,600
Exchange traded and mutual funds		
Domestic equity	1,993,867	642,359
Foreign equity	4,445	7,984
Fixed income	1,511,363	1,024,713
	3,509,675	1,675,056
Investments at NAV		
Hedge funds	1,357,575	1,154,466
Private market funds	1,489,983	403,312
Commingled funds	453,359	368,475
	3,300,917	1,926,253
Cash and cash equivalents – assets whose use is limited	608,048	461,899
	9,435,606	6,944,808
Less: assets whose use is limited	(1,058,675)	(908,504)
Investments	$ 8,376,931	$ 6,036,304

Derivative instruments used in the System's investment portfolio include exchange-traded and over-the-counter contracts that are included in investments in the accompanying balance sheets. Derivative instruments involve counterparty credit risk, which is managed through frequent cash settlement, cash settlement upon dollar thresholds, and the requirement of the counterparty to post collateral for the benefit of the System. Similarly, the System posted collateral totaling $124,633 and $101,317 as of December 31, 2024 and 2023, respectively. Collateral posted by the System is included in either cash and cash equivalents or investments in the accompanying consolidated balance sheets, depending on the type of collateral posted. The System had investment return of $(113,694) and $68,933 related to investment derivatives for the years ended December 31, 2024 and 2023, respectively.

Derivative instruments consist of the following:

	December 31, 2024		
	Notional	Fair Value	
		Assets	Liabilities
Total return swaps	$ 1,923,110	$ 30,488	$ 7,839
Futures	5,223,530	–	–
Total derivate instruments	$ 7,146,640	$ 30,488	$ 7,839

For the years ended December 31, 2024 and 2023 (dollars in thousands)

	December 31, 2023		
	Notional	Fair Value	
		Assets	Liabilities
Options	$ 63	$ 216	$ 729
Interest rate swaps	38,478	17,178	10,422
Futures	4,423,116	–	–
Foreign currency exchange contracts	270,560	1,646	3,655
Total derivate instruments	$ 4,732,217	$ 19,040	$ 14,806

Assets Whose Use is Limited

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

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

	December 31,	
	2024	2023
Self-insurance trust funds	$ 406,870	$ 435,627
Employee benefits funds	293,502	260,148
Other	358,303	212,729
	1,058,675	908,504
Less: amounts to pay current liabilities	(640,309)	(473,224)
	$ 418,366	$ 435,280

Investment Return and Unrealized Gains and Losses

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

	Year Ended December 31,	
	2024	2023
Interest and dividend income	$ 281,894	$ 164,720
Net realized gains (losses)	141,304	(87,648)
Net change in unrealized gains and losses	(8,559)	451,563
	$ 414,639	$ 528,635

4. Liquidity and Available Resources

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

For the years ended December 31, 2024 and 2023 (dollars in thousands)

The System had 224 and 203 adjusted days cash and investments on hand at December 31, 2024 and 2023, respectively. Days cash and investments on hand is calculated as unrestricted cash and cash equivalents, investments, and due to brokers, net, divided by daily operating expenses (excluding depreciation and amortization expense). An adjustment was made for same store activity to remove the daily operating expenses of the skilled nursing facilities that were divested during the first and second quarter of 2023 (Note 2).

Unrestricted cash and cash equivalents, investments, and due to brokers, net consist of the following:

	December 31, 2024	December 31, 2023
Cash and cash equivalents	$ 1,970,963	$ 2,230,710
Investments	8,376,931	6,036,304
Due to brokers, net	(164,394)	(30,019)
	$10,183,500	$ 8,236,995
Adjusted unrestricted days cash and investments on hand	224	203

The System's financial assets also consist of patient accounts receivable totaling $1,432,031 and $1,370,051 as of December 31, 2024 and 2023, respectively. Other receivables, totaling $1,089,550 and $863,183 as of December 31, 2024 and 2023, respectively, are primarily composed of the notes associated with the System's sale of patient accounts receivable, which is more fully described in Note 1. The System's financial assets are available as its general expenditures, liabilities, and other obligations come due.

