CRH Health Care, Inc.

Consolidated Financial Statements

Years Ended December 31, 2020 and 2019

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Independent Auditors' Report

Board of Directors
CRH Health Care, Inc.
Douglas, GA

We have audited the accompanying consolidated financial statements of CRH Health Care, Inc. (the "System"), which comprise the consolidated balance sheet as of December 31, 2020, 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 11.1% of consolidated total assets at December 31, 2020. 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 System'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 System'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, 2020, 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.

Prior Period Consolidated Financial Statements

The consolidated financial statements of the System as of and for the year ended December 31, 2019, were audited by other auditors whose report dated May 26, 2020, expressed an unmodified opinion on those statements.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary consolidating information referred to in the table of contents 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, which insofar as it relates to Coffee Regional Medical Center Segregated Portfolio is based on the report of other auditors, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Dixon Hughes Goodman LLP

Atlanta, GA
May 27, 2021

CRH Health Care, Inc.
Consolidated Balance Sheets
December 31, 2020 and 2019

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 23,132,529**	$ 6,258,714
Assets limited as to use	**11,357,130**	11,837,470
Patient accounts receivable	**13,998,029**	11,710,991
Inventory	**2,819,703**	2,417,201
Other current assets	**2,214,384**	3,402,725
Total current assets	**53,521,775**	35,627,101
Assets limited as to use:		
Internally designated	**12,374,960**	11,382,494
By debt obligations	**12,709,860**	14,077,925
Total assets limited as to use	**25,084,820**	25,460,419
Less amounts required to meet current obligations	**11,357,130**	11,837,470
Total noncurrent assets limited as to use	**13,727,690**	13,622,949
Property and equipment, net	**21,113,183**	20,567,273
Other assets:		
Investments	**19,578,777**	18,488,765
Right-of-use asset, operating leases	**1,298,023**	2,398,098
Right-of-use asset, finance leases	**4,368,732**	5,161,757
Other noncurrent assets	**89,653**	21,945
Total other assets	**25,335,185**	26,070,565
Total assets	**$ 113,697,833**	$ 95,887,888

CRH Health Care, Inc.

Consolidated Balance Sheets (continued)

December 31, 2020 and 2019

	2020	2019
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of long-term debt	**$ 4,658,007**	$ 5,384,973
Accounts payable	**10,928,003**	9,587,475
Accrued expenses	**11,438,798**	5,952,816
Accrued malpractice claims	**8,506,631**	7,869,817
Estimated third-party payor settlements	**995,517**	1,003,294
Deferred revenue from PRF	**12,111,422**	-
Medicare advance payment liability	**2,318,523**	-
Current portion of operating lease liability	**201,500**	255,546
Current portion of finance lease liability	**1,243,534**	1,333,531
Total current liabilities	**52,401,935**	31,387,452
Operating lease liability, less current portion	**590,190**	2,142,552
Finance lease liability, less current portion	**1,472,414**	2,638,749
Long-term debt, less current portion	**25,472,409**	28,278,761
Total liabilities	**79,936,948**	64,447,514
Net assets:		
Net assets without donor restrictions	**33,374,827**	30,954,518
Net assets with donor restrictions	**386,058**	485,856
Total net assets	**33,760,885**	31,440,374
Total liabilities and net assets	**$ 113,697,833**	$ 95,887,888

CRH Health Care, Inc.

Consolidated Statements of Operations and Changes in Net Assets

Years Ended December 31, 2020 and 2019

	2020	2019
Change in net assets without donor restrictions:		
Unrestricted revenue, gains, and other support:		
Net patient service revenue	**$ 124,916,519**	$ 117,719,314
Provider relief funds	**4,068,491**	-
Other operating revenue	**10,220,925**	9,066,421
Total unrestricted revenue, gains, and other support	**139,205,935**	126,785,735
Operating expenses:		
Salaries and wages	**53,827,967**	51,994,969
Employee health and welfare	**20,391,444**	18,881,513
Medical supplies and drugs	**27,073,057**	22,674,270
Professional fees	**2,981,355**	2,547,882
Purchased services	**13,996,692**	10,294,553
Other expenses	**14,658,502**	14,083,855
Depreciation and amortization	**4,466,584**	4,379,354
Interest	**1,440,216**	1,424,622
Total operating expenses	**138,835,817**	126,281,018
Operating income	**370,118**	504,717
Non-operating income (loss):		
Investment income	**1,764,761**	2,933,361
Loss on disposal of assets	**-**	(4,757)
Total non-operating income	**1,764,761**	2,928,604
Excess of unrestricted revenues, gains and other support over expenses	**2,134,879**	3,433,321
Capital contributions	**285,430**	451,461
Increase in net assets without donor restrictions	**2,420,309**	3,884,782
Net assets without donor restrictions, beginning of year	**30,954,518**	27,069,736
Net assets without donor restrictions, end of year	**$ 33,374,827**	$ 30,954,518

	2020	2019
Change in net assets with donor restrictions:		
Contribution revenue	$ -	$ 577,775
Net assets released from restrictions	(99,798)	(91,919)
(Decrease) increase in net assets with donor restrictions	(99,798)	485,856
Net assets with donor restrictions, beginning of year	485,856	-
Net assets with donor restrictions, end of year	$ 386,058	$ 485,856
Total change in net assets:		
Increase in net assets without donor restrictions	$ 2,420,309	$ 3,884,782
(Decrease) increase in net assets with donor restrictions	(99,798)	485,856
Total change in net assets	2,320,511	4,370,638
Net assets, beginning of year	31,440,374	27,069,736
Net assets, end of year	$ 33,760,885	$ 31,440,374

CRH Health Care, Inc.

