Certified Public Accountants

Consolidated Financial Statements (and Supplemental Information)

CRH Health Care, Inc.

Year Ended December 31, 2019

CRH HEALTH CARE, INC.

Consolidated Financial Statements (and Supplemental Information)

Year Ended December 31, 2019

Consolidated Financial Statements

Supplemental Information

PYA
CERTIFIED PUBLIC ACCOUNTANTS

PYA, P.C.
Resurgens Plaza, Suite 2100
945 East Paces Ferry Road, NE
Atlanta, GA 30326
p: (404) 266-9876 | f: (404) 266-2669
pyapc.com

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 sheet as of December 31, 2019 and the related consolidated statements of operations and changes in net assets, and cash flows for the year 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 audit. We did not audit the financial statements of Coffee Regional Medical Center Segregated Portfolio, a wholly owned subsidiary, which statements reflect total assets constituting 12.3% of consolidated total assets at December 31, 2019, and total revenues constituting 1.5%, of consolidated total revenues for the year 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, 2019, and the results of its operations, changes in net assets, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note B to the financial statements, in 2019, the Corporation adopted new accounting guidance required by Accounting Standards Updates No. 2016-02. Our opinion is not modified with respect to this matter. As a result of this adoption, the Corporation has selected the practical expedient transition method, and as such the presentation of the consolidated financial statements and related notes will be presented for the year of adoption rather than a comparative format.

Report on Supplementary Information

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.

PYA, P.C.

Atlanta, Georgia
May 26, 2020

CRH HEALTH CARE, INC.

Consolidated Balance Sheet

	December 31, 2019
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	**$ 6,258,714**
Assets limited as to use	**11,837,470**
Patient accounts receivable	**11,710,991**
Inventory	**2,417,201**
Other current assets	**3,402,725**
TOTAL CURRENT ASSETS	**35,627,101**
ASSETS LIMITED AS TO USE	
Internally designated	**11,382,494**
By debt obligations	**14,077,925**
TOTAL ASSETS LIMITED AS TO USE	**25,460,419**
Less amounts required to meet current obligations	**11,837,470**
NONCURRENT ASSETS LIMITED AS TO USE	**13,622,949**
PROPERTY, PLANT AND EQUIPMENT, net	**20,567,273**
OTHER ASSETS	
Investments	**18,488,765**
Right-of-use asset, operating leases	**2,398,098**
Right-of-use asset, finance leases	**5,161,757**
Other noncurrent assets	**21,945**
TOTAL OTHER ASSETS	**26,070,565**
TOTAL ASSETS	**$ 95,887,888**

CRH HEALTH CARE, INC.

Consolidated Balance Sheet - Continued

	December 31, 2019
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Current portion of long-term debt	**$ 5,384,973**
Accounts payable	**9,587,475**
Accrued expenses	**5,734,829**
Accrued malpractice claims	**7,869,817**
Estimated third-party payer settlements	**1,003,294**
Deferred revenue	**60,833**
Current portion of operating lease liability	**255,546**
Current portion of finance lease liability	**1,333,531**
TOTAL CURRENT LIABILITIES	**31,230,298**
DEFERRED REVENUE	**157,154**
OPERATING LEASE LIABILITY, less current portion	**2,142,552**
FINANCE LEASE LIABILITY, less current portion	**2,638,749**
LONG-TERM DEBT, less current portion	**28,278,761**
TOTAL LIABILITIES	**64,447,514**
NET ASSETS	
Without donor restrictions	**30,954,518**
With donor restrictions	**485,856**
TOTAL NET ASSETS	**31,440,374**
TOTAL LIABILITIES AND NET ASSETS	**$ 95,887,888**

CRH HEALTH CARE, INC.

Consolidated Statement of Operations and Changes in Net Assets

	Year Ended December 31, 2019
Change in net assets without donor restrictions:	
Unrestricted revenue, gains, and other support:	
Patient service revenue	$ 117,719,314
Other operating revenue	9,066,421
TOTAL REVENUE, GAINS AND SUPPORT	126,785,735
Operating expenses:	
Salaries and wages	51,994,969
Employee health and welfare	18,881,513
Medical supplies and drugs	22,674,270
Professional fees	2,547,882
Purchased services	10,294,553
Other expenses	14,083,855
Depreciation and amortization	4,379,354
Interest	1,424,622
TOTAL OPERATING EXPENSES	126,281,018
INCOME FROM OPERATIONS	504,717
Non-operating gains (losses):	
Investment income	1,044,133
Unrealized gain on trading securities	1,889,228
Loss on disposal of assets	(4,757)
TOTAL NON-OPERATING GAINS	2,928,604
EXCESS OF REVENUE, GAINS AND SUPPORT OVER EXPENSES AND LOSSES	3,433,321
CAPITAL CONTRIBUTIONS	451,461
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	3,884,782
NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING OF YEAR	27,069,736
NET ASSETS WITHOUT DONOR RESTRICTIONS, END OF YEAR	$ 30,954,518

CRH HEALTH CARE, INC.

