MUNICIPAL SECONDARY MARKET DISCLOSURE
INFORMATION COVER SHEET

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

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

CUSIP Numbers:

CSCDA AHS/W 2007A		**CSCDA AHS/W 2015 Series A**		**CHFFA 2016A – cont.**		**CSCDA AHS/W 2018 Series A**	
13080SYC2		13080SHY3	13080SJG0	13032UGA0	13032UGJ1	13080SVR2	13080SWB6
CHFFA AHS/W 2009 Series B		13080SHZ0	13080SJH8	13032UGB8	13032UGK8	13080SVS0	13080SWC4
13033LBC0		13080SJA3	13080SJJ4	13032UGC6	13032UGL6	13080SVT8	13080SWD2
CHFFA AHS/W 2011A		13080SJB1	13080SJK1	**Roseville Finance Authority**		13080SVU5	13080SWE0
13032UUX4		13080SJC9	13080SJN5	**2017 Series B**		13080SVV3	13080SWF7
AHS/W Taxable 2013		13080SJD7	13080SJL9	77781PDG9	77781PDP9	13080SVW1	13080SWG5
007944AC5		13080SJE5	13080SJP0	77781PDH7	77781PDQ7	13080SVX9	13080SWH3
CHFFA AHS/W 2013 Series A		13080SJF2	13080SJM7	77781PDJ3	77781PDR5	13080SVY7	13080SWJ9
13033LR58	13033LS24	**CHFFA AHS/W 2016 Series A**		77781PDK0	77781PDS3	130808VZ4	13080SWK6
13033LR66	13033LS32	13032UFV5	13032UGE2	77781PDL8	77781PDT1	13080SWA8	
13033LR74	13033LS40	13032UFW3	13032UGF9	77781PDM6	77781PDU8	**AHS/W Taxable 2019**	
13033LR82	13033LS65	13032UFX1	13032UGG7	77781PDX2	77781PDV6	007944AE1	007944AG6
13033LS73	13033LS57	13032UFY9	13032UGH5	77781PDN4	77781PDW4	007944AF8	
13033LR90		13032UGD4	13032UFZ6			**Multnomah County, OR 2019**	
						62551PCX3	

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

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

CAFR [1]: a. X includes Annual Financial Information __ does not include Annual Information

b. Audited? **Yes** X **No** __

Operating Data

Period Covered: 12 months ended December 31, 2021

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

Signature: _____

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

Adventist Health System/West
Annual Report: December 31, 2021
Per Continuing Disclosure Certificates:

CSCDA 2007 Series A
CHFFA 2009 Series B
CHFFA 2013 Series A
Adventist Health System/West Taxable Bonds 2013
CSCDA 2015 Series A
CHFFA 2016 Series A
Roseville Finance Authority 2017 Series B
CSCDA 2018 Series A
Multnomah County, OR 2019 Series A
Adventist Health System/West Taxable Bonds 2019

Certificate Reference	**Requirement**	**Location**
Section 3(b)(2)*	Long-term debt disclosure	Tab "Financial Ratios"
Section 3(b)(3)*	Statement regarding accounts receivable liens	Tab "Financial Ratios"
Section 4(a)	Audited combined financial statement	Tab "AH 2021 Audited Financials"
Section 4(b)(1)	Summary Listing of Hospitals	Tab "Operating/Utilization Statistics"
(2)	Combined Summary of Revenues & Expenses **Note that 10.5% of Revenues are from entities outside of the Obligated Group**	Tab "AH 2021 Audited Financials"
(3)	Combined Balance Sheet **Note that 5.1% of Assets are from entities outside of the Obligated Group**	Tab "AH 2021 Audited Financials"
(4)	Debt Service Coverage and Capitalization	Tab "Financial Ratios"
(5)	Payor Mix – Obligated Group	Tab "Operating/Utilization Statistics"
(6)	Utilization Statistics – Obligated Group	Tab "Operating/Utilization Statistics"
(7)	Operating Statistics – Obligated Group	Tab "Operating/Utilization Statistics"
Section 4(c)	Combining financial statements	Tab "AH 2021 Audited Financials"

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

Consolidated Financial Statements and Supplementary Information

Adventist Health System/West

Years Ended December 31, 2021 and 2020 with Report of Independent Auditors

Audited Consolidated Financial Statements
and Supplementary Information

Adventist Health System/West

Years Ended December 31, 2021 and 2020

Audited Consolidated Financial Statements

Supplementary Information

Ernst & Young LLP
Suite 900
400 Capitol Mall
Sacramento, CA 95814

Tel: +1 916 218 1900
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Report of Independent Auditors

The Board of Directors
Adventist Health System/West

Opinion

We have audited the consolidated financial statements of Adventist Health System/West (Adventist Health), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Adventist Health at December 31, 2021 and 2020, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Building a better working world

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Ernst & Young LLP

March 18, 2022

Adventist Health

Consolidated Balance Sheets
(In millions of dollars)

	December 31	
	2021	**2020**
Assets		
Cash and cash equivalents	**$ 304**	$ 261
Short-term investments	**157**	176
Patient accounts receivable	**689**	612
Receivables from third-party payors	**379**	501
Other current assets	**227**	243
Total current assets	**1,756**	1,793
Noncurrent investments	**2,291**	2,236
Other assets	**432**	413
Property and equipment, net	**2,185**	2,302
Total assets	**$ 6,664**	$ 6,744
Liabilities and net assets		
Accounts payable	**$ 370**	$ 265
Accrued compensation and related payables	**325**	306
Liabilities to third-party payors	**209**	232
Other current liabilities	**242**	140
Short-term financing	**30**	60
Current maturities of long-term debt	**36**	20
Total current liabilities	**1,212**	1,023
Long-term debt, net of current maturities	**2,000**	2,036
Other noncurrent liabilities	**323**	570
Total liabilities	**3,535**	3,629
Net assets without donor restrictions:		
Controlling	**3,044**	3,040
Noncontrolling	**15**	14
Net assets with donor restrictions	**70**	61
Total net assets	**3,129**	3,115
Total liabilities and net assets	**$ 6,664**	$ 6,744

See notes to consolidated financial statements.

Adventist Health

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

	Year Ended December 31	
	2021	**2020**
Revenues and support		
Patient service revenue	**$ 4,660**	$ 4,097
Premium revenue	**189**	185
Other revenue	**348**	477
Net assets released from restrictions for operations	**18**	15
Total revenues and support	**5,215**	4,774
Expenses		
Employee compensation	**2,308**	2,246
Professional fees	**782**	587
Supplies	**785**	641
Purchased services and other	**1,231**	1,105
Interest	**65**	68
Depreciation and amortization	**193**	201
Total expenses	**5,364**	4,848
Loss from operations	**(149)**	(74)
Nonoperating income		
Investment income	**163**	178
Loss on acquisition and divestitures	**–**	(1)
Other nonoperating (loss) gain	**(5)**	6
Total nonoperating income	**158**	183
Excess of revenues over expenses	**9**	109
(Excess) deficit of revenues over expenses from noncontrolling interests	**(1)**	2
Excess of revenues over expenses from controlling interests	**8**	111

See notes to consolidated financial statements.

Adventist Health

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

	Year Ended December 31	
	2021	**2020**
Net assets without donor restrictions		
Controlling		
Excess of revenues over expenses from controlling interests	**$ 8**	$ 111
Net change in unrealized gains and losses on other-than-trading securities	**(10)**	7
Donated property and equipment	**–**	1
Net assets released from restrictions for capital additions	**5**	7
Other	**1**	–
Increase in net assets without donor restrictions – controlling	**4**	126
Noncontrolling		
Excess (deficit) of revenues over expenses from noncontrolling interests	**1**	(2)
Increase (decrease) in net assets without donor restrictions – noncontrolling	**1**	(2)
Net assets with donor restrictions		
Restricted gifts and grants	**32**	24
Net assets released from restrictions	**(23)**	(22)
Other donor-restricted activity	**–**	1
Increase in net assets with donor restrictions	**9**	3
Increase in net assets	**14**	127
Net assets, beginning of year	**3,115**	2,988
Net assets, end of year	**$ 3,129**	$ 3,115

See notes to consolidated financial statements.

Adventist Health

Consolidated Statements of Cash Flows
(In millions of dollars)

	Year Ended December 31	
	2021	**2020**
Operating activities		
Increase in net assets	**$ 14**	$ 127
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	**193**	201
Gain on early extinguishment of debt	**–**	(4)
Amortization of bond issuance costs and discount/premium	**(7)**	(7)
Noncash operating lease expense	**38**	37
Loss on note receivable	**1**	1
Net loss on investments	**(71)**	(27)
Net gain on sale of property and equipment	**19**	–
Net changes in operating assets and liabilities:		
Patient accounts receivable	**(77)**	(14)
Other assets	**3**	(38)
Net payables to third-party payors and other liabilities	**32**	289
Net cash provided by operating activities	**145**	565
Investing activities		
Purchases of property and equipment	**(136)**	(167)
Proceeds from sale of property and equipment	**13**	–
Proceeds of insurance for property and equipment	**29**	–
Purchase of investments	**(2,520)**	(1,060)
Proceeds from sale of investments	**2,555**	487
Net cash used in investing activities	**(59)**	(740)
Financing activities		
Proceeds from issuance of short-term financing	**–**	60
Payments on short-term financing	**(30)**	–
Proceeds from lines of credit	**–**	200
Payments on lines of credit	**–**	(200)
Payments on long-term debt	**(13)**	(106)
Net cash used in financing activities	**(43)**	(46)
Increase (decrease) in cash and cash equivalents	**43**	(221)
Cash and cash equivalents, beginning of year	**261**	482
Cash and cash equivalents, end of year	**$ 304**	$ 261

See notes to consolidated financial statements.

Adventist Health

Notes to Consolidated Financial Statements
(In millions of dollars)

Note A – Summary of Significant Accounting Policies

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

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

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

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

Note A – Summary of Significant Accounting Policies (continued)

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

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

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

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

Split-interest Agreements: The System is the trustee and beneficiary of various split-interest agreements. The carrying amounts of the System's split-interest assets are included with investments held by trustee and donor-restricted investments and include marketable securities and real estate. Trust assets are carried at fair value. Assets under split-interest agreements were $8 at December 31, 2021 and 2020. Trust obligations are reported in other noncurrent liabilities at their discounted estimated present value using actuarially determined life expectancy tables. Discount rates range between approximately 2% and 9%. Liabilities under split-interest agreements were $2 and $3 at December 31, 2021 and 2020, respectively.

