CAMC Health System, Inc. and Subsidiaries

Consolidated Financial Statements as of and for the Years Ended December 31, 2020 and 2019, Schedule of Expenditures of State of West Virginia Awards for the Years Ended December 31, 2020 and 2019, Schedule of Expenditures of Federal Awards for the Year Ended December 31, 2020, and Independent Auditors' Reports in Connection with the Uniform Guidance for the Year Ended December 31, 2020

CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
CAMC Health System, Inc.:

We have audited the accompanying consolidated financial statements of CAMC Health System, Inc. and its subsidiaries (the "System"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CAMC Health System, Inc. and its subsidiaries as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Expenditures of State of West Virginia Awards—2020 and the Schedule of Expenditures of State of West Virginia Awards—2019 as required by the State of West Virginia Department of Health and Human Resources Grantee Audit Compliance Guide are presented for purposes of additional analysis. The accompanying Schedule of Expenditures of Federal Awards as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 9, 2021, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the System's internal control over financial reporting and compliance.

Deloitte & Touche LLP

April 9, 2021, except for our report on the Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State of West Virginia Awards are dated January 28, 2022

CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2020 AND 2019
(In thousands)

	2020	2019
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 39,887	$ 35,791
Short-term investments	271,200	92,771
Current portion of assets limited as to use	10,000	10,000
Patient receivables	207,124	227,352
Other receivables	13,833	28,258
Estimated amounts due from third-party payors	26,042	24,534
Inventories	24,783	21,207
Prepaid expenses and other	25,794	25,708
Total current assets	618,663	465,621
ASSETS LIMITED AS TO USE	437,125	418,983
PROPERTY, EQUIPMENT, AND INFORMATION SYSTEMS—Net	397,916	393,162
RIGHT OF USE ASSETS—Operating leases	12,491	13,873
OTHER ASSETS	4,087	4,098
TOTAL	$ 1,470,282	$ 1,295,737

(Continued)

CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2020 AND 2019
(In thousands)

	2020	2019
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 77,469	$ 97,939
Medicare accelerated payments liability	79,070	-
Self-insurance reserves	10,000	10,000
Derivative obligation	31,924	28,178
Accrued payroll and payroll-related expenses	60,220	65,526
Estimated amounts due to third-party payors	16,624	14,141
Operating lease liabilities	2,477	2,777
Current maturities of long-term debt and finance lease obligations	6,478	9,429
Total current liabilities	284,262	227,990
LONG-TERM LIABILITIES:		
Long-term debt and finance lease obligations—less current maturities	345,214	345,575
Long-term operating lease liabilities	9,709	10,893
Retirement obligations	9,956	9,480
Self-insurance reserves	13,597	10,368
Long-term Medicare accelerated payments liability	38,002	-
Other	18,316	9,622
Total long-term liabilities	434,794	385,938
Total liabilities	719,056	613,928
NET ASSETS:		
Without donor restrictions	658,397	602,244
Noncontrolling interest in joint ventures	334	301
Without donor restrictions—total	658,731	602,545
With donor restrictions	92,495	79,264
Total net assets	751,226	681,809
TOTAL	$ 1,470,282	$ 1,295,737

See notes to consolidated financial statements. (Concluded)

CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In thousands)

	2020	2019
UNRESTRICTED REVENUE AND OTHER SUPPORT:		
Net patient service revenues	$ 1,066,655	$ 1,150,234
Other revenue	80,350	73,116
Investment income—net	41,164	63,313
Net assets released from CARES Act Relief Fund	74,189	-
Net assets released from restrictions	1,921	2,580
Total unrestricted revenue and other support	1,264,279	1,289,243
EXPENSES:		
Salaries and wages	488,687	479,929
Employee benefits	121,176	138,734
Professional compensation and fees	35,034	25,393
Supplies and other	472,110	461,446
Depreciation and amortization	43,920	44,141
Medicaid provider tax	30,680	31,203
Interest and debt expense	13,619	16,714
Change in fair value of derivatives	4,403	5,561
Total expenses	1,209,629	1,203,121
EXCESS OF REVENUES OVER EXPENSES—Controlling and noncontrolling interest	54,650	86,122
EXCESS OF REVENUES OVER EXPENSES—Noncontrolling interest	(109)	(128)
EXCESS OF REVENUES OVER EXPENSES—Net of noncontrolling interest	$ 54,541	$ 85,994

See notes to consolidated financial statements.

CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In thousands)

	2020	**2019**
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Excess of revenue over expenses—controlling and noncontrolling interest	$ 54,650	$ 86,122
Change in retirement obligations actuarial loss and prior service cost	1,135	(95)
Contributions for capital expenditures	477	1,597
Endowment fund reclass	-	128
Assets released from restrictions for capital expenditures	-	36
Equity transactions with noncontrolling interest	(76)	(534)
Increase in net assets without donor restrictions	56,186	87,254
NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions	5,561	3,656
CARES Act Relief Fund contributions	74,189	-
Investment income—net	8,982	12,144
Fund transfer	609	(2,483)
Net assets released from restrictions for capital expenditures	-	(36)
Net assets released from CARES Act Relief Fund	(74,189)	-
Net assets released from restrictions for programs	(1,921)	(2,580)
Increase in net assets with donor restrictions	13,231	10,701
INCREASE IN NET ASSETS	69,417	97,955
NET ASSETS—Beginning of year	681,809	583,854
NET ASSETS—End of year	$ 751,226	$ 681,809

See notes to consolidated financial statements.

CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(In thousands)

	2020	2019
OPERATING ACTIVITIES:		
Increase in net assets	$ 69,417	$ 97,955
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities:		
Change in fair value of derivatives	4,403	5,561
Gain on disposal of fixed assets	(1)	(782)
Change in retirement obligations actuarial loss and prior service cost	(1,135)	95
Depreciation and amortization	43,920	44,141
Realized and unrealized gain on investments	(29,770)	(52,538)
Net restricted contributions and investment income	(88,732)	(15,800)
Equity transactions with noncontrolling interest	76	534
Loss on refinancing	-	1,998
Other	(976)	(1,678)
Changes in assets and liabilities:		
Patient receivables	20,228	(64,474)
Other receivables	14,425	(16,596)
Short-term investments	(174,325)	44,420
Inventories, prepaid expenses, and other	(4,308)	214
Estimated amounts due to third-party payors	975	11,364
Accounts payable and accrued expenses	(20,167)	31,155
Accrued payroll and payroll-related expenses	(4,171)	(1,344)
Medicare accelerated payments liability	117,072	-
Other liabilities	12,297	(13,540)
Net cash (used in) provided by operating activities	(40,772)	70,685
INVESTING ACTIVITIES:		
Capital expenditures	(41,632)	(38,608)
Purchases of limited as to use investments	(181,972)	(174,778)
Proceeds from sales of limited as to use investments	172,196	155,234
Net cash used in investing activities	(51,408)	(58,152)
FINANCING ACTIVITIES:		
Principal payments on debt obligations and finance lease obligations	(9,680)	(117,183)
Proceeds from debt issuance	-	119,869
Debt issuance costs	-	(1,286)
Repayments under lines of credit	(3,011)	(3,731)
Borrowings under lines of credit	3,011	3,731
Equity transactions with noncontrolling interest	(76)	(534)
Net restricted contributions and investment income	88,732	15,800
Net cash provided by financing activities	78,976	16,666
NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS, RESTRICTED CASH, AND RESTRICTED CASH EQUIVALENTS	(13,204)	29,199
CASH, CASH EQUIVALENTS, RESTRICTED CASH, AND RESTRICTED CASH EQUIVALENTS—Beginning of year	80,591	51,392
CASH, CASH EQUIVALENTS, RESTRICTED CASH, AND RESTRICTED CASH EQUIVALENTS—End of year	$ 67,387	$ 80,591
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	$ 12,083	$ 14,108
Finance lease additions	$ 7,344	$ -
Capital expenditures remaining in accounts payable at year-end	$ 642	$ 945

See notes to consolidated financial statements.