Consolidated Statement of Operations and Changes in Net Assets - Continued

	Year Ended December 31, 2019
Change in net assets with donor restrictions:	
Contribution revenue	**$ 577,775**
Net assets released from restrictions	**(91,919)**
INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS	**485,856**
NET ASSETS WITH DONOR RESTRICTIONS, BEGINNING OF YEAR	**-**
NET ASSETS WITH DONOR RESTRICTIONS, END OF YEAR	**485,856**
TOTAL INCREASE IN NET ASSETS	**4,370,638**
TOTAL NET ASSETS, BEGINNING OF YEAR	**27,069,736**
TOTAL NET ASSETS, END OF YEAR	**$ 31,440,374**

CRH HEALTH CARE, INC.

Consolidated Statement of Cash Flows

	Year Ended December 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES:	
Increase in net assets	**$ 4,370,638**
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Net realized and unrealized gain on securities	**(1,965,046)**
Loss on disposal of assets	**4,757**
Depreciation and amortization	**4,379,354**
Accretion of bond premium	**(246,908)**
Capital contributions	**(392,454)**
Increase (decrease) in cash due to changes in:	
Patient accounts receivable	**1,225,950**
Inventory and other current assets	**(1,337,994)**
Estimated third-party payer settlements	**(55,275)**
Other assets	**(243,906)**
Accounts payable	**2,248,174**
Accrued expenses	**595,057**
Accrued malpractice claims	**(802,295)**
Deferred revenue	**(60,833)**
Total adjustments	**3,348,581**
NET CASH PROVIDED BY OPERATING ACTIVITIES	**7,719,219**
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property and equipment	**(2,266,031)**
Proceeds from sale of property and equipment	**32,500**
Withdrawals from investments	**1,419,686**
Purchases of investments	**(5,595,552)**
Proceeds from sale of investments	**3,774,325**
NET CASH USED IN INVESTING ACTIVITIES	**(2,635,072)**
CASH FLOWS FROM FINANCING ACTIVITIES:	
Payments on long-term debt and finance lease obligations	**(4,057,957)**
Proceeds from the issuance of long-term debt, net of issuance costs	**1,436,338**
NET CASH USED IN FINANCING ACTIVITIES	**(2,621,619)**
INCREASE IN CASH AND CASH EQUIVALENTS	**2,462,528**
CASH AND CASH EQUIVALENTS, beginning of year	**3,796,186**
CASH AND CASH EQUIVALENTS, end of year	**$ 6,258,714**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows - Continued

	Year Ended December 31, 2019
SUPPLEMENTAL INFORMATION AND NON-CASH TRANSACTIONS:	
Cash paid for interest	**$ 1,671,530**
Lease liabilities arising from obtaining right-of-use assets	**$ 2,067,588**
Operating cash flows from finance lease	**$ 155,842**
Operating cash flows from operating leases	**$ 370,121**
Financing cash flows from finance lease	**$ 1,120,271**

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, Emergency Physicians of Coffee County, LLC, and Coffee County Open Arms Clinic, LLC.

Coffee Regional Medical Center, Inc., CRH Health Services, Inc., CRH Physician Practices, LLC, Orthopedic Surgeons of Georgia, LLC, Emergency Physicians of Coffee County, LLC, and Coffee County Open Arms Clinic, 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. Coffee County Open Arms Clinic, LLC was organized in 2019 to provide preventative, non-emergent care to uninsured or underinsured patients.

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, 2019.

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 implicit price concessions, 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 sheet as cash and cash equivalents.

Investments: As of December 31, 2019, all investments are classified as trading securities and are measured at fair value in the consolidated balance sheet. As such, investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in excess of revenues, gains and support over expenses and losses unless the income or loss is restricted by donor or law.

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 Directors, 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 to current assets in the consolidated balance sheet at December 31, 2019.

Net Assets with Donor Restrictions: Net assets with donor restrictions are those whose use has been limited by donors to a specific period of time or purpose (see Note H).

