PYA
Certified Public Accountants

Audited Consolidated Financial Statements (and Supplemental Information)

CRH Health Care, Inc.

Years Ended December 31, 2017 and 2016

CRH HEALTH CARE, INC.

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Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
CRH Health Care, Inc.:

We have audited the accompanying consolidated financial statements of CRH Health Care, Inc. (the Corporation), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of operations and changes in unrestricted net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Coffee Regional Medical Center Segregated Portfolio, a wholly owned subsidiary, which statements reflect total assets constituting 14.1% and 13.4%, respectively, of consolidated total assets at December 31, 2017 and 2016, and total revenues constituting 1.8% and 1.7%, respectively, of consolidated total revenues for the years then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Coffee Regional Medical Center Segregated Portfolio, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audit and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CRH Health Care, Inc. as of December 31, 2017 and 2016, and the results of its operations, changes in unrestricted net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental consolidating information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole as of and for the years ended December 31, 2017 and 2016.

PYA, P.C.

Atlanta, Georgia
April 24, 2018

CRH HEALTH CARE, INC.

Consolidated Balance Sheets

	December 31, 2017	December 31, 2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 840,017**	$ 4,555,901
Assets limited as to use	**11,749,512**	10,899,401
Patient accounts receivable, net of allowances of $34,308,912 in 2017 and $32,276,104 in 2016	**11,715,295**	11,653,052
Inventory	**1,690,375**	1,754,052
Other current assets	**1,959,747**	1,565,779
TOTAL CURRENT ASSETS	**27,954,946**	30,428,185
ASSETS LIMITED AS TO USE		
Internally designated	**11,355,266**	11,592,161
By bond indenture	**3,213,052**	2,955,750
TOTAL ASSETS LIMITED AS TO USE	**14,568,318**	14,547,911
Less amounts required to meet current obligations	**11,749,512**	10,899,401
NONCURRENT ASSETS LIMITED AS TO USE	**2,818,806**	3,648,510
PROPERTY, PLANT AND EQUIPMENT, net	**26,707,049**	27,790,230
OTHER ASSETS		
Investments	**18,776,352**	16,959,873
Other noncurrent assets	**86,297**	222,500
TOTAL OTHER ASSETS	**18,862,649**	17,182,373
	$ 76,343,450	$ 79,049,298

CRH HEALTH CARE, INC.

Consolidated Balance Sheets - Continued

	December 31, 2017	December 31, 2016
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current installments of long-term debt and capital lease obligations	**$ 3,966,221**	$ 2,030,391
Accounts payable	**3,705,061**	3,174,907
Accrued expenses	**4,144,722**	4,080,408
Accrued malpractice claims	**8,536,460**	7,943,651
Estimated third-party payer settlements	**726,865**	822,229
Deferred revenue	**60,833**	-
TOTAL CURRENT LIABILITIES	**21,140,162**	18,051,586
DEFERRED REVENUE	**278,820**	-
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, excluding current installments	**23,307,277**	24,517,481
TOTAL LIABILITIES	**44,726,259**	42,569,067
NET ASSETS		
Unrestricted	**31,617,191**	36,480,231
TOTAL NET ASSETS	**31,617,191**	36,480,231
	$ 76,343,450	$ 79,049,298

CRH HEALTH CARE, INC.

Consolidated Statements of Operations and Changes in Unrestricted Net Assets

	Year Ended December 31, 2017	2016
Change in unrestricted net assets:		
Unrestricted revenue, gains, and other support:		
Patient service revenue, net of contractual allowances and discounts	**$ 111,647,875**	$ 111,278,694
Provision for bad debts	**(22,221,549)**	(17,327,014)
Net patient service revenue	**89,426,326**	93,951,680
Other revenue	**6,583,436**	6,047,327
TOTAL REVENUE, GAINS AND SUPPORT	**96,009,762**	99,999,007
Expenses:		
Salaries and wages	**42,990,824**	38,142,248
Employee health and welfare	**15,038,768**	13,382,893
Medical supplies and drugs	**15,395,022**	15,777,135
Professional fees	**1,345,040**	7,091,600
Purchased services	**9,945,939**	10,765,896
Other expenses	**11,945,294**	8,615,443
Depreciation and amortization	**5,867,057**	5,617,884
Interest	**937,269**	1,112,182
TOTAL EXPENSES	**103,465,213**	100,505,281
LOSS FROM OPERATIONS	**(7,455,451)**	(506,274)
Other income:		
Investment income	**700,945**	1,044,673
Unrealized gain on trading securities	**1,468,791**	527,239
Gain on disposal of assets	**840**	27,494
TOTAL OTHER INCOME	**2,170,576**	1,599,406
EXCESS (DEFICIT) OF REVENUE, GAINS AND SUPPORT OVER EXPENSES AND LOSSES	**(5,284,875)**	1,093,132
CAPITAL CONTRIBUTIONS	**300,348**	337,160
Change in net unrealized gains and losses on other than trading securities	**121,487**	(439,475)
CHANGE IN UNRESTRICTED NET ASSETS	**(4,863,040)**	990,817
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	**36,480,231**	35,489,414
UNRESTRICTED NET ASSETS, END OF YEAR	**$ 31,617,191**	$ 36,480,231

CRH HEALTH CARE, INC.

Consolidated Statements of Cash Flows

	Year Ended December 31, *2017*	*2016*
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in unrestricted net assets	**$ (4,863,040)**	$ 990,817
Adjustments to reconcile change in unrestricted net assets to net cash provided by operating activities:		
Net realized and unrealized gain on securities	**(1,636,565)**	(510,117)
Gain on disposal of assets	**(840)**	(27,494)
Depreciation and amortization	**5,867,057**	5,617,884
Accretion of bond premium	**(251,741)**	-
Provision for bad debts	**22,221,549**	17,327,014
Capital contributions	**(300,348)**	(337,160)
Increase (decrease) in cash due to changes in:		
Patient accounts receivable	**(22,283,792)**	(15,900,481)
Inventory and other current assets	**(330,291)**	22,991
Estimated third-party payer settlements	**(95,364)**	102,672
Other assets	**(121,422)**	(241,848)
Accounts payable	**530,154**	(468,272)
Accrued expenses	**64,314**	(278,103)
Accrued malpractice claims	**592,809**	(2,457,935)
Deferred revenue	**339,653**	-
Total adjustments	**4,595,173**	2,849,151
NET CASH PROVIDED BY OPERATING ACTIVITIES	**(267,867)**	3,839,968
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	**(2,088,441)**	(2,133,278)
Proceeds from sale of property and equipment	**32,357**	27,718
Purchases of investments	**(3,774,259)**	(14,548,580)
Proceeds from sale of investments	**3,573,938**	13,943,692
NET CASH USED IN INVESTING ACTIVITIES	**(2,256,405)**	(2,710,448)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on long-term debt and capital lease obligations	**(2,259,889)**	(1,166,519)
Payments to escrow to relieve long-term debt	**-**	(26,750,898)
Proceeds from the issuance of long-term debt, net of issuance costs	**1,068,277**	25,019,336
NET CASH USED IN FINANCING ACTIVITIES	**(1,191,612)**	(2,898,081)
DECREASE IN CASH AND CASH EQUIVALENTS	**(3,715,884)**	(1,768,561)
CASH AND CASH EQUIVALENTS, beginning of year	**4,555,901**	6,324,462
CASH AND CASH EQUIVALENTS, end of year	**$ 840,017**	$ 4,555,901
SUPPLEMENTAL INFORMATION AND NON-CASH TRANSACTIONS:		
Interest paid	**$ 1,106,273**	$ 1,283,958
Equipment acquired through capital leases	**$ 2,117,590**	$ -

See notes to consolidated financial statements.

