CRH Health Care, Inc.

Independent Auditor's Report, Consolidated Financial Statements, and Supplementary Information

December 31, 2023 and 2022

Contents

FORV/S

191 Peachtree Street NE, Suite 2700 / Atlanta, GA 30303
P 404.575.8900 / **F** 404.575.8870
forvis.com

Independent Auditor's Report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of CRH Health Care, Inc. (the "System"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

We did not audit the financial statements of Coffee Regional Medical Center Portfolio Insurance Company, a wholly owned subsidiary, which statements reflect total assets of approximately $10,991,000 and $10,845,000 as of December 31, 2023 and 2022, respectively. Those statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Coffee Regional Medical Center Portfolio Insurance Company, is based solely on the report of the other auditor.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the System as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for one year from the date of this report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary 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 Portfolio Insurance Company, is based on the report of the other auditor, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

FORVIS, LLP

Atlanta, Georgia
May 3, 2024

CRH Health Care, Inc.
Consolidated Balance Sheets
December 31, 2023 and 2022

	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents	$ 16,130,066	$ 12,202,290
Assets limited as to use	10,789,501	11,303,031
Patient accounts receivable	16,193,804	13,799,128
Inventory	3,472,225	3,109,527
Other current assets	2,977,801	2,729,572
Total current assets	49,563,397	43,143,548
Assets Limited as to Use:		
Internally designated	11,052,799	10,776,430
By debt obligations	4,056,512	5,697,978
Total assets limited as to use	15,109,311	16,474,408
Less amounts required to meet current obligations	10,789,501	11,303,031
Total noncurrent assets limited as to use	4,319,810	5,171,377
Property and Equipment, net	26,601,207	28,023,573
Other Assets		
Investments	20,582,053	19,064,400
Right-of-use asset, operating leases	2,547,856	1,377,689
Right-of-use asset, finance leases	3,231,309	2,914,510
Other noncurrent assets	-	34,028
Total other assets	26,361,218	23,390,627
Total assets	$ 106,845,632	$ 99,729,125

CRH Health Care, Inc.
Consolidated Balance Sheets (continued)
December 31, 2023 and 2022

	2023	2022
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current portion of long-term debt	$ 3,492,814	$ 3,230,129
Accounts payable	12,982,166	8,828,342
Accrued expenses	12,245,174	11,882,253
Accrued malpractice claims	7,396,687	8,207,484
Estimated third-party payor settlements	1,607,421	1,012,414
Medicare advance payment liability	-	12,890
Current portion of operating lease liability	531,749	300,450
Current portion of finance lease liability	801,037	905,609
Total current liabilities	39,057,048	34,379,571
Operating lease liability, less current portion	2,028,323	1,080,433
Finance lease liability, less current portion	1,873,390	909,050
Long-term debt, less current portion	14,858,249	18,255,433
Total liabilities	57,817,010	54,624,487
Net Assets		
Net assets without donor restrictions	48,873,196	44,883,795
Net assets with donor restrictions	155,426	220,843
Total net assets	49,028,622	45,104,638
Total liabilities and net assets	$ 106,845,632	$ 99,729,125

CRH Health Care, Inc.
Consolidated Statements of Operations and Changes in Net Assets
December 31, 2023 and 2022

	2023	2022
Change in Net Assets Without Donor Restrictions		
Unrestricted revenue, gains, and other support:		
Net patient service revenue	$ 150,204,111	$ 142,610,211
Provider relief funds	-	6,140,082
Other operating revenue	15,456,586	12,494,731
Total unrestricted revenue, gains, and other support	165,660,697	161,245,024
Operating Expenses		
Salaries and wages	66,954,300	67,322,128
Employee health and welfare	24,363,091	20,820,612
Medical supplies and drugs	29,519,706	30,478,244
Professional fees	3,339,731	2,769,378
Purchased services	14,541,708	14,488,930
Other expenses	19,851,926	16,205,573
Depreciation and amortization	4,668,075	4,529,155
Interest	896,903	1,256,312
Total operating expenses	164,135,440	157,870,332
Operating income	1,525,257	3,374,692
Non-Operating Income (loss)		
Investment income (loss)	2,328,389	(2,306,964)
Other loss	(110,627)	(87,918)
Total non-operating income (loss)	2,217,762	(2,394,882)
Excess of unrestricted revenues, gains and other support over expenses	3,743,019	979,810
Contributions	246,382	76,780
Increase in net assets without donor restrictions	3,989,401	1,056,590
Net Assets Without Donor Restrictions, Beginning of Year	44,883,795	43,827,205
Net Assets Without Donor Restrictions, End of Year	$ 48,873,196	$ 44,883,795