Patient Service Revenue/Receivables: Patient service revenue is reported on the accrual basis and reflects the amount that the Corporation expects to receive in exchange for services provided during the period including estimated retroactive adjustments under reimbursement agreements with third-party payers. Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided and may have a term of several days or longer. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected charges.

The Corporation determines the transaction price for patient service revenue based on standard charges for goods and services provided, reduced by explicit price concessions for contractual adjustments provided to third-party payers, discounts provided to uninsured patients in accordance with the Corporation's financial assistance policy, and implicit price concessions provided to uninsured patients. The Corporation determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical experience. The Corporation determines its estimate of implicit price concessions based on its historical collection experience.

Retroactive adjustments for third-party payers are reported on an estimated basis in the period the related services are rendered and adjusted for future periods as final settlements are determined or additional information is obtained.

Patient accounts receivable are reported net of an estimated allowance for contractual adjustments and an allowance for implicit price concessions. The Corporation's policy does not require collateral or other security for patient accounts receivable and the Corporation routinely accepts assignment of, or is otherwise entitled to receive, patient benefits payable under health insurance programs, plans or policies.

Inventory: Inventory consists of medical and other supplies and is stated at the lower of cost or net realizable value, with cost determined by the first-in, first-out method.

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. 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 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.

Leases and Right-of-Use Assets: The present value of lease payments is recorded as a lease liability at the commencement of a contract that has a term in excess of one year. The present value is determined by discounting the required payments using the stated interest rate in the lease or, if not stated, the Corporation's incremental borrowing rate which was 5.15%, for medical buildings, or 5.73%, for medical equipment, for 2019. Payments include options to extend, or terminate, if the Corporation determines that it is reasonably certain that such options will be exercised. A right-of-use asset is also recorded equal to the lease liability plus any initial direct cost, prepayments, or incentives.

Deferred Financing Cost: Costs related to the issuance of long-term debt are deferred and are being amortized using the straight-line method, which approximates the effective interest method, over the life of the related debt. These costs are reported as a component of long-term 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 of Revenue, Gains and Support Over Expenses and Losses: The statement of operations and changes in net assets includes the excess of revenue, gains and support over expenses and losses as a performance indicator. Changes in net assets which are excluded from the performance indicator, consistent with industry practice, include 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. The confidence level for loss liability was 60% during 2019. Management believes this percentage accurately reflects the expected level of loss liability. 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 statement of operations and changes in net assets for the year ended December 31, 2019.

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 T).

Advertising and Marketing Costs: Advertising and marketing costs are expensed as incurred. In 2019, marketing and advertising expense totaled approximately $234,000.

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 adopted this ASU effective January 1, 2020.

Recently Adopted Accounting Principles: The Corporation adopted FASB ASU No. 2016-02, *Leases*, which requires balance sheet recognition of a liability and right-to-use asset for substantially all leases. The Corporation elected the practical expedients offered under this standard and did not reassess whether any current or expired contracts are, or contain, leases and did not reassess the classification for any current leases. The Corporation does not apply the recognition requirements of this standard to short-term leases. The lease payments for leases with terms of twelve months or less are recognized in the period in which they are incurred. The adoption of this standard resulted in the recognition of operating right-of-use assets and lease liabilities of $2,398,098. Additionally, the right-of-use asset and related liability for finance (capital) leases has now been presented separately in the consolidated balance sheet. There was no significant impact on the net assets of the Corporation upon the adoption of this standard.

The Corporation adopted ASU No. 2016-01, *Financial Instruments - Overall,* 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. The impact of this adoption did not have a significant impact on the consolidated financial statements, as all investments are classified as trading securities. As such, the realized and unrealized gains and losses associated with these securities are in included in excess of revenue, gains and support over expenses and losses.

NOTE C--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. The Corporation does not believe that there are any significant credit risks associated with receivables due from third-party payers.

Amounts recorded under certain of these contractual arrangements are subject to review and final determination by various program intermediaries. Settlements with third-party payers 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 payer, correspondence from the payer and historical settlement activity, including an assessment to ensure that a significant reversal of revenue recognized will not occur. Estimated settlements are adjusted in future periods as adjustments become known or as years are settled or are no longer subject to such audits, reviews, and investigations.

Generally, patients who are covered by third-party payers are responsible for related deductibles and coinsurance, which vary in amount. The Corporation also provides services to uninsured and underinsured patients that do not quality for financial assistance. Based on historical experience, a significant portion of uninsured patients are unable or unwilling to pay for their responsible amounts for service provided and a significant discount for this implicit price concession is recorded in the period services are provided.

Using a portfolio approach, the Corporation estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. In addition, for uninsured patients, the Corporation reduces charges from current rates based on average discounts provided to certain third-party payers. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are 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. No significant amount of bad debt expense was reported for the year ended December 31, 2019.

