The Regional Medical Center of Orangeburg and Calhoun Counties

Combined Financial Statements

Years Ended September 30, 2020 and 2019

Table of Contents

Independent Auditors' Report

Board of Trustees of
The Regional Medical Center of Orangeburg
and Calhoun Counties

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of The Regional Medical Center of Orangeburg and Calhoun Counties (the "Center") comprised of the combined statements of net position as of September 30, 2020 and 2019 and the related combined statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined 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 combined financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Center's preparation and fair presentation of the combined 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 Center'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 combined financial statements.

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

Opinion

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

Other Matters

Required Supplemental Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of changes in net pension liability and related ratios, and the schedules of pension contributions be presented to supplement the combined financial statements. Such information, although not a part of the combined financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the combined financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the combined financial statements, and other knowledge we obtained during our audit of the combined financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental Information
Our audit was conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The combining and combined information in the supplemental schedules listed in the foregoing table of contents are presented for purposes of additional analysis rather than to present the financial position and results of operations of the individual organizations and are not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Dixon Hughes Goodman LLP

Greenville, South Carolina
March 9, 2021

This section of the Regional Medical Center of Orangeburg and Calhoun Counties' (the "Center" or "RMC") annual combined financial statements presents our analysis of the Center's financial performance during the years ended September 30, 2020, 2019, and 2018. Please read this analysis in conjunction with the combined financial statements, which follow this section.

Overview of the Combined Financial Statements

The 2020 annual combined financial statements include the current management's discussion and analysis section, the report of independent auditors, and the combined financial statements of the Center. The accompanying combined financial statements also include notes that explain in more detail some of the information in the combined financial statements.

Required Combined Financial Statements

The Center's combined financial statements report information of the Center using accounting methods similar to those used by private-sector healthcare organizations. These combined financial statements offer short and long-term financial information about its activities:

- The combined statements of net position include all of the Center's assets, deferred outflows, liabilities, deferred inflows, and net position and provide information about the nature and amounts of investments in resources (assets and deferred outflows) and the obligations to Center creditors (liabilities). The combined statements of net position also provide the basis for evaluating the capital structure of the Center and assessing the liquidity and financial flexibility of the Center.

- All of the revenues and expenses are accounted for in the combined statements of revenues, expenses, and changes in net position. These statements measure the success of the Center's operations over the past year and can be used to determine whether the Center has successfully recovered all of its costs through its fees and other resources of revenue, profitability, and creditworthiness.

- The final required statement is the combined statement of cash flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, noncapital financing, and capital and related financing activities. It also provides answers to such questions as where did the cash come from, what was the cash used for, and what was the change in the cash balance during the reporting period.

Financial Analysis of the Center

The combined statements of net position and the combined statements of revenues, expenses, and changes in net position report the net position of the Center and the changes therein. The Center's net position is one indicator of the Center's financial health. Over time, increases or decreases in the Center's net position are one indicator of whether its financial health is improving or deteriorating. However, one will also need to consider other nonfinancial factors such as changes in economic conditions, population growth, and new or changed governmental legislation (a specific example would include the effect of the current COVID-19 pandemic).

Combined Statements of Net Position

A summary of the Center's combined statements of net position at September 30, 2020, 2019, and 2018, is presented in Table A-1:

Table A-1
Condensed Combined Statements of Net Position
September 30, 2020, 2019, and 2018 (in thousands)

	2020	2019	2018
ASSETS AND DEFERRED OUTFLOWS			
Current assets	$ 90,119	$ 43,273	$ 43,021
Capital assets, net	46,663	55,056	61,731
Noncurrent assets	58,568	65,492	61,072
Deferred outflows	4,394	9,266	9,187
Total assets and deferred outflows	$ 199,744	$ 173,087	$ 175,011
LIABILITIES AND DEFERRED INFLOWS			
Current liabilities	$ 73,445	$ 32,996	$ 29,056
Long-term liabilities	53,832	58,768	61,504
Deferred inflows	630	1,035	1,754
Total liabilities and deferred inflows	127,907	92,799	92,314
NET POSITION			
Net investment in capital assets	18,108	26,166	31,636
Restricted for:			
Nonexpendable	1,040	977	930
By donor for specific activities or capital acquisitions	2,371	1,906	1,958
Unrestricted	50,318	51,239	48,173
Total net position	71,837	80,288	82,697
Total liabilities, deferred inflows, and net position	$ 199,744	$ 173,087	$ 175,011

The net position of the Center decreased $8,451 during 2020 and decreased $2,409 during 2019.

Combined Statements of Revenues, Expenses, and Changes in Net Position

While the combined statements of net position show the change in the financial position of the Center, the combined statements of revenues, expenses, and changes in net position provide answers to the nature and source of these changes:

Table A-2
Condensed Combined Statements of Revenues, Expenses, and Changes in Net Position for the Years Ended September 30, 2020, 2019, and 2018 (in thousands)

	2020	2019	2018
Operating revenues:			
Net patient service revenues	$ 210,317	$ 218,813	$ 223,507
Other	6,544	4,304	4,459
Total operating revenues	216,861	223,117	227,966
Operating expenses:			
Salaries and benefits	109,067	111,601	118,196
Supplies	34,863	35,657	34,828
Professional fees and services	63,801	51,536	43,972
Other	19,518	17,908	18,155
Depreciation	12,461	12,596	12,868
Total operating expenses	239,710	229,298	228,019
Operating loss	(22,849)	(6,181)	(53)
Nonoperating revenues (expenses)	14,398	3,772	(1,039)
Decrease in net position	(8,451)	(2,409)	(1,092)
Net position, beginning of year	80,288	82,697	83,789
Net position, end of year	$ 71,837	$ 80,288	$ 82,697

Fiscal 2020 compared to Fiscal 2019

The Center's total operating revenues decreased in fiscal 2020 due to decreased volumes in services primarily related to COVID-19 impacts and limitations on services provided.

The Center's operating expenses for fiscal 2020 increased 4.5%. This is primarily related to professional fees and services associated with departments transitioned to purchased service agreements.

Fiscal 2019 compared to Fiscal 2018

The Center's total operating revenues decreased in fiscal 2019 due to decreased volumes in inpatient services.

The Center's operating expenses for fiscal 2019 increased 0.6%. This is primarily related to professional fees and services associated with departments transitioned to purchased service agreements.

Capital Assets and Debt Administration

At the end of fiscal 2020, the Center had invested approximately $46.7 million in net capital assets as shown in Table A-3. The decrease of approximately $8.4 million is primarily related to the growth in routine depreciation offset by current year additions.

At the end of fiscal 2019, the Center had invested approximately $55.1 million in net capital assets as shown in Table A-3. The decrease of approximately $6.7 million is primarily related to the addition of Bamberg Barnwell Emergency Medical Center which opened in April of 2019 offset by the growth in routine depreciation.

Table A-3
Capital Assets
September 30, 2020, 2019, and 2018 (in thousands)

	2020	2019	2018
Land and land improvements	$ 3,447	$ 3,399	$ 3,262
Buildings	106,462	105,416	97,088
Equipment	153,837	147,662	144,069
Construction-in-progress	44	4,144	10,622
	263,791	260,621	255,041
Accumulated depreciation	(217,127)	(205,565)	(193,310)
Capital assets, net	$ 46,663	$ 55,056	$ 61,731

Fiscal 2020 compared to Fiscal 2019

At September 30, 2020 and 2019, the Center has approximately $27.6 million and $28.9 million, respectively, of bonds payable principal outstanding, a decrease of approximately 4% during the year. The Center made principal payments of approximately $1.3 million and $1.2 million during fiscal 2020 and 2019, respectively.

Fiscal 2019 compared to Fiscal 2018

At September 30, 2019 and 2018, the Center has approximately $28.9 million and $30.1 million, respectively, of bonds payable principal outstanding, a decrease of approximately 4% during the year. The Center made principal payments of approximately $1.2 million and $790k during fiscal 2019 and 2018, respectively.

