Audited Financial Statement – Hospital

The FY2020 Hospital Audited Financial Statement is attached.

JASPER HEALTH SERVICES, INC.
MONTICELLO, GEORGIA

FINANCIAL STATEMENTS

for the years ended September 30, 2020 and 2019

Draffin Tucker

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Jasper Health Services, Inc.
Monticello, Georgia

We have audited the accompanying financial statements of Jasper Health Services, Inc. (Corporation), which comprise the balance sheets as of September 30, 2020 and 2019, the related statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audits. We conducted our audits 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 financial statements are free from material misstatement.

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

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

Continued

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jasper Health Services, Inc. as of September 30, 2020 and 2019, and the results of its operations and changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

DRAFFIN + Tucker, LLP

Albany, Georgia
April 16, 2021

JASPER HEALTH SERVICES, INC.

BALANCE SHEETS, September 30, 2020 and 2019

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 6,835,924	$ 1,692,569
Patient accounts receivable, net of estimated uncollectibles of approximately $944,000 in 2020 and $865,000 in 2019	819,588	819,713
Supplies, at lower of cost (first-in, first-out) and net realizable value	224,411	123,749
Estimated third-party payor settlements	85,101	76,036
Other current assets	414,078	456,128
Total current assets	8,379,102	3,168,195
Long-term investments	851,084	2,507,789
Property, plant and equipment, net	1,878,283	1,546,806
Total assets	$ 11,108,469	$ 7,222,790
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of long-term debt	$ 441,760	$ -
Accounts payable	339,381	366,499
Accrued expenses	740,362	531,890
Due to Oconee Regional Medical Center, Inc.	-	1,500,000
Refundable advance of CARES Act funding	3,555,035	-
Total current liabilities	5,076,538	2,398,389
Noncurrent liabilities:		
Long-term debt, net of current portion	890,172	-
Total liabilities	5,966,710	2,398,389
Net assets without donor restrictions	5,141,759	4,824,401
Total liabilities and net assets	$ 11,108,469	$ 7,222,790

See auditor’s report and notes to financial statements.

JASPER HEALTH SERVICES, INC.

STATEMENTS OF OPERATIONS
AND CHANGES IN NET ASSETS
for the years ended September 30, 2020 and 2019

	2020	2019
Revenues, gains and other support:		
Patient service revenue (net of contractual allowances and discounts)	$ 12,070,932	$ 11,735,703
Provision for bad debts	(591,878)	(706,185)
Net patient service revenue	11,479,054	11,029,518
Other revenue	86,480	89,488
CARES Act funding	360,293	-
Total revenues, gains and other support	11,925,827	11,119,006
Operating expenses:		
Salaries and wages	6,521,316	6,052,530
Employee health and welfare	1,266,417	1,205,932
Purchased services and professional fees	2,201,820	3,197,053
Supplies and drugs	884,103	809,935
Depreciation	249,302	147,267
Other expenses	1,332,173	1,577,105
Total operating expenses	12,455,131	12,989,822
Operating loss	(529,304)	(1,870,816)
Nonoperating income (loss):		
Investment income (loss)	(147,755)	(153,239)
Contributions	369,240	500,685
Grants	13,764	42,327
Rural Hospital Tax Credit contributions	611,413	390,810
Total nonoperating income	846,662	780,583

Continued

JASPER HEALTH SERVICES, INC.

STATEMENTS OF OPERATIONS
AND CHANGES IN NET ASSETS, Continued
for the years ended September 30, 2020 and 2019

	2020	2019
Excess revenues (expenses)	$ 317,358	$ (1,090,233)
Change in unrealized gains (losses) on securities	-	54,819
Increase (decrease) in net assets without donor restrictions	317,358	(1,035,414)
Net assets without donor restrictions, beginning of year	4,824,401	5,859,815
Net assets without donor restrictions, end of year	$ 5,141,759	$ 4,824,401

See auditor's report and notes to financial statements.