Patient service revenue, net of contractual adjustments, discounts and implicit price concessions based on the type of service, is composed of the following for the year ended December 31, 2019:

	Inpatient	*Outpatient*	*Total*
Medicare	$ 19,600,084	$ 25,730,581	$ 45,330,665
Medicaid	2,735,222	7,681,957	10,417,179
Other third-party payers	11,013,113	46,955,175	57,968,288
Self-pay	864,031	3,139,151	4,003,182
	$ 34,212,450	$ 83,506,864	$ 117,719,314

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 2016.

- *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 2017.

  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 39% and 9%, respectively, of the Corporation's patient service revenue for the year ended 2019. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a 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 patient service 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. Approximately $1,159,000 relating to the Act is included in other expenses in the accompanying consolidated statement of operations and changes in net assets for the year ended December 31, 2019.

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 2019 were approximately $334,741,000.

Uncompensated care includes charity and indigent care services of approximately $20,873,000 in 2019. The cost of charity and indigent care services provided during 2019 was approximately $4,321,000, computed by applying a total cost factor to the charges foregone.

The following is a summary of uncompensated services for 2019.

Uncompensated services:	
Charity and indigent care	$ 20,873,002
Medicare	167,391,253
Medicaid	61,524,665
Other allowances	61,400,466
Bad debts and implicit price concessions	23,551,865
Total uncompensated care	$ 334,741,251

NOTE E--INVESTMENTS AND ASSETS LIMITED AS TO USE

The composition of assets limited as to use at December 31, 2019 is set forth in the following table. Investments are stated at fair value.

Internally designated for self-insurance:		
Cash and cash equivalents	$	1,005,047
Corporate bonds		3,943,108
Mutual funds		1,161,417
U.S. Treasury securities		747,716
U.S. corporate securities		3,433,151
Interest receivable		31,798
	$	10,322,237
Internally designated for employee benefits:		
Mutual funds	$	1,060,257
	$	1,060,257
By debt obligations:		
Money market mutual funds	$	14,077,925
	$	14,077,925

Other investments stated at fair value at December 31, 2019 include:

Trading - Mutual Funds		
Fixed income	$	13,009,651
U.S. corporate securities		1,664,923
International securities		3,317,595
Other		496,596
Total trading - mutual funds	$	18,488,765

Investment income and gains for assets limited as to use, cash and cash equivalents and other investments are comprised of the following for the year ended December 31, 2019:

Income:		
Interest income	$	968,315
Realized gains on sale of securities		75,818
Unrealized gains on trading securities		1,889,228
Total	$	2,933,361

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 changes 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, 2019, follows:

Land and land improvements	$ 1,456,440
Buildings and improvements	62,958,150
Equipment	41,424,368
	105,838,958
Less: Accumulated depreciation	85,271,685
	$ 20,567,273

Depreciation expense for the year ended December 31, 2019 amounted to approximately $3,396,000.

NOTE G--DEFERRED REVENUE

A summary of deferred revenue at December 31, 2019 is as follows:

Deferred revenue - beginning of year	$ 278,820
Deferred revenue recognized	(60,833)
Deferred revenue - end of year	217,987
Less current portion of deferred revenue	60,833
Long-term deferred revenue	$ 157,154

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 OBLIGATIONS

A summary of long-term debt at December 31, 2019, follows:

Junior Lien Revenue Anticipation Certificate Series 2018. Interest rate of 3.875% until May 13, 2026 and variable thereafter; payments due monthly through December 2033.	$ 10,914,932
Revenue Anticipation Certificates Series 2016A. Interest rates ranging from 2.00% to 5.00%; sinking fund payments due annually through December 1, 2026.	17,095,000
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.	239,152
Douglas National Bank, note payable in the amount of $314,012, collateralized by purchased property. Matures in 2020 with an interest rate of 4.68%. Monthly payments of $4,300 with the remaining balance due at maturity.	209,031
Douglas National Bank, note payable in the amount of $437,750, collateralized by purchased property. Matures in 2026 with an interest rate of 5.50%. Monthly payments of $2,550 with the remaining balance due at maturity.	377,462
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.	12,500
First National Bank of Coffee County, $2,000,000 line of credit secured by commercial accounts receivable. Matures in 2020 with an interest rate equal to the Wall Street Journal U.S. Prime Rate. Monthly interest payments with principal due at maturity.	1,960,648
First National Bank South, note payable in the amount of $405,450, collateralized by purchased property. Matures in 2023 with an interest rate of 5.325%. Monthly payments of $7,712 with the remaining balance due at maturity.	288,510

United States Department of Agriculture, note payable in the amount of $2,000,000. Interest free loan matures in 2029. Monthly payments of $16,667 with remaining balance due at maturity.	1,833,333
	32,930,568
Less current installments of long-term debt	5,384,973
	27,545,595
Unamortized bond premium	1,728,359
Unamortized debt issuance costs	(509,337)
Unamortized note payable discount	(485,856)
Long-term debt obligations excluding current obligations	$ 28,278,761

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. 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, 2019 and such deposits are included with assets limited as to use as of December 31, 2019. 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, 2019.