Economic and other factors

The Center continues to be challenged by issues of government regulation, declining reimbursement, changing technology, increasing pharmaceutical costs and staffing shortages. The Center continues to strive towards transforming its healthcare delivery system in order to further the mission to deliver high quality, compassionate care to everyone they touch every day.

Community Benefit

As a civic asset, the Center is one of the top employers in the area. The Center is committed to being the healthcare provider of choice through providing quality and being responsible for the cost effectiveness in delivery of healthcare.

The Center, like other healthcare providers, has undertaken the initiative to better tell and document the service provided to the community and the nation for health care needs. Following the lead set by the Catholic Health Association and VHA, Inc., the following statement was developed utilizing the guide for planning and reporting community benefit. This statement is not all-inclusive as systems are being developed and processes established to hard wire the reporting process. As footnoted below, a point of difference is the inclusion of bad debt. It is the belief of the Center that a significant percentage of the bad debt expense relates to services rendered to those who lack the resources for the health care they need. The following table depicts the activity related to the community benefit provided by RMC.

Quantifiable Benefits
September 30, 2020, 2019, and 2018 (in thousands)

	2020	2019	2018
Benefits for person living in poverty and the Broader community:			
Charity care at cost	$ 4,369	$ 4,716	$ 4,978
Bad debt, Medicaid shortfall, and ambulance	12,054	9,629	8,375
Safe Kids	-	1	2
Health Professional Education Scholarships	145	44	50
Physician coverage of EDs	1,609	2,273	2,041
Foundation and Community Outreach	400	584	563
Total quantifiable benefit	$ 18,577	$ 17,247	$ 16,009

Finance contact

The Center's combined financial statements are designed to present users with a general overview of the Center's finances and to demonstrate the Center's accountability. If you have any questions about the report or need additional financial information, please contact Rick Langosch, Interim Chief Financial Officer, or the Center's Controller, Anne Burton, in the absence of Mr. Langosch, The Regional Medical Center of Orangeburg and Calhoun Counties, 3000 St. Matthews Road, Orangeburg, South Carolina 29118.

	2020	2019
ASSETS AND DEFERRED OUTFLOWS		
Current assets:		
Cash and cash equivalents	$ 51,570,829	$ 2,013,676
Patient accounts receivable, net of estimated allowance for doubtful accounts of approximately $40,614,000 in 2020 and $21,854,000 in 2019	31,926,276	32,558,672
Drugs and supplies	3,991,216	4,825,355
Other receivables, net	1,148,764	2,219,761
Prepaid expenses	1,317,477	1,490,709
Estimated third-party payor settlements	164,858	164,858
Total current assets	90,119,420	43,273,031
Assets limited as to use	58,567,636	65,492,200
Capital assets, net	46,663,398	55,055,705
Total assets	195,350,454	163,820,936
Deferred outflows:		
Pension deferrals	4,393,666	9,265,752
Total deferred outflows	4,393,666	9,265,752
Total assets and deferred outflows	$ 199,744,120	$ 173,086,688

(Continued)

	2020	2019
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION		
Current liabilities:		
Current maturities of long-term debt	$ 1,295,000	$ 1,250,000
Accounts payable	18,026,508	18,066,153
Accrued salaries and wages	3,584,939	2,918,329
Accrued vacation	4,907,024	4,229,089
Accrued employee medical	1,911,294	1,602,116
Other accrued expenses	62,046	64,895
Provider relief funds liability	13,923,169	-
Estimated third-party payor settlements	29,734,877	4,864,759
Total current liabilities	73,444,857	32,995,341
Net pension liability	26,572,027	31,128,156
Long-term debt, net of current maturities	27,260,004	27,640,000
Total liabilities	127,276,888	91,763,497
Deferred inflows:		
Pension deferrals	629,879	1,035,238
Total deferred inflows	629,879	1,035,238
Net position:		
Net investment in capital assets	18,108,394	26,165,705
Restricted for:		
Nonexpendable	1,039,533	977,019
By donor for specific activities or capital acquisitions	2,371,098	1,905,706
Unrestricted	50,318,328	51,239,523
Total net position	71,837,353	80,287,953
Total liabilities, deferred inflows, and net position	$ 199,744,120	$ 173,086,688

The Regional Medical Center of Orangeburg and Calhoun Counties
Combined Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended September 30, 2020 and 2019

	2020	2019
Operating revenues:		
Net patient service revenue, net of provision for bad debts of approximately $39,049,000 in 2020 and $35,179,000 in 2019	$ 210,317,457	$ 218,812,096
Other	6,544,142	4,304,357
Total operating revenues	216,861,599	223,116,453
Operating expenses:		
Salaries and wages	87,277,975	92,096,266
Employee benefits	21,790,060	19,505,429
Supplies	34,862,502	35,656,566
Professional fees and services	63,800,681	51,535,821
Other	19,518,400	17,907,952
Depreciation	12,460,636	12,595,571
Total operating expenses	239,710,254	229,297,605
Operating loss	(22,848,655)	(6,181,152)
Nonoperating revenues (expenses):		
Investment gain, net	2,081,704	3,529,945
Noncapital grants and contributions	1,897,254	1,879,385
HHS COVID-19 provider relief funds	12,703,240	-
Foundation expenses	(855,205)	(320,849)
Other	(597,145)	(450,421)
Interest expense	(831,793)	(866,191)
Total nonoperating revenues	14,398,055	3,771,869
Decrease in net position	(8,450,600)	(2,409,283)
Net position, beginning of the year	80,287,953	82,697,236
Net position, end of the year	$ 71,837,353	$ 80,287,953

See accompanying notes.

The Regional Medical Center of Orangeburg and Calhoun Counties
Combined Statements of Cash Flows
For the Years Ended September 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Receipts from and on behalf of patients	$ 235,819,971	$ 213,054,686
Payments to suppliers and contractors	(121,813,723)	(98,648,220)
Payments to employees	(107,414,312)	(113,392,771)
Other receipts and payments, net	12,084,092	2,363,732
Net cash provided by operating activities	18,676,028	3,377,427
Cash flows from noncapital financing activities:		
Noncapital grants and contributions	1,897,254	1,879,385
Other receipts and payments, net	(597,145)	(450,421)
HHS COVID-19 provider relief funds	26,626,409	-
Payments for Foundation operations	(855,205)	(320,849)
Net cash provided by noncapital financing activities	27,071,313	1,108,115
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(1,250,000)	(1,205,000)
Proceeds from long-term debt	915,004	-
Interest paid on long-term debt	(834,642)	(867,058)
Purchase of capital assets	(4,026,818)	(5,658,831)
Net cash used by capital and related financing activities	(5,196,456)	(7,730,889)
Cash flows from investing activities:		
Increase (decrease) in assets limited as to use, net of earnings and fees	9,006,268	(889,814)
Net cash provided (used) by investing activities	9,006,268	(889,814)
Increase (decrease) in cash and cash equivalents	49,557,153	(4,135,161)
Cash and cash equivalents, beginning of year	2,013,676	6,148,837
Cash and cash equivalents, end of year	$ 51,570,829	$ 2,013,676

(Continued)

The Regional Medical Center of Orangeburg and Calhoun Counties
Combined Statements of Cash Flows (continued)
For the Years Ended September 30, 2020 and 2019

	2020	2019
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$ (22,848,655)	$ (6,181,152)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Loss on disposals of capital assets	2,226	52,095
Depreciation	12,460,636	12,595,571
Provision for bad debts	39,048,549	35,178,530
Pension deferrals	4,466,727	(797,793)
Change in net operating assets and liabilities:		
Patient accounts receivable, net	(38,416,153)	(37,963,001)
Other receivables, net	1,070,997	(1,194,927)
Drugs, supplies, and prepaid expenses	1,007,371	(448,950)
Estimated third-party payor settlements	24,870,118	(2,972,939)
Accounts payable	(83,382)	8,499,540
Accrued liabilities and other liabilities	(2,902,406)	(3,389,547)
Net cash provided by operating activities	$ 18,676,028	$ 3,377,427
Noncash transactions:		
Capital assets acquired through accounts payable	$ 43,737	$ 313,647

1. Organization and Summary of Significant Accounting Policies and Practices

Organization

The Regional Medical Center of Orangeburg and Calhoun Counties ("TRMC") was established under the laws of the state of South Carolina in 1955 by an act of the South Carolina General Assembly. TRMC primarily provides inpatient, outpatient, and emergency care services for residents of Orangeburg and Calhoun Counties. TRMC is organized under South Carolina non-stock corporation laws and governed by a Board of Trustees composed of 12 members appointed by the Orangeburg County Council, 3 members appointed by the Calhoun County Council, the chief of staff, and the chairman of the executive committee of the medical staff. TRMC is not included in the financial statements of Orangeburg County, South Carolina or Calhoun County, South Carolina.