1. ORGANIZATION

CAMC Health System, Inc. (the "Parent") is a West Virginia nonprofit corporation that the Internal Revenue Service (IRS) has determined is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code"). As the parent holding company, the Parent provides general guidance and strategic direction and is the sole corporate member for the following subsidiaries (collectively, the "System"):

Charleston Area Medical Center, Inc. (CAMC)—A West Virginia nonprofit corporation that owns and operates the General, Memorial, and Women and Children's Hospitals, located in Kanawha County, West Virginia, and Teays Valley Hospital ("CAMC Teays") located in Putnam County, West Virginia. CAMC is a member in two medical office building limited liability companies ("LLCs"), each organized as limited liability corporations. CAMC owns a 79.9% interest in the General Division Medical Office Building LLC and a 96.1% interest in the Women and Children's Medical Office Building LLC at December 31, 2020 and 2019. The residual interest is reflected as noncontrolling interest in the consolidated financial statements.

CAMC Health Network, LLC (the "Health Network") d/b/a West Virginia Health Network—In 2018, the Health Network was formed as a sole member LLC, with CAMC as its sole member. It is a disregarded entity for federal income tax purposes and takes on the tax characteristics of its sole member, which is a Section 501(c)(3) organization. The Health Network began operating in 2019.

CAMC Foundation, Inc. (the "Foundation")—A West Virginia nonprofit corporation established for the purpose of raising funds for CAMC.

CAMC Health Education and Research Institute, Inc. (the "Institute")—A West Virginia nonprofit corporation established for the purpose of managing, promoting, and conducting medical education and research programs.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation—The accompanying consolidated financial statements include the accounts of the Parent and its subsidiaries. All significant intercompany transactions and balances have been eliminated.

Investments in companies in which the System owns 20% to 50% of the voting interest and has the ability to exercise significant influence over operating and financial policies of the investee are accounted for using the equity method of accounting. As a result, the System's share of the earnings or losses of such equity affiliates is included in investment income—net in the accompanying consolidated statements of operations and the System's share of these companies' shareholders' equity is included in assets limited as to use in the accompanying consolidated balance sheets. The investment balances and equity earnings were not material in 2020 or 2019.

COVID-19 Pandemic—On March 11, 2020, the World Health Organization designated the COVID-19 outbreak as a global pandemic. In conjunction with the Centers for Disease Control and Prevention recommendations made in mid-March 2020, the System deferred all nonessential medical and surgical procedures and suspended elective procedures. Federal, state, and local government policies resulted in a substantial portion of the population to remain at home and forced the closure of certain businesses, which had a substantial impact to the System's volumes and revenues for most services. The System also took actions that included significantly reducing operating expenses and deferring nonessential expenditures at the height of the crisis.

In response to COVID-19, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law on March 27, 2020. The CARES Act authorizes funding to hospitals and other health care providers to be distributed through the Provider Relief Fund ("Relief Fund"). Payments from the Relief Fund are to be used to prevent, prepare for, and respond to coronavirus, and shall reimburse the recipient for health care-related expenses or lost revenues attributable to coronavirus. Such funds are not required to be repaid, provided that the recipients attest to and comply with the terms and conditions, including limitations on balance billings and not using Relief Funds to reimburse expenses or losses that other sources are obligated to reimburse.