In 2018, the Authority issued its Junior Lien Revenue Anticipation Certificate (Series 2018 Certificate) to an investor (the Investor). The proceeds from the Series 2018 Certificate were loaned by the Authority to the Corporation pursuant to a promissory note (the Note) dated December 14, 2018. These proceeds are to be used to pay issuance costs for the Series 2018 Certificate and the costs of acquiring, constructing, equipping, improving and renovating facilities for the Corporation. The Corporation assigned certain deeds (the Security Deeds) to the

Authority to secure the Note. The Authority assigned the Note and the Security Deeds to the Investor as security for payment of the Series 2018 Certificate.

As additional security for payment of the Series 2018 Certificate, the Authority, the Corporation and Coffee County, Georgia (the County) entered into an intergovernmental contract (Contract) dated December 14, 2018. In the event the Authority is unable to pay the debt service on the Series 2018 Certificate, the Investor can exercise its rights under the Security Deeds or the County can agree to pay the Authority an amount equal to the unpaid principal and interest by levying a tax, within the seven-mill limitation prescribed by law. The obligation of the County to make such payments is subordinate to the obligation of the County to make similar payments for the Series 2016 Certificates.

In 2019, the City of Douglas, Georgia (the City), as intermediary, executed a $2,000,000 note through the United States Department of Agriculture’s Rural Economic Development Loan Program (REDLG Note) to the Authority. The proceeds from the note were loaned by the Authority to the Corporation pursuant to a promissory note dated February 5, 2019. The REDLG Note is due in ten years, maturing in 2029. While this note does not bear interest, interest was imputed at the Corporation’s incremental borrowing rate to determine the discount associated with this note. This imputed interest was recognized as a discount against the note and as restricted contribution revenue within the consolidated financial statements. This restriction is reported as net assets released from restrictions as payments were made, and as such the discount is adjusted.

Subsequent to December 31, 2019, the Authority executed an optional $1,000,000 note to the Corporation to assist the Corporation in carrying out its obligations should the need arise, due to the impact of the subsequent event discussed in Note W. The intercompany note is due in one year and does not bear interest, if entered into by the Corporation. Funds from this note are to be used solely for the Corporation's working capital purposes.

Scheduled principal repayments on long-term debt obligations are as follows:

Year Ending December 31,	***Long-Term Debt***
2020	$ 5,384,973
2021	3,206,944
2022	3,350,854
2023	3,358,911
2024	3,467,503
Thereafter	14,161,383
	$ 32,930,568

NOTE I--LEASES

The Corporation has entered into various non-cancelable leases with third parties for medical office space and medical equipment. The components of lease expense are as follows:

Finance lease costs:		
Amortization of right-to-use-asset	$	617,218
Interest on lease liability		155,842
Operating lease cost		370,121
Short term lease cost		1,320,919
	$	2,464,100
Other information:		
Right-of-use assets obtained for new finance leases	$	2,067,588
Right-of-use assets obtained for new operating leases	$	-
Weighted average remaining lease term - finance leases		3.2 years
Weighted average remaining lease term - operating leases		11.5 years
Weighted average discount rate - finance leases		4.47%
Weighted average discount rate - operating leases		5.22%

The following is a schedule of future minimum lease payments under operating and finance lease agreements:

Year Ending December 31,		***Finance***		***Operating***
2020	$	1,482,671	$	367,875
2021		1,322,528		250,798
2022		873,040		255,510
2023		492,935		200,347
2024		107,497		202,898
Thereafter		-		2,194,355
Total lease payments		4,278,671		3,471,783
Less: Interest portion		(306,391)		(1,073,685)
Present value of lease obligations		3,972,280		2,398,098
Less: Current portion		(1,333,531)		(255,546)
Long-term lease obligations	$	2,638,749	$	2,142,552

NOTE J--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. The employer match was 2% during 2019. The Corporation contributed approximately $930,000 in 2019.