Consolidated Statements of Cash Flows

Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	$ 2,320,511	$ 4,370,638
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized gain on securities	(1,025,035)	(1,965,046)
Loss on disposal of assets	-	4,757
Depreciation and amortization	4,351,578	4,379,354
Accretion of bond premium	246,909	(246,908)
Capital contributions	(285,430)	(392,454)
Changes in:		
Patient accounts receivable	(2,287,038)	1,225,950
Inventory and other current assets	785,839	(1,337,994)
Estimated third-party payor settlements	(7,777)	(55,275)
Other assets	(67,708)	(243,906)
Accounts payable	1,340,528	2,248,174
Accrued expenses	5,485,982	534,224
Accrued malpractice claims	636,814	(802,295)
Deferred revenue from PRF	12,111,422	-
Medicare advance payment liability	2,318,523	-
Net cash provided by operating activities	25,925,118	7,719,219
Cash flows from investing activities:		
Purchase of property and equipment	(3,650,424)	(2,266,031)
Proceeds from disposal of equipment	-	32,500
Change in investments and assets limited as to use, net	12,076	54,931
Net cash used by investing activities	(3,638,348)	(2,178,600)
Cash flows from financing activities:		
Payments on long-term debt and finance lease obligations	(5,711,501)	(4,057,957)
Proceeds from issuance of long-term debt, net of issuance costs	-	1,436,338
Net cash used by financing activities	(5,711,501)	(2,621,619)
Increase in cash and cash equivalents	16,575,269	2,919,000
Cash and cash equivalents at beginning of year	7,263,761	4,344,761
Cash and cash equivalents at end of year	$ 23,839,030	$ 7,263,761

See accompanying notes.

CRH Health Care, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Supplementary disclosure of cash flow information:		
Cash paid during the year for interest	$ 1,378,077	$ 1,671,530
Lease liabilities arising from obtaining right-of-use assets	$ 667,237	$ 2,067,588
Reduction to operating lease liabilities and right-of-use assets due to dispoal of lease and asset	$ (1,660,842)	$ -
Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	$ 23,132,529	$ 6,258,714
Restricted cash and cash equivalents, included in assets limited as to use	706,501	1,005,047
Total cash, cash equivalents, and restricted cash	$ 23,839,030	$ 7,263,761

Notes to Consolidated Financial Statements

1. Organization and Operations

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

A summary of the System and each entity’s role is as follows:

- Coffee Regional Medical Center, Inc. operates the acute care hospital and 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.
- 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 System organized to conduct certain 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, 2020.
- 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 System.

2. Summary of Significant Accounting Policies

Basis of Consolidation

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.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less. At December 31, 2020 and 2019, the Hospital had cash and cash equivalents in financial institutions in amounts that exceed federal depository insurance limits. Management believes the credit risk related to these deposits is minimal.

Investments

All investments 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 unrestricted revenues, gains and other support over expenses 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 System have been reclassified to current assets in the consolidated balance sheets at December 31, 2020 and 2019.

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 unrestricted revenues, gains and other support over expenses, 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.

Impairment of Long-Lived Assets

The System 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 System has not recorded any impairment charges in the accompanying consolidated statement of operations and changes in net assets for the years ended December 31, 2020 and 2019.

Accrued Malpractice Claims

The provision for accrued 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 2020 and 2019. Management believes this percentage accurately reflects the expected level of loss liability. The plan’s investments and liabilities are presented within the System’s consolidated financial statements.

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 System's incremental borrowing rate. Payments include options to extend, or terminate, if the System 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.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence of absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

> *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions.
>
> *Net Assets With Donor Restrictions* – Net assets whose use has been limited by donors to a specific period of time or purpose.

Net Patient Service Revenue

The System has agreements with third-party payors that provide for payments to the System 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 reflects the estimated net realizable amounts from patients, third-party payors, and others as services are rendered, including a provision for bad debts (implicit price concessions) and estimated retroactive adjustments under reimbursement agreements. Such amounts are recognized on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity Care

The System 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 System does not pursue collection of amounts determined to qualify as charity care, they are considered explicit price concessions and not reported as net patient service revenue.

Excess of Unrestricted Revenues, Gains and Other Support Over Expenses

The statements of operations and changes in net assets includes the excess of unrestricted revenues, gains and other support over expenses 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).

Income Taxes

CRH Health Care, Inc. and CRH Health Services, Inc. are exempt from income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. 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.

Orthopedic Surgeons of Georgia, LLC, Emergency Physicians of Coffee County, LLC, and Coffee County Open Arms Clinic, LLC, are limited liability companies and treated as pass through entities for tax purposes. CRH Ventures, Inc. and Southeastern Managed Care, Inc. are taxable entities and are subject to federal and state income taxes. CRH Ventures, Inc. and Southeastern Managed Care, Inc. file separate federal and state income tax returns, and the taxable amounts are not significant to the consolidated financial statements.