	2023	2022
Change in Net Assets with Donor Restrictions		
Net assets released from restrictions	$ (65,417)	$ (76,878)
Decrease in net assets with donor restrictions	(65,417)	(76,878)
Net Assets With Donor Restrictions, Beginning of Year	220,843	297,721
Net Assets With Donor Restrictions, End of Year	$ 155,426	$ 220,843
Total Change in net Assets:		
Increase in net assets without donor restrictions	$ 3,989,401	$ 1,056,590
Decrease in net assets with donor restrictions	(65,417)	(76,878)
Total change in net assets	3,923,984	979,712
Net Assets, Beginning of Year	45,104,638	44,124,926
Net Assets, End of Year	$ 49,028,622	$ 45,104,638

CRH Health Care, Inc.
Consolidated Statements of Cash Flows
December 31, 2023 and 2022

	2023	2022
Operating Activities		
Change in net assets	$ 3,923,984	$ 979,712
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized gains on securities	944,953	3,263,420
Depreciation and amortization	4,668,075	4,529,155
Accretion of bond premium	246,909	246,907
Contributions	(246,382)	(76,780)
Changes in:		
Patient accounts receivable	(2,394,676)	(98,871)
Inventory and other current assets	(610,927)	619,781
Estimated third-party payor settlements	595,007	152,988
Other assets	34,028	34,874
Accounts payable	4,153,824	(1,349,525)
Accrued expenses	362,921	(1,621,312)
Accrued malpractice claims	(810,797)	946,517
Deferred revenue from provider relief funds	-	(6,140,082)
Medicare advance payment liability	(12,890)	(536,627)
Net cash provided by operating activities	10,854,029	950,157
Investing Activities		
Purchase of property and equipment	(1,657,074)	(4,620,139)
Change in investments and assets limited as to use, net	(1,068,360)	1,859,296
Net cash used in investing activities	(2,725,434)	(2,760,843)
Financing Activities		
Payments on long-term debt and finance lease obligations	(4,171,670)	(4,533,707)
Net cash used in financing activities	(4,171,670)	(4,533,707)
Increase (decrease) in cash and cash equivalents	3,956,925	(6,344,393)
Cash and Cash Equivalents at Beginning of Year	12,872,610	19,217,003
Cash and Cash Equivalents at End of Year	$ 16,829,535	$ 12,872,610

	2023	2022
Supplementary Disclosure of Cash Flow Information		
Cash paid during the year for interest	$ 1,087,671	$ 1,441,081
Lease liabilities arising from obtaining right-of-use assets	$ 2,956,777	$ 136,718
Reconciliation of Cash, Cash Equivalents and Restricted Cash		
Cash and cash equivalents	$ 16,130,066	$ 12,202,290
Restricted cash and cash equivalents, included in assets limited as to use	699,469	670,320
Total cash, cash equivalents, and restricted cash	$ 16,829,535	$ 12,872,610

Note 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 Portfolio Insurance Company (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 equity as of December 31, 2023.
- Coffee Regional Medical Center Portfolio Insurance Company 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.

Note 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, 2023 and 2022, 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 sheets. 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, 2023 and 2022.

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, 2023 and 2022.

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. Effective December 7, 2023, Coffee Regional Medical Center Portfolio Insurance Company (the “Company”) was incorporated as a segregated portfolio of Georgia Health Care Insurance Company SPC and is owned by CRMC SP. The Company 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 2023 and 2022. 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. The System does not apply the recognition requirements of Accounting Standards Update 2016-02, *Leases*, 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. When the lease standard was adopted in 2019, the System elected the practical expedients offered under the standard and did not reassess whether any current or expired contracts were, or did contain, leases and did not reassess the classification for any of the current leases at the time of adoption.

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 Portfolio Insurance Company is an exempted company that was incorporated under the provisions of the Companies Law of the Cayman Islands and is registered under Section 28B of the Insurance Act, 2010.

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, 2023 and 2022 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 2023 and 2022, marketing and advertising expense totaled approximately $250,000 and $346,000.