Goodwill: The System records goodwill as the excess of purchase price and related costs over the fair value of net assets acquired. These amounts are evaluated for impairment annually or when there is an indicator of impairment. If it is determined that goodwill is impaired, the carrying value is reduced. The System had goodwill of $75 and $65 at December 31, 2021 and 2020, respectively, which is included in other long-term assets with additions of $10 and $43 in 2021 and 2020, respectively.

Note A – Summary of Significant Accounting Policies (continued)

Property and Equipment: Property and equipment are reported on the basis of cost, except for donated items, which are recorded as an increase in net assets without donor restrictions based on fair market value at the date of the donation. During the period of construction, the System capitalizes expenditures and interest costs, net of earnings on invested bond proceeds that materially increase values, change capacities, and extend useful lives. Accrued obligations for property and equipment are $8 as of December 31, 2021 and 2020, respectively.

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

Depreciation is computed using the straight-line method over the expected useful lives of the assets, which range from 3 to 40 years. Amortization of equipment is included in depreciation expense.

Short Term Financing: In December 2020, the System initiated a taxable commercial paper program supported by self-liquidity for general corporate purposes. Under the program, the System is registered to issue up to $150. At December 31, 2021, $30 of commercial paper was outstanding with a maturity date of January 3, 2022 and is included in short-term financing on the consolidated balance sheet. On January 3, 2022, the System paid down the outstanding balance.

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

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

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

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

Note A – Summary of Significant Accounting Policies (continued)

Charity Care: The System provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. In assessing a patient's ability to pay, the System uses federal poverty income levels and evaluates the relationship between the charges and the patient's income. The System did not change its charity care policy during 2021. The estimated cost of charity care was $19 and $26 in 2021 and 2020, respectively. The costs were determined using cost-to-charge ratios.

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

Other Revenue: Other revenue is comprised primarily of contributions received related to the Public Health and Social Services Emergency Fund and other programs (collectively "Provider Relief Funds"), rental income, retail pharmacy, interest and dividend income, and other miscellaneous income.

Income Tax: The principal operations of the System are exempt from taxation pursuant to Internal Revenue Code Section 501(c)(3) and related state provisions. The System recognizes tax benefits from any uncertain tax positions only if it is more-likely-than-not the tax position will be sustained, based solely on its technical merits, with the taxing authority having full knowledge of all relevant information. The System records a liability for unrecognized tax benefits from uncertain tax positions as discrete tax adjustments in the first interim period the more-likely-than-not threshold is not met. The System recognizes deferred tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis of its assets and liabilities, along with net operating loss and tax credit carryovers only for tax positions that meet the more-likely-than-not recognition criteria. At December 31, 2021 and 2020, no such assets or liabilities were recorded.

The System currently files Form 990 (informational return of organizations exempt from income taxes) and Form 990-T (business income tax return for an exempt organization) in the U.S. federal jurisdiction and the state of California. The System is not subject to income tax examinations prior to 2018 in major tax jurisdictions.

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

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

Note A – Summary of Significant Accounting Policies (continued)

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

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 December 31, 2021 or 2020.

(In millions of dollars)

Note B – Fair Value of Financial Instruments (continued)

The following represents assets measured at fair value or at net asset value (NAV) as a practical expedient on a recurring basis at December 31, 2021:

	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Observable Inputs (Level 2)	Totals
Cash and cash equivalents	**$ 304**	**$ –**	**$ 304**
Money market funds	**38**	**–**	**38**
Fixed income:			
U.S. government treasury obligations	**50**	**–**	**50**
U.S. corporation and agency debentures	**–**	**47**	**47**
U.S. agency mortgage-backed securities	**–**	**6**	**6**
U.S. corporate debt securities	**–**	**429**	**429**
Municipal bonds	**–**	**8**	**8**
Mutual funds	**217**	**164**	**381**
Equities:			
Equities	**9**	**–**	**9**
Mutual funds	**929**	**–**	**929**
Total financial assets stated at fair value	**$ 1,547**	**$ 654**	**2,201**
Commercial real estate			**23**
Investments measured at NAV			**528**
Other investments			**86**
Total cash and investments			**$ 2,838**

Money market funds of $38 at December 31, 2021 includes funds held in the investment portfolio for self-insurance programs. The money market funds are used for both buying investments and self-insurance program claims. The amounts are internally separated into a separate account; however, such funds are not restricted and can be used for any purpose.

(In millions of dollars)

Note B – Fair Value of Financial Instruments (continued)

The following represents assets measured at fair value or at NAV as a practical expedient on a recurring basis at December 31, 2020:

	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Observable Inputs (Level 2)	Totals
Cash and cash equivalents	$ 261	$ –	$ 261
Money market funds	71	–	71
Fixed income:			
U.S. government treasury obligations	143	–	143
U.S. corporation and agency debentures	–	51	51
U.S. agency mortgage-backed securities	–	4	4
U.S. corporate debt securities	–	227	227
Municipal bonds	–	24	24
Mutual funds	679	200	879
Equities:			
Equities	6	–	6
Mutual funds	717	–	717
Total financial assets stated at fair value	$ 1,877	$ 506	2,383
Commercial real estate			26
Investments measured at NAV			264
Other investments			79
Total cash and investments			$ 2,752

Money market funds of $71 at December 31, 2020 includes funds held in the investment portfolio for self-insurance programs. The money market funds are used for both buying investments and self-insurance program claims. The amounts are internally separated into a separate account; however, such funds are not restricted and can be used for any purpose.

Commercial real estate investments are recorded at cost or fair market value if donated. These investments are periodically reviewed for impairment and written down if necessary. Other investments include retirement plan assets, joint ventures, and partnerships and are included in other assets.

(In millions of dollars)

Note B – Fair Value of Financial Instruments (continued)

As of December 31, 2021 and 2020, 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 U.S. corporate debt securities is primarily determined using techniques that are consistent with the market approach. Significant observable inputs include reported trades, dealer quotes, security-specific characteristics, and multiple sources of spread data points in developing yield curves.

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

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

	December 31, 2021			
	NAV	**Unfunded Commitments**	**Redemption Frequency (if currently Eligible)**	**Redemption Notice Period (if currently Eligible)**
Commingled funds – equity securities	**$ 107**	**$ –**	Weekly/Monthly	4-30 days
Hedge funds	**313**	**10**	Weekly/Monthly/ Quarterly	30-65 days
Private equity funds	**108**	**100**	None	None
Total	**$ 528**	**$ 110**		

(In millions of dollars)

Note B – Fair Value of Financial Instruments (continued)

	December 31, 2020			
	NAV	**Unfunded Commitments**	**Redemption Frequency (if currently Eligible)**	**Redemption Notice Period (if currently Eligible)**
Commingled funds – equity securities	$ 96	$ –	Weekly/Monthly	4-30 days
Hedge funds	139	23	Monthly/Quarterly	45-60 days
Private equity funds	29	36	None	None
Total	$ 264	$ 59		

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

Hedge funds: This class includes investments in hedge funds that expand the universe of potential investment approaches available by employing a variety of strategies and techniques within and across various asset classes. The primary objective for these funds is to balance returns while limiting volatility by allocating capital to external portfolio managers selected for expertise in one or more investment strategies, which may include, but are not limited to, equity long/short, event driven, relative value, and directional. The following summarizes the redemption criteria for the hedge fund portfolio as of December 31, 2021:

% of Hedge Funds	**Redemption Criteria**	**Notice Period**
31%	Redeemable weekly	30 days
26%	Redeemable monthly	45-65 days
38%	Redeemable quarterly	45-65 days
5%	Up to 12.5% redeemable quarterly on non-consecutive quarters	60 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.

(In millions of dollars)

Note C – Patient Accounts Receivable

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

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

	December 31	
	2021	**2020**
Medicare	**31%**	33%
Medicaid	**20**	19
Other third-party payors	**47**	46
Self-pay	**2**	2
	100%	100%

(In millions of dollars)

Note D – Investments and Assets Whose Use is Limited

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

	December 31	
	2021	**2020**
Total unrestricted investments	**$ 2,352**	$ 2,232
Assets designated by the Board, primarily for property and equipment	**24**	13
Investments held by trustees for:		
Self-insurance programs	**55**	150
Charitable annuities and other	**2**	3
Total investments held by trustees	**57**	153
Donor-restricted investments for:		
Charitable trusts and life estate tenancies	**6**	5
Other purposes	**9**	9
Total donor-restricted investments	**15**	14
Total investments	**2,448**	2,412
Less short-term investments	**157**	176
Total noncurrent investments	**$ 2,291**	$ 2,236

Total investments and assets whose use is limited above excludes other investments of $86 and $79 at December 31, 2021 and 2020, 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 $2,253 at December 31, 2021 may be utilized if necessary.

(In millions of dollars)

Note D – Investments and Assets Whose Use is Limited (continued)

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

	December 31 2021
Cash and cash equivalents	$ 304
Short-term investments	157
Patient accounts receivable	689
Receivables from third-party payors	379
Other current assets	63
	$ 1,592

Note E – Investment Income

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

	Year Ended December 31	
	2021	**2020**
Realized gains, net	**$ 87**	$ 37
Unrealized gains, net	**76**	141
	163	178
Interest and dividend income	**48**	38
	$ 211	$ 216

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.

(In millions of dollars)

Note F – Property and Equipment

The following is a summary of property and equipment:

	December 31	
	2021	**2020**
Land	**$ 178**	$ 179
Land improvements	**92**	101
Buildings and improvements	**3,009**	3,016
Equipment	**1,328**	1,307
	4,607	4,603
Less accumulated depreciation	**(2,492)**	(2,402)
	2,115	2,201
Construction-in-progress	**70**	101
	$ 2,185	$ 2,302

The System has commitments to complete certain construction projects approximating $56 (unaudited) at December 31, 2021.