NOTE K--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, 2019 was as follows:

Medicare		41%
Medicaid		9%
Other third-party payers		30%
Self-pay		20%
	Total	100%

The Corporation places its cash investments in general checking accounts, certificates of deposit, and money market accounts. At December 31, 2019, 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 L--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 $8,468,000 in 2019. These amounts, as well as commercial insurance premiums are included in the statement of operations and changes in net assets as employee health and welfare expense.

NOTE M--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 patient service revenue was approximately $1,972,000 for the year ended December 31, 2019.

NOTE N--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 patient service revenue was approximately $529,000 for the year ended December 31, 2019.

NOTE O--OPERATING EXPENSE BY FUNCTIONAL CLASSIFICATION

The Corporation provides healthcare services to residents within its geographical location. Expenses are allocated by function based on estimates of employees' time incurred, usage of resources, and other methods. Expenses based on functional classification related to providing these services during the year ended December 31, 2019 are as follows:

	Healthcare Services	***Support Services***	***Other***	***Total***
Salaries and benefits	$ 63,035,527	$ 7,819,253	$ 21,702	$ 70,876,482
Supplies and other	40,657,339	8,759,812	183,409	49,600,560
Depreciation and amortization	3,602,416	558,379	218,559	4,379,354
Interest expense	1,410,352	-	14,270	1,424,622
Total	$ 108,705,634	$ 17,137,444	$ 437,940	$ 126,281,018

NOTE P--AVAILABILITY AND LIQUIDITY

The Corporation manages its cash and investments through a formalized investment process which includes evaluating cash needs for routine and nonroutine activities and adjusting the amount of cash held and the maturity of investments. The Corporation's financial assets reduced by amounts not available for general use are as follow at December 31, 2019:

Financial assets	$ 61,918,889
Less those unavailable for expenditures within one year, due to:	
Restrictions under debt obligations	(14,077,925)
Board designations	(11,382,494)
Financial assets available to meet cash needs for general expenditures within one year	$ 36,458,470

NOTE Q--FAIR VALUE MEASUREMENT

Generally accepted accounting principles establish a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- *Level 1:* Inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets.
- *Level 2:* Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- *Level 3:* Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following table presents assets reported at fair value measured on a recurring basis as of December 31, 2019 and their respective classification under the valuation hierarchy:

	Carrying Value	*Level 1*	*Level 2*	*Level 3*
Investments:				
Mutual funds - fixed income	$ 13,009,651	$ 13,009,651	$ -	$ -
Mutual funds - U.S. corporate securities	1,664,923	1,664,923	-	-
Mutual funds - international securities	3,317,595	3,317,595	-	-
Mutual funds - other	496,596	496,596	-	-
Total investments	18,488,765	18,488,765	-	-
Assets limited as to use:				
Cash and cash equivalents	1,005,047	1,005,047	-	-
Money market mutual funds	14,077,925	-	14,077,925	-
Mutual funds	2,221,674	2,221,674	-	-
Corporate bonds	3,974,906	-	3,974,906	-
U.S. Treasury securities	747,716	-	747,716	-
U.S. corporate securities	3,433,151	3,433,151	-	-
Total assets limited as to use	25,460,419	6,659,872	18,800,547	-
Total	$ 43,949,184	$ 25,148,637	$ 18,800,547	$ -

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 R--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 S--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 T--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 sheet for unrecognized income tax positions. Further, no interest or penalties have been accrued or charged to expense as of December 31, 2019 or for the year 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 U--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 V--OTHER REVENUE

In 2016, the State of Georgia enacted legislation that awards state income tax credits for contributions made to qualified rural hospitals located in Georgia; the program is administered by the Georgia HEART Hospital Program (the HEART Program). In 2018, the Corporation became eligible to participate in the HEART Program. The Corporation recognized approximately $1,312,000 in other revenue for the year ended December 31, 2019 related to the HEART Program.

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 has successfully demonstrated meeting meaningful use of its certified EHR technology. The corporation recognized approximately $49,000 in EHR incentive payments as other revenue for the year ended December 31, 2019.

NOTE W--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, 2019 consolidated financial statements, except as discussed in Note H. Subsequent to December 31, 2019, due to a pandemic, there has been substantial volatility in the financial markets, which has resulted in broad declines in equity and other markets. The Corporation continues to monitor this volatility, but the ultimate outcome of the pandemic on financial markets and the Corporation is unknown.

Supplemental Information

CRH HEALTH CARE, INC.