Edisto Regional Health Services, Inc. ("ERHS") was incorporated by TRMC in 1997 and was formed exclusively to carry out the healthcare missions of TRMC. The Regional Medical Center of Orangeburg and Calhoun Counties Foundation (the "Foundation") was formed in 1986 by the Board of Trustees of TRMC for the purpose of performing certain fund-raising activities on behalf of TRMC. The Board of Trustees of TRMC appoints the members of the Board of Directors of the Foundation.

In accordance with the criteria in Governmental Accounting Standards Board ("GASB") Statement No. 61, *The Financial Reporting Entity*, TRMC, ERHS, and the Foundation are shown using a blended presentation; that is, the activity of TRMC, ERHS, and the Foundation, collectively referred to as the "Center", is shown in the same column.

Basis of Accounting

The Center's combined financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America as prescribed by the GASB and include the accounts of TRMC, ERHS, and the Foundation. All significant intercompany accounts have been eliminated in the combination.

Enterprise Fund Accounting

The Center uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Pursuant to GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* the Center will only recognize GASB statements as authoritative guidance. Financial Accounting Standards Board ("FASB") statements, including those issued after November 30, 1989 and AICPA pronouncements will no longer be authoritative and may be used as non-authoritative guidance.

Use of Estimates

The preparation of combined 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 at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Cash and Cash Equivalents

The Center considers all highly liquid investments with a maturity of three months or less when originally purchased, excluding amounts limited as to use, to be cash equivalents.

The Center maintains bank accounts at various financial institutions covered by the Federal Deposit Insurance Corporation ("FDIC"). At times throughout the year, the Center may maintain bank account balances in excess of the FDIC insured limit; however, the amounts not covered by the FDIC are collateralized. It is management's opinion that the Center is not exposed to any significant credit risk related to cash.

At September 30, 2020 and 2019, the Center's deposits had a carrying amount of approximately $54,815,000 and $4,651,000, respectively, and bank balances of approximately $59,571,000 and $8,503,000, respectively. The Center had cash on hand of approximately $6,000 and $5,000 at September 30, 2020 and 2019, respectively.

Drugs and Supplies

Drugs and supplies are stated at the lower of cost (first-in, first-out method) or market.

Assets Limited as to Use

Assets limited as to use include assets designated by the Center for capital acquisitions, over which the Center retains control and may at its discretion subsequently use for other purposes, assets designated by the Foundation for nursing scholarships, principal of a permanent endowment, and funds restricted by donors for specific activities or capital acquisitions. Assets limited as to use are reported at fair value. Investment income, including both realized and unrealized gains and losses, is included in nonoperating revenues (expenses).

Capital Assets

Capital assets with an initial cost of at least $1,000 are recorded at cost, except donated assets, which are recorded at fair market value at the date of donation. Depreciation expense is calculated on all depreciable assets based on the straight-line method over the estimated useful lives of such assets as established by the American Hospital Association, with the following ranges:

Land improvements	3 to 25 years
Buildings	5 to 40 years
Equipment	3 to 20 years

Expenditures which materially extend useful lives are capitalized. Routine maintenance, repairs, and replacements are charged to expense.

Patient accounts receivable

Patient accounts receivable are carried at the original charge less an estimate made for doubtful or uncollectible accounts. The estimate for doubtful or uncollectible accounts is based upon a review of the outstanding balances aged by financial class. Management uses historical collection percentages to determine collectability. Management also reviews troubled, aged accounts to determine collection potential. Patient accounts receivable are written off when deemed uncollectible. Recoveries of accounts previously written off are recorded as a reduction to provision for bad debts when received. Interest is not charged on patient accounts receivable.

Deferred Inflows and Outflows

Deferred inflows and outflows of resources represent a consumption or acquisition of net position that applies to a future period. The Center has pension deferrals related to the defined benefit pension plan.

Net Position

Net position is classified in four components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted net position – nonexpendable consists of an endowment fund for which the donor has stipulated, as a condition of the contribution, that the principal is to be maintained in perpetuity. Restricted net position – by donor for specific activities or capital acquisitions includes all resources for which the Center is legally obligated to spend the resources in accordance with restrictions imposed by external third parties. Unrestricted net position is not subject to stipulations imposed by external third parties.

Net Patient Service Revenue

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 agreements with third-party payors. Third-party contractual revenue adjustments are recorded on an estimated basis in the period the related services are rendered. Such amounts are subject to audit by the governmental agencies. Adjustments, if any, are included in contractual revenue adjustments in the year of determination. In compliance with GASB pronouncements, net patient service revenues have been reduced by the amount of bad debt expense incurred by the Center.

The Center's policy does not require collateral or other security for patient accounts receivable. The Center routinely accepts assignment of, or is otherwise entitled to receive, patient benefits payable under health insurance programs, plans or policies such as those related to Medicare, Medicaid, Blue Cross, health maintenance organizations and commercial insurance carriers.

Charity Care

The Center 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 Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Charges excluded from revenue under the Center's charity care policy were approximately $14,118,000 and $16,701,000 in 2020 and 2019, respectively.

The Center calculates the cost of providing charity care to patients using a cost-to-charge ratio method. Using this method, the costs of providing charity care services under the Center's indigent and charity care policy were approximately $4,446,000 and $4,716,000 for 2020 and 2019, respectively.

Operating Revenue and Expenses

The Center's combined statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the Center's principal activity. Non-exchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Grants and Contributions

From time to time, the Center receives grants and contributions from individuals and private organizations. Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

CARES Act Provider Relief Funds

These relief funds are considered non-exchange transactions subject to terms and conditions specified by the resource provider distributed by the Health Resources Service Administration section of the U.S. Department of Health and Human Services ("HHS"). These conditions create a restriction that such funds must be used to prevent, prepare or respond to the coronavirus ("COVID-19"), creating purpose restrictions in addition to conditions. This conditional grant revenue is recognized as nonoperating revenue to the extent conditions/restrictions for entitlement are met for coronavirus related expenses or lost revenues. Such funds are subject to recoupment to the extent the conditions for entitlement are not met.

Income Taxes

The Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"); accordingly, the accompanying combined financial statements do not reflect a provision or liability for federal and state income taxes. The Center has determined that it does not have any material unrecognized tax benefits or obligations as of September 30, 2020 and 2019.

Risk Management

The Center 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; natural disasters; medical malpractice; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial insurance coverage in preceding years. The Center is self-insured for amounts up to a specified level for health and medical coverage for its employees. The estimated liability is the total estimated amount to be paid for all known claims or incidents and a reserve for incurred but not reported claims.