The System is in the process of developing internal use software for clinical and financial operations. Depreciation expense for the software placed in service totaled $19 for the years ended 2021 and 2020. Amounts capitalized are included in property and equipment as follows:

	December 31	
	2021	**2020**
Equipment	**$ 281**	$ 278
Less accumulated depreciation	**(198)**	(179)
	83	99
Construction-in-progress	**4**	3
	$ 87	$ 102

Note G – Long-Term Debt

A master note under the master bond indenture provides security for substantially all long-term debt. Under the terms of the master bond indenture, substantially all System consolidated entities are jointly and severally obligated for the payments to be made under the master note. In addition, security is provided by bank letters of credit aggregating to $47 at December 31, 2021. Bonds are not secured by any property of the System.

The System has a syndicate line of credit to meet temporary capital requirements and to provide flexibility in meeting the System's capital needs of $350. There were no draws outstanding under this line of credit at December 31, 2021 and 2020.

The System is obligated under variable-rate demand instruments, which are subject to certain market risks. The letters of credit, which the System intends to renew on a long-term basis, expire between 2024 and 2025, with the arrangements converting any unpaid amounts to term loans due within three years after conversion. The term loans would bear interest based on prime or the London Interbank Offered Rate.

Certain financing agreements impose limitations on the issuance of new debt by the System and require it to maintain specified financial ratios. The System was in compliance with its debt covenants at December 31, 2021.

Interest paid, net of amounts capitalized, totaled $66 and $64 in 2021 and 2020, respectively. Interest capitalized totaled $2 and $2 in 2021 and 2020, respectively.

In February 2020, the System defeased in full $14 of bonds issued in 2012 through the City of Delano for Adventist Health Delano. The bonds were defeased with assets placed in an irrevocable trust and derecognized at the date of refunding. The extinguishment and defeasance of this bond issue resulted in a loss on refinancing of $1.

In September 2020, the System redeemed $60 of bonds. The redemption of these bonds resulted in a gain on refinancing of $4.

No significant financing transactions were undertaken in 2021.

(In millions of dollars)

Note G – Long-Term Debt (continued)

The following is a summary of long-term debt:

	December 31	
	2021	**2020**
Non-taxable debt:		
Long-term bonds payable, with fixed rates currently ranging from 3.00% to 5.00%, payable in installments through 2048	**$ 1,049**	$ 1,058
Long-term bonds payable, with rates that vary with market conditions, payable in installments through 2038	**47**	47
Taxable debt:		
Long-term bonds payable, with fixed rates currently ranging from 2.43% to 3.63%, payable in installments through 2049	**802**	802
Long-term notes payable, with fixed rates currently ranging from 3.00% to 6.50%, payable in installments through 2045	**76**	80
Net unamortized debt issuance costs and original issue premiums and discounts	**62**	69
	2,036	2,056
Less current maturities	**(36)**	(20)
	$ 2,000	$ 2,036

(In millions of dollars)

Note G – Long-Term Debt (continued)

Scheduled maturities of long-term debt are as follows as of December 31, 2021:

	Long-Term Debt
2022	$ 30
2023	81
2024	184
2025	31
2026	31
Thereafter	1,617
	$ 1,974

Note H – Leases

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

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

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

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

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

The System elected the package of practical expedients within the lease transitional guidance, which allow it to carry forward its historical assessments of 1) whether contracts are or contain leases; 2) lease classification; and 3) initial direct costs, where applicable. The System also elected the practical expedient 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.

(In millions of dollars)

Note H – Leases (continued)

		December 31	
	Classification	**2021**	**2020**
Right-of-use Assets			
Operating	Other assets	**$ 186**	$ 186
Finance	Other assets	**7**	–
		$ 193	$ 186
Current Lease liabilities			
Operating	Other current liabilities	**$ 30**	$ 28
Finance	Other current liabilities	**2**	–
Noncurrent Lease liabilities			
Operating	Other noncurrent liabilities	**162**	162
Finance	Other noncurrent liabilities	**5**	–
Total lease liabilities		**$ 199**	$ 190

		December 31	
	Classification	**2021**	**2020**
Operating lease expense			
Operating lease cost	Purchased services and other	**$ 38**	$ 36
Finance lease cost:			
Amortization of leased assets	Depreciation and amortization	**$ 1**	$ –
Interest on lease liabilities	Interest	**$ –**	$ –

Cash paid for amounts not included in the measurement of lease liabilities	December 31 **2021**	**2020**
Operating cash outflows for operating leases	**$ 38**	$ 37

Right-of-use assets obtained in exchange for lease obligations	December 31 **2021**	**2020**
Operating	**$ 39**	$ 46
Finance	**$ 7**	$ –

(In millions of dollars)

Note H – Leases (continued)

Operating lease payments include payments relating to options to extend lease terms that are reasonably certain of being exercised. Excluded are any legally binding lease payments for signed leases not yet commenced, which are immaterial for the System. Minimum lease payments for operating and finance leases with initial terms in excess of one year are as follows for the period ended December 31, 2021:

Maturity of Lease Liabilities	**Operating Leases**	**Finance Leases**
2022	**$ 35**	**$ 2**
2023	**30**	**2**
2024	**26**	**1**
2025	**22**	**1**
2026	**17**	**1**
Thereafter	**104**	**–**
Total lease payments	**234**	**7**
Less imputed interest	**(42)**	**–**
	$ 192	**$ 7**

Lease Term and Discount Rate	**December 31 2021**
Weighted average operating remaining lease term (years)	10.25
Weighted average finance remaining lease term (years)	4.50
Weighted average operating lease discount rate	3.47%
Weighted average finance lease discount rate	2.42%

(In millions of dollars)

Note I –Net Assets with Donor Restrictions

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

	December 31	
	2021	**2020**
Subject to expenditure for specified purpose:		
Capital projects and medical equipment	**$ 27**	$ 23
Research and education	**27**	25
	54	48
Subject to passage of time	**4**	3
Investment in perpetuity – endowment	**12**	10
	$ 70	$ 61

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

	December 31	
	2021	**2020**
Capital	**$ 15**	$ –
Subject to expenditures for patient care, education, and other	**4**	6
Board designated – endowments	**5**	7
	$ 24	$ 13

Note J – Patient Service Revenue and Premium Revenue

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

Patient service revenue is recognized as performance obligations are satisfied based on the nature of the services provided by the System. Revenue for performance obligations that are satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. The System believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving inpatient services. The System measures the performance obligation for inpatient services from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. The System measures the performance obligations for outpatient services

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

over a period of less than one day when goods or services are provided and the System does not believe it is required to provide additional goods or services to the patient.

Because all its performance obligations relate to contracts with a duration of less than one year, the System has elected to apply the optional exemption provided in ASC 606. Under this exemption, the System is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. Since the unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient services at the end of the reporting period, the performance obligations for these contracts are generally completed within days or weeks of the end of the reporting period.

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

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

- **Medicare:** Certain services are paid at prospectively determined rates based on clinical, diagnostic, and other factors. Certain services are paid based on cost-reimbursement methodologies (subject to certain limits) with final settlement determined after Medicare Administrative Contractors have audited annual cost reports submitted by the System. Physician services are paid based upon established fee schedules based on services provided.

- **Medicaid:** Reimbursements for Medicaid services are generally paid at prospectively determined rates per discharge, per occasion of service, or per covered member. Supplemental funding is generally provided by the various states in which the System operates for Medicaid Disproportionate Share and hospital fee programs.

- **Other:** Payment agreements with certain commercial insurance carriers, HMOs, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

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

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

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the System's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Subsequent revisions compared favorably to original estimates by $29 and $7 for the years ended December 31, 2021 and 2020, respectively.

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

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended December 31, 2021 and 2020 was not significant.

(In millions of dollars)

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

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

	Year Ended December 31	
	2021	**2020**
Medicare	**$ 1,649**	$ 1,520
Medicaid	**1,428**	1,292
Other payors	**1,583**	1,285
	$ 4,660	$ 4,097

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

	Year Ended December 31, 2021					
	Pacific Northwest	**Northern California**	**Central California**	**Southern California**	**Other**	**Total**
Inpatient	**$ 261**	**$ 728**	**$ 1,098**	**$ 851**	**$ (21)**	**$ 2,917**
Outpatient and other	**209**	**226**	**275**	**158**	**54**	**922**
Emergency	**60**	**89**	**205**	**83**	**–**	**437**
Physician services	**75**	**96**	**182**	**11**	**106**	**470**
Eliminations	**(11)**	**(18)**	**(26)**	**(15)**	**(16)**	**(86)**
Grand total	**$ 594**	**$ 1,121**	**$ 1,734**	**$ 1,088**	**$ 123**	**$ 4,660**

	Year Ended December 31, 2020					
	Pacific Northwest	**Northern California**	**Central California**	**Southern California**	**Other**	**Total**
Inpatient	$ 248	$ 579	$ 877	$ 772	$ (5)	$ 2,471
Outpatient and other	179	214	344	134	61	932
Emergency	54	24	184	69	–	331
Physician services	66	127	168	11	75	447
Eliminations	(14)	(23)	(23)	(11)	(13)	(84)
Grand total	$ 533	$ 921	$ 1,550	$ 975	$ 118	$ 4,097

(In millions of dollars)

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

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

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

	Year Ended December 31, 2021					
	Pacific Northwest	**Northern California**	**Central California**	**Southern California**	**Other**	**Total**
Medicaid managed care	**$ 6**	**$ 79**	**$ 1**	**$ 52**	**$ 40**	**$ 178**
Other managed care	**1**	**–**	**–**	**(6)**	**16**	**11**
	$ 7	**$ 79**	**$ 1**	**$ 46**	**$ 56**	**$ 189**

	Year Ended December 31, 2020					
	Pacific Northwest	**Northern California**	**Central California**	**Southern California**	**Other**	**Total**
Medicaid managed care	$ 21	$ 85	$ 11	$ 41	$ 3	$ 161
Other managed care	2	–	–	–	22	24
	$ 23	$ 85	$ 11	$ 41	$ 25	$ 185

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

	Year Ended December 31, 2021					
	Pacific Northwest	**Northern California**	**Central California**	**Southern California**	**Other**	**Total**
Institutional services	**$ –**	**$ 37**	**$ (1)**	**$ 46**	**$ 36**	**$ 118**
Professional services	**7**	**42**	**1**	**–**	**21**	**71**
	$ 7	**$ 79**	**$ –**	**$ 46**	**$ 57**	**$ 189**

	Year Ended December 31, 2020					
	Pacific Northwest	**Northern California**	**Central California**	**Southern California**	**Other**	**Total**
Institutional services	$ 17	$ 74	$ 9	$ 41	$ –	$ 141
Professional services	6	11	2	–	25	44
	$ 23	$ 85	$ 11	$ 41	$ 25	$ 185

(In millions of dollars)

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

The System recorded variable consideration from state programs for serving a disproportionate share of Medicaid and low-income patients in the amount of $66 and $49 in 2021 and 2020, respectively, including final settlements on prior years.