NOTE A--ORGANIZATION AND OPERATIONS

CRH Health Care, Inc. (the Corporation) is the parent company of Coffee Regional Medical Center, Inc., Coffee Regional Medical Center Segregated Portfolio, CRH Health Services, Inc., CRH Ventures, Inc., Southeastern Managed Care, Inc., CRH Physician Practices, LLC, Orthopedic Surgeons of Georgia, LLC, and Emergency Physicians of Coffee County, LLC.

Coffee Regional Medical Center, Inc., CRH Health Services, Inc., CRH Physician Practices, LLC, Orthopedic Surgeons of Georgia, LLC, and Emergency Physicians of Coffee County, LLC, are not-for-profit corporations. Coffee Regional Medical Center, Inc. operates the acute care hospital. CRH Health Services, Inc. was organized to support primary care and other services to rural underserved areas. CRH Physician Practices, LLC, and Orthopedic Surgeons of Georgia, LLC, operate physician practices that are organized to provide healthcare services to residents of the surrounding area. Emergency Physicians of Coffee County, LLC was organized to provide emergency services to residents of the surrounding area.

CRH Ventures, Inc. is a for profit corporation organized to conduct taxable activities.

Southeastern Managed Care, Inc., is a for profit corporation organized to act as a physician hospital organization. This entity had no assets, liabilities or net assets as of December 31, 2017 and 2016.

Coffee Regional Medical Center Segregated Portfolio is incorporated in the Cayman Islands and is currently recognized as tax exempt by the Cayman Islands Government. The primary purpose of this entity is to provide professional liability coverage for the Corporation.

The consolidated financial statements include the accounts of CRH Health Care, Inc. and subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Coffee Regional Medical Center, Inc. leases all the assets, liabilities, and management of the acute care hospital from Coffee County Hospital Authority. The lease is pursuant to a lease and transfer agreement dated as of January 1, 1995. The lease term is forty years at a nominal amount.

NOTE B--SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates: The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates subject to change in the near term include estimated contractual adjustments, estimated allowance for uncollectible accounts, estimated payables to third-party payers, net and estimated professional liabilities.

Cash and Cash Equivalents: Cash and cash equivalents include non-designated investments with original terms to maturity of approximately three months or less when purchased. Cash and cash equivalents designated as assets limited as to use, or uninvested amounts included in investment portfolios, are not included in the consolidated balance sheets as cash and cash equivalents.

Investments: Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheets. Investment income or loss (including realized gains and losses on investments, interest and dividends) is included in excess (deficit) of revenues, gains and support over expenses and losses unless the income or loss is restricted by donor or law. Unrealized gains and losses on investments are excluded from excess (deficit) of revenues, gains and support over expenses and losses unless the investments are trading securities. Effective June 30, 2017, as permitted by Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 320-10-35-5, the Corporation changed its accounting policy for investments previously classified as other than trading and those investments are now classified as trading. As of December 31, 2017, all investments are classified as trading securities.

Assets Limited as to Use: Assets limited as to use primarily include assets held by trustees under indenture and other agreements and designated assets set aside by the Board of Trustees, over which the Board retains control and may at its discretion subsequently use for other purposes. Amounts required to meet current liabilities of the Corporation have been reclassified in the consolidated balance sheets at December 31, 2017 and 2016.

Net Patient Service Revenue/Receivables: The Corporation has agreements with third-party payers that provide for payments to the Corporation at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Corporation analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Corporation analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients, the Corporation records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The Corporation's allowance for doubtful accounts for self-pay patients was approximately 97% of self-pay accounts receivable at December 31, 2017 and 2016. The Corporation did not have a material change in the allowance percentage for Medicare or Medicaid during 2017 and 2016. The allowances disclosed on the consolidated balance sheets represent the allowance for contractual adjustments with third-party payers, as well as the estimated allowance for doubtful accounts. The Corporation's provision for bad debts increased approximately $4,895,000 from approximately $17,327,000 for 2016 to approximately $22,222,000 for 2017. This was the result of increased self-pay patient volume. The Corporation has not changed its charity care or uninsured discount policies during fiscal years 2017 or 2016.

The Corporation's policy does not require collateral or other security for patient accounts receivable. The Corporation routinely accepts assignment of, or is otherwise entitled to receive, patient benefits payable under health insurance programs, plans or policies.

Inventory: Inventory, which consists primarily of supplies, drugs, and food, are valued at first-in, first-out cost, but not in excess of market.

Property, Plant and Equipment: Property, plant and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the consolidated financial statements. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets such as land, buildings or equipment are reported as unrestricted support, and are excluded from excess (deficit) of revenue, gains and support over expenses and losses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Deferred Financing Cost: Costs related to the issuance of long-term debt were deferred and are being amortized using the straight-line method, which approximates the effective interest method, over the life of the related debt.

Deferred Revenue: Revenue related to the acquisition of property, plant and equipment through a management services agreement is deferred and recognized over the term of the related agreement.

Excess (Deficit) of Revenue, Gains and Support Over Expenses and Losses: The statement of operations and changes in unrestricted net assets includes excess (deficit) of revenue, gains and support over expenses and losses as a performance indicator. Changes in unrestricted net assets which are excluded from the performance indicator, consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Charity Care: The Corporation provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Corporation does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Estimated Malpractice Costs: The provision for estimated medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported based on actuarial analysis. Effective March 31, 2003, Coffee Regional Medical Center Segregated Portfolio (CRMC SP) was established as a Segregated Portfolio within Georgia Health Care Insurance Company SPC Ltd. CRMC SP provides Coffee Regional Medical Center with a malpractice insurance program within its organization. Premiums for this plan are accrued based on the plan's experience to date. During 2016, the confidence level for loss liability was changed from 75% in 2015 to 60% in 2016. Management believes this change more accurately reflects the expected level of loss liability. It remained at 60% during 2017. The plan's investments and liabilities are presented within the Corporation's consolidated financial statements.

Impairment of Long-Lived Assets: The Corporation evaluates on an ongoing basis the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is required to be recognized if the carrying value of the asset exceeds the undiscounted future net cash flows associated with that asset. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounted estimated future cash flows using an appropriate interest rate. The Corporation has not recorded any impairment charges in the accompanying consolidated statements of operations and changes in unrestricted net assets for the years ended December 31, 2017 and 2016.

Income Taxes: CRH Health Care, Inc. and certain of its subsidiaries are exempt from income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code or provisions of the Companies Law of the Cayman Islands. Accordingly, no provision for income taxes on qualifying activities has been made for these entities in the accompanying consolidated financial statements. However, certain entities and operations are subject to income taxes (see Note R).