JASPER HEALTH SERVICES, INC.

STATEMENTS OF CASH FLOWS
for the years ended September 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Changes in net assets	$ 317,358	$ (1,035,414)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	249,302	147,267
Provision for bad debts	591,878	706,185
Net realized (gains) losses on securities	128,162	244,358
Change in net unrealized (gains) losses on securities	55,265	(54,819)
Changes in:		
Patient accounts receivable	(591,753)	(867,380)
Supplies	(100,662)	20,903
Other current assets	42,050	(63,856)
Accounts payable and accrued expenses	181,354	115,879
Due to Oconee Regional Medical Center, Inc.	(1,500,000)	946,316
Estimated third-party payor settlements	(9,065)	(878,564)
Refundable advance of CARES Act funding	3,555,035	-
Net cash provided (used) by operating activities	2,918,924	(719,125)
Cash flows from investing activities:		
Purchase of property and equipment	(580,754)	(852,072)
Proceeds from sale of investments	2,198,904	4,583,250
Purchase of investments	(725,651)	(4,659,358)
Net cash provided (used) by investing activities	892,499	(928,180)
Cash flows from financing activities:		
Proceeds from long-term debt	1,331,932	-
Net cash provided by financing activities	1,331,932	-
Net increase (decrease) in cash and cash equivalents	5,143,355	(1,647,305)
Cash and cash equivalents, beginning of year	1,692,569	3,339,874
Cash and cash equivalents, end of year	$ 6,835,924	$ 1,692,569

See auditor’s report and notes to financial statements.

1. Summary of Significant Accounting Policies

Organization

Jasper Health Services, Inc. (Corporation), incorporated November 8, 1999, is a not-for-profit corporation whose primary purpose is to operate Jasper Memorial Hospital (JMH) (a 17-bed critical access hospital), Retreat Intermediate Care Home (a 55-bed skilled nursing facility) and the Primary Care Center for Monticello (PCC), a provider-based physician practice, located in Monticello, Georgia.

Pursuant to a lease and transfer agreement dated July 2, 1999, The Hospital Authority of Jasper County leased its facilities and transferred its operating assets, as defined in the agreement, to Oconee Regional Medical Center, Inc. (ORMC). In an assignment agreement dated January 1, 2000, the ORMC assigned the lease to Jasper Health Services, Inc.

On May 10, 2017, ORMC filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Middle District of Georgia. The bankruptcy proceedings of ORMC were resolved on October 2, 2019.

Use of Estimates

The preparation of financial statements in accordance 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 at the date of the 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 investments in highly liquid debt instruments with an original maturity of three months or less. Certain short-term, highly liquid investments temporarily held as part of the Corporation's long-term investment portfolio are excluded from cash and cash equivalents.

Allowance for Doubtful Accounts

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Corporation analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Corporation analyzes contractually due amounts, service dates, and service type and provides an allowance for doubtful accounts and a provision for bad debts, if necessary, based on the anticipated reimbursement. Management also reviews subsequent

Continued

1. Summary of Significant Accounting Policies, Continued

Allowance for Doubtful Accounts, Continued

collection activity to assess the accuracy of the allowance estimated. For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Corporation records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The Corporation's allowance for doubtful accounts for self-pay patients was 96% and 98% of self-pay accounts receivable at September 30, 2020 and 2019, respectively. In addition, the Corporation's self-pay write offs, including write offs for charity and indigent patients, were approximately $245,000 and $213,000 for fiscal years 2020 and 2019, respectively.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities, which are classified as available-for-sale, are measured at fair value in the balance sheets. Investment income (including interest, dividends, and gains and losses, both realized and unrealized for equity securities, and realized gains and losses for debt securities) is included in excess revenues (expenses) unless the income is restricted by donor or law. Unrealized gains and losses on available-for-sale debt securities are excluded from excess revenues (expenses).

Supplies

Supplies are stated at the lower of cost and net realizable value, using 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 on the straight-line method.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from excess revenues (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 and 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.