Adoption of New Accounting Standards-Allowance for Credit Loss

In 2023, the System implemented new guidance related to accounting for credit losses. Under the standard, expected credit losses on in-scope financial instruments are estimated and recognized prior to the loss being incurred. Disclosures under the new guidance are required to provide users of the consolidated financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit loss. Financial assets held by the System that are subject to the guidance in FASB 326 were accounts receivable. The System adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the consolidated financial statements.

Subsequent Events

In preparing these consolidated financial statements, the System has evaluated events and transactions for potential recognition or disclosure through May 3, 2024, the date the consolidated financial statements were issued. All significant events have been included in the consolidated financial statements and disclosures.

Note 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:

	2023		
	Inpatient	**Outpatient**	**Total**
Medicare	$ 6,813,172	$ 42,639,917	$ 49,453,089
Medicaid	8,539,371	14,242,770	22,782,141
Other third-party payers	13,449,209	62,330,745	75,779,954
Self-pay	278,037	1,910,890	2,188,927
	$ 29,079,789	$121,124,322	$150,204,111

	2022		
	Inpatient	**Outpatient**	**Total**
Medicare	$ 21,322,619	$ 28,928,165	$ 50,250,784
Medicaid	6,249,502	11,655,572	17,905,074
Other third-party payers	12,162,982	56,713,697	68,876,679
Self-pay	2,777,601	2,800,073	5,577,674
	$ 42,512,704	$100,097,507	$142,610,211

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 2020.

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 2019.

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, 2023 and 2022. By qualifying, the System received payment adjustments of approximately $5,338,000 and $2,775,000 in 2023 and 2022, 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 $5,165,000 and $2,699,000 for the years ended December 31, 2023 and 2022, 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 $1,662,000 and $1,497,000 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, 2023 and 2022, 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, 2023 and 2022, was as follows:

	2023	2022
Medicare	39%	44%
Medicaid	9%	10%
Other third-party payors	38%	30%
Patients	14%	16%
Total	100%	100%

Note 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, 2023 and 2022:

	2023	2022
Uncompensated services:		
Charity and indigent care	$ 22,563,780	$ 22,753,187
Medicare	227,406,244	207,774,428
Medicaid	54,625,403	60,572,719
Other allowances	99,074,077	82,525,146
Bad debts and implicit price concessions	20,680,987	16,932,095
Total uncompensated care	$ 424,350,491	$ 390,557,575

The cost of charity and indigent care services provided during the years ended December 31, 2023 and 2022 was approximately $6,239,000 and $7,707,000 respectively, computed by applying a total cost factor to the charges foregone.

Note 5. Investments and Assets Limited as to Use

The composition of assets limited as to use at December 31, 2023 and 2022 is set forth in the following table. Investments are stated at fair value.

	2023	2022
Internally designated for self-insurance:		
Cash and cash equivalents	$ 699,469	$ 670,320
Money market mutual funds	1,756	1,254,028
Corporate bonds	3,173,522	3,175,751
Mutual funds	1,360,161	1,101,334
U.S. Treasury securities	1,123,126	938,035
U.S. corporate securities	2,756,658	2,038,009
Interest receivable	26,246	27,165
	9,140,938	9,204,642
Internally designated for employee benefits:		
Mutual funds	1,911,861	1,571,788
By debt obligations:		
Money market mutual funds	4,056,512	5,697,978
Total assets limited as to use	$ 15,109,311	$ 16,474,408

Other investments stated at fair value at December 31, 2023 and 2022 include:

	2023	2022
Mutual Funds:		
Fixed income	$ 14,517,348	$ 13,356,658
U.S. corporate securities	1,783,613	1,808,228
International securities	3,720,815	3,398,059
Other	560,277	501,455
Total mutual funds	$ 20,582,053	$ 19,064,400

Investment income and gains and losses for assets limited as to use, cash and cash equivalents and other investments are comprised of the following for the years ended December 31, 2023 and 2022:

	2023	2022
Income:		
Interest and dividends	$ 1,520,173	$ 1,085,003
Realized gains on sale of investment securities	10,273	76,446
Unrealized gains (losses) on investment securities	934,680	(3,339,866)
Investment fees	(136,737)	(128,529)
Total	$ 2,328,389	$ (2,306,946)

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.