Advertising and Marketing Costs: Advertising and marketing costs are expensed as incurred. In 2017 and 2016, marketing and advertising expense totaled approximately $366,000 and $371,000, respectively.

Recently Issued Accounting Principles: In March 2017, the FASB issued Accounting Standards Update (ASU) No. 2017-08, *Receivables-Nonrefundable Fees and Other Costs*: *Premium Amortization on Purchased Callable Debt Securities*, which shortens the amortization period for any premium to the earliest call date. Bonds purchased with a discount are not impacted by this ASU. ASU 2017-08 will be effective for fiscal years beginning after December 15, 2019. Management is evaluating the impact of this standard on the consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14), which requires not-for-profit entities to present two classes of net assets in the financial statements, rather than the three classes required by current standards. ASU 2016-14 also adds enhanced disclosures, including composition of net assets with donor restrictions and quantitative and qualitative information that communicate the availability of financial assets to meet cash expenditures within one year of the balance sheet date. ASU 2016-14 is effective for years beginning after December 15, 2017, and early adoption is permitted.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (ASU 2016-02), which requires balance sheet recognition of a liability and right-to-use asset for substantially all leases. ASU 2016-02 is effective for years beginning after December 15, 2018 and requires a modified retrospective transition approach for leases existing at the date of adoption. Management is currently evaluating the impact of the adoption of this standard on the consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments - Overall* (ASU 2016-01), which, among other items, requires reporting the change in fair value of equity investments as a component of net income rather than as a change in net assets. ASU 2016-01 is effective for years beginning after December 15, 2018. Management cannot determine the impact of implementing this standard until the year of adoption.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09) which supersedes current revenue recognition guidance under GAAP. ASU 2014-09 requires the recognition of revenue when services are performed at an amount equal to what the entity expects to receive for those services. This update defines a five-step process for revenue recognition that may require more judgment and estimates than required under existing GAAP. ASU 2014-09 is effective for years beginning after December 15, 2017 and will require implementation using either a retrospective approach that adjusts all prior years or a retrospective approach with the cumulative effect reported in the year of adoption. Management is currently evaluating the impact of the adoption of this standard on the consolidated financial statements.

Reclassifications: Certain reclassifications have been made to the fiscal year 2016 consolidated financial statements to conform to the fiscal year 2017 presentation. These reclassifications had no impact on the change in net assets in the accompanying consolidated financial statements.

NOTE C--NET PATIENT SERVICE REVENUE

The Corporation has agreements with third-party payers that provide for payments to the Corporation at amounts different from its established rates. The Corporation does not believe that there are any significant credit risks associated with receivables due from third-party payers.

The Corporation recognizes patient service revenue associated with services provided to patients who have third-party coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Corporation recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by the policy). On the basis of historical experience, a significant portion of the Corporation's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Corporation records a significant provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the period from these major payer sources, is as follows:

	Patient Service Revenue (Net of Contractual Allowances and Discounts)	
	2017	2016
Medicare	$ 29,472,920	$ 31,622,093
Medicaid	9,611,674	8,690,153
Other third-party payers	43,227,012	48,255,917
Self-pay	29,336,269	22,710,531
	$ 111,647,875	$ 111,278,694

A summary of the payment arrangements with major third-party payers follows:

- *Medicare:* Inpatient acute care and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge or services provided. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The Corporation is reimbursed for certain reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Corporation and audits thereof by the Medicare Administrative Contractor (MAC). The Corporation's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Corporation. The Corporation's Medicare cost reports have been audited by the MAC through 2015.

- *Medicaid:* Inpatient acute care services rendered to Medicaid program beneficiaries are paid at a prospectively determined rate per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Corporation is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Corporation and audits thereof by the Medicaid fiscal intermediary. The Corporation's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through 2015.

  The Corporation has also entered into contracts with certain managed care organizations to receive reimbursement for providing services to selected enrolled Medicaid beneficiaries. Payment arrangements with these managed care organizations consist primarily of prospectively determined rates per discharge, which are discounted from established charges.

Revenue from the Medicare and Medicaid programs accounted for approximately 33% and 11%, respectively, of the Corporation's net patient revenue for the year ended 2017, and 34% and 9%, respectively, of the Corporation's net patient revenue for the year ended 2016. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The Corporation believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. However, there has been an increase in regulatory initiatives at the state and federal levels including the initiation of the Recovery Audit Contractor (RAC) program and the Medicaid Integrity Contractor (MIC) program. These programs were created to review Medicare and Medicaid claims for medical necessity and coding appropriateness. The Contractors have authority to pursue improper payments with a three year look back from the date the claim was paid. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs.

During 2010, the state of Georgia enacted legislation known as the Provider Payment Agreement Act (the Act) whereby hospitals in the State of Georgia are assessed a "provider payment" in the amount of 1.45% of their net patient revenue. The Act became effective July 1, 2010, the beginning of the state fiscal year 2011. The provider payments are due on a quarterly basis to the Department of Community Health. The payments are to be used for the sole purpose of obtaining federal financial participation for medical assistance payments to providers on behalf of Medicaid recipients. The provider payment resulted in an increase in hospital payments on Medicaid services of approximately 11.88%. Approximately $1,238,000 and $1,154,000 relating to the Act are included in other expenses in the accompanying consolidated statement of operations and changes in unrestricted net assets for the years ended December 31, 2017 and 2016, respectively.

The Corporation has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Corporation under these agreements includes prospectively determined rates per discharge, which are discounted from established charges.

NOTE D--UNCOMPENSATED SERVICES

The Corporation was compensated for services at amounts less than its established rates. Charges for uncompensated services for 2017 and 2016 were approximately $244,253,000 and $233,566,000, respectively.

Uncompensated care includes charity and indigent care services of approximately $10,877,000 and $10,968,000 in 2017 and 2016, respectively. The cost of charity and indigent care services provided during 2017 and 2016 were approximately $2,382,000 and $2,468,000, respectively computed by applying a total cost factor to the charges foregone.

The following is a summary of uncompensated services and a reconciliation of gross patient charges to net patient service revenue for 2017 and 2016.

	2017	2016
Gross patient charges	$ 333,679,449	$ 327,517,733
Uncompensated services:		
Charity and indigent care	10,877,062	10,968,159
Medicare	119,173,660	113,907,045
Medicaid	47,996,143	47,099,036
Other allowances	43,984,709	44,264,799
Bad debts	22,221,549	17,327,014
Total uncompensated care	244,253,123	233,566,053
Net patient service revenue	$ 89,426,326	$ 93,951,680

NOTE E--INVESTMENTS AND ASSETS LIMITED AS TO USE

The composition of assets limited as to use at December 31, 2017 and 2016 is set forth in the following table. Investments are stated at fair value.