Continued

1. Summary of Significant Accounting Policies, Continued

Impairment of Long-Lived Assets

The Corporation evaluates on an ongoing basis the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is required to be recognized if the carrying value of the asset exceeds the undiscounted future net cash flows associated with that asset. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounted estimated future cash flows using an appropriate interest rate. The Corporation has not recorded any impairment charges in the accompanying statement of operations and changes in net assets for the years ended September 30, 2020 and 2019.

Refundable Advance

A refundable advance arises when assets are recognized before revenue recognition criteria have been satisfied. CARES Act advance payments are reported as a refundable advance until donor conditions such as qualifying expenditures have been substantially met. See Note 17 for additional information.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or 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 imposed restrictions. The Board of Directors has discretionary control over these resources. Designated amounts represent those net assets that the Board has set aside for a particular purpose. All revenue not restricted by donors and donor restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.

Net assets with donor restrictions – net assets subject to donor imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. All revenues restricted by donors as to either timing or purpose of the related expenditures or required to be maintained in perpetuity as a source of investment income are accounted for in net assets with donor restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Continued

1. Summary of Significant Accounting Policies, Continued

Net Patient Service Revenue

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

Charity Care

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

Excess Revenues (Expenses)

The statement of operations and changes in net assets includes excess revenues (expenses) as a performance indicator. Changes in unrestricted 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 purpose of acquiring such assets).

Donor Restricted Gifts

Unconditional promises to give cash and other assets to the Corporation are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as increases in the appropriate categories of net assets in accordance with donor restrictions.

Risk Management

The Corporation is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses and natural disasters. The Corporation has purchased insurance to mitigate the risk of loss for these types of damages. See Notes 10 and 11 for more information.

Continued

1. Summary of Significant Accounting Policies, Continued

Income Taxes

The Corporation is a not-for-profit corporation that has been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code.

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

Based on the results of management's evaluation, no liability is recognized in the accompanying balance sheet for unrecognized income tax positions. Further, no interest or penalties have been accrued or charged to expense as of September 30, 2020 and 2019 or for the years then ended. The Corporation's tax returns are subject to possible examination by the taxing authorities. For federal income tax purposes, the tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

Fair Value Measurements

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

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

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

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

Continued

1. Summary of Significant Accounting Policies, Continued

Recently Adopted Accounting Pronouncements

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The new guidance requires equity investments (except those accounted for under the equity method or those that result in consolidation) to be measured at fair value, with changes in fair value recognized in net income; simplifies the impairment assessment of equity investments without readily determinable fair values; and amends certain disclosure requirements associated with the fair value of financial instruments. The Corporation adopted ASU No. 2016-01 on October 1, 2019 using the modified retrospective method of transition. Prior to adoption, the Corporation classified equity securities with readily determinable fair values as available-for-sale with unrealized gains and losses reflected as a change to net assets. The primary impact of the new guidance is that changes in the fair value of equity investments will be recognized within the performance indicator, excess revenues (expenses), rather than below as a change to net assets.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows – Restricted Cash*, which requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Corporation adopted the new guidance in 2020 and adoption did not have a material impact on the financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update assists entities in determining when a transaction should be accounted for as a contribution or as an exchange transaction and provides additional guidance about how to determine whether a contribution is conditional. The Corporation adopted the new guidance in 2020 and adoption did not have a material impact on the financial statements.

Accounting Pronouncement Not Yet Adopted

In May 2014, the FASB issued *ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606),* which is a new comprehensive revenue recognition standard. The new guidance, including subsequent amendments, is effective for the Corporation as of October 1, 2020. The Corporation is continuing to evaluate the impact the guidance will have on the financial statements.

Subsequent Event

In preparing these financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through April 16, 2021, the date the financial statements were available to be issued.