Note 6. Property and Equipment

A summary of property and equipment at December 31, 2023 and 2022, follows:

	2023	2022
Land and land improvements	$ 2,923,336	$ 2,923,336
Buildings and improvements	91,862,545	88,430,652
Equipment	32,500,492	31,689,209
Construction in progress	93,066	2,094,260
	127,379,439	125,137,457
Less: Accumulated depreciation	100,778,232	97,113,884
	$ 26,601,207	$ 28,023,573

Depreciation expense for the years ended December 31, 2023 and 2022 amounted to approximately $4,589,000 and $4,424,000, respectively.

Note 7. Accrued Malpractice Claims

Activity in accrued malpractice claims is summarized as follows:

	2023	2022
Balance, January 1	$ 8,207,484	$ 7,260,967
Incurred related to current year	1,309,221	1,465,521
Incurred related to prior years	1,031,273	83,880
Paid related to current year	-	-
Paid related to prior years	(3,151,291)	(602,884)
Balance, December 31	$ 7,396,687	$ 8,207,484

The provision for outstanding claims is recorded based upon estimates of Coffee Regional Medical Center Portfolio Insurance Company's ultimate liability made by Coffee Regional Medical Center Portfolio Insurance Company's independent consulting actuary, Junction Consulting, Inc., in their report dated January 2024. 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.

Note 8. Long Term Debt Obligations

A summary of long-term debt at December 31, 2023 and 2022, follows:

	2023	2022
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.	$ 8,948,220	$ 9,333,358
Revenue Anticipation Certificates Series 2016A. Interest rates ranging from 2.00% to 5.00%; sinking fund payments due annually through December 1, 2026.	8,045,000	10,475,000
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.	1,033,333	1,233,333
	18,026,553	21,041,691
Less current installments of long-term debt	3,492,814	3,230,129
	14,533,739	17,811,562
Unamortized bond premium	740,725	987,634
Unamortized debt issuance costs	(260,788)	(322,919)
Unamortized note payable discount	(155,427)	(220,844)
Long-term debt obligations excluding current obligations	$ 14,858,249	$ 18,255,433

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, 2023 and such deposits are included with assets limited as to use as of December 31, 2023. 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, 2023.

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 for the years ending December 31:

2024	$ 3,492,814
2025	3,698,827
2026	3,837,182
2027	976,655
2028	1,007,290
Thereafter	5,013,785
	$ 18,026,553

Note 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 costs are as follows:

	2023	2022
Finance lease costs:		
Amortization of right-to-use-asset	$ 653,536	$ 691,096
Interest on lease liability	171,954	226,084
Operating lease cost	689,515	439,350
Short term lease cost	509,778	598,698
Total lease costs	$ 2,024,783	$ 1,955,228
Other information:		
Right-of-use assets obtained for new finance leases	$ 1,718,278	$ 115,047
Right-of-use assets obtained for new operating leases	$ 1,525,687	$ 565,635
Weighted average remaining lease term - finance leases	4.1 years	2.1 years
Weighted average remaining lease term - operating leases	6.0 years	2.3 years
Weighted average discount rate - finance leases	7.98%	4.45%
Weighted average discount rate - operating leases	8.16%	5.80%

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

Year Ending December 31,	Finance	Operating
2024	$ 908,443	$ 708,858
2025	798,246	695,506
2026	472,225	489,211
2027	431,368	399,580
2028	394,699	392,290
Thereafter	212,368	608,271
Total lease payments	3,217,349	3,293,716
, Less: Interest portion/present value discount	(542,922)	(733,644)
Present value of lease obligations	2,674,427	2,560,072
Less: Current portion	(801,037)	(531,749)
Long-term lease obligations	$ 1,873,390	$ 2,028,323

Note 10. Defined Contribution 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 2022; however, the System stopped the employer match in July 2022, and has not reinstated the match to date. The System contributed approximately $0 and $664,000 as of December 31, 2023 and 2022, respectively.

Note 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 $200,000, per covered individual, are covered through a private insurance carrier. Under this self-insurance program, the System paid or accrued approximately $13,439,000 and $9,393,000 in 2023 and 2022, 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.