	2017	2016
Internally designated for self-insurance:		
Cash and cash equivalents	$ 1,200,312	$ 1,189,568
Corporate bonds	4,929,843	5,636,831
Mutual funds	932,038	1,039,181
U.S. Treasury securities	197,352	198,532
U.S. corporate securities	3,089,709	2,848,447
Interest receivable	30,572	35,410
	$ 10,379,826	$ 10,947,969
Internally designated for employee benefits:		
Cash, cash equivalents	$ 38,547	$ 67,891
Mutual funds	936,893	576,301
	$ 975,440	$ 644,192
By bond indenture agreement, held by Trustee:		
Money market mutual funds	$ 3,213,052	$ 2,955,750

Other investments stated at fair value at December 31, 2017 and 2016 include:

	2017	*2016*
Trading - Mutual Funds		
U.S. government bonds	$ 11,055,173	$ 10,331,897
U.S. corporate securities	3,536,479	3,077,190
International securities	3,578,757	3,044,899
Other	605,943	505,887
Total trading - mutual funds	$ 18,776,352	$ 16,959,873

Investment income and gains and losses for assets limited as to use, cash and cash equivalents and other investments are comprised of the following for the years ended December 31, 2017 and 2016:

	2017	*2016*
Income:		
Interest income	$ 654,896	$ 597,772
Realized gains on sale of securities	46,049	446,901
Unrealized gains on trading securities	1,468,791	527,239
Total	$ 2,169,736	$ 1,571,912
Other changes in unrestricted net assets:		
Unrealized gains (losses) on other than trading securities	$ 121,487	$ (439,475)

The Corporation's investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying consolidated financial statements.

NOTE F--PROPERTY, PLANT AND EQUIPMENT

A summary of property, plant and equipment at December 31, 2017 and 2016, follows:

	2017	2016
Land and land improvements	$ 1,036,883	$ 1,036,883
Buildings and improvements	66,447,549	63,941,149
Equipment	37,603,429	38,676,606
Equipment held under capital leases	3,925,895	3,925,895
	109,013,756	107,580,533
Less: Accumulated depreciation	82,306,707	79,808,260
	26,707,049	27,772,273
Construction in progress	-	17,957
	$ 26,707,049	$ 27,790,230

Depreciation expense for the years ended December 31, 2017 and 2016 amounted to approximately $5,558,000 and $5,378,000, respectively. Accumulated amortization for equipment under capital lease obligations was approximately $3,009,000 and $2,637,000 at December 31, 2017 and 2016, respectively.

NOTE G--DEFERRED REVENUE

A summary of deferred revenue at December 31, 2017 is as follows:

Deferred revenue - beginning of year	$ -
Additions to deferred revenue	365,000
Deferred revenue recognized	(25,347)
Deferred revenue - end of year	339,653
Less current portion of deferred revenue	60,833
Long-term deferred revenue	$ 278,820

As part of a management services agreement associated with the Corporation's hyperbaric oxygen and wound care department, the Corporation agreed to share in the cost of constructing and building out the department. The management company incurred the first $365,000 in costs associated with the project and the Corporation will be required to reimburse the management company for any unamortized costs if the management services agreement is terminated prior to expiration of the agreement in 2023. Accordingly, the Corporation recorded the $365,000 in property, plant and equipment and the related deferred revenue in 2017 and is recognizing the revenue over the term of the agreement.

NOTE H--LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

A summary of long-term debt and capital lease obligations at December 31, 2017 and 2016, follows:

	2017	***2016***
Revenue Anticipation Certificates Series 2016A. Interest rates ranging from 2.00% to 5.00%; sinking fund payments due annually through December 1, 2026	$ 21,075,000	$ 21,710,000
Taxable Revenue Anticipation Certificates Series 2016B. Interest rate of 2.00%; payment due December 1, 2017	-	825,000
Douglas National Bank, note payable in the amount of $681,049, collateralized by purchased property. Matures in 2022 with an interest rate of 4.69% and a monthly payment of $7,142.	380,704	446,598
Douglas National Bank, note payable in the amount of $314,012, collateralized by purchased property. Matures in 2020 with an interest rate of 4.5%. Monthly payments of $4,300 with the remaining balance due at maturity.	279,817	313,475
Douglas National Bank, note payable in the amount of $437,750, collateralized by purchased property. Matures in 2026 with an interest rate of 3.5%. Monthly payments of $2,550 with the remaining balance due at maturity.	410,601	426,321
Restorix Health, unsecured non-interest bearing note payable in the amount of $150,000. Monthly payments of $4,167 with the remaining balance due at maturity in 2020.	120,833	-
First National Bank of Coffee County, $2,000,000 line of credit secured by investments. Matures in 2018 with an interest rate equal to the Wall Street Journal U.S. Prime Rate. Monthly interest payments with principal due at maturity.	918,277	-
Capital lease obligations, with interest rates from 3.918% to 6.039% with monthly payments ranging from $13,047 to $32,807 and quarterly payments of $18,729. Collateralized by leased equipment.	2,328,593	866,453
	25,513,825	24,587,847

	2017	*2016*
Less current installments of long-term debt and capital lease obligations	3,966,221	2,030,391
	21,547,604	22,557,456
Unamortized bond premium	2,222,175	2,473,916
Unamortized debt issuance costs	(462,502)	(513,891)
Long-term debt and capital lease obligations excluding current obligations	$ 23,307,277	$ 24,517,481

In 2016, the Coffee County Hospital Authority (the Authority) issued its Revenue Anticipation Certificates (Series 2016A Certificates) and Taxable Revenue Anticipation Certificates (Series 2016B Certificates) (collectively, the Series 2016 Certificates). The proceeds of the Series 2016 Certificates were loaned by the Authority to the Corporation, pursuant to a Loan Agreement dated December 1, 2016, and were used for the purpose of refunding the 2004 Bonds, funding a debt service reserve fund and paying the costs of issuing the Series 2016 Certificates.

The Corporation advance refunded the 2004 Bonds by placing required funds in an escrow account in order to satisfy remaining scheduled principal and interest payments of the outstanding debt. Management believed the amounts deposited in such escrow account contractually relieved the Corporation of any future obligations with respect to this debt. Debt outstanding and not recognized in the consolidated balance sheet at December 31, 2016, due to the advance refunding, totaled $24,963,471. All outstanding debt related to the 2004 Bonds was repaid in January 2017.

The Loan Agreement requires the Corporation to provide funding sufficient to pay the maturing installments of principal and interest required by the Series 2016 Certificates. The Authority, The Corporation and Coffee County, Georgia (the County) entered into an Intergovernmental Contract dated December 1, 2016 which states that the County will agree to pay the debt service on the Series 2016 Certificates in the event that the Corporation is unable to by levying a tax, within the seven-mill limitation prescribed by law, on all property in the County subject to such tax in order to make such payments.

The Intergovernmental Contract requires the establishment of a debt service reserve fund. The Corporation had established appropriate levels of funding as of December 31, 2017 and 2016 and such deposits are included with assets limited as to use as of December 31, 2017 and 2016. Additionally, the Intergovernmental Contract requires the maintenance of certain financial ratios and compliance with other covenants. Management believes the Corporation was in compliance with all financial and other covenants as of December 31, 2017 and 2016.