Continued

2. Net Patient Service Revenue

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

The Corporation recognizes patient service revenue associated with services provided to patients who have third-party coverage on the basis of anticipated collections and dates of service for services rendered. For uninsured patients that do not qualify for charity care, the Corporation recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Corporation's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Corporation records a significant provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances (but before the provision for bad debts), from these major payor sources as of September 30, 2020 and 2019 is as follows:

	Patient Service Revenue (Net of Contractual Allowances)	
	2020	2019
Medicare	$ 3,362,443	$ 3,762,274
Medicaid	4,550,812	4,277,775
Third-party payors	2,777,224	2,128,010
Self-pay	1,380,453	1,567,644
Net patient service revenue before provision for bad debts	12,070,932	11,735,703
Less provision for bad debts	(591,878)	(706,185)
Net patient service revenue	$ 11,479,054	$ 11,029,518

Revenue from Medicare and Medicaid programs accounted for approximately 29% and 40% respectively, of the Corporation's net patient revenue for the year ended 2020, and 34% and 39%, respectively, of the Corporation's net patient revenue for the year ended 2019. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near future.

Continued

2. Net Patient Service Revenue, Continued

The Corporation believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. However, there has been an increase in regulatory initiatives at the state and federal levels including the initiation of the Recovery Audit Contractor (RAC) program and Medicaid Integrity Contractor (MIC) program. These programs were created to review Medicare and Medicaid claims for medical necessity and coding appropriateness. The RAC's 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.

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

- Medicare

  Jasper Memorial Hospital was granted Critical Access Hospital (CAH) designation by the Medicare program. The CAH designation places certain restrictions on daily acute care inpatient census and an annual, average length of stay of acute care inpatients. Inpatient acute care and outpatient services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology.

  Nursing Home services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system called Resource Utilization Groups (RUGs).

  The Corporation is reimbursed for certain reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Corporation and audits thereof by the Medicare Administrative Contractor (MAC). The Corporation's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Corporation. The Corporation's Medicare cost reports have been audited by the MAC through 2018.

- Medicaid

  Inpatient acute care services rendered to Medicaid program beneficiaries are paid at a prospectively determined rate per admission. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology.

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

Continued

2. Net Patient Service Revenue, Continued

- Medicaid, Continued

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

  Long-term care services are reimbursed by the Medicaid program based on a prospectively determined per diem. The per diem is determined by the facility's historical allowable operating costs adjusted for certain incentives and inflation factors.

  The Corporation participates in the Georgia Indigent Care Trust Fund (ICTF) Program. The Corporation receives ICTF payments for treating a disproportionate number of Medicaid and other indigent patients. ICTF payments are based on the Corporation's estimated uncompensated cost of services to Medicaid and uninsured patients. The amount of ICTF payments recognized in net patient service revenue was approximately $189,000 and $378,000 for the years ended September 30, 2020 and 2019, respectively.

  The Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA) provides for payment adjustments to certain facilities based on the Medicaid Upper Payment Limit (UPL). The UPL payment adjustments are based on a measure of the difference between Medicaid payments and the amount that could be paid based on Medicare payment principles. The net amount of UPL payment adjustments recognized in net patient service revenue was approximately $1,053,000 and $916,000 for the years ended September 30, 2020 and 2019, respectively.

- Other Arrangements

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

- Uninsured Patients

  The Corporation has a Financial Assistance Policy (FAP) in accordance with Internal Revenue Code Section 501(r). Based on the FAP, following a determination of financial assistance eligibility, an individual will not be charged more than the Amounts Generally Billed (AGB) for emergency or other medical care provided to individuals with insurance covering that care. AGB is calculated by reviewing claims that have been paid in full (including deductibles and coinsurance paid by the patient) to the Corporation for medically necessary care by Medicare and private health insurers during a 12-month look-back period.

Continued

3. Liquidity and Availability

As of September 30, 2020 and 2019, the Corporation has a working capital of approximately $3,303,000 and $770,000, respectively and average days (based on normal expenditures) cash on hand of 215 and 50 days, respectively.