The State of California enacted legislation for a hospital fee program to fund certain Medi-Cal program coverage expansions. The program charges hospitals a quality assurance fee that is used to obtain federal matching funds for Medi-Cal with the proceeds redistributed as supplemental payments to California hospitals that treat Medi-Cal patients. There was one hospital fee program active in 2020: a 30-month program covering the period from July 1, 2019 to December 31, 2021, which was submitted to CMS for approval on September 30, 2019, and was approved on February 26, 2020. Accordingly, all related supplemental payments have been recognized as variable consideration and related quality assurance fees recognized as expense as of December 31, 2021.

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

	Year Ended December 31	
	2021	**2020**
Patient service revenue	**$ 486**	$ 432
Purchased services:		
Quality assurance fees	**186**	167
CHFT payments	**4**	3
Total purchased services and other expenses	**190**	170
Income from operations	**$ 296**	$ 262

Accrued net receivables related to the hospital fee programs are included in receivables from third-party payors, and amount to $419 and $422 as of December 31, 2021 and 2020, respectively.

Note K – COVID-19

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. Several unavoidable factors are impacting both revenue and expense as the result of necessary actions by the System as well as local, state, and federal governments to mitigate the spread and effect of the virus.

In response to COVID-19, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was enacted on March 27, 2020 and the American Rescue Plan ("ARP") was enacted on March 11, 2021. The CARES Act and the ARP authorize funding to hospitals and other healthcare providers through Provider Relief Funds. Grant payments from the Provider Relief Fund are intended to reimburse healthcare providers for lost revenue and increased expenses due to the pandemic. The System received approximately $288 through December 31, 2020 and an additional $174 through December 31, 2021. The consolidated statements of operations and changes in net assets recognized contributions in other revenue in the amount of $105 and $288 for the years ended 2021 and 2020, respectively.

On March 28, 2020, CMS expanded the existing Accelerated and Advance Payments Program to a broader group of Medicare Part A providers and Part B suppliers. At the end of April 2020, the System received approximately $358 of Medicare advance payments as part of the CMS Accelerated and Advance Payments Program. Originally, CMS announced that it would begin to offset the payments by future Medicare reimbursements up to 210 days after disbursement, depending on whether a facility is an acute or non-acute facility. On October 1, 2020, a continuing resolution was signed, which included an extension to delay repayments to one year from receipt of these accelerated and advance disbursements. The repayment terms specify that for the first 11 months after repayment begins, repayment will occur through an automatic recoupment of 25% of Medicare payments otherwise owed to the provider. At the end of the eleven-month period, recoupment will increase to 50% for six months. At the end of the six months (29 months from the receipt of the initial accelerated payment), Medicare will issue a letter for full repayment of any remaining balance, as applicable. In other current liabilities, the System has recorded $180 and $160 for the years ended 2021 and 2020, respectively. In other noncurrent liabilities the system has recorded $0 and $198 for the years ended 2021 and 2020, respectively.

The CARES Act also allows for deferred payment of the employer portion of certain payroll taxes between March 27, 2020 and December 31, 2020, with half due December 31, 2021 and the remaining half due December 31, 2022. As of December 31, 2020, the System had deferred payroll tax payments of approximately $37.5 and $75 for years ended 2021 and 2020, respectively, with $37.5 included in accrued compensation and related payables for years ended 2021 and 2020. Included in other noncurrent liabilities in the consolidated balance sheet is $0 and $37.5 for years ended 2021 and 2020, respectively.

Due to the evolving nature of the COVID-19 pandemic, the future impact to the System and its consolidated financial condition is presently unknown.

(In millions of dollars)

Note L – Functional Classification of Expenses

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

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

	Year Ended December 31, 2021		
	Program Services	**General and Administrative**	**Total**
Employee compensation	**$ 1,837**	**$ 471**	**$ 2,308**
Professional fees	**689**	**93**	**782**
Supplies	**777**	**8**	**785**
Purchased services and other	**1,013**	**218**	**1,231**
Interest	**65**	**–**	**65**
Depreciation and amortization	**182**	**11**	**193**
Total expenses	**$ 4,563**	**$ 801**	**$ 5,364**

	Year Ended December 31, 2020		
	Program Services	**General and Administrative**	**Total**
Employee compensation	$ 1,835	$ 411	$ 2,246
Professional fees	496	91	587
Supplies	631	10	641
Purchased services and other	895	210	1,105
Interest	68	–	68
Depreciation and amortization	191	10	201
Total expenses	$ 4,116	$ 732	$ 4,848

Note M – Retirement Plan

Most of the System's operating entities participate in a single defined contribution plan (the "Plan"). The Plan is exempt from the Employee Retirement Income Security Act of 1974. The Plan provides, among other things, that the employer will contribute 3% of wages plus additional amounts for employees earning more than the Social Security wage base capped by the IRS compensation limit for the Plan year. Additionally, the Plan provides that the employer will match 50% of the employee's contributions up to 4% of the contributing employee's wages. Substantially all full-time employees who are at least 18 years of age are eligible for coverage in the Plan. The cost to the System for the Plan is included in employee compensation in the amount of $74 and $64 for the years ended December 31, 2021 and 2020, respectively.

Note N – Self-Insurance Liability Programs

The System has established a separate self-insurance program (the "System Program") that covers the System's entities for professional and general liability claims up to $9 per occurrence and $25 in the aggregate for the years ended December 31, 2021 and 2020. The System contracts with Adhealth, Limited (Adhealth), a Bermuda company, to provide excess coverage for professional and general liability claims that exceed the System Program limits. Adhealth provided excess coverage with aggregate and per claim limits of $125 for professional and general liability claims for the years ended December 31, 2021 and 2020, which brought total coverage per claim and aggregate limits to $134 for the years ended December 31, 2021 and 2020. Adhealth has purchased reinsurance through commercial insurers for 100% of the excess limits of coverage.

Claim liabilities (reserves) for future losses and related loss adjustment expenses for professional liability claims have been determined by an actuary at the present value of future claim payments using a 2% discount rate for program years 2021 and 2020. Such claim reserves are based on the best data available to the System; however, these estimates are subject to a significant degree of inherent variability. Accordingly, there is at least a reasonable possibility that a material change to the estimated reserves will occur in the near term. The System Program's accrued liability for professional and general liability claims is included in the consolidated balance sheets in the amount of $115 and $119 at December 31, 2021 and 2020, respectively.

The System has a 50% ownership position in Adhealth at December 31, 2021 and 2020, and accounts for its investment using the equity method of accounting. The cost of acquiring commercial insurance by Adhealth is reflected as an expense in the consolidated statements of operations and changes in net assets.

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

Workers' compensation claim liabilities have been determined by an actuary at the present value of future claim payments using a 2% discount rate for program years 2021 and 2020. The System's accrued liability for workers' compensation claims is recorded in the consolidated balance sheets in the amount of $78 and $80 at December 31, 2021 and 2020, respectively.

(In millions of dollars)

Note O – Commitments and Contingencies

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

Note P – Acquisitions

On March 10, 2020, the System finalized the purchase of Blue Zones, LLC and Thrive Production, Inc. for $78 in initial consideration. These companies focus on supporting a number of activities, including charitable and education activities, designed to help people live longer and better through community transformation programs that lower healthcare costs, improve productivity, and boost national recognition as great places to live, work, and play. The purchase resulted in $42 of goodwill and $30 of other identifiable intangible assets primarily related to trade name and customer relationships.

The following unaudited pro forma consolidated operating results for the year ended December 31, 2020. The pro forma consolidated operating results do not necessarily represent the System's consolidated operating results had the acquisitions occurred on the date assumed, nor are these results necessarily indicative of the System's future consolidated operating results.

	December 31 2020
Pro forma revenues and support	**$ 4,775**
Pro forma excess of revenues over expense	**109**
Pro forma increase in net assets without donor restrictions	**126**
Pro forma increase (decrease) in donor-restricted net assets	**3**

In July 2020, the System commenced a long-term lease with Mendocino Coast Health Care District to become the sole operator of Mendocino Coast District Hospital, located in Fort Bragg, California. The lease agreement specifies that the hospital remain an acute care in-patient hospital, maintain at least 25 beds (the current number), and continue to provide emergency room services. It is expected that, as a result of the affiliation, more resources will be available to recruit and retain staff as well as bolster departments that currently have unmet needs such as new equipment and upgrading existing facilities. A new community board was formed with members appointed by Adventist Health consisting of 15 members, including two members from Adventist Health, two members from the Mendocino Coast Health District Board, the hospital's Chief of Staff, and ten representatives from the local community.

Note Q – Camp Fire Impact

In November 2018, the System's Adventist Health Feather River (AHFR) facilities in Paradise, California, and neighboring communities incurred extensive damage as a result of the Camp Fire; most of the AHFR properties, including the 100-bed acute care hospital, remain closed.

At the time of the Camp Fire, the System maintained an insurance policy with an insurance company providing for total per occurrence aggregate coverage of $1,000 subject to a one hundred twenty-five thousand dollars per-occurrence deductible with other limitations. The System also filed a claim against Pacific Gas and Electric (PG&E), which has accepted responsibility for the Camp Fire and filed for bankruptcy protection in January 2019.

When all property insurance coverage and PG&E claims applicable to the above-mentioned Camp Fire damaged and destroyed buildings and assets are considered, the System believes it is entitled to the recovery of substantially all Camp Fire related expenses and reconstruction costs. In addition, pursuant to the business interruption policy, the System believes it is entitled to substantially all lost income at the impacted properties resulting from the Camp Fire. However, there can be no assurance that the System will ultimately collect substantially all of the Camp Fire related expenses and reconstruction costs and the lost income resulting from the related interruption of business at the impacted properties.