Scheduled principal repayments on long-term debt and payments on capital lease obligations are as follows:

Year Ending December 31,	*Long-Term Debt*	*Capital Lease Obligations*
2018	$ 3,063,795	$ 674,348
2019	2,202,725	687,195
2020	2,401,088	517,272
2021	2,302,782	483,773
2022	2,417,307	151,297
Thereafter	10,797,535	331
	$ 23,185,232	2,514,216
Less amount representing interest under capital lease obligations		(185,623)
Total		$ 2,328,593

NOTE I--PENSION PLAN

The Corporation has established a defined contribution pension plan. Under this pension plan, employees contribute pre-tax dollars into the plan with the Corporation matching 100% of the employee contribution up to 5% of the employee's annual salary. However, during 2014, the Corporation elected to temporarily freeze all matching contributions. During 2015, the employer match was reinstated at up to 1%. Midway through 2016, the employer match was increased to up to 2%. The Corporation contributed approximately $766,000 in 2017 and $404,000 in 2016.

NOTE J--CONCENTRATIONS OF CREDIT RISK

The Corporation grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers at December 31, 2017 and 2016 was as follows:

	2017	*2016*
Medicare	42%	37%
Medicaid	11%	13%
Other third-party payers	27%	30%
Self-pay	20%	20%
Total	100%	100%

The Corporation places its cash investments in general checking accounts, certificates of deposit, and money market accounts. At December 31, 2017 and 2016, the Corporation's deposits at major financial institutions exceeded the $250,000 Federal Deposit Insurance Corporation limit. Management believes the credit risks related to these deposits is minimal.

NOTE K--SELF-INSURANCE FOR EMPLOYEE HOSPITALIZATION

The Corporation operates a self-insurance program for the purpose of providing group health insurance for Corporation employees and their covered dependents. This program was created to minimize the total cost of annual medical insurance to the Corporation. Medical costs exceeding $100,000, per covered individual, are covered through a private insurance carrier. Under this self-insurance program, the Corporation paid or accrued approximately $7,029,000 and $6,035,000 in 2017 and 2016, respectively. These amounts, as well as commercial insurance premiums are included in the statement of operations and changes in unrestricted net assets as employee health and welfare expense.

NOTE L--INDIGENT CARE TRUST FUND

The Corporation participates in the Georgia Indigent Care Trust Fund (ICTF) Program. The Corporation receives ICTF payments for treating a disproportionate number of Medicaid and other indigent patients. ICTF payments are based on the Corporation's estimated uncompensated cost of services to Medicaid and uninsured patients. The amount of ICTF payments recognized in net patient service revenue was approximately $926,000 and $436,000 for the years ended December 31, 2017 and 2016, respectively.

NOTE M--MEDICAID UPPER PAYMENT LIMIT

The Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA) provides for payment adjustments to certain facilities based on the Medicaid Upper Payment Limit (UPL). The UPL payment adjustments are based on a measure of the difference between Medicaid payments and the amount that could be paid based on Medicare payment principles. The net amount of UPL payment adjustments recognized in net patient service revenue was approximately $731,000 and $511,000 for the years ended December 31, 2017 and 2016, respectively.

NOTE N--OPERATING EXPENSE BY FUNCTIONAL CLASSIFICATION

The Corporation does not present expense information by functional classification because its resources and activities are primarily related to providing healthcare services. Further, since the Corporation receives substantially all of its resources from providing healthcare services in a manner similar to a business enterprise, other indicators contained in these consolidated financial statements are considered important in evaluating how well management has discharged their stewardship responsibilities.

NOTE O--FAIR VALUE MEASUREMENT

FASB ASC 820, defines fair value as the amount that would be received for an asset or paid to transfer a liability (i.e., an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820 also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. FASB ASC 820 describes the following three levels of inputs that may be used:

- *Level 1:* Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets and liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

- *Level 2:* Observable prices that are based on inputs not quoted on active markets but corroborated by market data.

- *Level* 3: Unobservable inputs when there is little or no market data available, thereby requiring an entity to develop its own assumptions. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Fair values of investments and assets limited as to use measured on a recurring basis at December 31, 2017 and 2016 are as follows:

		Fair Value Measurements at Reporting Date		
	Fair Value	*Quoted Prices in Active Markets for Identical Assets (Level 1)*	*Significant Other Observable Inputs (Level 2)*	*Significant Unobservable Inputs (Level 3)*
December 31, 2017				
Investments:				
Mutual funds - U.S. government bonds	$ 11,055,173	$ 11,055,173	$ -	$ -
Mutual funds - U.S. corporate securities	3,536,479	3,536,479	-	-
Mutual funds - international securities	3,578,757	3,578,757	-	-
Mutual funds - other	605,943	605,943	-	-
Total investments	18,776,352	18,776,352	-	-

		Fair Value Measurements at Reporting Date		
	Fair Value	*Quoted Prices in Active Markets for Identical Assets (Level 1)*	*Significant Other Observable Inputs (Level 2)*	*Significant Unobservable Inputs (Level 3)*
Assets limited as to use:				
Cash and cash equivalents	1,238,859	1,238,859	-	-
Money market mutual funds	3,213,052	-	3,213,052	-
Mutual funds	1,868,931	1,868,931	-	-
Corporate bonds	4,960,415	-	4,960,415	-
U.S. Treasury securities	197,352	-	197,352	-
U.S. corporate securities	3,089,709	3,089,709	-	-
Total assets limited as to use	14,568,318	6,197,499	8,370,819	-
Total	$ 33,344,670	$ 24,973,851	$ 8,370,819	$ -
December 31, 2016				
Investments:				
Mutual funds - U.S. government bonds	$ 10,331,897	$ 10,331,897	$ -	$ -
Mutual funds - U.S. corporate securities	3,077,190	3,077,190	-	-
Mutual funds - international securities	3,044,899	3,044,899	-	-
Mutual funds - other	505,887	505,887	-	-
Total investments	16,959,873	16,959,873	-	-
Assets limited as to use:				
Cash and cash equivalents	1,257,459	1,257,459	-	-
Money market mutual funds	2,955,750	-	2,955,750	-
Mutual funds	1,615,482	1,615,482	-	-
Corporate bonds	5,672,241	-	5,672,241	-
U.S. Treasury securities	198,532	-	198,532	-
U.S. corporate securities	2,848,447	2,848,447	-	-
Total assets limited as to use	14,547,911	5,721,388	8,826,523	-
Total	$ 31,507,784	$ 22,681,261	$ 8,826,523	$ -

Investments valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Investments valued using Level 2 inputs are based primarily on quoted prices for similar investments in active or inactive markets. Valuation techniques utilized to determine fair value are consistently applied.

- *Corporate Bonds and U.S. Treasury Securities:* Level 2 assets are valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing values on yields currently available on comparable securities of issuers with similar credit ratings. The corporate bonds contain credit ratings of A to AAA.

- *U.S. Corporate Securities:* Valued at the closing price reported on the active market on which the individual securities are traded.
- *Money Market Mutual Funds:* Level 2 assets are valued using amortized cost which approximates the fair value.
- *Mutual Funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by the Corporation are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Corporation are deemed to be actively traded.