Financial assets available for general expenditure within one year of the balance sheet date, consists of the following:

	2020	2019
Cash and cash equivalents	$ 6,835,924	$ 1,692,569
Patient accounts receivable, net	819,588	819,713
Estimated third-party payor settlements	85,101	76,036
Due from ITCF and UPL	15,877	8,776
Long-term investments	851,084	2,507,789
Less: CARES Act refundable advance	(3,555,035)	-
Total financial assets available	$ 5,052,539	$ 5,104,883

CARES Act refundable advance payments that are restricted for healthcare-related expenses or lost revenue attributable to COVID-19 are excluded from the table above. No other financial assets available are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The Corporation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

4. Uncompensated Services

The Corporation was compensated for services at amounts less than its established rates. Charges for uncompensated services for 2020 and 2019 were approximately $3,039,000 and $2,997,000, respectively.

Uncompensated care includes charity and indigent care services of approximately $(146,000) and $(231,000), respectively in 2020 and 2019. The cost of charity and indigent care services provided during 2020 and 2019 were approximately $(125,000) and $(214,000), respectively computed by applying a total cost factor to the charges foregone.

Continued

4. Uncompensated Services, Continued

The following is a summary of uncompensated services and a reconciliation of gross patient charges to net patient service revenue for 2020 and 2019:

	2020	2019
Gross patient charges	$ 14,518,143	$ 14,026,869
Uncompensated services:		
Charity and indigent care	(145,954)	(230,712)
Medicare	1,249,279	1,077,614
Medicaid	820,537	734,212
Medicaid UPL payments	(1,052,846)	(701,031)
Other allowances	1,576,195	1,411,083
Bad debts	591,878	706,185
Total uncompensated care	3,039,089	2,997,351
Net patient service revenue	$ 11,479,054	$ 11,029,518

5. Concentration of Credit Risk

The Corporation grants credit without collateral to patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at September 30, 2020 and 2019 was as follows:

	2020	2019
Medicare	46%	47%
Medicaid	24%	30%
Third-party payors	28%	15%
Self-pay	2%	8%
	100%	100%

At September 30, 2020 and 2019, the Corporation had deposits with financial institutions which exceeded the $250,000 Federal Depository Insurance Corporation limit. Management believes the credit risks related to these deposits is minimal.

Continued

6. Long-Term Investments

The composition of long-term investments as of September 30, 2020 and 2019 is set forth in the following table. Investments are stated at fair value.

	2020	2019
Cash and cash equivalents	$ 441	$ 1,617
Equities	346,314	1,186,962
Mutual funds - closed-end funds	-	478,361
Exchange traded funds	504,329	840,849
Total long-term investments	$ 851,084	$ 2,507,789

The following table provides a summary of the Corporation's investments as of September 30, 2020 and 2019, for which the cost basis of securities exceeds fair value, aggregated by investment category and length of time that individual securities have been in continuous unrealized loss positions:

	September 30, 2020					
	Less and 12 Months		12 Months or More		Total	
Description Of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Equities	$ 155,670	$ (30,312)	$ -	$ -	$ 155,670	$ (30,312)
Exchange traded funds	55,944	(7,836)	-	-	55,944	(7,836)
Total	$ 211,614	$ (38,148)	$ -	$ -	$ 211,614	$ (38,148)

	September 30, 2019					
	Less and 12 Months		12 Months or More		Total	
Description Of Securities	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Equities	$ 352,845	$ (28,617)	$ -	$ -	$ 352,845	$ (28,617)
Mutual funds - closed-end funds	88,340	(137)	298,360	(14,048)	386,700	(14,185)
Exchange traded funds	68,625	(3,743)	-	-	68,625	(3,743)
Total	$ 509,810	$ (32,497)	$ 298,360	$ (14,048)	$ 808,170	$ (46,545)

Continued

6. Long-Term Investments, Continued

Management evaluates securities for other-than-temporary impairment at least on an annual basis, and more frequently when economic or market concerns warrant such evaluation. In analyzing an issuer's financial condition, management considers whether the investments are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition.