Consolidating Balance Sheet

December 31, 2019

	Coffee Regional Medical Center, Inc.	*Coffee Regional Medical Center Segregated Portfolio*	*CRH Physician Practices, Inc.*	*Orthopedic Surgeons of Georgia, LLC*	*Coffee County Open Arms Clinic, 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	$ 5,509,909	$ -	$ 263,569	$ 25,925	$ -	$ 119,185	$ 229,550	$ 66,322	$ 44,254	$ -	$ 6,258,714
Assets limited as to use	3,967,653	7,869,817	-	-	-	-	-	-	-	-	11,837,470
Patient accounts receivable	10,632,424	-	726,664	351,903	-	-	-	-	-	-	11,710,991
Inventory	2,417,201	-	-	-	-	-	-	-	-	-	2,417,201
Other current assets	3,052,732	1,936,099	107,581	70,849	-	164,640	-	200,000	6,923	(2,136,099)	3,402,725
TOTAL CURRENT ASSETS	25,579,919	9,805,916	1,097,814	448,677	-	283,825	229,550	266,322	51,177	(2,136,099)	35,627,101
ASSETS LIMITED AS TO USE											
Internally designated	857,723	9,824,846	558,295	-	-	141,630	-	-	-	-	11,382,494
By debt obligations	14,077,925	-	-	-	-	-	-	-	-	-	14,077,925
TOTAL ASSETS LIMITED AS TO USE	14,935,648	9,824,846	558,295	-	-	141,630	-	-	-	-	25,460,419
Less amounts required to meet current obligations	3,967,653	7,869,817	-	-	-	-	-	-	-	-	11,837,470
NONCURRENT ASSETS LIMITED AS TO USE	10,967,995	1,955,029	558,295	-	-	141,630	-	-	-	-	13,622,949
PROPERTY, PLANT AND EQUIPMENT, net	16,767,216	-	341,788	30,367	-	1,400	-	-	3,426,502	-	20,567,273
OTHER ASSETS											
Due from related parties	132,098	-	-	-	-	-	-	-	147,396	(279,494)	-
Investments	16,105,635	-	-	-	-	-	1,347,803	1,035,327	-	-	18,488,765
Right-of-use asset, operating leases	2,317,842	-	80,256	-	-	-	-	-	-	-	2,398,098
Right-of-use asset, finance leases	4,919,935	-	-	241,822	-	-	-	-	-	-	5,161,757
Other noncurrent assets	-	-	21,945	-	-	-	-	1,633,333	-	(1,633,333)	21,945
TOTAL OTHER ASSETS	23,475,510	-	102,201	241,822	-	-	1,347,803	2,668,660	147,396	(1,912,827)	26,070,565
TOTAL ASSETS	$ 76,790,640	$ 11,760,945	$ 2,100,098	$ 720,866	$ -	$ 426,855	$ 1,577,353	$ 2,934,982	$ 3,625,075	$ (4,048,926)	$ 95,887,888

CRH HEALTH CARE, INC.

Consolidating Balance Sheet - Continued

December 31, 2019

	Coffee Regional Medical Center, Inc.	*Coffee Regional Medical Center Segregated Portfolio*	*CRH Physician Practices, Inc.*	*Orthopedic Surgeons of Georgia, LLC*	*Coffee County Open Arms Clinic, 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	$ 5,367,489	$ -	$ -	$ -	$ -	$ -	$ -	$ 200,000	$ 17,484	$ (200,000)	$ 5,384,973
Accounts payable	8,822,999	325,416	272,612	89,257	-	66,710	-	-	10,481	-	9,587,475
Accrued expenses	6,023,471	-	1,184,954	205,264	-	257,239	-	-	-	(1,936,099)	5,734,829
Accrued malpractice claims	-	7,869,817	-	-	-	-	-	-	-	-	7,869,817
Estimated third-party payer settlements	1,003,294	-	-	-	-	-	-	-	-	-	1,003,294
Deferred revenue	60,833	-	-	-	-	-	-	-	-	-	60,833
Current portion of operating lease liability	175,290	-	80,256	-	-	-	-	-	-	-	255,546
Current portion of finance lease liability	1,265,924	-	-	67,607	-	-	-	-	-	-	1,333,531
TOTAL CURRENT LIABILITIES	22,719,300	8,195,233	1,537,822	362,128	-	323,949	-	200,000	27,965	(2,136,099)	31,230,298
DUE TO RELATED PARTIES	-	-	111,396	36,000	-	-	49,099	-	82,999	(279,494)	-
DEFERRED REVENUE	157,154	-	-	-	-	-	-	-	-	-	157,154
OPERATING LEASE LIABILITY, less current portion	2,142,552	-	-	-	-	-	-	-	-	-	2,142,552
FINANCE LEASE LIABILITY, less current portion	2,495,336	-	-	143,413	-	-	-	-	-	-	2,638,749
LONG-TERM DEBT, less current portion	27,918,782	-	-	-	-	-	-	1,633,333	359,979	(1,633,333)	28,278,761
TOTAL LIABILITIES	55,433,124	8,195,233	1,649,218	541,541	-	323,949	49,099	1,833,333	470,943	(4,048,926)	64,447,514
NET ASSETS											
Without donor restrictions	20,871,660	3,565,712	450,880	179,325	-	102,906	1,528,254	1,101,649	3,154,132	-	30,954,518
With donor restrictions	485,856	-	-	-	-	-	-	-	-	-	485,856
TOTAL NET ASSETS	21,357,516	3,565,712	450,880	179,325	-	102,906	1,528,254	1,101,649	3,154,132	-	31,440,374
TOTAL LIABILITIES AND NET ASSETS	$ 76,790,640	$ 11,760,945	$ 2,100,098	$ 720,866	$ -	$ 426,855	$ 1,577,353	$ 2,934,982	$ 3,625,075	$ (4,048,926)	$ 95,887,888