5. Property and Equipment

Property and equipment consist of the following:

	December 31, 2024	December 31, 2023
Land and improvements	$ 1,173,567	$ 1,072,127
Buildings and improvements	7,719,888	7,192,977
Equipment	7,847,616	7,270,863
	16,741,071	15,535,967
Less: accumulated depreciation	(8,281,224)	(7,654,091)
	8,459,847	7,881,876
Construction in progress	958,415	751,831
	$ 9,418,262	$ 8,633,707

Certain hospitals have entered into construction contracts or other commitments for which costs have been incurred and included in construction in progress. These and other committed projects will be financed through operations and proceeds of borrowings. The estimated costs to complete these projects approximated $580,086 at December 31, 2024.

For the years ended December 31, 2024 and 2023 (dollars in thousands)

The System capitalizes the cost of acquired software for internal use. Any internal costs incurred in the process of developing and implementing software are expensed or capitalized, depending primarily on whether they are incurred in the preliminary project stage, application development stage, or post-implementation stage. Capitalized software costs and estimated amortization expense in the table below exclude software in progress of approximately $22,900 and $43,200 at December 31, 2024 and 2023, respectively. Capitalized software costs and accumulated amortization expense, which are included in property and equipment in the accompanying consolidated balance sheets, were as follows:

	December 31, 2024	December 31, 2023
Capitalized software costs	$ 664,822	$ 666,523
Less: accumulated amortization	(349,550)	(347,434)
Capitalized software costs, net	$ 315,272	$ 319,089

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

2025	$ 40,104
2026	35,260
2027	23,861
2028	23,277
2029	23,263
Thereafter	169,507

During periods of construction and periods of developing software, interest costs are capitalized. Interest capitalized approximated $14,600 and $8,400 for the years ended December 31, 2024 and 2023, respectively.

6. Other Assets

Other assets consist of the following:

	December 31, 2024	December 31, 2023
Investments in unconsolidated entities	$ 1,081,681	$ 1,033,291
Goodwill	475,129	539,722
Interests in net assets of unconsolidated foundations	74,133	62,534
Notes and other receivables	56,786	71,500
Other noncurrent assets	93,982	63,417
	$ 1,781,711	$ 1,770,464

For the years ended December 31, 2024 and 2023 (dollars in thousands)

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

	Ownership Interest	December 31, 2024	2023
Health First, Inc.	27%	$ 405,330	$ 363,010
Adventist Midwest Health, Inc.	49%	317,106	320,076
Texas Health Huguley, Inc.	49%	235,711	213,155
Other	5% – 70%	123,534	137,050
		$1,081,681	$1,033,291

While the System holds a greater than 50% ownership interest in certain other entities, it does not have a controlling financial interest in these entities through board representation or a majority voting interest and therefore accounts for them as equity method investments.

Income or loss from unconsolidated entities totaled $102,919 and $30,990 for the years ended December 31, 2024 and 2023, respectively, and is included in other operating revenue in the accompanying consolidated statements of operations and changes in net assets.

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

7. Leases

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

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

Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and 2023 (dollars in thousands)

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

Operating and finance leases consist of the following:

	December 31, 2024	December 31, 2023
Operating Leases		
Operating lease assets	$ 358,343	$ 372,081
Other current liabilities	$ 73,159	$ 66,807
Operating lease liabilities, net of current portion	328,336	341,893
Total operating lease liabilities	$ 401,495	$ 408,700
Finance Leases		
Property and equipment	$ 34,273	$ 29,326
Current maturities of long-term debt	$ 19,799	$ 9,955
Long-term debt, net of current maturities	9,593	16,132
Total finance lease liabilities	$ 29,392	$ 26,087

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

	December 31, 2024	December 31, 2023
Operating lease expense	$ 133,134	$ 122,386
Variable lease expense	33,023	33,074
Short-term lease expense	20,532	18,117
Finance lease expense		
Amortization of lease assets	8,062	9,418
Interest on lease liabilities	740	902
Total lease expense	$ 195,491	$ 183,897

Lease term and discount rate were as follows:

	December 31, 2024	December 31, 2023
Weighted average remaining lease term:		
Operating leases	9.4 years	10.0 years
Finance leases	7.2 years	9.3 years
Weighted average discount rate:		
Operating leases	3.4%	3.0%
Finance leases	3.9%	3.1%

For the years ended December 31, 2024 and 2023 (dollars in thousands)

The following table summarizes the maturity of lease liabilities under finance and operating leases for the next five years and the years thereafter, as of December 31, 2024:

	Operating Leases	Finance Leases	Total
2025	$ 90,839	$ 19,767	$ 110,606
2026	73,535	2,980	76,515
2027	64,121	2,482	66,603
2028	53,907	1,199	55,106
2029	37,162	600	37,762
Thereafter	167,185	4,500	171,685
Total lease payments	486,749	31,528	$ 518,277
Less: imputed interest	(85,254)	(2,136)	
Total lease liabilities	$ 401,495	$ 29,392	

Supplemental cash flow information related to leases was as follows:

	December 31, 2024	December 31, 2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 105,754	$ 98,100
Operating cash flows from finance leases	807	1,007
Financing cash flows from finance leases	10,167	9,396
Lease assets obtained in exchange for new operating lease liabilities	83,761	128,302
Lease assets obtained in exchange for new finance lease liabilities	19,327	15,799

8. Debt Obligations

Long-term debt consisted of the following:

	December 31, 2024	December 31, 2023
Fixed-rate hospital revenue bonds, interest rates from 2.15% to 5.00%, payable through 2059	$ 3,317,391	$ 3,202,185
Other notes payable	4,786	6,414
Finance leases payable	29,392	26,087
Unamortized original issue premium, net	226,460	235,774
Deferred financing costs	(21,056)	(19,766)
	3,556,973	3,450,694
Less: current maturities	(78,791)	(79,839)
	$ 3,478,182	$ 3,370,855

Master Trust Indenture

Long-term debt has been issued primarily on a tax-exempt basis. Substantially all bonds are secured under a Master Trust Indenture (MTI), which provides for, among other things, the deposit of revenue with the master trustee in the event of certain defaults, pledges of accounts receivable, pledges not to encumber property, and limitations on additional borrowings. Certain affiliates controlled by Healthcare Corporation comprise the AdventHealth Obligated Group (Obligated Group). Members of the Obligated Group are jointly and severally liable under the MTI to make all payments required with respect to obligations under the MTI. The MTI requires certain covenants and reporting requirements be met by the System and the Obligated Group. At December 31, 2024 and 2023, the Obligated Group had total net assets of approximately $16,558,000 and $14,086,000, respectively.

Variable-Rate Bonds and Sources of Liquidity

Certain variable-rate bonds, totaling $459,480 and $466,160 as of December 31, 2024 and 2023, respectively, are classified as short-term financings in the accompanying consolidated balance sheets, and may be put to the System at the option of the bondholder. The variable-rate bond indentures generally provide the System the option to remarket the obligations at the then prevailing market rates for periods ranging from one day to the maturity dates. The obligations have been primarily marketed for seven-day periods during 2024, with annual interest rates ranging from 1.81% to 4.82%. Additionally, the System paid fees, such as remarketing fees, on variable-rate bonds during 2024.

The System has various sources of liquidity, including a $750,000 revolving credit agreement (Revolving Note) with a syndicate of banks and a $500,000 commercial paper program (CP Program). The Revolving Note which expires in October 2027, is available for letters of credit, liquidity facilities, and general corporate needs, including working capital, capital expenditures, and acquisitions and has certain prime rate and Secured Overnight Financing Rate-based pricing options. As of December 31, 2024, no amounts were outstanding under the Revolving Note. As of December 31, 2023, $100,000 was outstanding under the Revolving Note. At December 31, 2024 and 2023, the System had $3,500 committed letters of credit under the Revolving Note. The System's CP Program allows for up to $500,000 of taxable, commercial paper notes (CP Notes) to be issued for general corporate purposes at an interest rate to be determined at the time of issuance. No amounts were outstanding under the CP Program as of December 31, 2024 or 2023. Subsequent to December 31, 2024, the System made a draw of $250,000 on the CP Program.