Management has considered the nature of investments in an unrealized loss position, the cause of their impairment, the severity and duration of their impairment, the current global economic conditions, the Corporation's intentions to sell or ability to hold the investments, and other relevant information available to management in determining if investments are other than temporarily impaired. Based on an evaluation of these factors, the Corporation has concluded that the declines in fair values of the Corporation's investments reported in the above table are temporary.

Investment income and gains (losses) for long-term investments are comprised of the following for the years ending September 30, 2020 and 2019:

	2020	2019
Income:		
Interest and dividends	$ 45,132	$ 115,487
Realized gains (losses) on sales of securities	(128,162)	(244,358)
Investment expenses	(9,460)	(24,368)
Unrealized gains (losses)	(55,265)	-
	$ (147,755)	$ (153,239)
Other changes in net assets without donor restrictions:		
Unrealized gains (losses)	$ -	$ 54,819

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

Continued

7. Property, Plant, and Equipment

A summary of property, plant and equipment at September 30, 2020 and 2019 follows:

	2020	2019
Land	$ 3,607	$ 3,607
Land improvements	199,903	186,240
Buildings	2,137,083	1,967,615
Equipment	4,010,013	3,603,636
	6,350,606	5,761,098
Less accumulated depreciation	(4,501,440)	(4,312,038)
	1,849,166	1,449,060
Construction in progress	29,117	97,746
Property, plant, and equipment, net	$ 1,878,283	$ 1,546,806

Depreciation expense for the years ended September 30, 2020 and 2019 amounted to approximately $249,000 and $147,000, respectively. At September 30, 2020 and 2019, the Corporation had no outstanding construction commitments.

8. Long-Term Debt

A summary of long-term debt for the years ended September 30, 2020 and 2019 follows:

	2020	2019
Paycheck Protection Program, with interest rate of 1.00%.	$ 1,331,932	$ -
	1,331,932	-
Less current portion of long-term debt	441,760	-
Total	$ 890,172	$ -

Continued

8. Long-Term Debt, Continued

On April 14, 2020, the Corporation received loan proceeds in the amount of $1,331,932 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after the covered period as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1 percent, with a deferral of payments for the first ten months after the covered period. The Corporation believes its use of the proceeds is consistent with the PPP and has applied for forgiveness. The Corporation will recognize any forgiveness of the loan at the time the Corporation is legally released from the debt. While the Corporation currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, no assurances can be provided.

Subsequent to year end, the Corporation met the conditions for the forgiveness of the loan, and the PPP note was forgiven.

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

Year	Long-Term Debt
2021	$ 441,760
2022	890,172
Total	$ 1,331,932

9. Retirement Plan

The Corporation has a defined contribution pension plan (Plan) covering substantially all eligible employees. There are no age or service requirements for employees to be eligible for salary deferrals. The Corporation provides a discretionary tiered match currently equal to 100% of the first 3% and 80% of the next 3% of base compensation that a participant elects to defer to the Plan. The Corporation also may make an incremental discretionary contribution to the Plan based on each participant's annual compensation. In order to qualify for the employer contributions, a participant must have completed 24 months of service and be 21 years of age. The total contribution expense for the Plan was approximately $168,000 and $161,000 in 2020 and 2019, respectively.

Continued

10. Employee Health Insurance

The Corporation purchased health insurance coverage for employees under which monthly premiums are paid to Blue Cross Blue Shield. Blue Cross Blue Shield is then responsible for payment of all claims. The total expense related to this plan was approximately $442,000 and $403,000 for the years ended September 30, 2020 and 2019, respectively.