As of December 31, 2021, the System received additional Camp Fire related insurance payments of $68. $30 of this payment has been applied to a casualty loss receivable and $29 was applied against the net book value of the impaired assets at December 31, 2021. This resulted in a gain of $9 recorded in other revenue.

Note R – Subsequent Events

The System has evaluated subsequent events and disclosed all material events through March 18, 2022, the date the accompanying consolidated financial statements were issued.

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Report of Independent Auditors on Supplementary Information

The Board of Directors
Adventist Health System/West

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

Ernst & Young LLP

March 18, 2022

Adventist Health
Consolidating Balance Sheets
(In millions of dollars)
December 31, 2021

	Consolidated Balances	Adjustments and Eliminations	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 Howard Memorial	Adventist Health Lodi Memorial
Assets												
Cash and cash equivalents	$ 304	$ (2,089)	$ 15	$ 100	$ 112	$ 31	$ 120	$ 79	$ 41	$ 434	$ 69	$ 45
Short-term investments	157	–	154	–	–	–	–	–	1	–	–	–
Patient accounts receivable	689	(13)	–	65	22	32	9	1	78	51	12	41
Receivables from third-party payors	379	(7)	–	48	1	13	26	4	14	75	4	29
Other current assets	227	(444)	447	36	12	4	2	5	15	10	2	15
Total current assets	1,756	(2,553)	616	249	147	80	157	89	149	570	87	130
Noncurrent investments	2,291	(9)	2,261	–	17	–	–	3	3	–	–	–
Other assets	432	8	159	10	20	5	–	–	33	24	10	7
Property and equipment, net	2,185	–	292	133	121	36	48	10	172	165	45	125
Total assets	$ 6,664	$ (2,554)	$ 3,328	$ 392	$ 305	$ 121	$ 205	$ 102	$ 357	$ 759	$ 142	$ 262
Liabilities and net assets												
Accounts payable	$ 370	$ –	$ 124	$ 24	$ 9	$ 5	$ 5	$ 1	$ 22	$ 18	$ 5	$ 20
Accrued compensation and related payables	325	(13)	175	14	7	5	5	–	18	11	3	8
Liabilities to third-party payors	209	(7)	8	4	9	2	7	–	26	21	10	13
Other current liabilities	242	(447)	222	38	16	31	5	1	32	28	6	25
Short-term financing	30	(99)	33	–	–	–	–	–	–	–	–	–
Current maturities of long-term debt	36	–	10	3	1	1	–	–	5	3	1	4
Total current liabilities	1,212	(566)	572	83	42	44	22	2	103	81	25	70
Long-term debt, net of current maturities	2,000	–	369	94	73	65	15	18	179	234	28	135
Other noncurrent liabilities	323	(1,988)	2,124	7	4	4	–	–	24	4	9	5
Total liabilities	3,535	(2,554)	3,065	184	119	113	37	20	306	319	62	210
Net assets (deficit) without donor restrictions:												
Controlling	3,044	–	261	206	181	7	168	80	42	439	79	48
Noncontrolling	15	–	–	–	–	–	–	–	–	–	–	–
Net assets with donor restrictions	70	–	2	2	5	1	–	2	9	1	1	4
Total net assets	3,129	–	263	208	186	8	168	82	51	440	80	52
Total liabilities and net assets	$ 6,664	$ (2,554)	$ 3,328	$ 392	$ 305	$ 121	$ 205	$ 102	$ 357	$ 759	$ 142	$ 262

See accompanying auditors' report on supplementary information.

Adventist Health Mendocino Coast	Adventist Health Physicians Network	Adventist Health Plan	Adventist Health Portland	Adventist Health Reedley	Adventist Health and Rideout	Adventist Health Simi Valley	Adventist Health Sonora	Adventist Health St. Helena	Adventist Health Tehachapi Valley	Adventist Health Tillamook	Adventist Health Tulare	Adventist Health Ukiah Valley	Adventist Health White Memorial	Western Health Resources
$ –	$ 8	$ 6	$ 160	$ 170	$ 46	$ –	$ 214	$ –	$ 19	$ 62	$ –	$ 126	$ 536	$ –
–	–	–	–	–	–	–	–	–	–	–	–	–	2	–
9	12	–	48	26	78	32	36	31	9	14	15	21	50	10
2	–	2	2	8	25	6	26	7	–	–	15	20	59	–
13	19	–	7	2	15	5	9	15	2	2	2	9	20	3
24	39	8	217	206	164	43	285	53	30	78	32	176	667	13
–	–	–	–	–	–	–	–	16	–	–	–	–	–	–
8	–	–	32	42	12	15	12	10	1	3	8	10	1	2
1	–	–	114	42	336	115	82	98	42	10	7	73	117	1
$ 33	$ 39	$ 8	$ 363	$ 290	$ 512	$ 173	$ 379	$ 177	$ 73	$ 91	$ 47	$ 259	$ 785	$ 16
$ 3	$ 3	$ 1	$ 12	$ 6	$ 32	$ 7	$ 11	$ 14	$ 4	$ 4	$ 7	$ 9	$ 21	$ 3
2	2	–	10	5	19	7	8	8	1	3	2	6	16	3
–	–	2	13	3	33	9	15	14	3	7	–	7	10	–
10	19	3	38	49	26	14	17	21	4	6	6	25	39	8
17	–	–	–	–	–	4	–	16	–	–	44	–	–	15
–	–	–	–	–	2	2	2	1	–	–	–	1	–	–
32	24	6	73	63	112	43	53	74	12	20	59	48	86	29
–	–	–	92	53	166	103	84	60	60	6	41	53	71	1
6	1	–	29	30	14	7	10	8	1	2	4	8	9	1
38	25	6	194	146	292	153	147	142	73	28	104	109	166	31
(7)	14	2	164	144	205	19	231	10	(2)	63	(57)	149	613	(15)
–	–	–	–	–	15	–	–	–	–	–	–	–	–	–
2	–	–	5	–	–	1	1	25	2	–	–	1	6	–
(5)	14	2	169	144	220	20	232	35	–	63	(57)	150	619	(15)
$ 33	$ 39	$ 8	$ 363	$ 290	$ 512	$ 173	$ 379	$ 177	$ 73	$ 91	$ 47	$ 259	$ 785	$ 16

Adventist Health
Consolidating Statements of Operations and Changes in Net Assets
(In millions of dollars)
Year Ended December 31, 2021

	Consolidated Balances	Adjustments and Eliminations	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 Howard Memorial	Adventist Health Lodi Memorial
Revenues and support												
Patient service revenue	$ 4,660	$ (85)	$ (21)	$ 478	$ 179	$ 143	$ 98	$ (8)	$ 495	$ 375	$ 85	$ 261
Premium revenue	189	(22)	–	–	2	7	–	–	–	21	3	–
Other revenue	348	(741)	787	19	20	11	5	10	23	22	5	11
Net assets released from restrictions for operations	18	–	–	1	–	3	–	–	2	2	1	–
Total revenues and support	5,215	(848)	766	498	201	164	103	2	520	420	94	272
Expenses												
Employee compensation	2,308	(111)	430	159	89	67	37	–	212	126	34	94
Professional fees	782	–	73	63	7	32	17	–	54	43	10	38
Supplies	785	–	(6)	90	36	13	13	–	88	51	12	38
Purchased services and other	1,231	(737)	348	173	56	42	28	2	191	116	24	85
Interest	65	(5)	18	3	2	2	–	–	6	7	1	4
Depreciation and amortization	193	–	33	11	7	4	6	1	17	13	4	11
Total expenses	5,364	(853)	896	499	197	160	101	3	568	356	85	270
(Loss) gain income from operations	(149)	5	(130)	(1)	4	4	2	(1)	(48)	64	9	2
Nonoperating income												
Investment income	163	(5)	70	4	9	2	5	2	3	16	2	2
Other nonoperating losses	(5)	–	(5)	–	–	–	–	–	–	–	–	–
Total nonoperating income	158	(5)	65	4	9	2	5	2	3	16	2	2
Excess (deficit) of revenues over expenses	9	–	(65)	3	13	6	7	1	(45)	80	11	4
Less: excess of revenues over expenses from noncontrolling interests	(1)	–	–	–	–	–	–	–	(1)	–	–	–
Excess (deficit) of revenues over expense from controlling interests	8	–	(65)	3	13	6	7	1	(46)	80	11	4

See accompanying auditors' report on supplementary information.

Adventist Health Mendocino Coast	Adventist Health Physicians Network	Adventist Health Plan	Adventist Health Portland	Adventist Health Reedley	Adventist Health and Rideout	Adventist Health Simi Valley	Adventist Health Sonora	Adventist Health St. Helena	Adventist Health Tehachapi Valley	Adventist Health Tillamook	Adventist Health Tulare	Adventist Health Ukiah Valley	Adventist Health White Memorial	Western Health Resources
$ 56	$ 107	$ –	$ 331	$ 175	$ 468	$ 196	$ 286	$ 225	$ 52	$ 96	$ 34	$ 170	$ 412	$ 52
–	21	36	5	2	–	–	–	29	–	–	–	40	45	–
2	14	–	17	28	7	6	27	23	7	2	1	24	17	1
–	–	–	–	–	1	–	1	2	–	1	–	1	3	–
58	142	36	353	205	476	202	314	279	59	99	35	235	477	53
28	51	–	168	69	198	80	102	88	21	42	28	68	185	43
14	96	–	24	37	78	18	39	30	8	11	12	34	42	2
9	15	–	48	13	83	31	53	62	6	11	9	35	73	2
10	(20)	36	98	49	164	67	67	99	13	26	28	69	187	10
1	–	–	3	1	5	3	3	2	2	–	3	2	2	–
–	–	–	11	3	21	9	7	8	2	1	2	6	16	–
62	142	36	352	172	549	208	271	289	52	91	82	214	505	57
(4)	–	–	1	33	(73)	(6)	43	(10)	7	8	(47)	21	(28)	(4)
–	–	–	6	4	4	–	8	3	1	2	–	4	21	–
–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	6	4	4	–	8	3	1	2	–	4	21	–
(4)	–	–	7	37	(69)	(6)	51	(7)	8	10	(47)	25	(7)	(4)
–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
(4)	–	–	7	37	(69)	(6)	51	(7)	8	10	(47)	25	(7)	(4)