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.

The System 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 System 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, 2020 and 2019 or for the years then ended. The System'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.

Advertising and Marketing Costs

Advertising and marketing costs are expensed as incurred. In 2020 and 2019, marketing and advertising expense totaled approximately $242,000 and $234,000.

Reclassifications

Certain 2019 amounts have been reclassified to conform to the 2020 presentation related to cash and cash equivalents in the consolidated statements of cash flows.

Subsequent Events

In preparing these consolidated financial statements, the System has evaluated events and transactions for potential recognition or disclosure through May 27, 2021, the date the consolidated financial statements were issued. All significant events have been included in the consolidated financial statements and disclosures.

3. Net Patient Service Revenue

Net patient service revenue is generated by providing patient care and recognized as performance obligations are satisfied. Amounts are reported at the estimated net realizable amount that reflects the consideration to which the System expects to be paid from patients, third-party payors (including health insurer and government programs) and others.

Performance obligations are determined based on the nature of the services provided by the System. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected charges. Generally, performance obligations satisfied over time relate to patients in the System receiving inpatient acute care services. The System measures the performance obligation from admission to the point when it is no longer required to provide services to that patient, which is generally the time of discharge. Revenue for performance obligations satisfied at a point in time generally relate to patients receiving outpatient services or patients and customers in a retail setting (for example, pharmaceuticals and medical equipment) where the System does not provide additional goods beyond the point of service.

The System has elected the practical expedients available under the revenue recognition accounting guidance related to accounting for significant financing components and incremental contract acquisition costs, and such amounts are insignificant. In addition, because all of its performance obligations relate to contracts with a duration of less than one year, the System has elected to apply the optional exemption from disclosure of amounts associated with unsatisfied performance obligations at the end of the reporting period. Such unsatisfied or partially unsatisfied performance obligations primarily relate to inpatient acute care services at the end of the reporting period for in-house patients, who are generally discharged within days or weeks after the end of the reporting period. The System has an unconditional right to receive payment subject only to the passage of time for services provided to these in-house patients through the end of the reporting period. Such amounts are reported within patient accounts receivable in the consolidated balance sheets.

The transaction price is based on standard charges for goods and services provided, reduced by explicit price concessions (contractual adjustments) provided to third-party payors, explicit price concessions (discounts provided to patients qualifying under the charity policy), and implicit price concessions provided to self-pay patients.

Implicit price concessions for uninsured and underinsured patients that do not qualify for financial assistance are estimated based on historical collection experience with this class of patients using a portfolio approach as a practical expedient. For uninsured and underinsured patients that do not qualify for financial assistance, the System recognizes revenue on the basis of established rates, discounted according to policy for services rendered. Historical experience has shown a significant proportion of the System's uninsured patients, in addition to a growing proportion of the System's insured patients, will be unable or unwilling to pay for their responsible amounts for the services provided. In order to estimate the net realizable value of the revenues and accounts receivable associated with third-party payors and uninsured patients, management regularly assesses their valuation based upon business and economic considerations, trends in healthcare coverage, historical write-off experience and other collection trends.

The System has agreements with third-party payors that provide for payments at amounts different from established rates. These contractual adjustments are explicit price concessions and represent the difference between established charges and the estimated reimbursable amounts from third-party payors. Explicit price concessions are estimated based on contractual agreements, discount policies, and historical experience.

The System disaggregates its net patient service revenue by payor source. The disaggregation by payor source is as follows:

	2020		
	Inpatient	**Outpatient**	**Total**
Medicare	**$ 22,723,740**	**$ 24,034,678**	**$ 46,758,418**
Medicaid	**4,958,519**	**6,272,840**	**11,231,359**
Other third-party payers	**15,527,325**	**43,115,857**	**58,643,182**
Self-pay	**5,549,627**	**2,733,933**	**8,283,560**
	$ 48,759,211	**$ 76,157,308**	**$124,916,519**

	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

Estimated Third-Party Payor Settlements:

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 System is reimbursed for certain reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicare Administrative Contractor (“MAC”). The System’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 System. The System’s Medicare cost reports have been audited by the MAC through 2017.

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 System is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicaid fiscal intermediary. The System’s Medicaid cost reports have been audited by the Medicaid fiscal intermediary through 2017.

The System 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.

Other Agreements

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

Revenue from other federal and state programs are as follows:

Indigent Care Trust Fund ("ICTF")

The System qualified as a Medicaid disproportionate share hospital for the years ended December 31, 2020 and 2019. By qualifying, the System received payment adjustments of approximately $1,301,000 and $1,972,000 in 2020 and 2019, respectively. These payments are reflected in net patient service revenue. The System must meet certain Department of Medical Assistance requirements in order to retain payment adjustments. It is management's opinion that the System is in compliance with these requirements. The federal government does not ensure ICTF funding.

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 $349,000 and $529,000 for the years ended December 31, 2020 and 2019, respectively.

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 System 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 System payments on Medicaid services. Approximately $1,154,000 and $1,159,000 relating to the Act is included in other expenses in the accompanying consolidated statements of operations and changes in net assets for the years ended December 31, 2020 and 2019, respectively.