Commencing in April 2020, the US Department of Health and Human Services made distributions from the Relief Fund including the general distribution and targeted distributions to support hospitals in high impact areas and rural providers. Additionally, funds were made available to reimburse providers for COVID-19-related treatment of uninsured patients. The System received payments from the Relief Fund subsequent to April 1, 2020, of approximately $74,189 as of December 31, 2020, which is recorded as net assets released from CARES Act Relief Fund in the consolidated statements of operations and CARES Act Relief Fund contributions and net assets released from CARES Act Relief Fund in the consolidated statements of changes in net assets.

Commencing in April 2020, the System requested accelerated Medicare payments as provided for in the CARES Act. The Medicare accelerated payment program allows eligible health care facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other health care providers. In 2020, the System received approximately $117,072 of accelerated payments with repayment to occur based upon the terms and conditions of the program.

These advance payments are recorded as Medicare accelerated payments liability in the consolidated balance sheets. Original terms and conditions of the program indicated that after 120 days past receipt of the advance payments, claims for services provided to Medicare beneficiaries would be applied against these cash advances and any unapplied cash advance payment amounts must be paid in full within 12 months from receipt of the advance payments. In October 2020, the terms of the program were changed and currently claims for services will be applied against the cash advances after one year from receipt of the funds and any unapplied cash advance payment amounts must be paid in full within 29 months from receipt.

The System also deferred the employer portion of social security taxes under the CARES Act which resulted in $8,992 being recorded within accrued payroll and payroll-related expenses and $8,992 being recorded within other long-term liabilities in the consolidated balance sheet as of December 31, 2020.

Cash and Cash Equivalents and Short-Term Investments—Cash and cash equivalents represent cash and temporary investments with original maturities of three months or less. Cash and cash equivalents exclude cash maintained in board-designated, restricted, self-insurance, and trustee-held funds. Short-term investments represent investments that management has identified as available to meet current operating needs. Short-term investments are stated at fair value.

The Parent and its subsidiaries maintain certain cash balances with banks that exceed the amounts insured by the Federal Deposit Insurance Corporation.

The following provides a reconciliation of cash, cash equivalents, restricted cash, and restricted cash equivalents and their classifications reported within the consolidated balance sheets that sum to the total of the same amounts shown in the consolidated statements of cash flows:

	2020	2019
Cash and cash equivalents	$39,887	$35,791
Assets limited as to use	27,500	44,800
Total cash, cash equivalents, restricted cash, and restricted cash equivalents	$67,387	$80,591

Net Patient Service Revenues—Net patient service revenues are derived primarily from patients who reside in West Virginia and surrounding states, principally covered by Medicare, Medicaid, managed care, and other health plans, as well as uninsured patients and other uninsured discount and charity programs. The System reports net patient service revenues at the amounts that reflect the consideration to which we expect to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including managed care payors and government programs) and others, and they include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, we bill our patients and third-party payors several days after the services are performed or shortly after discharge. Revenues are recognized as performance obligations are satisfied by transferring our services to our customers.

We determine performance obligations based on the nature of the services we provide. We recognize revenues for performance obligations satisfied over time based on actual charges incurred in relation to total expected charges. We believe that this method provides a faithful depiction of the transfer of services over the term of performance obligations based on the inputs needed to satisfy the obligations. Generally, performance obligations satisfied over time relate to patients in our hospitals receiving inpatient acute care services. We measure performance obligations from admission to the point where there are no further services required for the patient, which is generally the time of discharge. We recognize revenues for performance obligations satisfied at a point in time, which generally relate to patients receiving outpatient services, when (1) services are provided and (2) we do not believe the patient requires additional services.

Because our patient service performance obligations relate to contracts with a duration of less than one year, we have elected to apply the optional practical expedient method and, therefore, we are not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

Gross patient service revenue is recognized based on the System's standard billing rates. Gross patient service billings are reduced to "net patient service revenues" through (1) a provision for contractual adjustments for patients who have third-party coverage with contracted rates less than standard billed charges for the services rendered, including federal and state indemnity and managed care programs and commercial insurance and (2) a provision for patients who meet the charity care criteria and are provided services at amounts less than the established rates. We determine our estimates of contractual adjustments and discounts based on contractual agreements, our discount policies, and historical experience. We determine our estimate of implicit price concessions based on our historical collection experience with these classes of patients using a portfolio approach as a practical expedient method to account for patient contracts as collective groups rather than individually. The financial statement effects of using this practical expedient method are not materially different from an individual contract approach.