CRH HEALTH CARE, INC.

Consolidating Statement of Operations

Year Ended December 31, 2019

	Coffee Regional Medical Center, Inc.	*Coffee Regional Medical Center Segregated Portfolio*	*CRH Physician Practices, Inc.*	*Orthopedic Surgeons of Georgia, LLC*	*Coffee County Open Arms Clinic, LLC*	*Emergency Physicians of Coffee County, LLC*	*CHR Health Services, Inc.*	*Coffee County Hospital Authority*	*CRH Ventures, Inc.*	*Eliminating Journal Entries*	*Consolidated*
Unrestricted revenue, gains, and other support:											
Patient service revenue	$ 105,092,733	$ -	$ 9,881,021	$ 2,745,560	$ -	$ -	$ -	$ -	$ -	$ -	$ 117,719,314
Other operating revenue	4,596,386	1,936,099	297,112	6,695	-	2,040,185	106,642	22,000	516,310	(455,008)	9,066,421
TOTAL REVENUE, GAINS AND SUPPORT	109,689,119	1,936,099	10,178,133	2,752,255	-	2,040,185	106,642	22,000	516,310	(455,008)	126,785,735
Operating expenses:											
Salaries and wages	35,167,305	-	11,407,598	3,604,269	-	1,794,095	21,702	-	-	-	51,994,969
Employee health and welfare	13,930,808	-	3,753,532	770,537	-	426,636	-	-	-	-	18,881,513
Medical supplies and drugs	21,781,753	-	731,693	82,413	20	78,298	-	-	93	-	22,674,270
Professional fees	2,118,535	-	21,731	-	-	407,616	-	-	-	-	2,547,882
Purchased services	9,695,639	75,478	337,881	119,225	978	62,837	-	-	2,515	-	10,294,553
Other expenses	10,280,971	1,156,098	2,328,585	567,985	13,088	25,421	25,154	-	141,561	(455,008)	14,083,855
Depreciation and amortization	3,736,955	-	290,664	131,776	-	1,400	-	-	218,559	-	4,379,354
Interest	1,400,950	-	-	9,402	-	-	-	-	14,270	-	1,424,622
TOTAL OPERATING EXPENSES	98,112,916	1,231,576	18,871,684	5,285,607	14,086	2,796,303	46,856	-	376,998	(455,008)	126,281,018
INCOME (LOSS) FROM OPERATIONS	11,576,203	704,523	(8,693,551)	(2,533,352)	(14,086)	(756,118)	59,786	22,000	139,312	-	504,717
Non-operating gains (losses):											
Investment income	748,935	221,432	-	-	-	-	53,283	20,356	127	-	1,044,133
Unrealized gain on trading securities	980,856	802,481	-	-	-	-	105,891	-	-	-	1,889,228
Loss on disposal of assets	(4,757)	-	-	-	-	-	-	-	-	-	(4,757)
TOTAL NON-OPERATING INCOME	1,725,034	1,023,913	-	-	-	-	159,174	20,356	127	-	2,928,604
EXCESS (DEFICIT) OF REVENUE, GAINS AND SUPPORT OVER EXPENSES AND LOSSES	$ 13,301,237	$ 1,728,436	$ (8,693,551)	$ (2,533,352)	$ (14,086)	$ (756,118)	$ 218,960	$ 42,356	$ 139,439	$ -	$ 3,433,321