Patient Accounts Receivable:

Patient accounts receivable represent expected amounts to be collected from the Medicare and Medicaid programs, private insurance carriers, and private-pay residents, as well as residents with co-insurance provisions. The System grants credit without collateral to its patients, most of whom are local residents. The net amount expected to be collected is determined based on an established collection history and review of individual balances. Third-party reimbursement is a complex process which involves submission of claims to multiple payors, each having its own claims requirements. In some cases, the ultimate collection of patient accounts receivable subsequent to service dates may not be known for several months.

The mix of receivables from patients and third-party payors at December 31, 2020 and 2019, was as follows:

	2020	2019
Medicare	**36%**	41%
Medicaid	**7%**	9%
Other third-party payors	**40%**	30%
Patients	**17%**	20%
Total	**100%**	100%

4. Uncompensated Services

The System was compensated for services at amounts less than its established rates.

The following is a summary of uncompensated services as of December 31, 2020 and 2019:

	2020	2019
Uncompensated services:		
Charity and indigent care	**$ 18,422,880**	$ 20,873,002
Medicare	**179,856,029**	167,391,253
Medicaid	**55,335,390**	61,524,665
Other allowances	**69,908,605**	61,400,466
Bad debts and implicit price concessions	**24,554,303**	23,551,865
Total uncompensated care	**$ 348,077,207**	$ 334,741,251

The cost of charity and indigent care services provided during the year ended December 31, 2020 and 2019 was approximately $5,240,000 and $4,321,000, respectively, computed by applying a total cost factor to the charges foregone.

5. Investments and Assets Limited as to Use

The composition of assets limited as to use at December 31, 2020 and 2019 is set forth in the following table. Investments are stated at fair value.

	2020	2019
Internally designated for self-insurance:		
Cash and cash equivalents	**$ 706,501**	$ 1,005,047
Money market mutual funds	**343,452**	-
Corporate bonds	**4,010,716**	3,943,108
Mutual funds	**1,239,562**	1,161,417
U.S. Treasury securities	**819,582**	747,716
U.S. corporate securities	**3,885,680**	3,433,151
Interest receivable	**30,152**	31,798
	11,035,645	10,322,237
Internally designated for employee benefits:		
Mutual funds	**1,339,315**	1,060,257
By debt obligations:		
Money market mutual funds	**12,709,860**	14,077,925
Total assets limited as to use	**$ 25,084,820**	$ 25,460,419

Other investments stated at fair value at December 31, 2020 and 2019 include:

	2020	2019
Mutual Funds:		
Fixed income	**$ 13,548,871**	$ 13,009,651
U.S. corporate securities	**1,698,564**	1,664,923
International securities	**3,702,486**	3,317,595
Other	**628,856**	496,596
Total mutual funds	**$ 19,578,777**	$ 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 years ended December 31, 2020 and 2019:

	2020	2019
Income:		
Interest and dividends	**$ 884,838**	$ 1,100,460
Realized gains on sale of investment securities	**29,783**	75,818
Unrealized gains on investment securities	**995,252**	1,889,228
Investment fees	**(145,112)**	(132,145)
Total	**$ 1,764,761**	$ 2,933,361

The System'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.

6. Property and Equipment

A summary of property and equipment at December 31, 2020 and 2019, follows:

	2020	2019
Land and land improvements	**$ 1,456,440**	$ 1,456,440
Buildings and improvements	**63,688,867**	62,942,365
Equipment	**43,875,976**	41,424,368
CIP	**769,700**	15,785
	109,790,483	105,838,958
Less: Accumulated depreciation	**88,677,800**	85,271,685
	$ 21,113,183	$ 20,567,273

Depreciation expense for the year ended December 31, 2020 and 2019 amounted to approximately $3,390,000 and $3,396,000, respectively.

7. Accrued Insurance Reserves

Activity in accrued insurance reserves is summarized as follows:

	2020	2019
Balance, January 1	**$ 7,869,817**	$ 8,672,112
Incurred related to current year	**1,122,197**	1,591,071
Incurred related to prior years	**(222,934)**	(503,370)
Paid related to current year	**-**	(22,141)
Paid related to prior years	**(262,449)**	(1,867,855)
Balance, December 31	**$ 8,506,631**	$ 7,869,817

The provision for outstanding claims is recorded based upon estimates of Coffee Regional Medical Center Segregated Portfolio's ultimate liability made by Coffee Regional Medical Center Segregated Portfolio's independent consulting actuary, Junction Consulting, LLC, in their report dated February 2021. In the opinion of management, the provision for outstanding claims at the balance sheet date is adequate to cover the expected ultimate liability under the insurance assumed. The provision for outstanding claims is subject to changes in loss severity, frequency and other factors. Accordingly, the recorded provision is necessarily an estimate, and actual loss payments may be less than, or in excess of, the amount provided, and such differences may be significant.