2. Deposits and Assets Limited as to Use

At September 30, 2020 and 2019, the Center had the following investments with set maturities, all of which were held in the Center's name by a custodial bank that is the agent of the Center:

September 30, 2020		**Investment Maturity**			
Investment Type	**Fair Value**	**Less Than 1 Year**	**1-5 Years**	**6-10 Years**	**More Than 10 Years**
Debt securities:					
Federal Home Loan Mortgage Corp.	$ 8,183,713	$ -	$ 88,360	$ 1,081,931	$ 7,013,422
Federal National Mortgage Association	17,337,098	14,347	144,267	822,933	16,355,551
Government National Mortgage Association	22,181,008	-	123,040	1,424,610	20,633,358
U.S. Treasury Securities	7,621,460	4,363,184	2,171,593	897,072	189,611
Total investments	$ 55,323,279	$ 4,377,531	$ 2,527,260	$ 4,226,546	$ 44,191,942

September 30, 2019		**Investment Maturity**			
Investment Type	**Fair Value**	**Less Than 1 Year**	**1-5 Years**	**6-10 Years**	**More Than 10 Years**
Debt securities:					
Federal Home Loan Mortgage Corp.	$ 8,351,651	$ 209	$ 192,435	$ 1,269,564	$ 6,889,443
Federal National Mortgage Association	18,611,657	-	106,567	1,027,873	17,477,217
Government National Mortgage Association	32,034,427	-	198,655	1,732,918	30,102,854
U.S. Treasury Securities	3,857,623	2,593,344	-	383,388	880,891
Total investments	$ 62,855,358	$ 2,593,553	$ 497,657	$ 4,413,743	$ 55,350,405

Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses as a result of rising interest rates, the Center generally invests in obligations with varying maturity dates.

Credit Risk

The Center's policy regarding credit risk limits the Center to investments as defined by the Investments of Funds by Political Subdivisions for the State of South Carolina, including but not limited to obligations of state, federal, and political subdivisions.

All investments are U.S. Government Obligations and Agencies or those obligations explicitly guaranteed by the U.S. Government. As of September 30, 2020 and 2019, the Center's investments in U.S. Government Agencies were rated AA+ by Standard & Poor's.

Custodial Credit Risk

For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the Center will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Center limits this risk by diversifying its investments with regard to issuers and class of issuers.

Concentration of Credit Risk

The Center requires that no more than 10% of the market value of investments should be invested in the securities of a single issuer, except for the U.S. Government, and its agencies or instrumentalities, and unless the investment committee approves. As of September 30, 2020, the Center held less than 5% of the carrying amount of investments in any one issuer except U.S. Government Agencies.

The carrying amount of deposits and assets limited as to use included on the Center's combined statements of net position are as follows:

	2020	2019
Carrying amount:		
Deposits	$ 54,815,186	$ 4,650,518
Investments	55,323,279	62,855,358
Total	$ 110,138,465	$ 67,505,876
Included in the following combined statements of net position captions:		
Cash and cash equivalents	$ 51,570,829	$ 2,013,676
Assets limited as to use	58,567,636	65,492,200
	$ 110,138,465	$ 67,505,876

Investment gain, net, for assets limited as to use and cash equivalents are comprised of the following for the years ended September 30, 2020 and 2019:

	2020	2019
Interest and dividend income	$ 3,102,324	$ 3,599,197
Realized losses on sales of investments, net	(1,764,793)	(1,458,424)
Unrealized gains on investments, net	1,242,685	1,866,882
Custodian fees	(498,512)	(477,710)
Investment gain, net	$ 2,081,704	$ 3,529,945

3. Fair Value of Financial Instruments

The Fair Value Measurements and Application Standard addresses accounting and financial reporting issues related to fair value measurements. The standard describes fair value as an exit price. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The statement establishes a three-level hierarchy of inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets or liabilities, inputs that are observable for the asset or liability, and market-corroborated inputs. Level 3 inputs are unobservable inputs and take into account all information about market participant assumptions that are reasonably available. The Center categorizes its fair value measurements within the fair value hierarchy established by this standard.

For assets carried at fair value, the following table provides fair value information as of September 30, 2020 and 2019:

	Fair value measurements at September 30, 2020 using			
	Fair value at September 30, 2020	**Quoted prices In active markets for identical assets and liabilities (Level 1)**	**Quoted prices for similar assets and liabilities (Level 2)**	**Significant unobservable inputs (Level 3)**
Investments by fair value level				
US Treasury & Agencies	$ 55,323,279	$ 55,323,279	$ -	$ -

	Fair value measurements at September 30, 2019 using			
	Fair value at September 30, 2019	**Quoted prices In active markets for identical assets and liabilities (Level 1)**	**Quoted prices for similar assets and liabilities (Level 2)**	**Significant unobservable inputs (Level 3)**
Investments by fair value level				
US Treasury & Agencies	$ 62,855,358	$ 62,855,358	$ -	$ -

Assets limited as to use, described in Note 2, are held at fair value and included in the table above except cash and cash equivalents totaling approximately $3,244,000 and $2,637,000 at September 30, 2020 and 2019, respectively. US Treasury and Agencies classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

4. Accounts Receivable and Accounts Payable

Patient accounts receivable reported as current assets by the Center consisted of the following as of September 30, 2020 and 2019:

Accounts Receivable	**2020**	**2019**
Receivable from patients	$ 48,827,882	$ 29,087,931
Receivable from third-party payors and others	7,688,309	9,981,206
Receivable from Medicare	13,664,061	12,810,504
Receivable from Medicaid	2,360,409	2,533,291
Total patient accounts receivable	72,540,661	54,412,932
Less: allowance for uncollectible accounts	(40,614,385)	(21,854,260)
Patient accounts receivable, net	$ 31,926,276	$ 32,558,672

Accounts payable and accrued expenses reported as current liabilities by the Center consisted of the following as of September 30, 2020 and 2019:

Accounts Payable and Accrued Expenses	2020	2019
Payable to suppliers and others	$ 18,088,554	$ 18,131,048
Payable to employees (including payroll taxes)	10,403,257	8,749,534
Total accounts payable and accrued expenses	$ 28,491,811	$ 26,880,582

5. Capital Assets

Capital asset additions, retirements, transfers and balances for the years ended September 30, 2020 and 2019 were as follows:

	Balance September 30, 2019	Additions	Retirements & Transfers	Balance September 30, 2020
Land	$ 767,879	$ -	$ -	$ 767,879
Land improvements	2,631,208	48,817	-	2,680,025
Buildings	105,415,540	17,183	1,029,238	106,461,961
Equipment	147,661,835	2,696,696	3,478,752	153,837,283
Totals at historical cost	256,476,462	2,762,696	4,507,990	263,747,148
Less accumulated depreciation:				
Land improvements	(2,346,241)	(44,403)	-	(2,390,644)
Buildings	(77,476,796)	(4,233,985)	-	(81,710,781)
Equipment	(125,741,566)	(8,182,248)	897,752	(133,026,062)
Total accumulated depreciation	(205,564,603)	(12,460,636)	897,752	(217,127,487)
Construction in progress	4,143,846	1,307,859	(5,407,968)	43,737
Capital assets, net	$ 55,055,705	$ (8,390,081)	$ (2,226)	$ 46,663,398

	Balance September 30, 2018	Additions	Retirements & Transfers	Balance September 30, 2019
Land	$ 706,617	$ 61,262	$ -	$ 767,879
Land improvements	2,554,724	76,484	-	2,631,208
Buildings	97,088,025	941,804	7,385,711	105,415,540
Equipment	144,069,291	2,967,659	624,885	147,661,835
Totals at historical cost	244,418,657	4,047,209	8,010,596	256,476,462
Less accumulated depreciation:				
Land improvements	(2,308,699)	(37,542)	-	(2,346,241)
Buildings	(73,228,667)	(4,248,129)	-	(77,476,796)
Equipment	(117,772,971)	(8,309,900)	341,305	(125,741,566)
Total accumulated depreciation	(193,310,337)	(12,595,571)	341,305	(205,564,603)
Construction in progress	10,622,573	1,925,269	(8,403,996)	4,143,846
Capital assets, net	$ 61,730,893	$ (6,623,093)	$ (52,095)	$ 55,055,705