NOTE P--HEALTHCARE REFORM

In recent years, there has been increasing pressure on Congress and some state legislatures to control and reduce the cost of healthcare on the national or at the state level. In 2010, legislation was enacted which included cost controls on hospitals, insurance market reforms, delivery system reforms and various individual and business mandates among other provisions. The costs of certain provisions will be funded in part by reductions in payments by government programs, including Medicare and Medicaid. There can be no assurance that these changes will not adversely affect the Corporation.

NOTE Q--REGULATORY COMPLIANCE

The healthcare industry has recently been subjected to increased scrutiny from governmental agencies at both the federal and state level with respect to compliance with regulations. Areas of noncompliance identified at the national level include Medicare and Medicaid, Internal Revenue Service, and other regulations governing the healthcare industry. CRH Health Care, Inc. has implemented a compliance plan focusing on such issues. There can be no assurance that the Corporation will not be subjected to future investigations with accompanying monetary damages.

NOTE R--INCOME TAXES

CRH Health Care, Inc., excluding Coffee Regional Medical Center Segregated Portfolio, CRH Ventures, Inc. and Southeastern Managed Care, Inc. is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

Coffee Regional Medical Center Segregated Portfolio is an exempted Segregated Portfolio Company that was incorporated under the provisions of the Companies Law of the Cayman Islands and has received an undertaking from the Cayman Islands Government exempting it from all local income, profits and capital gains taxes.

CRH Ventures, Inc. and Southeastern Managed Care, Inc. are taxable entities and are, therefore, subject to federal income taxes. CRH Ventures, Inc. and Southeastern Managed Care, Inc. file separate federal income tax returns.

The Corporation applies accounting policies that prescribe when to recognize and how to measure the financial statement effects of income tax positions taken or expected to be taken on its income tax returns. These rules require management to evaluate the likelihood that, upon examination by the relevant taxing jurisdictions, those income tax positions would be sustained. Based on that evaluation, the Corporation only recognizes the maximum benefit of each income tax position that is more than 50% likely of being sustained. To the extent that all or a portion of the benefits of an income tax position are not recognized, a liability would be recognized for the unrecognized benefits, along with any interest and penalties that would result from disallowance of the position. Should any such penalties and interest be incurred, they would be recognized as operating expenses.

Based on the results of management's evaluation, no liability is recognized in the accompanying consolidated balance sheets for unrecognized income tax positions. Further, no interest or penalties have been accrued or charged to expense as of December 31, 2017 and 2016 or for the years then ended. The Corporation's tax returns are subject to possible examination by the taxing authorities. For federal income tax purposes, the tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

NOTE S--LITIGATION

The Corporation is involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Corporation's future financial position or results from operations.

NOTE T--ELECTRONIC HEALTH RECORD INCENTIVE PAYMENTS

The Health Information Technology for Economic and Clinical Health Act (HITECH Act) was enacted into law on February 17, 2009, as part of the American Recovery and Reinvestment Act of 2009 (ARRA). The HITECH Act includes provisions designed to increase the use of Electronic Health Records (EHR) by both physicians and hospitals. Beginning with federal fiscal year 2011 and extending through federal fiscal year 2016, eligible hospitals participating in the Medicare and Medicaid programs are eligible for reimbursement incentives based on successfully demonstrating meaningful use of its certified EHR technology. Conversely, those hospitals that do not successfully demonstrate meaningful use of EHR technology are subject to reductions in Medicare reimbursements beginning in FY 2015. On July 13, 2010, the Department of Health and Human Services (DHHS) released final meaningful use regulations. Meaningful use criteria are divided into three distinct stages: I, II and III. The final rules specify the initial criteria for physicians and eligible hospitals necessary to qualify for incentive payments; calculation of the incentive payment amounts; payment adjustments under Medicare for covered professional services and inpatient hospital services; eligible hospitals failing to demonstrate meaningful use of certified EHR technology; and other program participation requirements.

The final rule set the earliest interim payment date for the incentive payment at May 2011. The first year of the Medicare portion of the program is defined as the federal government fiscal year October 1, 2010 to September 30, 2011.

The Corporation recognizes income related to Medicare and Medicaid incentive payments using a grant model based upon when it has determined that it is reasonably assured that the Hospital will be meaningfully using EHR technology for the applicable period and the cost report information is reasonably estimable.

The Corporation successfully demonstrated meeting meaningful use of its certified EHR technology. The corporation recognized approximately $205,311 and $99,000 in EHR incentive payments as other revenue for the years ended December 31, 2017 and 2016, respectively.

NOTE U--OPERATING LEASES

The Corporation leases various equipment and facilities under operating leases expiring at various dates through 2033. Total rental expense in 2017 and 2016 for all operating leases was approximately $1,694,000 and $1,813,000, respectively.

The following is a schedule by year of future minimum lease payments under operating leases as of December 31, 2017, that have initial or remaining lease terms in excess of one year.

Year Ending December 31,	
2018	$ 717,655
2019	477,276
2020	322,907
2021	304,114
2022	263,672
Thereafter	2,099,895
	$ 4,185,519

NOTE V--SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued. During this period, management did not note any material recognizable subsequent events that required recognition or disclosure in the December 31, 2017 consolidated financial statements.

Supplemental Information

CRH HEALTH CARE, INC.

Consolidating Balance Sheets

December 31, 2017

	Coffee Regional Medical Center, Inc.	Coffee Regional Medical Center Segregated Portfolio	CRH Physician Practices, Inc.	Orthopedic Surgeons of Georgia, LLC	Emergency Physicians of Coffee County, LLC	CRH Health Services, Inc.	Coffee County Hospital Authority	CRH Ventures, Inc.	Eliminating Journal Entries	Consolidated
ASSETS										
CURRENT ASSETS										
Cash and cash equivalents	$ 389,375	$ -	$ 138,287	$ 26,502	$ (43)	$ 97,361	$ 75,876	$ 112,659	$ -	$ 840,017
Assets limited as to use	3,213,052	8,536,460	-	-	-	-	-	-	-	11,749,512
Patient accounts receivable, net	9,807,282	-	901,843	1,006,170	-	-	-	-	-	11,715,295
Inventory	1,690,375	-	-	-	-	-	-	-	-	1,690,375
Other current assets	1,540,108	869,535	238,070	2,590	176,779	-	-	2,200	(869,535)	1,959,747
TOTAL CURRENT ASSETS	16,640,192	9,405,995	1,278,200	1,035,262	176,736	97,361	75,876	114,859	(869,535)	27,954,946
ASSETS LIMITED AS TO USE										
Internally designated	724,416	9,983,183	547,628	-	100,039	-	-	-	-	11,355,266
By bond indenture	3,213,052	-	-	-	-	-	-	-	-	3,213,052
TOTAL ASSETS LIMITED AS TO USE	3,937,468	9,983,183	547,628	-	100,039	-	-	-	-	14,568,318
Less amounts required to meet current obligations	3,213,052	8,536,460	-	-	-	-	-	-	-	11,749,512
NONCURRENT ASSETS LIMITED AS TO USE	724,416	1,446,723	547,628	-	100,039	-	-	-	-	2,818,806
PROPERTY, PLANT AND EQUIPMENT, net	22,157,908	-	305,941	379,428	-	-	-	3,863,772	-	26,707,049
OTHER ASSETS										
Due from related parties	98,742	-	-	-	-	-	-	18,931	(117,673)	-
Investments	17,559,552	-	-	-	-	1,216,800	-	-	-	18,776,352
Other noncurrent assets	11,720	-	22,917	51,660	-	-	-	-	-	86,297
TOTAL OTHER ASSETS	17,670,014	-	22,917	51,660	-	1,216,800	-	18,931	(117,673)	18,862,649
	$ 57,192,530	$ 10,852,718	$ 2,154,686	$ 1,466,350	$ 276,775	$ 1,314,161	$ 75,876	$ 3,997,562	$ (987,208)	$ 76,343,450

CRH HEALTH CARE, INC.