8. Long Term Debt Obligations

A summary of long-term debt at December 31, 2020 and 2019, follows:

	2020	2019
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.	**$ 10,584,831**	$ 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.	**14,995,000**	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.	**169,849**	239,152
Douglas National Bank, note payable in the amount of $314,012, collateralized by purchased property. Matured 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.	**379,264**	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 2021 with an interest rate equal to the Wall Street Journal U.S. Prime Rate. Monthly interest payments with principal due at maturity.	**1,510,156**	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.	**209,789**	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 $16,667 with remaining balance due at maturity.	**1,633,333**	1,833,333
	29,482,222	32,930,568
Less current installments of long-term debt	**4,658,007**	5,384,973
	24,824,215	27,545,595
Unamortized bond premium	**1,481,450**	1,728,359
Unamortized debt issuance costs	**(447,198)**	(509,337)
Unamortized note payable discount	**(386,058)**	(485,856)
Long-term debt obligations excluding current obligations	**$ 25,472,409**	$ 28,278,761

In 2016, the Coffee County System 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 System, 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 System to provide funding sufficient to pay the maturing installments of principal and interest required by the Series 2016 Certificates. The Authority, the System 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 System 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 System had established appropriate levels of funding as of December 31, 2020 and such deposits are included with assets limited as to use as of December 31, 2020. Additionally, the Intergovernmental Contract requires the maintenance of certain financial ratios and compliance with other covenants. Management believes the System was in compliance with all financial and other covenants as of December 31, 2020.

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 System 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 System. The System 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 System and 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 System 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 System’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.

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

Year Ending December 31,		
2021	$	4,658,007
2022		3,352,846
2023		3,353,070
2024		3,462,533
2025		3,620,564
Thereafter		11,035,202
	$	29,482,222

9. Leases

The System 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:

		2020		2019
Finance lease costs:				
Amortization of right-to-use-asset	**$**	**859,344**	$	617,218
Interest on lease liability		**172,907**		155,842
Operating lease cost		**381,931**		370,121
Short term lease cost		**994,778**		1,320,919
	$	**2,408,960**	$	2,464,100
Other information:				
Right-of-use assets obtained for new finance leases	**$**	**71,026**	$	2,067,588
Right-of-use assets obtained for new operating leases	**$**	**596,211**	$	-
Weighted average remaining lease term - finance leases		**2.4 years**		3.2 years
Weighted average remaining lease term - operating leases		**4.1 years**		11.5 years
Weighted average discount rate - finance leases		**4.48%**		4.47%
Weighted average discount rate - operating leases		**5.07%**		5.22%

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

Year Ending December 31,		Finance		Operating
2021	$	1,340,971	$	236,845
2022		891,483		240,034
2023		534,653		145,077
2024		112,353		138,387
2025		-		117,693
Total lease payments		2,879,460		878,036
Less: Interest portion		(163,512)		(86,346)
Present value of lease obligations		2,715,948		791,690
Less: Current portion		(1,243,534)		(201,500)
Long-term lease obligations	$	1,472,414	$	590,190

10. Pension Plan

The System has a defined contribution plan, Coffee Regional Medical Center, Inc. Employee Savings and Retirement Plan ("Plan") covering all eligible employees. Under this Plan, employees contribute pre-tax dollars into the plan with the System making a discretionary match of 100% of the employee contribution up to 5% of the employee's annual salary. The employer match was 2% at the beginning of 2020; however, the System stopped the employer match for the year in April 2020 due to COVID-19. The employer match was 2% during 2019. The System contributed approximately $323,000 and $930,000 as of December 31, 2020 and 2019, respectively.

11. Self-Insurance for Employee Systemization

The System operates a self-insurance program for the purpose of providing group health insurance for System employees and their covered dependents. This program was created to minimize the total cost of annual medical insurance to the System. Medical costs exceeding $100,000, per covered individual, are covered through a private insurance carrier. Under this self-insurance program, the System paid or accrued approximately $10,651,000 and $8,197,000 in 2020 and 2019, respectively. 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.

12. Operating Expense by Functional Classification

The System 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, 2020 and 2019 are as follows:

	2020			
	Healthcare Services	**Support Services**	**Other**	**Total**
Salaries and benefits	**$ 65,313,345**	**$ 8,838,798**	**$ 67,268**	**$ 74,219,411**
Supplies and other	**43,311,852**	**15,232,703**	**165,051**	**58,709,606**
Depreciation and amortization	**3,693,223**	**554,826**	**218,535**	**4,466,584**
Interest expense	**1,408,333**	**-**	**31,883**	**1,440,216**
	$ 113,726,753	**$ 24,626,327**	**$ 482,737**	**$ 138,835,817**

	2019			
	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
	$ 108,705,634	$ 17,137,444	$ 437,940	$ 126,281,018

13. Availability and Liquidity

The System 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 System's financial assets reduced by amounts not available for general use are as follows at December 31, 2020 and 2019:

	2020	2019
Cash and cash equivalents	**$ 23,132,529**	$ 6,258,714
Assets limited as to use	**11,357,130**	11,837,470
Patient accounts receivable	**13,998,029**	11,710,991
Financial assets available to meet cash needs for general expenditures within one year	**$ 48,487,688**	$ 29,807,175

14. 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, 2020 and 2019, and their respective classification under the valuation hierarchy:

	2020			
	Carrying Value	**Level 1**	**Level 2**	**Level 3**
Investments:				
Mutual funds – fixed income	**$ 13,548,871**	**$ 13,548,871**	**$ -**	**$ -**
Mutual funds – U.S. corporate securities	**1,698,564**	**1,698,564**	**-**	**-**
Mutual funds – international securities	**3,702,486**	**3,702,486**	**-**	**-**
Mutual funds - other	**628,856**	**628,856**	**-**	**-**
Total investments	**19,578,777**	**19,578,777**	**-**	**-**
Assets limited as to use:				
Cash and cash equivalents	**706,501**	**706,501**	**-**	**-**
Money market mutual funds	**13,053,312**	**-**	**13,053,312**	**-**
Mutual funds	**2,578,877**	**2,578,877**	**-**	**-**
Corporate bonds	**4,040,868**	**-**	**4,040,868**	**-**
U.S. Treasury securities	**819,582**	**-**	**819,582**	**-**
U.S. corporate securities	**3,885,680**	**3,885,680**	**-**	**-**
Total assets limited to use	**25,084,820**	**7,171,058**	**17,913,762**	**-**
	$ 44,663,597	**$ 26,749,835**	**$ 17,913,762**	**$ -**

	2019			
	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 to use	25,460,419	6,659,872	18,800,547	-
	$ 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 System 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 System are deemed to be actively traded.

15. Commitments and Contingencies

Compliance Plan

The healthcare industry has recently been subjected to increased scrutiny from governmental agencies at both the national 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. The System has implemented a compliance plan focusing on such issues. No assurance can be made that the System will not be subjected to future investigations with accompanying monetary damages.

Health Care 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 System.

Litigation

The System 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 System's future financial position or results from operations.

16. Other Revenue

In 2016, the State of Georgia enacted legislation that awards state income tax credits for contributions made to qualified rural Systems located in Georgia; the program is administered by the Georgia HEART System Program (the "HEART Program"). In 2018, the System became eligible to participate in the HEART Program. The System recognized approximately $1,173,000 and $1,312,000 in other revenue for the years ended December 31, 2020 and 2019, respectively, related to the HEART Program.

17. COVID-19 Pandemic and Provider Relief Funds

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19, a novel strain of coronavirus, a pandemic, and on March 13, 2020, a national emergency was declared in the United States. In response to the COVID-19 pandemic, the Coronavirus Aid, Relief and Economic Security ("CARES") Act was signed into law on March 27, 2020. One provision of the CARES Act was the establishment of the Provider Relief Funds ("PRF"), administered by the U.S. Department of Health and Human Services ("HHS"). The PRF are being distributed to healthcare providers throughout the country to support the battle against the COVID-19 outbreak. During the year ended December 31, 2020, the System received approximately $16,179,000 in distributions from this fund. These funds are intended to reimburse qualifying expenses and lost revenues attributable to COVID-19 and are subject to the terms, conditions, and regulatory requirements set forth by HHS. If the total distributions received by the System exceed the cumulative amount of qualifying expenses and lost revenues attributable to COVID-19 through June 30, 2021, any excess funding may be subject to recoupment. The PRF are accounted for as voluntary nonexchange transactions and related revenues are recognized as eligibility criteria are met. During the year ended December 31, 2020, the System recognized approximately $4,068,000 in operating revenues, which is presented as provider relief funds on the consolidated statements of operations and changes in net assets. Approximately $12,111,000 has been deferred as of December 31, 2020 and is expected to be recognized in full in fiscal 2021.

In 2020, the Center for Medicare and Medicaid Services ("CMS") enhanced the Accelerated and Advance Payment ("AAP") Program. The program enhancement was designed to increase cash flow to Medicare providers and suppliers impacted by COVID-19. During the year ended December 31, 2020, the System received approximately $2,319,000 from the CMS AAP program. The funds received from AAP are an advance that providers must pay back. These funds will be used to offset actual Medicare claims subject to final determination by CMS. These funds are shown on the accompanying consolidated balance sheets as Medicare advance payment liability as of December 31, 2020. On September 30, 2020, the Continuing Appropriations Act ("CAA") was signed into law which includes provision to relax the recoupment of Medicare Advance Payments, including delaying recoupment for one year from when the advances were made and payments received. The System will begin to make payments in 2021 with 25% of monthly payments from Medicare being recouped for a period of eleven months. If after eleven months, the payments are not paid back in full, Medicare will recoup at a rate of 50% for an additional six months.

The CARES Act also provides for a deferral of payments of the employer portion of payroll tax incurred during the pandemic, allowing half of such payroll taxes to be deferred until December 2021 and the remaining half until December 2022. As of December 31, 2020, the System deferred approximately $1,631,000 of payroll taxes, which is recorded within accrued expenses on the accompanying consolidated balance sheets.

Further, the CARES Act provides for an employee retention credit ("ERC") against applicable employment taxes for eligible employers, including tax-exempt organizations, that pay qualified wages, including certain health plan expenses, to some or all employees after March 12, 2020 and before January 1, 2021. This provision of the CARES Act was further amended by the CAA to extend the application of the ERC to qualified wages paid after December 31, 2020 and before July 1, 2021 which also included certain modifications of the calculation of the credit amount during that time. Management is evaluating potential ERC and will record the amount, if any, when estimated or known.