Adventist Health
Consolidating Statements of Operations and Changes in Net Assets (continued)
(In millions of dollars)
Year Ended December 31, 2021

	Consolidated Balances	Adjustments and Eliminations	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 Howard Memorial	Adventist Health Lodi Memorial
Net assets without donor restrictions												
Controlling												
Excess (deficit) of revenues over expenses from controlling interests	$ 8	$ –	$ (65)	$ 3	$ 13	$ 6	$ 7	$ 1	$ (46)	$ 80	$ 11	$ 4
Net change in unrealized (losses) on other-than-trading securities	(10)	–	(10)	–	–	–	–	–	–	–	–	–
Net assets released from restrictions for capital additions	5	–	–	–	1		–	–	–	–	–	–
Transfers from (to) related parties	–	–	537	(52)	(20)	(28)	–	2	(59)	(50)	(6)	(27)
Other	1	–	1	–	–	–	–	–	–	–	–	–
Increase (decrease) in net assets without donor restrictions – controlling	4	–	463	(49)	(6)	(22)	7	3	(105)	30	5	(23)
Noncontrolling												
Excess of revenues over expenses from noncontrolling interests	1	–	–	–	–	–	–	–	1	–	–	–
Increase in net assets without donor restrictions – noncontrolling	1	–	–	–	–	–	–	–	1	–	–	–
Net assets with donor restrictions												
Restricted gifts and grants	32	–	1	1	3	3	–	–	4	2	1	1
Net assets released from restrictions	(23)	–	–	(1)	(1)	(3)	–	–	(2)	(2)	(1)	–
Increase (decrease) in net assets with donor restrictions	9	–	1	–	2	–	–	–	2	–	–	1
Increase (decrease) in net assets	14	–	464	(49)	(4)	(22)	7	3	(102)	30	5	(22)
Net assets, beginning of year	3,115	–	(201)	257	190	30	161	79	153	410	75	74
Net assets, end of year	$ 3,129	$ –	$ 263	$ 208	$ 186	$ 8	$ 168	$ 82	$ 51	$ 440	$ 80	$ 52

See accompanying auditors' report on supplementary information.

Adventist Health Mendocino Coast	Adventist Health Physicians Network	Adventist Health Plan	Adventist Health Portland	Adventist Health Reedley	Adventist Health and Rideout	Adventist Health Simi Valley	Adventist Health Sonora	Adventist Health St. Helena	Adventist Health Tehachapi Valley	Adventist Health Tillamook	Adventist Health Tulare	Adventist Health Ukiah Valley	Adventist Health White Memorial	Western Health Resources
$ (4)	$ –	$ –	$ 7	$ 37	$ (69)	$ (6)	$ 51	$ (7)	$ 8	$ 10	$ (47)	$ 25	$ (7)	$ (4)
–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	1	–	–	–	2	–	–	–	–	1	–
(2)	13	–	(43)	(32)	(46)	(18)	(35)	(30)	(5)	(13)	–	(20)	(59)	(7)
–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
(6)	13	–	(36)	6	(115)	(24)	16	(35)	3	(3)	(47)	5	(65)	(11)
–	–	–	–	–	–	–	–	–	–	–	–	–	–`	–
–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2	–	–	–	–	1	–	–	8	–	1	–	1	3	–
–	–	–	–	(1)	(1)	–	(1)	(4)	–	(1)	–	(1)	(4)	–
2	–	–	–	(1)	–	–	(1)	4	–	–	–	–	(1)	–
(4)	13	–	(36)	5	(115)	(24)	15	(31)	3	(3)	(47)	5	(66)	(11)
(1)	1	2	205	139	335	44	217	66	(3)	66	(10)	145	685	(4)
$ (5)	$ 14	$ 2	$ 169	$ 144	$ 220	$ 20	$ 232	$ 35	$ –	$ 63	$ (57)	$ 150	$ 619	$ (15)

Section 4(b)(4)

Debt Service Coverage	**2021**
Excess of Revenues over Expenses from Continuing Operations	$ 8
Net unrealized gains and losses on investments	(76)
Loss on acquisition	-
Depreciation, amortization, interest expense and non-cash charges	258
Income available for debt service	190
Maximum annual debt service	112
Debt service coverage ratio	1.70

Capitalization	**2021**
Long-term Debt (including current maturities)	$ 2,036
Unrestricted Net Assets	3,059
Total Capitalization	5,095
Total Long-term Debt as a Percentage of Total Capitalization	40.0%

Adventist Health System/West
Municipal Secondary Market Disclosure
December 31, 2021
(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
Adventist Health System/West Taxable Bonds, Series 2013

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

On December 31, 2021, the long-term debt of the Members of the Obligated Group (including current maturities) totaled $2,030. Of that amount, $47 was variable interest rate debt, with the remaining $1,983 being fixed interest rate debt.

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

During the year ended December 31, 2021 no Member of the Obligated Group has granted a Lien on accounts receivable nor sold any accounts receivable as permitted under the Master Indenture.

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

Summary Listing of the System's Hospitals

Obligated Group Hospital Name	Location	Number of Licensed Beds at December 31, 2021	2021 Total Revenue (in millions)
Adventist Health Bakersfield	Bakersfield, CA	254	$498
Adventist Health Delano	Delano, CA	156	103
Adventist Health Hanford	Hanford, CA	235	420
Adventist Health Feather River	Paradise, CA	-	2
Adventist Health Glendale	Glendale, CA	515	520
Adventist Health Howard Memorial[(1)]	Willits, CA	25	94
Adventist Health Lodi Memorial	Lodi, CA	194	272
Adventist Health Reedley	Reedley, CA	49	205
Adventist Health and Rideout	Marysville, CA	366	476
Adventist Health Simi Valley	Simi Valley, CA	144	202
Adventist Health Sonora	Sonora, CA	152	314
Adventist Health St Helena	Deer Park, CA	212	279
Adventist Health Ukiah Valley	Ukiah, CA	68	235
Adventist Health White Memorial	Los Angeles, CA	353	477
Adventist Health Castle	Kailua, HI	160	201
Adventist Health Portland	Portland, OR	302	353
Adventist Health Tillamook[(1)]	Tillamook, OR	25	99
Non-Obligated Group Hospital Name			
Adventist Health Clear Lake[(1)]	Clearlake, CA	25	164
Adventist Health Mendocino Coast[(1)]	Fort Bragg, CA	25	58
Adventist Health Tehachapi Valley[(1)]	Tehachapi, CA	25	59
Adventist Health Tulare	Tulare, CA	108	35

[(1)] Critical Access Hospital.

Source: The Corporation.

Adventist Health System/West
Obligated Group Operating Statistics

Section 4(b)(5)

	Payor Mix		
	2019	2020	2021
Medicare	44.7%	44.4%	43.9%
Medicaid	30.5%	30.3%	30.4%
HMO/PPO	19.7%	20.7%	21.2%
Commercial	2.8%	2.4%	2.5%
Self-Pay and Other	2.4%	2.2%	1.9%

Section 4(b)(6)

	Patient Days (Including Sub-Acute)		
Hospital	2019	2020	2021
Adventist Health Hanford	42,428	49,201	52,475
Adventist Health Portland	31,831	28,492	30,810
Adventist Health Reedley	4,318	6,016	7,703
Adventist Health Castle	28,231	25,561	25,679
Adventist Health Feather River	-	-	-
Adventist Health Glendale	95,227	90,374	91,885
Adventist Health Howard Memorial	7,409	7,389	8,067
Adventist Health Lodi Memorial	30,204	27,152	30,723
Adventist Heatlh and Rideout	55,490	55,226	112,867
Adventist Health St Helena	44,538	32,299	39,124
Adventist Health Bakersfield	60,860	60,037	70,154
Adventist Health Delano	-	24,913	25,737
Adventist Health Sonora	39,072	35,794	34,809
Adventist Health Simi Valley	29,414	29,128	34,047
Tillamook Regional Medical Center	4,373	3,780	4,160
Adventist Health Ukiah Valley	12,534	12,719	13,797
Adventist Health White Memorial	88,418	81,513	79,272
	574,347	569,594	661,309

	Average Length of Stay		
Hospital	2019	2020	2021
Adventist Health Hanford	3.82	4.56	4.90
Adventist Health Portland	3.43	3.69	4.13
Adventist Health Reedley	2.42	3.46	4.36
Adventist Health Castle	3.95	3.92	4.04
Adventist Health Feather River	-	-	-
Adventist Health Glendale	4.76	5.42	5.44
Adventist Health Howard Memorial	4.17	4.20	4.33
Adventist Health Lodi Memorial	3.65	3.91	4.45
Adventist Health and Rideout	4.92	4.98	8.97
Adventist Health St Helena	6.74	7.33	7.13
Adventist Health Bakersfield	3.60	4.07	4.46
Adventist Health Delano	-	12.76	12.03
Adventist Health Sonora	7.55	7.50	7.14
Adventist Health Simi Valley	3.90	4.41	4.57
Tillamook Regional Medical Center	3.20	3.17	3.86
Adventist Health Ukiah Valley	3.47	3.55	3.95
Adventist Health White Memorial	4.47	4.56	4.56
	4.36	4.81	5.41

Adventist Health System/West
Obligated Group Operating Statistics

Section 4(b)(6)

Hospital	Discharges (Including Sub-Acute) 2019	2020	2021
Adventist Health Hanford	11,097	10,784	10,709
Adventist Health Portland	9,272	7,722	7,465
Adventist Health Reedley	1,785	1,738	1,768
Adventist Health Castle	7,142	6,513	6,350
Adventist Health Feather River	-	-	-
Adventist Health Glendale	20,003	16,687	16,884
Adventist Health Howard Memorial	1,775	1,761	1,865
Adventist Health Lodi Memorial	8,284	6,945	6,898
Adventist Health and Rideout	11,270	11,087	12,578
Adventist Health St Helena	6,611	4,409	5,484
Adventist Health Bakersfield	16,902	14,766	15,743
Adventist Health Delano	-	1,952	2,139
Adventist Health Sonora	5,173	4,775	4,872
Adventist Health Simi Valley	7,533	6,606	7,447
Tillamook Regional Medical Center	1,366	1,192	1,078
Adventist Health Ukiah Valley	3,608	3,585	3,496
Adventist Health White Memorial	19,785	17,869	17,385
	131,606	118,391	122,161

Section 4(b)(7)

	Other Key Volume Indicators 2019	2020	2021
Number of Licensed Beds	3,049	3,210	3,210
Discharges	131,606	118,391	122,161
Patient Days	574,347	569,594	661,309
Occupancy - Licensed Beds	51.6%	48.6%	56.4%
Average Length of Stay	4.36	4.81	5.41
Outpatient Revenues as % of Gross Pt. Revenues	46.1%	43.5%	44.8%

Management Discussion and Analysis of Financial Condition and Results of Operations

Year End: December 31, 2021

AdventistHealth

Adventist Health Overview

Adventist Health System/West, doing business as Adventist Health (the "Corporation"), is a faith-based, nonprofit organization. The health system serves more than 80 communities in California, Hawaii, Oregon and Washington (collectively with the Corporation, the "System" or "Adventist Health") 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 is realizing its mission by providing health, wholeness and hope. Teams of clinical staff provide coordinated care across networks utilizing advanced medical technology, innovative models of health transformation and compassionate care, to revolutionize the delivery of health. Adventist Health owns or operates 23 hospitals, 379 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.