6. Long-Term Debt

A schedule of changes in the Center's long-term debt for 2020 and 2019 follows:

	September 30, 2019	Additions	Reductions	September 30, 2020	Current Portion
2017A bonds	$ 5,790,000	$ -	$ (630,000)	$ 5,160,000	$ 640,000
2017B bonds	23,100,000	-	(620,000)	22,480,000	655,000
PPP loan	-	915,004	-	915,004	-
	$ 28,890,000	$ 915,004	$ (1,250,000)	$ 28,555,004	$ 1,295,000

	September 30, 2018	Additions	Reductions	September 30, 2019	Current Portion
2017A bonds	$ 6,415,000	$ -	$ (625,000)	$ 5,790,000	$ 630,000
2017B bonds	23,680,000	-	(580,000)	23,100,000	620,000
	$ 30,095,000	$ -	$ (1,205,000)	$ 28,890,000	$ 1,250,000

During 2020, ERHS received a Paycheck Protection Program ("PPP") loan in the amount of $915,004 in response to the COVID-19 pandemic. If certain criteria are met, ERHS may have all or a portion of the loan forgiven, effectively converting the outstanding balance as of September 30, 2020 to a grant. Any portion of the loan not forgiven has a term of two years and bears interest at 1.0% with repayments deferred for seven months. As of September 30, 2020, it is uncertain at this time what portion of the loan may be forgiven, if any.

During 2017, the Center issued South Carolina Jobs-Economic Development Authority Fixed Rate Hospital Revenue Bond Series 2017A (the "2017A Bonds") in the principal amount of $6,680,000. The 2017A Bonds principal payments are due annually through 2028 in amounts ranging from $630,000 to $650,000. The interest rate on the 2017A Bonds is fixed at 2.8% per annum. Interest is payable monthly. The gross receipts of the Center are pledged as security on the 2017A Bonds.

During 2017, the Center issued South Carolina Jobs-Economic Development Authority Fixed Rate Hospital Revenue Bond Series 2017B (the "2017B Bonds") in the principal amount of $24,205,000. The 2017B Bonds principal payments are due annually through 2037 in amounts ranging from $620,000 to $2,070,000. The interest rate on the 2017B Bonds is fixed at 2.86% per annum. Interest is payable monthly. The gross receipts of the Center are pledged as security on the 2017B Bonds.

Under the terms of the 2017A and 2017B Bond indentures, the Center is required to maintain certain restrictive covenants, the most restrictive of which requires the Center to maintain a certain debt service ratio.

The aggregate debt service payments due on long-term debt for the years subsequent to September 30, 2020, and until maturity are as follows:

	Long-Term Debt	
Year Ending September 30:	**Principal**	**Interest**
2021	$ 1,295,000	$ 763,263
2022	2,225,004	728,874
2023	1,305,000	694,254
2024	1,350,000	661,148
2025	1,405,000	622,969
2026 – 2030	7,805,000	2,510,075
2031 – 2035	9,095,000	1,311,009
2036 – 2037	4,075,000	138,692
Total	$ 28,555,004	$ 7,430,284

7. Net Patient Service Revenues

The Center has agreements with third-party payors that provide for payments to the Center at amounts different from its established rates. The difference between the Center's rates and the estimated payments from third-party payors is recorded as a contractual allowance. Revenue for patient services and the related accounts receivable have been adjusted to the estimated amounts that will be received under third-party payor arrangements. A summary of the payment arrangements with major third-party payors follows:

Medicare

Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge using a diagnosis related group (Medicare Severity Adjusted or "MSDRG") system. These rates vary according to patient classification, clinical diagnosis, and other factors. Inpatient capital costs are paid at prospectively determined rates as a component of the MSDRG payment. The Center receives the federal rate, with final settlement determined after submission of the annual Medicare cost report.

Certain Medicare outpatient services are paid based on APCs ("Ambulatory Payment Classifications"), the outpatient equivalent of MSDRGs while other outpatient Medicare services are paid under a Medicare fee schedule. The Center is reimbursed for cost-reimbursable items at a tentative rate with final settlement determined after the submission of annual Medicare cost reports by the Center and audits thereof by the Medicare fiscal intermediary. The Medicare cost reports of the Center have been audited and final settled by the Medicare fiscal intermediary through the fiscal year ended September 30, 2014.

Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries through September 30, 2012 were reimbursed on an interim basis at prospectively determined rates with final settlement determined after the submission of the annual Medicaid cost reports by the Center and audits thereof by Medicaid. For the fiscal year ended September 30, 2013 through December 31, 2019, all reimbursements are made on a prospective basis. Effective January 1, 2020, all discharges will receive retrospective cost settlements equaling 100% of the SC Medicaid inpatient hospital reimbursable cost subject to the July 2014 and October 2015 normalization actions. The Medicaid cost reports of the Center have been audited and final settled by Medicaid through the fiscal year ended September 30, 2012.

Other

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

Revenue from the Medicare program accounted for approximately 58% and 48% of the Center's net patient service revenue for the years ended 2020 and 2019, respectively. Revenue from the Medicaid program accounted for approximately 13% and 19% of the Center's net patient service revenue for the years ended 2020 and 2019, respectively. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The Center believes that it is in compliance with all applicable laws and regulations and it has recorded adequate provisions for any inquiries and reviews. Compliance with such laws and regulations can be subject to future government review and interpretations as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs. A provision (contractual adjustment) is deducted each year from gross patient service charges to reflect the net patient service revenues earned under the Medicare and Medicaid programs. Final determination of amounts earned is computed using annual reports submitted by the Center and is subject to review and adjustment by the program's intermediary. Changes from final determination are reflected as changes in estimates generally in the year of determination. The 2020 and 2019 net patient service revenue decreased by approximately $765,000 and increased by approximately $77,000, respectively, due to changes in the allowances previously estimated for tentative cost report settlements.

Contractual adjustments related to Medicare and Medicaid programs and other adjustments were deducted from gross patient service charges to arrive at net patient service revenue as follows:

	2020	2019
Gross patient service charges at established rates, net of charity care	$ 747,000,596	$ 795,268,855
Deductions:		
Contractual adjustments	(497,634,590)	(541,278,229)
Provision for bad debts	(39,048,549)	(35,178,530)
	(536,683,139)	(576,456,759)
Net patient service revenue	$ 210,317,457	$ 218,812,096

The Center qualified for disproportionate share payments from the South Carolina Medicaid Program ("Medicaid DSH") through September 30, 2020 and 2019. The Center received quarterly lump-sum payments totaling approximately $12,458,000 and $14,693,000 for the years ended September 30, 2020 and 2019, respectively. These amounts are reflected as a reduction of Medicaid contractual adjustments. Medicaid DSH contains a provision requiring the repayment of disproportionate funds received if the participating hospital is determined to be ineligible or is paid more than their Hospital Specific DSH limit or uncompensated care costs. The Center is also subject to audits performed by the South Carolina Medicaid Program and could have repayments due to Medicaid DSH as a result of the audits which may result in significant impacts to net patient service revenue in the year of recognition.

The South Carolina Department of Health and Human Services ("SCDHHS") has audited the results of the South Carolina Medicaid Program through fiscal year 2016 with audit results communicated in February 2020. Under the current audit methodology for the redistribution, only hospitals that received more in interim Medicaid DSH payments than their hospital specific DSH limit are required repayment to SCDHHS for redistribution to hospitals that received less than their hospital specific DSH limit.

The Center has reserved approximately $3,747,000 related to Medicaid DSH as of the year ended September 30, 2020. The 2020 reserve relates to anticipated redistributions related to FY 2017 through FY20.

8. Operating Leases

The Center leases medical and business equipment under operating leases expiring at various dates through fiscal 2022. Total rent expense in 2020 and 2019 for all operating leases was approximately $3,630,000 and $2,730,000, respectively.