On October 22, 2020, November 2, 2020 and January 15, 2021, HHS issued Post-Payment Notices of Reporting Requirements (“PPNRR”) which establish the reporting criteria for providers which received PRF funding under the CARES Act. On December 27, 2020, the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (“CRRSAA”) was signed into law which provided on-going assistance to healthcare providers and provided additional clarity around PRF reporting requirements. The guidance provided in the PPNRR and CRRSAA is advisory in nature, and subject to change, and it is unknown at the report date what impacts this, and future guidance will have on PRF funding and revenue recognition. As such, amounts recognized as PRF for the year ended December 31, 2020 are subject to change and those changes could be material. The funds are also subject to future audits and potential adjustment and certain amounts may need to be repaid to the government. In addition to the terms, conditions, and published regulatory guidance, as of the subsequent event date, HHS has published additional guidance related to the nature and allowability of certain qualifying expenses and methods for determining lost revenues attributable to COVID-19 through the publication of Frequently Asked Questions (“FAQs”). These HHS PRF FAQs have been subject to significant amendment and revision over the course of the program. The System relied on the guidance available during the year ended December 31, 2020 and through the subsequent event date in determining the amounts of qualifying expenses and lost revenues attributable to COVID-19 and the related recognition of revenue during fiscal 2020. Such determinations required management to make subjective interpretations of the available guidance, and to make assumptions and exercise considerable judgment. Subsequent changes or clarifications in guidance from HHS and OMB could have a material impact on management's estimates and the determination of such amounts. The PRF are subject to audit by HHS which may result in disallowed expenditures which may be subject to recoupment. Such amounts, if any, cannot be determined at this time.

Supplementary Information

CRH Health Care, Inc.

Consolidating Balance Sheet

December 31, 2020

	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.	Eliminations	Consolidated
ASSETS											
Current assets:											
Cash and cash equivalents	$ 22,210,182	$ -	$ 239,428	$ 42,871	$ -	$ 100,161	$ 379,798	$ 71,853	$ 88,236	$ -	$ 23,132,529
Assets limited as to use	2,850,499	8,506,631	-	-	-	-	-	-	-	-	11,357,130
Patient accounts receivable	12,983,279	-	675,908	338,842	-	-	-	-	-	-	13,998,029
Inventory	2,819,703	-	-	-	-	-	-	-	-	-	2,819,703
Other current assets	1,849,821	2,047,538	99,681	112,672	-	136,659	-	200,000	15,551	(2,247,538)	2,214,384
Total current assets	42,713,484	10,554,169	1,015,017	494,385	-	236,820	379,798	271,853	103,787	(2,247,538)	53,521,775
Assets limited as to use:											
Internally designated	955,304	10,535,512	705,237	-	-	178,907	-	-	-	-	12,374,960
By debt obligations	12,709,860	-	-	-	-	-	-	-	-	-	12,709,860
Total assets limited as to use	13,665,164	10,535,512	705,237	-	-	178,907	-	-	-	-	25,084,820
Less amounts required to meet current obligations	2,850,499	8,506,631	-	-	-	-	-	-	-	-	11,357,130
Noncurrent assets limited as to use	10,814,665	2,028,881	705,237	-	-	178,907	-	-	-	-	13,727,690
Property and equipment, net	17,535,559	-	355,537	14,117	-	-	-	-	3,207,970	-	21,113,183
Other assets:											
Due from related parties	8,513,003	-	-	-	-	-	-	-	333,390	(8,846,393)	-
Investments	17,089,167	-	-	-	-	-	1,449,403	1,040,207	-	-	19,578,777
Right-of-use-asset, operating leases	505,930	-	792,093	-	-	-	-	-	-	-	1,298,023
Right-of-use-asset, finance leases	4,175,274	-	-	193,458	-	-	-	-	-	-	4,368,732
Other noncurrent assets	-	-	21,945	67,708	-	-	-	1,433,333	-	(1,433,333)	89,653
Total other assets	30,283,374	-	814,038	261,166	-	-	1,449,403	2,473,540	333,390	(10,279,726)	25,335,185
Total assets	$ 101,347,082	$ 12,583,050	$ 2,889,829	$ 769,668	$ -	$ 415,727	$ 1,829,201	$ 2,745,393	$ 3,645,147	$ (12,527,264)	$ 113,697,833
LIABILITIES AND NET ASSETS											
Current liabilities:											
Current installments of long-term debt	4,640,384	-	-	-	-	-	-	200,000	17,623	(200,000)	$ 4,658,007
Accounts payable	10,484,957	278,409	57,480	59,434	-	57,456	-	(16,501)	6,768	-	10,928,003
Accrued expenses	11,235,002	-	1,666,420	205,159	-	379,755	-	-	-	(2,047,538)	11,438,798
Accrued malpractice claims	-	8,506,631	-	-	-	-	-	-	-	-	8,506,631
Estimated third-party payor settlements	995,517	-	-	-	-	-	-	-	-	-	995,517
Deferred revenue	12,111,422	-	-	-	-	-	-	-	-	-	12,111,422
Medicare advance payment liability	1,790,155	-	401,434	126,934	-	-	-	-	-	-	2,318,523
Current portion of operating lease liability	122,493	-	79,007	-	-	-	-	-	-	-	201,500
Current portion of finance lease liability	1,173,230	-	-	70,304	-	-	-	-	-	-	1,243,534
Total current liabilities	42,553,160	8,785,040	2,204,341	461,831	-	437,211	-	183,499	24,391	(2,247,538)	52,401,935
Due to related parties	-	-	8,464,700	114,166	2,955	-	154,345	-	110,227	(8,846,393)	-
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-
Operating lease liability, less current portion	224,758	-	365,432	-	-	-	-	-	-	-	590,190
Finance lease liability, less current portion	1,399,305	-	-	73,109	-	-	-	-	-	-	1,472,414
Long-term debt, less current portion	25,110,768	-	-	-	-	-	-	1,433,333	361,641	(1,433,333)	25,472,409
Total liabilities	69,287,991	8,785,040	11,034,473	649,106	2,955	437,211	154,345	1,616,832	496,259	(12,527,264)	79,936,948
Net assets:											
Without donor restrictions	31,673,033	3,798,010	(8,144,644)	120,562	(2,955)	(21,484)	1,674,856	1,128,561	3,148,888	-	33,374,827
With donor restrictions	386,058	-	-	-	-	-	-	-	-	-	386,058
Total net assets	32,059,091	3,798,010	(8,144,644)	120,562	(2,955)	(21,484)	1,674,856	1,128,561	3,148,888	-	33,760,885
Total liabilities and net assets	$ 101,347,082	$ 12,583,050	$ 2,889,829	$ 769,668	$ -	$ 415,727	$ 1,829,201	$ 2,745,393	$ 3,645,147	$ (12,527,264)	$ 113,697,833