With an emphasis on wellness and prevention of disease rooted in the Adventist healthcare legacy, the team is focused on caring for mind, body and spirit. The System 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 brand is woven throughout the Western United States. The map on the next page 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 California, the System includes Hawaii medical services, two medical centers in Oregon and a clinic and joint-venture retirement center in Washington. While the map does not show the location of each of the System's 379 clinics, the geographic area served by the System's clinics, as well as its hospital facilities, is depicted in the map.

Strategy and Mission

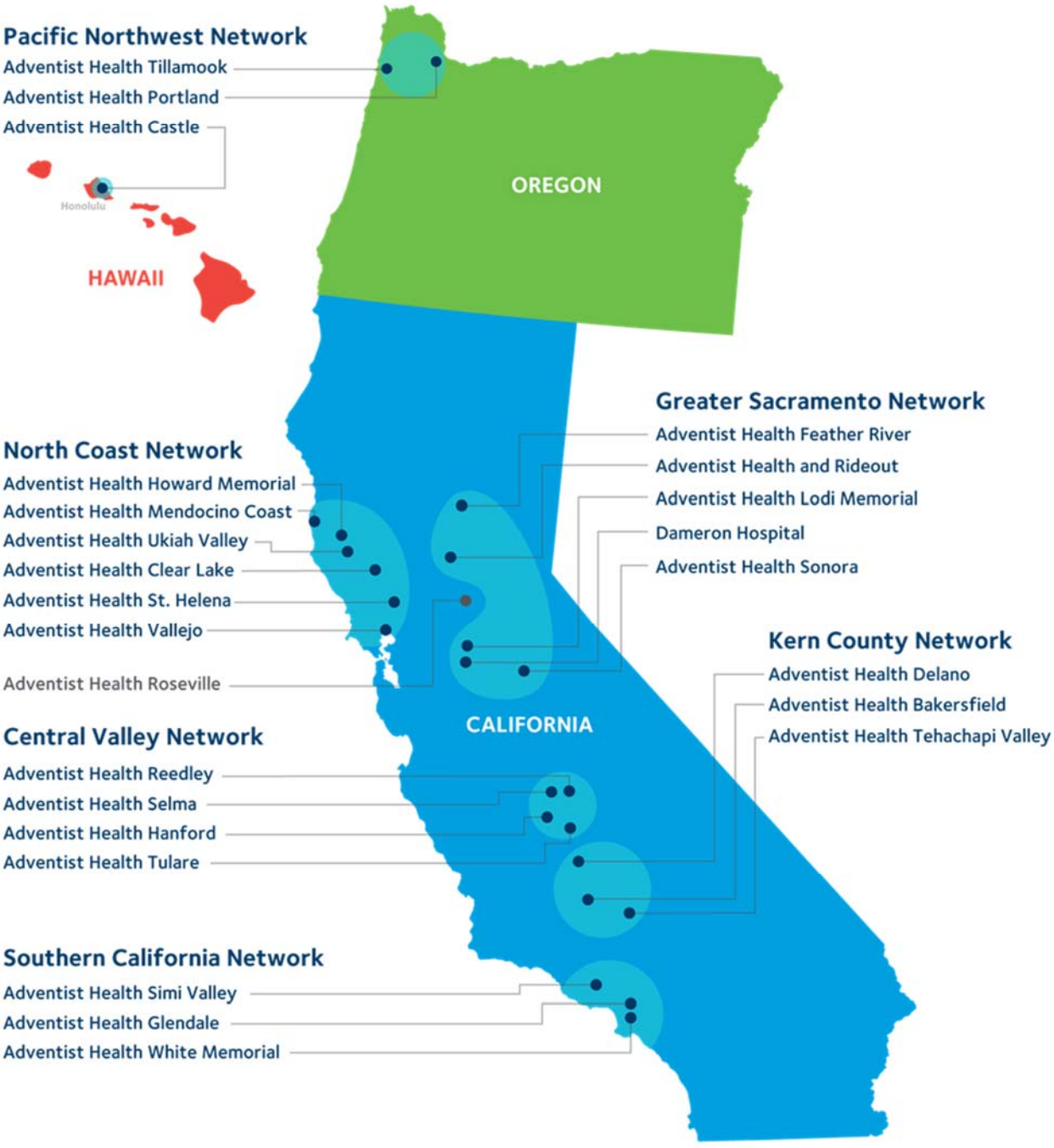
The 2030 Strategy:

Adventist Health has laid out an aggressive plan based on the calling of our mission of living God's love by inspiring health, wholeness and hope. The diversified, growth-oriented strategy focuses on building an organization that will bring **"affordable consumer health and well-being within reach"** for everyone we serve. Within 10 years we will grow to reach more than 10 million individuals annually with well-being initiatives or health services, operate near a 10% margin, and achieve $10 billion of annual revenue.

Embedded within the Adventist Health strategy are several key themes:

- Becoming a consumer-oriented company by using **consumer insights** and segmentation to **develop products and services** to better serve individuals on their **personal well-being** path.
- **Transforming costs and pricing** to improve **affordability of health** services for individuals, employers, communities and payers.
- **Integrating with payers** to **manage health** of populations, lower costs, and **improve market share**.
- Innovating and integrating around **early-intervention behavioral health** services.
- Developing standalone **community well-being** businesses that can be implemented in and beyond communities where Adventist Health has care delivery services.
- Elevating and **uniting philanthropic efforts** in support of both community care services and large-scale well-being initiatives.

Adventist Health Overview (Continued)



AdventistHealth

Organization Structure

Operating Structure Updates:

Adventist Health has reorganized itself to build unity, optimize performance and enhance its core expertise of serving millions of patients. Six care networks that are situated geographically work hand-in-hand with system shared services. The system Executive Cabinet includes both network presidents and system leaders in clinical care, operations, mission, human resources, strategy, philanthropy and other areas.

Kerry Heinrich became the organization's new president and CEO in January 2022. Kerry brings extensive executive experience and expertise to this role, having led Loma Linda University Medical Center, Children's Hospital, Medical Center - Murrieta, East Campus, Surgical Hospital and Behavioral Medicine Center. Named one of Becker's Hospital Review's "Nonprofit Hospital and Health System CEOs to Know" in 2016 and 2017, Kerry has more than 30 years of experience in healthcare legal counsel and leadership. He earned his bachelor's degree in history and a minor in business with an emphasis in finance and management from Walla Walla University in Washington, followed by his juris doctor (JD) degree from the University of Oregon's School of Law.

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 corporation will have the option to pursue a membership transfer.

Adventist Health Mendocino Coast

On March 3, 2020 more than 90% of the voters of the Mendocino Coast Healthcare District in Mendocino County, California voted to approve terms of Adventist Health's long-term lease of Mendocino Coast District Hospital (MCDH) in Fort Bragg. Adventist Health entered into a management services agreement with MCDH effective May 4, 2020 allowing Adventist Health to manage MCDH alongside the other Adventist Health assets in the county. A long-term lease agreement commenced on July 1, 2020 and the hospital is now operating as Adventist Health Mendocino Coast (AHMC). AHMC is a 25-bed critical access acute care hospital that includes operations of rural health clinics. The agreement extends Adventist Health's coverage in Mendocino County and ensures continued access to a coastal population of more than 15,000.

Adventist Health Feather River - Camp Fire

In November 2018, the System's Adventist Health Feather River (AHFR) facilities in Paradise, California and neighboring communities incurred extensive damage as a result of the most destructive wildfire in California history. The fire destroyed the majority of homes and businesses throughout the community. Most of the AHFR properties, including the 100-bed acute care hospital, remain temporarily closed and non-operational as the System completes damage assessments. As of December 31, 2021, the timelines of Adventist Health's fixed acute care services in Paradise was yet to be determined.

Adventist Health St. Helena - Glass Fire

On September 27, 2020, a large fire erupted near St. Helena, California causing local residents to evacuate and businesses to temporarily close, including Adventist Health St. Helena's hospital and adjacent Medical Office Building. The hospital building endured minimal damage, although there was extensive damage to the outlying water and sewer systems. While the hospital and clinics at the Medical Office Building were temporarily closed, services that were available on campus were relocated to local clinics, thus minimizing the disruption of services to the community. The Medical Office Building reopened on November 18, 2020, and the hospital reopened on December 8, 2020.

COVID-19 Update

On March 11, 2020, the World Health Organization declared the novel coronavirus disease (COVID-19) a pandemic. Following this, the Centers for Disease Control declared a national public health emergency, followed by state emergency declarations and the Centers for Medicare and Medicaid Services (CMS) issued guidance regarding elective procedures. Several national restrictions were put into 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.

Several unavoidable factors are impacting both revenue and expense as the result of necessary actions by our System as well as local, state, and federal governments to mitigate the spread and effects of the virus. Clinic visits and elective surgical volumes have dropped as patients have been directed or have chosen to stay home to avoid unnecessary exposure. Medical patient volumes in most markets have experienced significant fluctuations throughout the year. Labor costs have increased as a result of shortages in nurses and support teams that have been quarantined related to COVID-19 or are faced with childcare issues related to school closures or exposures. Supply shortages are ongoing, impacting cost per unit, and changes in treatment protocol have increased the quantity of supplies required. These factors along with cost inflation have caused significant increases in supplies expense.