2024 Debt Transactions

During 2024, the System issued $185,495 of tax-exempt, fixed-rate put bonds at a premium with a final maturity date of 2059 and a stated interest rate of 5.00%. The System also issued $71,365 of tax-exempt, fixed-rate serial bonds at a premium with maturity dates of 2029, 2034, and 2039 and a stated interest rate of 5.00%. The bond proceeds were used for reimbursement of prior capital expenditures and to refund a portion of previously issued bonds. There were immaterial impacts to the financial statements as a result of the early extinguishment of debt. In June 2024, the System repaid the $100,000 Revolving Note that was outstanding as of December 31, 2023.

2023 Debt Transactions

As of December 31, 2022, $152,721 was outstanding under the CP Program. During 2023, the System made draws and repayments under the CP Program, which resulted in an overall repayment of amounts outstanding under the CP Program. The draws on the CP Program during the year had interest rates ranging from 4.92% to 5.35% and were used to finance certain costs of the acquisition, construction, and equipping of certain facilities. No amounts were outstanding under the CP Program as of December 31, 2023.

In July 2023, the System issued $227,075 of tax-exempt, fixed-rate put bonds at a premium with final maturity dates of 2057 and 2058 and a stated interest rate of 5.00%. The System used the bond proceeds for reimbursement of prior capital expenditures and acquisitions, some of which had been previously financed under the CP Program. In August 2023, the System issued $58,210 of tax-exempt, fixed-rate bonds at a premium with a final maturity date of 2036 and a stated interest rate of 5.00%. The

For the years ended December 31, 2024 and 2023 (dollars in thousands)

System used the proceeds from the August 2023 bond issuance to refund a portion of previously issued put bonds which had a mandatory tender date in November 2023. There were immaterial impacts to the financial statements as a result of the early extinguishment of debt. As of December 31, 2023, the System had $100,000 outstanding under the Revolving Note, which is classified as short-term financings in the accompanying consolidated balance sheet.

Debt Maturities

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

2025	$ 58,992
2026	80,401
2027	77,734
2028	83,481
2029	66,624
Thereafter	2,954,945

Cash paid for interest, net of amounts capitalized, approximated $139,000 and $133,000 during the years ended December 31, 2024 and 2023, respectively.

9. Retirement Plans

Defined Contribution Plans

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

Contributions to the Plan are included in employee compensation in the accompanying consolidated statements of operations and changes in net assets in the amount of $257,548 and $230,858 for the years ended December 31, 2024 and 2023, respectively.

Defined Benefit Plan – Multiemployer Plan

Prior to January 1, 1992, certain of the System's entities participated in a multiemployer, noncontributory, defined benefit retirement plan, the Seventh-day Adventist Hospital Retirement Plan Trust (Old Plan) sponsored and administered by the North American Division of the General Conference of Seventh-day Adventists that is exempt from ERISA. The employer identification number of the Old Plan is 52-2000393. The risks of participating in multiemployer plans are different from single-employer plans in that: (a) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers; (b) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers; and (c) if an entity chooses to stop participating in the multiemployer plan, it may be required to pay the plan an amount based on the underfunded status of the plan, referred to as withdrawal liability.

Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and 2023 (dollars in thousands)

During 1992, the Old Plan was frozen, and the Plan was established. The System, along with the other participants in the Old Plan, may be required to make contributions to the Old Plan to fund any difference between the present value of the Old Plan benefits and the fair value of the Old Plan assets. During 2024, the administrators of the Old Plan notified the System of a required contribution of approximately $16,000, which was funded by the System in July 2024. The System was not required to and did not make any contributions to the Old Plan for the year ended December 31, 2023.

Based on the most recently available unaudited estimate of the Old Plan's funding shortfall, future funding requirements are probable but have not been requested by the Old Plan administrators. Management believes the impact of any such future funding requirements will not have a material adverse effect on the System's consolidated financial statements.