The System has agreements with third-party payors that provide for payments at amounts that differ from its established rates. A summary of the payment arrangements with major third-party payors is as follows:

Medicare—Payment for inpatient acute care services rendered to Medicare program beneficiaries and associated medical education, disproportionate share hospital (DSH), and capital cost reimbursement are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services are reimbursed at prospectively determined rates per visit based primarily on an ambulatory payment classification. Some inpatient nonacute services, certain outpatient services, and a percentage of bad debt costs related to Medicare beneficiaries are substantially paid based on a cost reimbursement methodology. Other amounts related to interns and residents and DSH are paid based on formulas as defined in the Medicare regulations. The System is paid for cost reimbursable items, interns, and residents and DSH at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. 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 Medicare program.

The Medicare cost reports for CAMC have been audited by the Medicare fiscal intermediary through December 31, 2013.

Medicaid—Payments for inpatient services rendered to Medicaid program beneficiaries are primarily reimbursed on a prospective payment system per discharge. Outpatient services rendered to Medicaid program beneficiaries are reimbursed primarily at prospectively determined rates per visit based on a fee schedule with no retrospective adjustment.

Public Employees' Insurance Agency (PEIA)—Inpatient services rendered to PEIA subscribers are reimbursed on a prospective payment system. Outpatient services rendered to PEIA subscribers are reimbursed based on a fee schedule with no retroactive adjustment.

Other—The System has also entered into payment agreements with certain commercial insurance carriers, preferred provider organizations (PPO), and health maintenance organizations (HMO). Payment under the commercial, HMO, and PPO arrangements are primarily based on a percentage of charges.

Medicaid-Directed Payment Program (DPP)-Expanded Medicaid Population—The Patient Protection and Affordable Care Act allowed states to expand eligibility for Medicaid medical benefits effective January 1, 2014. West Virginia expanded Medicaid eligibility effective January 1, 2014, in a Medicaid fee-for-service environment through August 31, 2015. Effective September 1, 2015, beneficiaries of the expanded Medicaid population were transitioned to Medicaid managed care. These beneficiaries of the expanded population can be eligible for supplemental DPP reimbursement. West Virginia began working with the Centers for Medicare & Medicaid Services (CMS) to secure supplemental DPP reimbursement effective January 1, 2014.

The System recognized as a component of net patient service revenue for the years ended December 31, 2020 and 2019, $38,604 and $30,296, respectively, related to the DPP program. Supplemental payments for the Medicaid population have been extended for the West Virginia fiscal year ending June 30, 2021.

Medicaid-Enhanced Payment Programs—Under the West Virginia Medicaid-Enhanced Payment Programs, the methodology utilized in determining payments is based on the West Virginia State Plans approved on May 15, 2006. The methodology utilizes the following four payment groups: Urban, rural, tertiary safety net, and rural safety net, and the amounts are currently assigned and approved by CMS.

Allowance for Contractual Adjustments—Payments received under the reimbursement arrangements with Medicare and Medicaid are subject to retroactive audit and adjustment. Settlements with third-party payors for retroactive revenue adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care using the most likely outcome method. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and our historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Settlement of prior-year cost reports and revisions to other prior-year settlement estimates decreased net patient service revenue by $661 and $310 in 2020 and 2019, respectively.

Laws and regulations governing these programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimated settlements will change by a material amount in the near term. Management believes that adequate provisions have been made for reasonable adjustments that may result from such final settlements. Management believes it is in substantial compliance with all applicable laws and regulations. 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.