Consolidating Balance Sheets - Continued

December 31, 2017

	Coffee Regional Medical Center, Inc.	Coffee Regional Medical Center Segregated Portfolio	CRH Physician Practices, Inc.	Orthopedic Surgeons of Georgia, LLC	Emergency Physicians of Coffee County, LLC	CHR Health Services, Inc.	Coffee County Hospital Authority	CRH Ventures, Inc.	Eliminating Journal Entries	Consolidated
LIABILITIES AND NET ASSETS										
CURRENT LIABILITIES										
Current installments of long-term debt and capital lease obligations	$ 3,887,416	$ -	$ -	62,518	$ -	$ -	$ -	$ 16,287	$ -	$ 3,966,221
Accounts payable	3,276,847	156,299	178,824	71,223	21,868	-	-	-	-	3,705,061
Accrued expenses	3,768,186	-	854,332	166,488	225,251	-	-	-	(869,535)	4,144,722
Accrued malpractice claims	-	8,536,460	-	-	-	-	-	-	-	8,536,460
Estimated third-party payer settlements	726,865	-	-	-	-	-	-	-	-	726,865
Deferred revenue	60,833	-	-	-	-	-	-	-	-	60,833
TOTAL CURRENT LIABILITIES	11,720,147	8,692,759	1,033,156	300,229	247,119	-	-	16,287	(869,535)	21,140,162
DUE TO RELATED PARTIES	-	-	12,931	6,000	-	37,913	-	60,829	(117,673)	-
DEFERRED REVENUE	278,820	-	-	-	-	-	-	-	-	278,820
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, excluding current installments	22,636,930	-	-	276,033	-	-	-	394,314	-	23,307,277
TOTAL LIABILITIES	34,635,897	8,692,759	1,046,087	582,262	247,119	37,913	-	471,430	(987,208)	44,726,259
NET ASSETS										
Unrestricted	22,556,633	2,159,959	1,108,599	884,088	29,656	1,276,248	75,876	3,526,132	-	31,617,191
TOTAL NET ASSETS	$ 57,192,530	$ 10,852,718	$ 2,154,686	$ 1,466,350	$ 276,775	$ 1,314,161	$ 75,876	$ 3,997,562	$ (987,208)	$ 76,343,450

CRH HEALTH CARE, INC.

Consolidating Balance Sheets - Continued

December 31, 2016

	Coffee Regional Medical Center, Inc.	Coffee Regional Medical Center Segregated Portfolio	CRH Physician Practices, Inc.	Orthopedic Surgeons of Georgia, LLC	Emergency Physicians of Coffee County, LLC	CRH Health Services, Inc.	Coffee County Hospital Authority	CRH Ventures, Inc.	Eliminating Journal Entries	Consolidated
ASSETS										
CURRENT ASSETS										
Cash and cash equivalents	$ 3,392,925	$ -	$ 98,927	$ 91,530	$ 60,217	$ 308,930	$ 62,186	$ 541,186	$ -	$ 4,555,901
Assets limited as to use	2,955,750	7,943,651	-	-	-	-	-	-	-	10,899,401
Patient accounts receivable, net	9,887,127	-	919,783	843,736	2,406	-	-	-	-	11,653,052
Inventory	1,754,052	-	-	-	-	-	-	-	-	1,754,052
Other current assets	1,239,176	8,250	142,385	-	166,768	-	-	9,200	-	1,565,779
TOTAL CURRENT ASSETS	19,229,030	7,951,901	1,161,095	935,266	229,391	308,930	62,186	550,386	-	30,428,185
ASSETS LIMITED AS TO USE										
Internally designated	563,195	10,567,709	397,418	-	63,839	-	-	-	-	11,592,161
By bond indenture	2,955,750	-	-	-	-	-	-	-	-	2,955,750
TOTAL ASSETS LIMITED AS TO USE	3,518,945	10,567,709	397,418	-	63,839	-	-	-	-	14,547,911
Less amounts required to meet current obligations	2,955,750	7,943,651	-	-	-	-	-	-	-	10,899,401
NONCURRENT ASSETS LIMITED AS TO USE	563,195	2,624,058	397,418	-	63,839	-	-	-	-	3,648,510
PROPERTY, PLANT AND EQUIPMENT, net	23,242,567	-	392,292	56,822	-	-	-	4,098,549	-	27,790,230
OTHER ASSETS										
Due from related parties	68,672	-	-	31,685	-	-	-	5,775	(106,132)	-
Investments	15,950,096	-	-	-	-	1,009,777	-	-	-	16,959,873
Other noncurrent assets	154,250	-	68,250	-	-	-	-	-	-	222,500
TOTAL OTHER ASSETS	16,173,018	-	68,250	31,685	-	1,009,777	-	5,775	(106,132)	17,182,373
	$ 59,207,810	$ 10,575,959	$ 2,019,055	$ 1,023,773	$ 293,230	$ 1,318,707	$ 62,186	$ 4,654,710	$ (106,132)	$ 79,049,298

CRH HEALTH CARE, INC.

Consolidating Balance Sheets - Continued

December 31, 2016

	Coffee Regional Medical Center, Inc.	Coffee Regional Medical Center Segregated Portfolio	CRH Physician Practices, Inc.	Orthopedic Surgeons of Georgia, LLC	Emergency Physicians of Coffee County, LLC	CHR Health Services, Inc.	Coffee County Hospital Authority	CRH Ventures, Inc.	Eliminating Journal Entries	Consolidated
LIABILITIES AND NET ASSETS										
CURRENT LIABILITIES										
Current installments of long-term debt and capital lease obligations	$ 2,014,671	$ -	$ -	$ -	$ -	$ -	$ -	$ 15,720	$ -	$ 2,030,391
Accounts payable	2,191,434	134,144	187,447	659,228	1,404	-	-	1,250	-	3,174,907
Accrued expenses	3,312,786	-	607,769	-	159,853	-	-	-	-	4,080,408
Accrued malpractice claims	-	7,943,651	-	-	-	-	-	-	-	7,943,651
Estimated third-party payer settlements	822,229	-	-	-	-	-	-	-	-	822,229
TOTAL CURRENT LIABILITIES	8,341,120	8,077,795	795,216	659,228	161,257	-	-	16,970	-	18,051,586
DUE TO RELATED PARTIES	-	-	31,685	-	-	74,447	-	-	(106,132)	-
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, excluding current installments	24,106,880	-	-	-	-	-	-	410,601	-	24,517,481
TOTAL LIABILITIES	32,448,000	8,077,795	826,901	659,228	161,257	74,447	-	427,571	(106,132)	42,569,067
NET ASSETS										
Unrestricted	26,759,810	2,498,164	1,192,154	364,545	131,973	1,244,260	62,186	4,227,139	-	36,480,231
TOTAL NET ASSETS	$ 59,207,810	$ 10,575,959	$ 2,019,055	$ 1,023,773	$ 293,230	$ 1,318,707	$ 62,186	$ 4,654,710	$ (106,132)	$ 79,049,298

CRH HEALTH CARE, INC.