Note 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 years ended December 31, 2023 and 2022 are as follows:

	2023			
	Healthcare Services	Support Services	Other	Total
Salaries and benefits	$ 81,847,731	$ 9,381,433	$ 92,576	$ 91,321,740
Supplies and other	47,394,737	19,560,791	293,194	67,248,722
Depreciation and amortization	3,864,167	554,826	249,082	4,668,075
Interest expense	886,163	-	10,740	896,903
	$133,992,798	$ 29,497,050	$ 645,592	$164,135,440

	2022			
	Healthcare Services	Support Services	Other	Total
Salaries and benefits	$ 77,862,997	$ 10,206,231	$ 73,512	$ 88,142,740
Supplies and other	47,654,922	16,032,895	254,308	63,942,125
Depreciation and amortization	3,760,496	554,826	213,833	4,529,155
Interest expense	1,256,312	-	-	1,256,312
	$130,534,727	$ 26,793,952	$ 541,653	$157,870,332

Note 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, 2023 and 2022:

	2023	2022
Cash and cash equivalents	$ 16,130,066	$ 12,202,290
Patient accounts receivable	16,193,804	13,799,128
Financial assets available to meet cash needs for general expenditures within one year	$ 32,323,870	$ 26,001,418

The cash and cash equivalents total noted above is subject to certain restrictions related to bond covenants on the Series 2016 Certificates, which may affect the availability of funds. Although the System does not intend to spend from investments or assets limited as to use internally designated as of December 31, 2023, these amounts could be made available if necessary and approved by the Board of Directors.

Note 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, 2023 and 2022, and their respective classification under the valuation hierarchy:

	2023			
	Carrying Value	Level 1	Level 2	Level 3
Investments:				
Mutual funds – fixed income	$ 14,517,348	$ 14,517,348	$ -	$ -
Mutual funds – U.S. corporate securities	1,783,613	1,783,613	-	-
Mutual funds – international securities	3,720,815	3,720,815	-	-
Mutual funds - other	560,277	560,277	-	-
Total investments	20,582,053	20,582,053	-	-
Assets limited as to use:				
Cash and cash equivalents	699,469	699,469	-	-
Money market mutual funds	4,058,268	-	4,058,268	-
Mutual funds	3,272,022	3,272,022	-	-
Corporate bonds	3,199,768	-	3,199,768	-
U.S. Treasury securities	1,123,126	-	1,123,126	-
U.S. corporate securities	2,756,658	2,756,658	-	-
Total assets limited to use	15,109,311	6,728,149	8,381,162	-
	$ 35,691,364	$ 27,310,202	$ 8,381,162	$ -

	2022			
	Carrying Value	Level 1	Level 2	Level 3
Investments:				
Mutual funds – fixed income	$ 13,356,658	$ 13,356,658	$ -	$ -
Mutual funds – U.S. corporate securities	1,808,228	1,808,228	-	-
Mutual funds – international securities	3,398,059	3,398,059	-	-
Mutual funds - other	501,455	501,455	-	-
Total investments	19,064,400	19,064,400	-	-
Assets limited as to use:				
Cash and cash equivalents	670,320	670,320	-	-
Money market mutual funds	6,952,006	-	6,952,006	-
Mutual funds	2,673,122	2,673,122	-	-
Corporate bonds	3,203,249	-	3,203,249	-
U.S. Treasury securities	938,035	-	938,035	-
U.S. corporate securities	2,037,676	2,037,676	-	-
Total assets limited to use	16,474,408	5,381,118	11,093,290	-
	$ 35,538,808	$ 24,445,518	$ 11,093,290	$ -

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.

Note 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.

Note 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 $2,850,000 and $2,666,000 in other revenue for the years ended December 31, 2023 and 2022, respectively, related to the HEART Program.

Note 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. These relief funds are considered non-exchange transactions subject to terms and conditions specified by the resource provider distributions by the Health Resources Service Administration section of HHS. These conditions create a restriction that such funds must be used to prevent, prepare or respond to COVID-19, creating purpose restrictions in addition to conditions. This conditional grant revenue is recognized as other operating revenue to the extent conditions/restrictions for entitlement are met for coronavirus related expenses or lost revenues. The System reports conditional contributions for which the conditions and related restrictions are met in the same reporting period as net assets without donor restrictions. Such funds are subject to recoupment to the extent the conditions for entitlement are not met.

During the years ended December 31, 2023 and 2022, the System recognized approximately $0 and $6,140,000, respectively, of other operating activity in the consolidated statements of operations related to provider relief funds received in prior years.