CRH Health Care, Inc.

Consolidating Statement of Operations

Year Ended December 31, 2020

	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.	Eliminations	Consolidated
Unrestricted revenue, gains, and other support											
Net patient service revenue	$ 112,287,419	$ -	$ 9,836,187	$ 2,792,913	$ -	$ -	$ -	$ -	$ -	$ -	$ 124,916,519
Provider relief funds	4,068,491	-	-	-	-	-	-	-	-	-	4,068,491
Other operating revenue	5,206,215	2,047,538	487,456	7,386	-	2,001,812	131,306	22,000	508,149	(190,937)	10,220,925
Total revenue, gains and support	121,562,125	2,047,538	10,323,643	2,800,299	-	2,001,812	131,306	22,000	508,149	(190,937)	139,205,935
Operating expenses:											
Salaries and wages	36,996,080	-	11,403,072	3,551,928	-	1,809,619	67,268	-	-	-	53,827,967
Employee health and welfare	15,634,937	-	3,660,226	604,915	-	491,366	-	-	-	-	20,391,444
Medical supplies and drugs	26,214,660	-	699,563	85,184	-	73,650	-	-	-	-	27,073,057
Professional fees	2,318,718	-	169,128	-	-	493,509	-	-	-	-	2,981,355
Purchased services	13,379,686	71,133	382,819	69,770	-	91,124	-	-	2,160	-	13,996,692
Other expenses	10,733,594	953,383	2,411,413	556,318	2,955	31,840	39,092	-	120,844	(190,937)	14,658,502
Depreciation and amortization	3,952,199	-	193,116	101,334	-	1,400	-	-	218,535	-	4,466,584
Interest	1,401,116	-	-	7,217	-	-	-	-	31,883	-	1,440,216
Total operating expenses	110,630,990	1,024,516	18,919,337	4,976,666	2,955	2,992,508	106,360	-	373,422	(190,937)	138,835,817
Income (loss) from operations	10,931,135	1,023,022	(8,595,694)	(2,176,367)	(2,955)	(990,696)	24,946	22,000	134,727	-	370,118
Non-operating gains (losses):											
Investment income	928,624	709,276	170	-	-	98	121,656	4,912	25	-	1,764,761
Total non-operating income	928,624	709,276	170	-	-	98	121,656	4,912	25	-	1,764,761
Excess (deficit) of revenue, gains and other support over expenses	11,859,759	1,732,298	(8,595,524)	(2,176,367)	(2,955)	(990,598)	146,602	26,912	134,752	-	2,134,879
Capital contributions	285,430	-	-	-	-	-	-	-	-	-	285,430
Contribution revenue	-	-	-	-	-	-	-	-	-	-	-
Net assets released from restriction	(99,798)	-	-	-	-	-	-	-	-	-	(99,798)
Distributions	1,500,000	(1,500,000)	-	-	-	-	-	-	-	-	-
Equity transfer	(2,843,816)	-	-	2,117,604	-	866,208	-	-	(139,996)	-	-
Change in net assets	10,701,575	232,298	(8,595,524)	(58,763)	(2,955)	(124,390)	146,602	26,912	(5,244)	-	2,320,511
Net assets, beginning of year	21,357,516	3,565,712	450,880	179,325	-	102,906	1,528,254	1,101,649	3,154,132	-	31,440,374
Net assets, end of year	$ 32,059,091	$ 3,798,010	$ (8,144,644)	$ 120,562	$ (2,955)	$ (21,484)	$ 1,674,856	$ 1,128,561	$ 3,148,888	$ -	$ 33,760,885

See independent auditors' report.