The System took measures to respond to COVID-19 including:

- Initiated System and hospital incident command centers to coordinate readiness, resolve issues and monitor and manage labor, personal protective equipment (PPE) and other supplies
- Ensured local, state, and federal guidelines were followed for screening, triaging, testing, isolating, and caring for COVID-19 patients while protecting staff and other patients
- Launched virtual ambulatory care services that allow patients to visit their doctors by phone or computer

- Opened a virtual hospital, Adventist Health Hospital@Home, in collaboration with Medically Home and Huron, to create capacity for COVID-19 patients by caring for patients with the coronavirus and other specified diagnoses in their homes through medical command centers and rapid response teams
- Reconfigured facilities to maximize patient service capacity during COVID-19 surge periods and to allow for social distancing, screening and taking other safety measures
- Temporarily closed unused services or minimized services at medical office buildings to meet the critical need to conserve PPE, and limit exposure to COVID-19 for both team members and patients
- Launched web pages, a chatbot and patient email responses to answer community members' questions and direct them to appropriate services
- Used System marketing and communication campaigns to remind community members not to neglect emergency care, informed the community as services resumed, shared enhanced safety measures to reduce patients' fears and promoted COVID-19 vaccination
- Adjusted supplemental and contract workforce, flexed staffing, furloughed positions and announced temporary or permanent staff reductions
- The System administered 349,852 COVID-19 vaccine doses at 30 locations as of December 31, 2021

In response to COVID-19, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), was enacted on March 27, 2020 and the American Rescue Plan 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 December 31, 2021, the System has received approximately $462 million of provider relief funds from various provisions in these Acts, of which $105 million and $288 million have been recognized in 2021 and 2020, respectively, as contributions in other revenue in the consolidated statement of operations and changes in net assets.

On March 28, 2020, CMS expanded the existing Accelerated and Advance Payments Program to a broader group of Medicare Part A providers and Part B suppliers. At the end of April 2020, the System received approximately $358 million of Medicare advance payments as part of the CMS Accelerated and Advance Payments Program. Originally, CMS announced that it would begin to offset the payments by future Medicare reimbursements up to 210 days after disbursement, depending on whether a facility was an acute or non-acute facility. On October 1, 2020, a continuing resolution was signed, which included an extension to delay repayments to one year from receipt of these accelerated and advance disbursements. Repayment terms specify that for the first 11 months after repayment begins, repayment will occur through an automatic recoupment of 25% of Medicare payments otherwise owed to the provider. At the end of the 11-month period, recoupment will increase to 50% for six months. At the end of the six months (29 months from the receipt of the initial accelerated payment), Medicare will issue a letter for full repayment of any remaining balance, as applicable. The System has recorded $180 million in other current liabilities in the consolidated balance sheet as of December 31, 2021.

The CARES Act also allows for deferred payment of the employer portion of certain payroll taxes between March 27, 2020 and December 31, 2020, with half due December 31, 2021 and the remaining half due December 31, 2022. As of December 31, 2021, the System had deferred payroll tax payments of approximately $37.5 million included in accrued compensation and related payables in the consolidated balance sheet.

Due to the evolving nature of the COVID-19 pandemic, the future impact to the System and its financial condition is presently unknown.

Ratings and Outlook Updates

In September 2021, Fitch Ratings downgraded its long-term rating from 'A+' to 'A' while maintaining a Stable outlook and S&P Global Ratings affirmed its 'A' long-term rating and revised the outlook from Stable to Negative on Adventist Health's bonds. The Fitch rating reflects Adventist Health's historically solid operating income levels, which have more recently, through a series of one-time events and the lingering deleterious impact from the novel coronavirus, resulted in lower than anticipated operating EBIDA margins. Strength of the credit is still conferred through Adventist's position as the leading acute care provider in multiple growing markets, a gradually improving balance sheet, and accretive affiliation and expansion activity. The S&P outlook revision reflects a multiyear trend of negative operating performance that has pressured the financial profile. Precluding a downgrade is Adventist Health's historical operating strength prior to fiscal 2019, indicating a solid run rate can be achieved, as well as the System's largescale improvement plan being implemented during the outlook period. In addition, Adventist Health's balance sheet continues to improve.

Key Operating Metrics: Volume Trends

During the twelve months ended December 31, 2021, the System's inpatient discharges increased by 4.3%. Combined inpatient and observation stays increased by 4.6% from the same period in the previous year. On a same store basis that excludes Adventist Health Mendocino Coast, inpatient discharges increased by 4.1% primarily driven by impacts of COVID-19.

Total inpatient surgeries increased by 2.7% and outpatient surgeries increased by 15.6% from the same period in the previous year. On a same store basis, inpatient surgeries increased by 2.6% and outpatient surgeries increased by 14.7% from the same period in the previous year.

UTILIZATION STATISTICS

Twelve Months Ended December 31,	2021	2020
Discharges	128,128	122,794
Patient days	688,221	588,519
Observation stays	19,480	18,618
Outpatient procedures	3,977,724	3,554,932
Emergency department visits	682,364	638,246
Inpatient surgeries	22,539	21,953
Outpatient surgeries	51,327	44,384
Capitated lives	224,912	217,768
Average length of stay (in days)	5.4	4.8
Outpatient revenues as % of gross patient revenue	46.3%	45.0%

Key Operating Metrics: Total Operating Revenue and Income from Operations

Total operating revenue increased 9.2% for the twelve months ended December 31, 2021 as compared to the previous year. On a same store basis, total operating revenue increased 8.7% for the twelve months ended December 31, 2021 as compared to the previous year. The increase in operating revenue was the result of recognizing $105 million of CARES Act and American Rescue Plan funds and stronger inpatient volume (measured in patient days) and inpatient acuity (measured in Case Mix Index) compared to the prior year, offset by aged A/R write-off at recently acquired hospital. 2020 Q2 volumes were weak due to patient hesitancy and restrictions imposed at the beginning of the pandemic. Approximately $288 million CARES Act Provider Relief Funds were recognized as of December 31, 2020.

Total operating expenses increased 11.5% for the twelve months ended December 31, 2021 as compared to the previous year. On a same store basis, total operating expenses increased 10.9% for the twelve months ended December 31, 2021 as compared to the previous year. Salaries and benefits expenses increased 2.8% for the twelve months ended December 31, 2021 as compared to the previous year. This increase was primarily due to challenges from retaining and recruiting staff during the peak of the COVID-19 pandemic. It was compounded by increases in contract labor which are reported as Professional Fees and were 33.2% above the previous year.

Supplies increased by 22.5% from the previous year due to increase in per unit pricing and utilization of PPE and other supplies related to COVID-19.

Purchased services and other increased by 11.4% from the previous year due to the consolidation of Adventist Health Plan, which was previously unconsolidated, an increase in revenue cycle costs and purchased services under capitated contracts and an outsourcing of certain costs that were previously performed internally.

On both an all-inclusive and same-store basis, income (loss) from operations as a percent of total operating revenue was (2.9%) and (1.6%) for the twelve months ended December 31, 2021 and December 31, 2020, respectively.

Lost revenue and expenses attributed to the COVID-19 pandemic exceeded relief funds by $161 million in the year ended December 31, 2020 and by $153 million in the year ended December 31, 2021. The System is pursuing additional opportunities to fund these losses, most notably FEMA. The amount and timing of further relief payments is uncertain.

A multi-pronged approach is underway to address financial performance. There are nine areas of focus: growth, revenue optimization, labor and benefits, length of stay, administrative cost structure, program review, focused markets, purchased services and supplies and professional fees. Additionally, efforts to minimize COVID-19-related volume declines, specifically in surgery and clinics, are underway along with yield enhancement through revenue cycle initiatives. Capital deployment is focused on critical and high return projects.

TOTAL OPERATING REVENUE AND INCOME FROM OPERATIONS

Twelve Months Ended December 31,	2021	2020
Total operating revenue	$5,215	$4,774
Total EBIDA expenses	$5,106	$4,579
EBIDA	$109	$195
EBIDA as a percentage of total operating revenue	2.1%	4.1%
Depreciation and interest expense	$258	$269
Loss from operations	($149)	($74)
Loss from operations as a percentage of total operating revenue	(2.9%)	(1.6%)

Key Operating Metrics: Total Nonoperating Income

Investment income decreased by 8.4% for the twelve months ended December 31, 2021 as compared to the previous year. Management maintains a long-term asset allocation strategy.

NONOPERATING INCOME

Twelve Months Ended December 31,	2021	2020
Investment income	$163	$178
Other nonoperating gains (losses)	($5)	$6
Nonoperating income before gain on acquisition and divestitures	$158	$184
Gain (Loss) on acquisition and divestitures	$0	($1)
Nonoperating income	$158	$183

Balance Sheet Ratios

Cash and unrestricted investments increased by $174 for the twelve months ended December 31, 2021. Days cash on hand decreased to 189.2 on December 31, 2021 from 197.4 at December 31, 2020. Long-term debt to capitalization decreased to 39.5% on December 31, 2021 from 40.0% at December 31, 2020. Adventist Health is able to maintain lower-than-median cash to debt and long-term debt to capitalization ratios as the system has no pension liability and operates under a defined contribution plan.

BALANCE SHEET RATIOS

Period Ended	Dec 31, 2021	Dec 31, 2020
Total cash and unrestricted investments	$2,680	$2,506
Days cash on hand	189.2	197.4
Cash to debt	134%	123%
Long-term debt to capitalization	39.5%	40.0%
Debt service coverage (Obligated Group)	2.0	2.1
Capital expenditures as a percentage of depreciation expense	70.5%	83.1%

Adventist Health Hospitals

OBLIGATED GROUP MEMBERS

Adventist Health Bakersfield
Adventist Health Castle
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 and Rideout
United Com-Serve
Adventist Health Simi Valley
Adventist Health Sonora
Adventist Health St. Helena
St. Helena Center for Behavioral Health
Adventist Health Tillamook
Adventist Health Ukiah Valley
Adventist Health White Memorial

NON-MEMBER ENTITIES

Adventist Health Clear Lake
Adventist Health Plan, Inc.
Adventist Health Mendocino Coast
Adventist Health Tehachapi Valley
Adventist Health Tulare

Entities in italics are consolidated with their respective parent entities