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, 2023 and 2022, the System had remaining deferral balances of approximately $414,000 and $725,000, respectively, of payroll taxes, which are recorded within accrued expenses on the accompanying consolidated balance sheets. The System is working with the Internal Revenue Service to get these amounts paid back.

Supplementary Information

CRH Health Care, Inc.
Consolidating Balance Sheet
December 31, 2023

	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	$ 14,818,387	$ -	$ 536,440	$ 66,252	$ -	$ 76,549	$ 314,153	$ 149,255	$ 169,030	$ -	$ 16,130,066
Assets limited as to use	3,392,814	7,396,687	-	-	-	-	-	-	-	-	10,789,501
Patient accounts receivable	15,218,595	-	817,577	157,632	-	-	-	-	-	-	16,193,804
Inventory	3,472,225	-	-	-	-	-	-	-	-	-	3,472,225
Other current assets	2,759,939	2,350,674	35,583	(18,643)	-	180,800	-	200,000	20,122	(2,550,674)	2,977,801
Total current assets	39,661,960	9,747,361	1,389,600	205,241	-	257,349	314,153	349,255	189,152	(2,550,674)	49,563,397
Assets Limited as to Use											
Internally designated	1,357,501	8,640,539	738,691	-	-	316,068	-	-	-	-	11,052,799
By debt obligations	4,056,512	-	-	-	-	-	-	-	-	-	4,056,512
Total assets limited as to use	5,414,013	8,640,539	738,691	-	-	316,068	-	-	-	-	15,109,311
Less amounts required to meet current obligations	3,392,814	7,396,687	-	-	-	-	-	-	-	-	10,789,501
use	2,021,199	1,243,852	738,691	-	-	316,068	-	-	-	-	4,319,810
Property and Equipment, net	23,253,858	-	411,067	54,041	-	-	-	-	2,882,241	-	26,601,207
Other Assets											
Due from related parties	45,389,791	(361)	-	-	-	(122)	-	-	1,118,081	(46,507,389)	-
Investments	17,910,348	-	-	-	-	-	1,571,236	1,100,469	-	-	20,582,053
Right-of-use-asset, operating leases	2,068,054	-	479,802	-	-	-	-	-	-	-	2,547,856
Right-of-use-asset, finance leases	3,231,309	-	-	-	-	-	-	-	-	-	3,231,309
Other noncurrent assets	-	-	-	-	-	-	-	833,333	-	(833,333)	-
Total other assets	68,599,502	(361)	479,802	-	-	(122)	1,571,236	1,933,802	1,118,081	(47,340,722)	26,361,218
Total assets	$ 133,536,519	$ 10,990,852	$ 3,019,160	$ 259,282	$ -	$ 573,295	$ 1,885,389	$ 2,283,057	$ 4,189,474	$ (49,891,396)	$ 106,845,632
LIABILITIES AND NET ASSETS											
Current Liabilities											
Current installments of long-term debt	$ 3,392,814	$ -	$ -	$ -	$ -	$ -	$ -	$ 200,000	$ 100,000	$ (200,000)	$ 3,492,814
Accounts payable	11,315,671	525,796	905,166	149,544	-	76,500	-	(5,511)	15,000	-	12,982,166
Accrued expenses	12,332,806	-	1,513,086	210,211	-	539,745	-	-	-	(2,350,674)	12,245,174
Accrued malpractice claims	-	7,396,687	-	-	-	-	-	-	-	-	7,396,687
Estimated third-party payor settlements	1,607,421	-	-	-	-	-	-	-	-	-	1,607,421
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-
Medicare advance payment liability	-	-	-	-	-	-	-	-	-	-	-
Current portion of operating lease liability	294,730	-	237,019	-	-	-	-	-	-	-	531,749
Current portion of finance lease liability	801,037	-	-	-	-	-	-	-	-	-	801,037
Total current liabilities	29,744,479	7,922,483	2,655,271	359,755	-	616,245	-	194,489	115,000	(2,550,674)	39,057,048
Due to related parties	-	-	39,545,120	4,824,379	29,334	1,459,086	160,039	-	489,431	(46,507,389)	-
Deferred revenue	-	-	-	-	-	-	-	-	-	-	-
Operating lease liability, less current portion	1,778,328	-	249,995	-	-	-	-	-	-	-	2,028,323
Finance lease liability, less current portion	1,873,390	-	-	-	-	-	-	-	-	-	1,873,390
Long-term debt, less current portion	14,683,249	-	-	-	-	-	-	833,333	175,000	(833,333)	14,858,249
Total liabilities	48,079,446	7,922,483	42,450,386	5,184,134	29,334	2,075,331	160,039	1,027,822	779,431	(49,891,396)	57,817,010
Net Assets											
Without donor restrictions	85,301,647	3,068,369	(39,431,226)	(4,924,852)	(29,334)	(1,502,036)	1,725,350	1,255,235	3,410,043	-	48,873,196
With donor restrictions	155,426	-	-	-	-	-	-	-	-	-	155,426
Total net assets	85,457,073	3,068,369	(39,431,226)	(4,924,852)	(29,334)	(1,502,036)	1,725,350	1,255,235	3,410,043	-	49,028,622
Total liabilities and net assets	$ 133,536,519	$ 10,990,852	$ 3,019,160	$ 259,282	$ -	$ 573,295	$ 1,885,389	$ 2,283,057	$ 4,189,474	$ (49,891,396)	$ 106,845,632