11. Malpractice Insurance

The Corporation is covered by a claims-made general and professional liability insurance policy with a specified deductible of $100,000 per incident and excess coverage on a claims-made basis. Liability limits related to this policy in 2020 and 2019 are $1 million per occurrence and $3 million in aggregate. In addition, the Corporation is covered by an umbrella policy of up to $3 million per occurrence and $3 million aggregate. The Corporation uses a third-party administrator to review and analyze incidents that may result in a claim against the Corporation. In conjunction with the third-party administrator, incidents are assigned reserve amounts for ultimate liability that may result from an asserted claim.

Various claims and assertions have been made against the Corporation in its normal course of providing services. In addition, other claims may be asserted arising from services provided to patients in the past. In the opinion of management, adequate provision has been made for losses which may occur from such asserted and unasserted claims that are not covered by liability insurance.

12. Commitments and Contingencies

Software Agreement

In April 2017, the Corporation entered into a 7-year agreement with Cerner for certain software and support services. The following is a schedule by year of the future payments under the terms of the agreement.

Year Ending	Amount at September 30
2021	$ 390,624
2022	390,624
2023	390,624
2024	390,624
Total	$ 1,562,496

Continued

12. Commitments and Contingencies, Continued

Litigation

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

Compliance Plan

The healthcare industry has been subjected to increased scrutiny from governmental agencies at both the federal and state level with respect to compliance with regulations. Areas of noncompliance identified at the national level include Medicare and Medicaid, Internal Revenue Service, and other regulations governing the healthcare industry. In addition, the Reform Legislation includes provisions aimed at reducing fraud, waste, and abuse in the healthcare industry. These provisions allocate significant additional resources to federal enforcement agencies and expand the use of private contractors to recover potentially inappropriate Medicare and Medicaid payments. The Corporation has implemented a compliance plan focusing on such issues. There can be no assurance that the Corporation will not be subjected to future investigations with accompanying monetary damages.

Health Care Reform

There has been increasing pressure on Congress and some state legislatures to control and reduce the cost of healthcare at the national and the state levels. Legislation has been passed that includes cost controls on healthcare providers, insurance market reforms, delivery system reforms and various individual and business mandates among other provisions. The costs of these provisions are and will be funded in part by reductions in payments by government programs, including Medicare and Medicaid. There can be no assurance that these changes will not adversely affect the Corporation.

Continued

13. Functional Expenses

The Corporation provides general health care services to residents within its geographic location. Expenses related to providing these services in 2020 and 2019 are as follows:

	2020		
	Patient Care Services	General and Administrative	Total
Salaries and wages	$ 5,403,112	$ 1,118,204	$ 6,521,316
Employee health and welfare	1,049,266	217,151	1,266,417
Purchased services and professional fees	1,400,231	801,589	2,201,820
Supplies and drugs	850,913	33,190	884,103
Depreciation	202,879	46,423	249,302
Other expenses	351,406	980,767	1,332,173
Total	$ 9,257,807	$ 3,197,324	$ 12,455,131

	2019		
	Patient Care Services	General and Administrative	Total
Salaries and wages	$ 5,012,345	$ 1,040,185	$ 6,052,530
Employee health and welfare	998,681	207,251	1,205,932
Purchased services and professional fees	1,501,012	1,696,041	3,197,053
Supplies and drugs	740,878	69,057	809,935
Depreciation	119,844	27,423	147,267
Other expenses	321,460	1,255,645	1,577,105
Total	$ 8,694,220	$ 4,295,602	$ 12,989,822

The financial statements report certain expense categories that are attributable to more than one health care service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including depreciation, interest expense, and other occupancy costs, are allocated to a function based on a square footage basis. Benefit expense is allocated consistent with salaries.

Continued

14. Related Party Transactions

In December 2016, ORMC began posting charges to the Corporation on an intercompany account for an allocation of ORMC's investment banker fees, attorneys' fees, accounting fees and other charges, all of which are disputed by the Corporation. In the bankruptcy case, ORMC has scheduled a claim against the Corporation for management fees and other charges, all of which are also disputed by the Corporation. The total amount payable to ORMC, based on ORMC's disputed postings, at September 30, 2020 and 2019 was approximately $0 and $1,500,000, respectively. The bankruptcy proceedings of ORMC were resolved on October 2, 2019 and payment was made to ORMC on October 11, 2019.