The following is a schedule by year of future remaining lease payments under operating leases at September 30, 2020:

2021	$ 744,449
2022	139,594
	$ 884,043

9. Pension Plans

Pension Plan Description

The Plan is a single-employer defined benefit pension plan, which provides for retirement, death, and disability benefits to plan participants and beneficiaries. The Center reserves the right to amend the Plan at any time. If the Plan is terminated, the Plan assets will be distributed among the plan participants based upon a priority allocation procedure. The Center shall be liable for any unfunded vested benefits to the extent required by law.

Effective January 1, 2010, the Plan was amended to permanently suspend benefit accruals. No additional benefits accrue under the Plan for service on and after January 1, 2010. However, employees continue to accrue years of service for the purposes of qualifying for vesting, early retirement, and normal retirement.

The plan year is from October 1 to September 30 and actuarial assumptions and other information is presented based on plan years ended September 30, 2019 and 2018.

Pension Benefits

Participants with five or more years of service, as defined by the Plan, are entitled to pension benefits upon retirement when they meet the requirements of the Plan. If employees terminate before rendering five years of continuous service, they forfeit the right to receive pension benefits upon retirement. Pension benefits are provided to participants under several types of retirement options based upon years of service and age. Retirement benefits are paid to pensioners or beneficiaries in various forms of joint and survivor annuities, including a lump-sum payment option if the value is less than $15,000.

Death and Disability Benefits

In the event of a vested employee's death, his or her designated beneficiary will be entitled to receive a survivor benefit equal to 50% of the participant's accrued benefit (survivor annuity), according to Plan provisions. The survivor benefit commences on the earliest date that the deceased participant could have elected to receive retirement benefits. If a participant becomes disabled, he or she may elect disability retirement. Disabled participants are eligible for early retirement when the benefits under the Center's long-term disability insurance expire.

Employees Covered by Benefit Terms

The following employees were covered by the benefit terms as of October 1, 2019 and 2018:

	2019	2018
Active employees	427	506
Inactive participants entitled to future benefits	613	674
Inactive participants receiving benefits	481	436
Beneficiaries receiving benefits	46	46
Disabled participants receiving benefits	4	4
	1,571	1,666

Contributions

Contributions to provide benefits under the Plan are made solely by the Center. The entire cost of the Plan is borne by the Center. Plan members are not required to contribute to the Plan. The Center contributes at an actuarially determined rate under the Plan sponsor's funding policy for the Plan year. The Center contributed approximately $6,100,000 and $6,067,000 in the fiscal years ended September 30, 2020 and 2019, respectively.

Although it has not expressed any intent to do so, the Center has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions set forth under ERISA.

Net Pension Liability

The most recent annual actuarial valuation reports are as of October 1, 2019. The net pension liability of the defined benefit pension plan was therefore determined based on the October 1, 2019 actuarial valuations, using membership data as of October 1, 2019, projected forward to the end of the fiscal year, and financial information of the pension funds as of October 1, 2019, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by the Center's consulting actuary.

For the years ended September 30, 2020 and 2019, the Center recognized pension expense of approximately $3,073,000 and $3,782,000, respectively.

The following represents the changes in the net pension liability as of September 30, 2020:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2019	$ 80,549,995	$ 49,421,839	$ 31,128,156
Changes for the year:			
Interest	5,421,416	-	5,421,416
Differences between expected and actual experience	(455,641)	(217,331)	(238,310)
Contributions - employer	-	6,100,197	(6,100,197)
Return on assets	-	3,459,529	(3,459,529)
Changes in assumptions	(179,509)	-	(179,509)
Benefits paid	(6,098,696)	(6,098,696)	-
Net changes	(1,312,430)	3,243,699	(4,556,129)
Balances at September 30, 2020	$ 79,237,565	$ 52,665,538	$ 26,572,027

Sensitivity Analysis

The following represents the sensitivity of the net pension liability to changes in the interest rate based on values as of October 1, 2019:

	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
Net pension liability	$ 35,501,126	$ 26,572,027	$ 19,140,115
Funded %	55.2%	66.5%	75.8%

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The total pension liability in the October 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount rate	7.0%
Expected return on plan assets	7.0%
Mortality	MP-2018 Projection Scale

The discount rate adopted by the Center for valuing plan liabilities was determined by the methods prescribed under applicable guidance which requires the use of a long-term rate of return on plan assets, unless a projection of the net fiduciary position will not be sufficient to provide for projected benefit payments of the covered current and former employees.

The projected return on plan assets assumption is developed through review of current and historical capital markets data and historical performance of investment strategies. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class as of September 30, 2020 are summarized in the following table:

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return
Bonds	48.0%	3.50%
Equities	52.0%	10.50%
	100.0%	

Deferred Inflows and Outflows of Resources Related to Pensions

At September 30, 2020, the Center reported deferred inflows and outflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference between expected and actual experience	$ (284,989)	$ 640,491
Difference between expected and actual return on plan assets	(50,242)	590,535
Funding method change	(294,648)	-
Contributions made after measurement date	-	3,162,640
	$ (629,879)	$ 4,393,666

The amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:		
2021	$	3,693,458
2022		33,496
2023		26,718
2024		10,115
Net balance of deferred inflows and outflows of resources	$	3,763,787

Other Plans

The Center also has a retirement savings plan under Section 403(b) of the IRC that covers substantially all employees. The retirement and savings plan allow employees to contribute amounts as limited by the IRC. The Center matches contributions equal to 25% of the participants' contribution up to a maximum of 6% of compensation for eligible participants.

Participants are fully vested in the Center's matching contributions after five years of service. The Center contributed approximately $654,000 and $403,000 to the retirement and savings plan for the years ended September 30, 2020 and 2019, respectively.

The Center established a defined contribution plan effective January 1, 2010. All employees who work at least 1,000 hours in a year will earn vesting service time in the defined contribution plan. The Center makes contributions to the defined contribution plan on the employee's behalf based on years of vesting service as defined in the defined contribution plan document. Contributions to the defined contribution plan were approximately $1,535,000 and $1,415,000 for the years ended September 30, 2020 and 2019, respectively.

10. Commitments and Contingencies

Professional Liability Insurance

Malpractice claims arising from services provided to patients have been asserted against the Center by various claimants, and additional claims may be asserted for known incidents through September 30, 2020. The claims are in various stages of processing, and some may ultimately be brought to trial. Moreover, additional claims arising from services provided to patients in the past may be asserted.

Effective October 1, 2001, the Center changed its professional liability insurance coverage from a claims-made policy to an incurred policy carried by the Insurance Reserve Fund of the State of South Carolina. Incidents occurring prior to October 1, 2001, have been and may be asserted against the Center, and these claims would not be covered under the current professional liability insurance policy. The ultimate disposition of liabilities relating to claims that occurred prior to October 1, 2001, is subject to inherent uncertainties. However, management is of the opinion that, taking into account the applicable professional liability insurance coverage, and the Center's experience with past claims, the results of these claims and potential claims will not have a material adverse effect on the Center's combined financial position or combined results of operations. The Center is protected under the South Carolina Tort Claims Act, which has a cap of $1,200,000 for physician errors and $300,000 for other medical staff errors.

Settled claims have not exceeded commercial insurance coverage in any of the three preceding years, except for those incidences occurring prior to October 1, 2001, which were not covered under the current professional liability insurance policy.

Self-Insurance Medical Plan

The Center's health insurance plan is a self-insured medical plan (the "Medical Plan") that provides certain benefits for covered employees. The employees pay a monthly premium and the Medical Plan will pay for certain medical expenses as defined in the Medical Plan document. The Medical Plan has a lifetime coverage maximum of $1,000,000 per covered participant. The Center maintains individual stop-loss insurance coverage for a covered participant's annual claims in excess of $200,000. At September 30, 2020 and 2019, the Center has recorded an accrual for incurred but not reported claims of approximately $1,139,000 and $1,115,000, respectively.