Consolidating Statements of Operations

Year Ended December 31, 2017

	Coffee Regional Medical Center, Inc.	Coffee Regional Medical Center Segregated Portfolio	CRH Physician Practices, Inc.	Orthopedic Surgeons of Georgia, LLC	Emergency Physicians of Coffee County, LLC	CHR Health Services, Inc.	Coffee County Hospital Authority	CRH Ventures, Inc.	Eliminating Journal Entries	Consolidated
Change in unrestricted net assets:										
Unrestricted revenue, gains, and other support:										
Patient service revenue, net of contractual allowances										
and discounts	$ 99,760,926	$ -	$ 9,071,200	$ 2,816,052	$ (303)	$ -	$ -	$ -	$ -	$ 111,647,875
Provision for bad debts	(21,364,569)	-	(675,320)	(181,660)	-	-	-	-	-	(22,221,549)
Net patient service revenue	78,396,357	-	8,395,880	2,634,392	(303)	-	-	-	-	89,426,326
Other revenue	2,655,406	1,724,905	298,307	18,364	1,805,765	280,689	22,000	444,872	(666,872)	6,583,436
TOTAL REVENUE, GAINS AND SUPPORT	81,051,763	1,724,905	8,694,187	2,652,756	1,805,462	280,689	22,000	444,872	(666,872)	96,009,762
Expenses:										
Salaries and wages	28,854,539	-	8,842,599	3,497,768	1,699,885	96,033	-	-	-	42,990,824
Employee health and welfare	12,088,981	-	2,070,689	490,149	388,949	-	-	-	-	15,038,768
Medical supplies and drugs	14,631,999	-	638,487	53,786	70,750	-	-	-	-	15,395,022
Professional fees	843,570	-	-	31,905	459,138	-	8,450	1,977	-	1,345,040
Purchased services	9,263,368	70,164	408,583	174,206	-	18,000	-	11,618	-	9,945,939
Other expenses	9,278,682	664,687	1,552,791	711,184	38,342	238,165	-	128,315	(666,872)	11,945,294
Depreciation and amortization	5,261,078	-	335,287	31,416	-	-	-	239,276	-	5,867,057
Interest	922,787	-	(400)	-	-	-	-	14,882	-	937,269
TOTAL EXPENSES	81,145,004	734,851	13,848,036	4,990,414	2,657,064	352,198	8,450	396,068	(666,872)	103,465,213
INCOME (LOSS) FROM OPERATIONS	(93,241)	990,054	(5,153,849)	(2,337,658)	(851,602)	(71,509)	13,550	48,804	-	(7,455,451)
Other income:										
Investment income	536,286	125,857	-	-	-	38,472	140	190	-	700,945
Unrealized gain on trading securities	979,368	424,398	-	-	-	65,025	-	-	-	1,468,791
Gain on disposal of assets	840	-	-	-	-	-	-	-	-	840
TOTAL OTHER INCOME	1,516,494	550,255	-	-	-	103,497	140	190	-	2,170,576
EXCESS (DEFICIT) OF REVENUE, GAINS AND SUPPORT OVER EXPENSES AND LOSSES	$ 1,423,253	$ 1,540,309	$ (5,153,849)	$ (2,337,658)	$ (851,602)	$ 31,988	$ 13,690	$ 48,994	$ -	$ (5,284,875)

Consolidating Statements of Operations - Continued

Year Ended December 31, 2016

	Coffee Regional Medical Center, Inc.	Coffee Regional Medical Center Segregated Portfolio	CRH Physician Practices, Inc.	Orthopedic Surgeons of Georgia, LLC	Emergency Physicians of Coffee County, LLC	CHR Health Services, Inc.	Coffee County Hospital Authority	CRH Ventures, Inc.	Eliminating Journal Entries	Consolidated
Change in unrestricted net assets:										
Unrestricted revenue, gains, and other support:										
Patient service revenue, net of contractual allowances and discounts	$ 98,712,122	$ -	$ 8,524,126	$ 4,036,636	$ 5,810	$ -	$ -	$ -	$ -	$ 111,278,694
Provision for bad debts	(16,717,824)	-	(432,577)	(176,613)	-	-	-	-	-	(17,327,014)
Net patient service revenue	81,994,298	-	8,091,549	3,860,023	5,810	-	-	-	-	93,951,680
Other revenue	2,572,073	1,715,305	61,369	-	1,514,616	183,964	22,000	484,001	(506,001)	6,047,327
TOTAL REVENUE, GAINS AND SUPPORT	84,566,371	1,715,305	8,152,918	3,860,023	1,520,426	183,964	22,000	484,001	(506,001)	99,999,007
Expenses:										
Salaries and wages	29,312,155	-	7,104,507	-	1,628,955	96,631	-	-	-	38,142,248
Employee health and welfare	11,276,265	-	1,829,114	-	277,514	-	-	-	-	13,382,893
Medical supplies and drugs	15,163,089	-	529,263	84,783	-	-	-	-	-	15,777,135
Professional fees	710,624	-	-	5,856,815	524,161	-	-	-	-	7,091,600
Purchased services	9,435,953	57,184	198,647	1,006,824	-	62,495	-	4,793	-	10,765,896
Other expenses	8,658,133	(1,965,678)	1,554,684	663,032	17,097	31,143	-	163,033	(506,001)	8,615,443
Depreciation and amortization	5,246,723	-	153,662	21,290	-	-	-	196,209	-	5,617,884
Interest	1,117,149	-	(15,224)	-	-	-	-	10,257	-	1,112,182
TOTAL EXPENSES	80,920,091	(1,908,494)	11,354,653	7,632,744	2,447,727	190,269	-	374,292	(506,001)	100,505,281
INCOME (LOSS) FROM OPERATIONS	3,646,280	3,623,799	(3,201,735)	(3,772,721)	(927,301)	(6,305)	22,000	109,709	-	(506,274)
Other income:										
Investment income	475,967	564,185	-	-	-	4,319	89	113	-	1,044,673
Unrealized loss on trading securities	537,310	-	-	-	-	(10,071)	-	-	-	527,239
Loss on disposal of assets	27,494	-	-	-	-	-	-	-	-	27,494
TOTAL OTHER INCOME	1,040,771	564,185	-	-	-	(5,752)	89	113	-	1,599,406
EXCESS (DEFICIT) OF REVENUE, GAINS AND SUPPORT OVER EXPENSES AND LOSSES	$ 4,687,051	$ 4,187,984	$ (3,201,735)	$ (3,772,721)	$ (927,301)	$ (12,057)	$ 22,089	$ 109,822	$ -	$ 1,093,132