The most recent available plan assets and actuarially determined benefit obligation for the Old Plan, which includes all participating employers, is as of January 1, 2024, and is as follows:

Total plan assets	$ 328,334
Actuarial present value of accumulated plan benefits (unaudited)	688,585
Funded status (unaudited)	48%

Defined Benefit Plan – Frozen Pension Plans

Certain of the System's entities sponsored noncontributory, defined benefit pension plans (Pension Plans) that have been frozen such that no new benefits accrue. The following table sets forth the remaining combined projected and accumulated benefit obligations and the assets of the Pension Plans at December 31, 2024 and 2023, the components of net periodic pension cost for the years then ended, and a reconciliation of the amounts recognized in the accompanying consolidated financial statements:

	Year Ended December 31, 2024	Year Ended December 31, 2023
Accumulated benefit obligation, end of year	$ 94,600	$ 102,418
Change in projected benefit obligation:		
Projected benefit obligation, beginning of year	$ 102,418	$ 101,229
Interest cost	5,187	5,559
Benefits paid	(8,209)	(8,914)
Actuarial (gains) losses	(4,796)	4,544
Projected benefit obligation, end of year	94,600	102,418
Change in plan assets:		
Fair value of plan assets, beginning of year	92,064	92,763
Actual return on plan assets	(416)	8,215
Employer contributions	9,034	-
Benefits paid	(8,209)	(8,914)
Fair value of plan assets, end of year	92,473	92,064
Deficiency of fair value of plan assets over projected benefit obligation, included in other noncurrent liabilities	$ (2,127)	$ (10,354)

For the years ended December 31, 2024 and 2023 (dollars in thousands)

No plan assets are expected to be returned to the System during the fiscal year ended December 31, 2025.

Included in net assets without donor restrictions at December 31, 2024 and 2023 are unrecognized actuarial losses of $16,448 and $16,595, respectively, which have not yet been recognized in net periodic pension cost.

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

	Year Ended December 31, 2024	2023
Net actuarial losses	$ (117)	$ (795)
Amortization of net actuarial losses	264	268
Increase (decrease) in net assets without donor restrictions	$ 147	$ (527)

The components of net periodic pension cost were as follows:

	Year Ended December 31, 2024	2023
Interest cost	$ 5,187	$ 5,559
Expected return on plan assets	(4,497)	(4,466)
Recognized net actuarial losses	264	268
Net periodic pension cost	$ 954	$ 1,361

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

	Year Ended December 31, 2024	2023
Used to determine projected benefit obligation		
Weighted average discount rate	5.75%	5.25%
Used to determine pension cost		
Weighted average discount rate	5.25%	5.65%
Weighted average expected long-term rate of return on plan assets	5.00%	5.00%

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

During 2024, the weighted average discount rate, which is determined using a cash flow matching approach, increased to 5.75%, resulting in an actuarial gain of $4,607. The expected long-term rate of return on the Pension Plans' assets is based on historical and projected rates of return for current and planned asset categories and the target allocation in the investment portfolio. As of December 31, 2024, the target investment allocation for the Pension Plans was 100% debt securities. As of December 31, 2023, the target investment allocation for the Pension Plans was 70% debt securities and 30% equity securities.

For the years ended December 31, 2024 and 2023 (dollars in thousands)

The following table presents the Pension Plans' financial instruments as of December 31, 2024, measured at fair value on a recurring basis by the valuation hierarchy defined in Note 12:

	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 1,700	$ 1,700	$ –	$ –
Debt securities				
U.S. government agencies and sponsored entities	5,180	–	5,180	–
Corporate bonds	85,593	–	85,593	–
Total plan assets	$ 92,473	$ 1,700	$ 90,773	$ –

The following table presents the Pension Plans' financial instruments as of December 31, 2023 measured at fair value on a recurring basis by the valuation hierarchy defined in Note 12:

	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 2,196	$ 2,196	$ –	$ –
Debt securities				
U.S. government agencies and sponsored entities	2,829	–	2,829	–
Corporate bonds	59,781	–	59,781	–
Equity securities				
Domestic equities	2,856	2,856	–	–
Foreign equities	1,494	1,494	–	–
Exchange traded funds				
Domestic equity	18,416	18,416	–	–
Foreign equity	4,492	4,492	–	–
Total plan assets	$ 92,064	$ 29,454	$ 62,610	$ –

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

2025	$ 7,232
2026	7,356
2027	7,513
2028	7,565
2029	7,603
2030-2034	37,171

10. General and Professional Liability Program

The System maintains a self-insured revocable trust that covers its subsidiaries and their respective employees for professional and general liability claims within a specified level. A self-insured retention of $15,000 was established for the year ended December 31, 2003 and was increased to $20,000 effective April 1, 2020. Claims above the self-insured retention are insured by claims-made coverage issued by Adhealth Limited (Adhealth), a Bermuda-domiciled captive insurance company. Adhealth has purchased reinsurance through commercial insurers for the excess limits of coverage.

The professional and general liability trust funds are recorded in the accompanying consolidated balance sheets as assets whose use is limited in the amount of $406,870 and $435,627 at December 31, 2024 and 2023, respectively. The related accrued claims are recorded in the accompanying consolidated balance sheets as other current liabilities in the amount of $119,671 and $116,225 and as other noncurrent liabilities in the amount of $411,326 and $395,366 at December 31, 2024 and 2023, respectively. These liabilities are based upon actuarially determined estimates using a discount rate of 3.75% at December 31, 2024 and 2023. The related estimated insurance recoveries are recorded as other assets in the amount of $10,799 and $9,486 in the accompanying consolidated balance sheets at December 31, 2024 and 2023, respectively.

11. Commitments and Contingencies

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

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

12. Fair Value Measurements

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

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

> *Level 1* – based on unadjusted quoted prices for identical assets or liabilities in an active market that the System has the ability to access.
>
> *Level 2* – based on pricing inputs that are either directly observable or that can be derived or supported from observable data as of the reporting date. Level 2 inputs may include quoted prices for similar assets or liabilities in non-active markets or pricing models whose inputs are observable for substantially the full term of the asset or liability.
>
> *Level 3* – based on prices or valuation techniques that require inputs that are both significant to the fair value of the financial asset or liability and are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value. The System has no financial assets or financial liabilities with significant Level 3 inputs.

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

For the years ended December 31, 2024 and 2023 (dollars in thousands)

Recurring Fair Value Measurements

The fair value of financial instruments measured at fair value on a recurring basis at December 31, 2024 was as follows:

	Total	Level 1	Level 2	Level 3
ASSETS				
Cash and cash equivalents	$ 1,970,963	$ 1,224,543	$ 746,420	$ –
Investments and assets whose use is limited cash and cash equivalents	608,048	608,048	–	–
Debt securities				
U.S. government agencies and sponsored entities	1,688,376	–	1,688,376	–
Foreign government agencies and sponsored entities	1,194	–	1,194	–
Corporate bonds	44,640	–	44,640	–
Mortgage backed	38,879	–	38,879	–
Short-term investments	224,419	–	224,419	–
Exchange traded and mutual funds				
Domestic equity	1,993,867	1,993,867	–	–
Foreign equity	4,445	4,445	–	–
Fixed income	1,511,363	1,511,363	–	–
	6,115,231	4,117,723	1,997,508	–
Total	$ 8,086,194	$ 5,342,266	$ 2,743,928	$ –

Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and 2023
(dollars in thousands)

The fair value of financial instruments measured at fair value on a recurring basis at December 31, 2023 was as follows:

	Total	Level 1	Level 2	Level 3
ASSETS				
Cash and cash equivalents	$ 2,230,710	$ 1,721,376	$ 509,334	$ –
Investments and assets whose use is limited cash and cash equivalents	461,899	461,899	–	–
Debt securities				
U.S. government agencies and sponsored entities	1,903,447	–	1,903,447	–
Foreign government agencies and sponsored entities	239,776	–	239,776	–
Corporate bonds	49,218	–	49,218	–
Mortgage backed	145,887	–	145,887	–
Other asset backed	35,057	–	35,057	–
Short-term investments	495,490	–	495,490	–
Exchange traded and mutual funds				
Domestic equity	642,359	642,359	–	–
Foreign equity	7,984	7,984	–	–
Fixed income	1,024,713	1,024,713	–	–
	5,005,830	2,136,955	2,868,875	–
Total	$ 7,236,540	$ 3,858,331	$3,378,209	$ –

Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and 2023 (dollars in thousands)

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

	December 31, 2024	December 31, 2023
Investments and assets whose use is limited measured at fair value	$ 6,115,231	$ 5,005,830
Hedge funds	1,357,575	1,154,466
Private market funds	1,489,983	403,312
Commingled funds	453,359	368,475
Accrued interest	19,458	12,725
Total	$ 9,435,606	$ 6,944,808
Investments	$ 8,376,931	$ 6,036,304
Assets whose use is limited:		
Current	640,309	473,224
Noncurrent	418,366	435,280
Total	$ 9,435,606	$ 6,944,808

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

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

13. Functional Expenses

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

Expenses by functional classification for the year ended December 31, 2024 consist of the following:

	Healthcare Services	Corporate Services	Total
Employee compensation	$ 8,956,892	$ 601,665	$ 9,558,557
Purchased services and professional fees	2,178,351	271,397	2,449,748
Supplies	2,919,316	4,467	2,923,783
Other	2,424,871	151,220	2,576,091
Total	$ 16,479,430	$ 1,028,749	$ 17,508,179

For the years ended December 31, 2024 and 2023 (dollars in thousands)

Expenses by functional classification for the year ended December 31, 2023 consist of the following:

	Healthcare Services	Corporate Services	Total
Employee compensation	$ 8,080,578	$ 528,175	$ 8,608,753
Purchased services and professional fees	1,975,997	296,346	2,272,343
Supplies	2,565,918	3,868	2,569,786
Other	2,184,720	133,628	2,318,348
Total	$ 14,807,213	$ 962,017	$ 15,769,230

14. Subsequent Events

The System evaluated events and transactions occurring subsequent to December 31, 2024 through February 27, 2025, the date the accompanying consolidated financial statements were issued. During this period, there were no subsequent events that required recognition in the accompanying consolidated financial statements. Nonrecognized subsequent events that required disclosure include the activity related to FEMA grant funding discussed in Note 1, Florida market changes discussed in Note 2, and the CP Program draw discussed in Note 8. There were no additional nonrecognized subsequent events that required disclosure.

For the years ended December 31, 2024 and 2023 (dollars in thousands)

15. Fourth Quarter Results of Operations (Unaudited)

The System's operating results for the three months ended December 31, 2024 are presented below. These results include the recognition of $342,126 of FEMA funding in other operating revenue as discussed in Note 1.

Revenue	
Net patient service revenue	$ 4,871,155
Other (Note 1)	591,175
Total operating revenue	5,462,330
Expenses	
Employee compensation	2,424,742
Supplies	780,023
Purchased services	381,524
Professional fees	281,940
Other	442,761
Interest	28,390
Depreciation and amortization	220,537
Total operating expenses	4,559,917
Income from Operations	902,413
Nonoperating Gains (Losses)	
Investment return	(268,799)
Contribution from business combination	21,695
Total nonoperating losses, net	(247,104)
Excess of revenue and gains over expenses and losses	655,309
Noncontrolling interests	499
Excess of Revenue and Gains over Expenses and Losses Attributable to Controlling Interest	655,808
Other changes in net assets without donor restrictions, net	21,619
Decrease in net assets with donor restrictions, net	(14,830)
Increase in Net Assets	$ 662,597

Report of Independent Auditors

The Board of Directors
Adventist Health System Sunbelt Healthcare Corporation
d/b/a AdventHealth

Opinion

We have audited the consolidated financial statements of Adventist Health System Sunbelt Healthcare Corporation (the System), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the System at December 31, 2024 and 2023, and the results of its operations and changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our 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 the System's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free 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 the System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

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

Ernst & Young LLP

February 27, 2025