Workers' Compensation

The Center has a high-deductible insurance policy under which the Center is responsible for the first $100,000 of cost on each claim and is fully covered for any claim over the deductible amount. At September 30, 2020 and 2019, the Center has recorded an accrual for expected future claim costs of approximately $499,000 and $487,000, respectively.

Litigation

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

Industry

The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulation by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services billed.

11. Vendor Negotiated Settlement

In 2014, the Center negotiated a $29,000,000 multi-year settlement agreement with a vendor. According to governmental accounting rules, the professional fees related to the transaction must be recorded in the year incurred and the benefits of the settlement be recorded in the year the benefit is received. For the years ended September 30, 2020 and 2019, the Center recognized approximately $1,750,000 and $1,936,000, respectively, in reduction of professional fees and services on the combined statements of revenues, expenses, and changes in net position.

12. COVID-19 Pandemic

In response to the global coronavirus disease pandemic across the United States of America, the federal government and a large number of state governments, including South Carolina, have imposed strict measures to curtail aspects of public life in an effort to control further spreading of COVID-19, including limitations on public gatherings, wearing of masks in public, and restrictions on restaurant and other businesses operating capacity.

An outbreak of an infectious disease, including the growth in the magnitude or severity of COVID-19 cases in the Center's service area, could result in an abnormally high demand for health care services, potentially inundating hospitals with patients in need of intensive care services. The treatment of this highly contagious disease could also result in a temporary shutdown of areas of the facility or diversion of patients or staffing shortages. Additionally, elective services were being deferred during fiscal year 2020, which resulted in reduced patient volumes and operating revenues. Further, the changing global economic conditions or potential global health concerns surrounding the COVID-19 pandemic may also affect the Center's partners, suppliers, distributors and payors, potentially disrupting or delaying the Center's supply chain and delaying reimbursement by governmental, commercial or private payors, as well as impacting their creditworthiness and ability to pay. At this time, it is not possible to accurately predict the significance of the duration of the COVID-19 pandemic, the impact on operating income, the costs associated with responding to this pandemic, or what federal funds may continue be made available to help recover from this crisis.

As with nearly all industries and companies operating through the COVID-19 pandemic, the Center expects to encounter further volatility and disruption in its operations and in the local, national and global economies.

Although the Center has activated plans to address the COVID-19 threat and is operating pursuant to infectious disease protocols and its emergency preparedness plan, the potential impact of the COVID-19 pandemic is difficult to predict and could materially adversely impact the Center's combined financial condition, liquidity and results of operations in the future.

On March 27, 2020, the federal Coronavirus Aid, Relief and Economic Security Act was signed into law, which is intended to provide economic relief and emergency assistance for individuals, families and businesses affected by COVID-19. Various state governments are also taking action to provide economic relief and emergency assistance. The Center received CARES Act Provider Relief Funds general distributions of approximately $26,600,000 in the year ended September 30, 2020. The Center recognized approximately $12,700,000 as nonoperating revenue in fiscal year 2020 to the extent the conditions for entitlement to such funding for healthcare related expenses or lost revenues to prevent, prepare for or respond to COVID-19, have been met, resulting in the simultaneous release of restrictions. The remaining CARES Act payments of approximately $13,900,000 are recorded as provider relief funds liability on the accompanying combined statements of net position as of September 30, 2020. The Center has until June 30, 2021 to utilize remaining funds toward expenses attributable to coronavirus but not reimbursed by other sources or to lost revenues per the terms and conditions.

On October 22, 2020, November 2, 2020 and January 15, 2021, HHS issued Post-Payment Notices of Reporting Requirements ("PPNRR") which establish the reporting criteria for providers which received PRF funding under the CARES Act. On December 27, 2020, the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 ("CRRSAA") was signed into law which provided on-going assistance to healthcare providers and provided additional clarity around PRF reporting requirements. The guidance provided in the PPNRR and CRRSAA is advisory in nature, and subject to change, and it is unknown at the report date what impacts this, and future guidance will have on PRF funding and revenue recognition. As such, amounts recognized as PRF for the year ended September 30, 2020 are subject to change and those changes could be material. The funds are also subject to future audits and potential adjustment and certain amounts may need to be repaid to the government.

In addition, the Center received Medicare Advance Payments under the Accelerated and Advanced Payment Program of approximately $24,200,000 during the year ended September 30, 2020. These amounts must be repaid to the Centers for Medicare and Medicaid Services by withholding payment on future claims submitted by the Center. These deferrals are included in estimated third-party payor settlements on the combined statement of net position.

13. Subsequent Events

Subsequent events have been evaluated through March 9, 2021, which is the date the combined financial statements were issued.

Required Supplemental Information

	September 30, 2020	September 30, 2019	September 30, 2018	September 30, 2017	September 30, 2016
Total pension liability:					
Interest	$ 5,421,416	$ 5,361,900	$ 5,279,528	$ 5,178,815	$ 5,178,815
Differences between expected and actual experience	(455,641)	1,434,161	2,187,121	(631,443)	1,051,521
Assumption changes	(179,509)	-	(2,006,078)	-	-
Benefits paid	(6,098,696)	(4,953,035)	(4,404,950)	(4,057,113)	(3,718,954)
Net change in total pension liability	(1,312,430)	1,843,026	1,055,621	490,259	2,511,382
Total pension liability - beginning	80,549,995	78,706,969	77,651,348	77,161,089	74,649,707
Total pension liability - ending (a)	$ 79,237,565	$ 80,549,995	$ 78,706,969	$ 77,651,348	$ 77,161,089
Plan fiduciary net position:					
Contributions - employer	$ 6,100,197	$ 4,971,354	$ 4,434,595	$ 4,057,113	$ 3,718,954
Return on plan assets	3,459,529	3,226,528	3,067,859	2,905,658	2,905,658
Benefits paid	(6,098,696)	(4,953,035)	(4,404,950)	(4,057,113)	(3,718,954)
Difference between expected and actual	(217,331)	83,736	(830,799)	(588,514)	(2,246,640)
Net change in plan fiduciary net position	3,243,699	3,328,583	2,266,705	2,317,144	659,018
Total plan fiduciary net position - beginning	49,421,839	46,093,256	43,826,551	41,509,407	40,850,389
Total plan fiduciary net position - ending (b)	$ 52,665,538	$ 49,421,839	$ 46,093,256	$ 43,826,551	$ 41,509,407
Net pension liability - ending (a) - (b)	$ 26,572,027	$ 31,128,156	$ 32,613,713	$ 33,824,797	$ 35,651,682
Plan fiduciary net position as a percentage of the total pension liability	66.47%	61.36%	58.56%	56.44%	53.80%
Covered-employee payroll	$ 30,147,068	$ 32,272,265	$ 41,682,137	$ 37,437,572	$ 47,176,672
Net pension liability as a percentage of covered-employee payroll	88.14%	96.45%	78.24%	90.35%	75.57%

	September 30, 2020	September 30, 2019	September 30, 2018	September 30, 2017	September 30, 2016
Actuarially determined contribution	$ 6,636,568	$ 6,057,686	$ 4,771,174	$ 4,300,126	$ 2,520,078
Contributions in relation to the actuarially determined contribution	6,100,197	4,971,354	4,434,595	4,057,113	3,718,954
Contribution deficit (excess)	$ 536,371	$ 1,086,332	$ 336,579	$ 243,013	$ (1,198,876)
Covered-employee payroll	$ 30,147,068	$ 32,272,265	$ 41,682,137	$ 37,437,572	$ 47,176,672
Contributions as a percentage of covered-employee payroll	20.23%	15.40%	10.64%	10.84%	7.88%

Notes to Schedule:

Measurement date	October 1, 2019
Valuation date	October 1, 2019
Salary increases	N/A, plan frozen in 2010
Discount rate	7.00%
Expected rate of return on plan assets	7.00%
Mortality	MP-2018 Projection Scale