See schedule of amounts below:

	2020	2019
Management fees	$ -	$ 563,000
Legal and insurance expense	-	147,000
Other purchased services	-	790,000
Due to ORMC	$ -	$ 1,500,000

15. Fair Value Measurement

Fair value of assets measured on a recurring basis at September 30, 2020 and 2019 are as follows:

		Fair Vale Measurements at Reporting Date Using		
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2020				
Assets:				
Cash and cash equivalents	$ 441	$ 441	$ -	$ -
Equities	346,314	346,314	-	-
Exchange traded funds	504,329	504,329	-	-
Total assets	$ 851,084	$ 851,084	$ -	$ -

Continued

15. Fair Value Measurement, Continued

		Fair Vale Measurements at Reporting Date Using		
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2019				
Assets:				
Cash and cash equivalents	$ 1,617	$ 1,617	$ -	$ -
Equities	1,186,962	1,186,962	-	-
Mutual funds - closed-end funds	478,361	478,361	-	-
Exchange traded funds	840,849	840,849	-	-
Total assets	$ 2,507,789	$ 2,507,789	$ -	$ -

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Valuation techniques utilized to determine fair value are consistently applied. All assets have been valued using a market approach.

16. Rural Hospital Tax Credit Contributions

The State of Georgia (State) passed legislation which will allow individuals or corporations to receive a State tax credit for making a contribution to certain qualified rural hospital organization during calendar years 2017 through 2024. The Corporation submitted the necessary documentation and was approved by the State to participate in the rural hospital tax credit program for calendar years 2018 and 2019. Contributions received under the program approximated $611,000 during fiscal year 2020 and $391,000 during fiscal year 2019. The Corporation will have to be approved by the State to participate in the program in each subsequent year.

17. CARES Act

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen. The outbreak has put an unprecedented strain on the U.S. healthcare system, disrupted or delayed production and delivery of materials and products in the supply chain, and caused staffing shortages. The extent of the impact of COVID-19 on the Corporation's operational and financial performance depends on certain developments, including the duration and spread of the outbreak, remedial actions and stimulus measures adopted by local and federal governments, and impact on the Corporation's customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Corporation's financial position or results of operations is uncertain.

Continued

17. CARES Act, Continued

On March 27, 2020, the President signed the *Coronavirus Aid, Relief and Economic Security Act* (CARES Act). Certain provisions of the CARES Act provide relief funds to hospitals and other healthcare providers. The funding will be used to support healthcare-related expenses or lost revenue attributable to COVID-19. The U.S. Department of Health and Human Services began distributing funds on April 10, 2020 to eligible providers in an effort to provide relief to both providers in areas heavily impacted by COVID-19 and those providers who are struggling to keep their doors open due to healthy patients delaying care and canceling elective services. On April 24, 2020, the *Paycheck Protection Program and Health Care Enhancement Act* was passed. This Act provides additional funding to replenish and supplement key programs under the CARES Act, including funds to health care providers for COVID-19 testing. CARES Act funding is a conditional contribution and accounted for as a refundable advance until conditions have been substantially met or explicitly waived by the grantor. Because the use of the funds is limited to the purposes stated in the terms and conditions, the contributions are grantor restricted. The Corporation reports restricted contributions, whose restrictions are met in the same period in which they are received (simultaneous release), as net assets without donor restrictions. Recognized revenue is reported as operating revenues in the statements of operations and changes in net assets. The Corporation received $3,915,328 in grant stimulus funding in fiscal year 2020, of which $360,293 was recognized as operating revenues in the statements of operations and changes in net assets.

The CARES Act funding may be subject to audits. While the Corporation currently believes its use of the funds is in compliance with applicable terms and conditions, there is a possibility the payments could be recouped based on changes in reporting requirements or audit results.