CRH Health Care, Inc.
Consolidating Statement of Operations
Year Ended December 31, 2023

	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	$ 133,980,976	$ -	$ 13,133,930	$ 3,089,205	$ -	$ -	$ -	$ -	$ -	$ -	$ 150,204,111
Other operating revenue	10,193,778	2,350,674	692,499	17,572	-	1,800,745	132,212	22,000	438,038	(190,932)	15,456,586
Total revenue, gains and support	144,174,754	2,350,674	13,826,429	3,106,777	-	1,800,745	132,212	22,000	438,038	(190,932)	165,660,697
Operating expenses:											
Salaries and wages	47,030,830	-	14,333,473	3,642,073	-	1,855,347	92,577	-	-	-	66,954,300
Employee health and welfare	18,284,064	-	4,780,551	736,550	-	561,926	-	-	-	-	24,363,091
Medical supplies and drugs	28,441,664	-	972,815	103,787	1,440	-	-	-	-	-	29,519,706
Professional fees	2,589,733	-	790,862	5,468	-	(46,332)	-	-	-	-	3,339,731
Purchased services	13,863,095	87,421	426,011	127,956	-	34,310	-	-	2,915	-	14,541,708
Other expenses	13,679,854	2,409,130	2,958,273	705,302	6,485	3,601	117,982	-	162,231	(190,932)	19,851,926
Depreciation and amortization	4,252,686	-	98,250	68,057	-	-	-	-	249,082	-	4,668,075
Interest	886,163	-	-	-	-	-	-	-	10,740	-	896,903
Total operating expenses	129,028,089	2,496,551	24,360,235	5,389,193	7,925	2,408,852	210,559	-	424,968	(190,932)	164,135,440
Income (loss) from operations	15,146,665	(145,877)	(10,533,806)	(2,282,416)	(7,925)	(608,107)	(78,347)	22,000	13,070	-	1,525,257
Non-operating income (loss):											
Investment income (loss)	1,499,697	639,117	-	-	-	-	140,155	49,420	-	-	2,328,389
Other loss	(110,627)	-	-	-	-	-	-	-	-	-	(110,627)
Total non-operating income	1,389,070	639,117	-	-	-	-	140,155	49,420	-	-	2,217,762
Excess (deficit) of revenue, gains and support over expenses and losses	16,535,735	493,240	(10,533,806)	(2,282,416)	(7,925)	(608,107)	61,808	71,420	13,070	-	3,743,019
Capital contributions	246,382	-	-	-	-	-	-	-	-	-	246,382
Net assets released from restriction	(65,417)	-	-	-	-	-	-	-	-	-	(65,417)
Change in net assets	16,716,700	493,240	(10,533,806)	(2,282,416)	(7,925)	(608,107)	61,808	71,420	13,070	-	3,923,984
Net assets, beginning of year	68,740,373	2,575,129	(28,897,420)	(2,642,436)	(21,409)	(893,929)	1,663,542	1,183,815	3,396,973	-	45,104,638
Net assets, end of year	$ 85,457,073	$ 3,068,369	$ (39,431,226)	$ (4,924,852)	$ (29,334)	$ (1,502,036)	$ 1,725,350	$ 1,255,235	$ 3,410,043	$ -	$ 49,028,622