Supplemental Information

The Regional Medical Center of Orangeburg and Calhoun Counties
Combining Statement of Net Position Information
September 30, 2020

Assets and Deferred Outflows	The Medical Center	ERHS	Foundation	Combined Total	Eliminating Entries	Combined Total
Current assets:						
Cash and cash equivalents	$ 49,117,724	$ 2,334,844	$ 118,261	$ 51,570,829	$ -	$ 51,570,829
Patient accounts receivable, net of estimated allowance for doubtful accounts of approximately $40,614,000	31,394,555	531,721	-	31,926,276	-	31,926,276
Drugs and supplies	3,991,216	-	-	3,991,216	-	3,991,216
Other receivables, net	996,254	-	152,510	1,148,764	-	1,148,764
Prepaid expenses	1,250,727	66,750	-	1,317,477	-	1,317,477
Estimated third-party payor settlements	164,858	-	-	164,858	-	164,858
Total current assets	86,915,334	2,933,315	270,771	90,119,420	-	90,119,420
Assets limited as to use	56,921,772	-	1,645,864	58,567,636	-	58,567,636
Due from affiliate	34,916,974	-	-	34,916,974	(34,916,974)	-
Capital assets, net	46,433,220	230,178	-	46,663,398	-	46,663,398
Total assets	225,187,300	3,163,493	1,916,635	230,267,428	(34,916,974)	195,350,454
Deferred outflows:						
Pension deferrals	4,393,666	-	-	4,393,666	-	4,393,666
Total deferred outflows	4,393,666	-	-	4,393,666	-	4,393,666
Total assets and deferred outflows	$ 229,580,966	$ 3,163,493	$ 1,916,635	$ 234,661,094	$ (34,916,974)	$ 199,744,120

Liabilities, Deferred Inflows, and Net Position	The Medical Center	ERHS	Foundation	Combined Total	Eliminating Entries	Combined Total
Current liabilities:						
Current maturities of long-term debt	$ 1,295,000	$ -	$ -	$ 1,295,000	$ -	$ 1,295,000
Accounts payable	17,893,749	132,759	-	18,026,508	-	18,026,508
Accrued salaries and wages	3,416,986	167,953	-	3,584,939	-	3,584,939
Accrued vacation	4,780,453	126,571	-	4,907,024	-	4,907,024
Accrued employee medical	1,883,309	27,985	-	1,911,294	-	1,911,294
Other accrued expenses	62,046	-	-	62,046	-	62,046
Provider relief funds liability	13,923,169	-	-	13,923,169	-	13,923,169
Estimated third-party payor settlements	29,600,367	134,510	-	29,734,877	-	29,734,877
Total current liabilities	72,855,079	589,778	-	73,444,857	-	73,444,857
Due to affiliate	-	34,916,974	-	34,916,974	(34,916,974)	-
Net pension liability	26,572,027	-	-	26,572,027	-	26,572,027
Long-term debt, net of current maturities	26,345,000	915,004	-	27,260,004	-	27,260,004
Total liabilities	125,772,106	36,421,756	-	162,193,862	(34,916,974)	127,276,888
Deferred inflows:						
Pension deferrals	629,879	-	-	629,879	-	629,879
Total deferred inflows	629,879	-	-	629,879	-	629,879
Net position:						
Net investment in capital assets	18,793,220	(684,826)	-	18,108,394	-	18,108,394
Restricted for:						
Nonexpendable	30,000	-	1,009,533	1,039,533	-	1,039,533
By donor for specific activities or capital acquisitions	1,582,257	-	788,841	2,371,098	-	2,371,098
Unrestricted	82,773,504	(32,573,437)	118,261	50,318,328	-	50,318,328
Total net position	103,178,981	(33,258,263)	1,916,635	71,837,353	-	71,837,353
Total liabilities, deferred inflows, and net position	$ 229,580,966	$ 3,163,493	$ 1,916,635	$ 234,661,094	$ (34,916,974)	$ 199,744,120

The Regional Medical Center of Orangeburg and Calhoun Counties
Combining Statement of Revenues, Expenses, and Changes in Net Position Information
For the Year Ended September 30, 2020

	The Medical Center	ERHS	Foundation	Combined Total	Eliminating Entries	Combined Total
Operating revenues:						
Net patient service revenue, net of provision for bad debts of approximately $39,049,000	$ 206,275,568	$ 4,041,889	$ -	$ 210,317,457	$ -	$ 210,317,457
Other	4,686,815	1,857,327	-	6,544,142		6,544,142
Total operating revenues	210,962,383	5,899,216	-	216,861,599	-	216,861,599
Operating expenses:						
Salaries and wages	83,253,293	4,024,682	-	87,277,975	-	87,277,975
Employee benefits	21,267,434	522,626	-	21,790,060	-	21,790,060
Supplies	34,544,547	317,955	-	34,862,502	-	34,862,502
Professional fees and services	63,319,257	481,424	-	63,800,681	-	63,800,681
Other	19,049,371	469,029	-	19,518,400	-	19,518,400
Depreciation	12,410,660	49,976	-	12,460,636	-	12,460,636
Total operating expenses	233,844,562	5,865,692	-	239,710,254	-	239,710,254
Operating income (loss)	(22,882,179)	33,524	-	(22,848,655)	-	(22,848,655)
Nonoperating revenues (expenses):						
Investment gain, net	2,009,493	-	72,211	2,081,704	-	2,081,704
Noncapital grants and contributions	1,839,843	-	57,411	1,897,254	-	1,897,254
HHS COVID-19 provider relief funds	12,703,240	-	-	12,703,240	-	12,703,240
Foundation expenses	-	-	(855,205)	(855,205)	-	(855,205)
Other	(596,922)	(223)	-	(597,145)	-	(597,145)
Interest expense	(831,793)	-	-	(831,793)	-	(831,793)
Total nonoperating revenues (expenses)	15,123,861	(223)	(725,583)	14,398,055	-	14,398,055
Increase (decrease) in net position	(7,758,318)	33,301	(725,583)	(8,450,600)	-	(8,450,600)
Net position (deficit), beginning of the year	110,937,299	(33,291,564)	2,642,218	80,287,953	-	80,287,953
Net position (deficit), end of the year	$ 103,178,981	$ (33,258,263)	$ 1,916,635	$ 71,837,353	$ -	$ 71,837,353

The Regional Medical Center of Orangeburg and Calhoun Counties
Combined Schedules of Other Expenses Information
For the Years Ended September 30, 2020 and 2019

	2020	2019
Management service contracts	$ 1,363,793	$ 1,032,933
Utilities	3,101,376	3,316,258
Sales tax	1,870,361	1,862,171
Insurance	1,713,676	1,461,530
Advertising, memberships and dues	471,780	190,167
License tax	4,241,562	4,417,717
Rental expense	3,627,721	2,736,102
Minor equipment and repairs	605,984	549,601
Recruiting	354,234	628,904
Employee expenses	51,922	111,453
Freight and shipping	298,703	333,853
Travel and education	171,878	498,434
Subscriptions, software and storage	219,147	238,508
Bank charges	204,947	205,667
Miscellaneous	1,221,316	324,654
Total	$ 19,518,400	$ 17,907,952

The Regional Medical Center of Orangeburg and Calhoun Counties
Combined Schedules of Professional Fees and Services Information
For the Years Ended September 30, 2020 and 2019

	2020	2019
Outside services	$ 33,483,256	$ 30,739,469
Physician fees	4,826,997	4,870,439
Contract labor	4,807,676	4,192,447
Maintenance contracts	10,329,191	6,470,850
Collection expenses	4,072,638	4,102,732
Legal expenses	571,637	140,401
Consultants	5,624,921	587,202
Quorum fee	-	348,796
Audit fees	84,365	83,485
Total	$ 63,800,681	$ 51,535,821