Generally, patients who are covered by third-party payors are responsible for related co-pays, coinsurance, and deductibles, which vary in amount. We also provide services to uninsured patients and offer uninsured patients a discount from standard charges. We estimate the transaction price for patients with co-pays, coinsurance, and deductibles and for those who are uninsured based on historical collection experience and current market conditions. Under our charity care program, the discount offered to certain uninsured patients is recognized as a charity allowance, which reduces net patient service revenues at the time the self-pay accounts are recorded. The uninsured patient accounts, net of contractual allowances recorded, are further reduced to their net realizable value at the time they are recorded through implicit price concessions based on historical collection trends for self-pay accounts. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to net patient service revenues in the period of the change.

Patient Receivables—When we have an unconditional right to payment, subject only to the passage of time, the right is treated as a receivable. Patient receivables, including billed accounts and unbilled accounts for which we have the unconditional right to payment, and estimated amounts due from third-party payors for retroactive adjustments, are receivables if our right to consideration is unconditional and only the passage of time is required before payment of that consideration is due. The estimated uncollectible amounts are generally considered implicit price concessions that are a direct reduction to patient accounts receivable. For changes in credit issues not assessed at the date of service, the System will prospectively recognize those amounts in operating expenses in the consolidated statements of operations. The provision for doubtful accounts was immaterial as of December 31, 2020 and 2019.

Contract Assets—Amounts related to services provided to patients for which we have not billed and that do not meet the conditions of unconditional right to payment at the end of the reporting period are contract assets. Our contract assets consist primarily of services that we have provided to patients who are still receiving inpatient care in our facilities at the end of the reporting period. Contract assets are included in prepaids and other in the accompanying consolidated balance sheets.

Inventories—Inventories represent supplies that are valued at the lower of cost or net realizable value on a first-in, first-out basis.

Employer-Provided Health Care—The System provides group health and medical benefits to its employees through self-insurance. The System recognizes net patient service revenue for the estimated value of the services provided to its own employees and an equal employee benefit expense recorded within employee benefits in the consolidated statements of operations. The estimated net patient service revenue and corresponding employee benefit expense for such services was $53,488 and $53,286 for the years ended December 31, 2020 and 2019, respectively.

Assets Limited as to Use and Investments—Assets limited as to use primarily include assets held by trustees under indenture and other agreements, designated assets set aside by the board of trustees, self-insurance funds, and donor-restricted assets. Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk and market uncertainty associated with certain investment securities, it is at least reasonably possible that changes in values in the near term could materially affect the amounts reported in the accompanying consolidated financial statements.

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value and are classified as trading securities. Investment income or loss (including realized gains and losses, interest, dividends, and unrealized gains and losses) is included in unrestricted investment income or loss, unless the income or loss is restricted by donor or law.

The System invests in alternative investments that primarily represent ownership in limited partnerships that invest in hedge funds, real asset funds, and private equity/venture capital funds. In order to liquidate such investments, management is required to provide notice ranging from 45 to 90 days to withdraw from the partnerships and in certain cases may only withdraw from the partnership quarterly or annually. There are no unfunded commitments. Substantially, all of the System's alternative investments are redeemable at net asset value per ownership unit or its equivalent. Fair value for alternative investments is based on the net asset value per ownership unit, as published and determined by the fund manager at least quarterly using the estimated fair value of the underlying investments.

The System's alternative investments are accounted for utilizing the measurement alternative or equity method as the System's actual or effective ownership percentage is less than 5%, and the System has virtually no influence over the partnership's operating and financial policies. Alternative investments consist of the following at December 31, 2020 and 2019:

	2020		2019	
	Recorded Value	**Fair Value**	**Recorded Value**	**Fair Value**
Included within assets limited as to use	$ 11,270	$ 12,726	$ 9,027	$ 10,434

The System's investment policy establishes reasonable expectations, objectives, and guidelines; sets forth an investment structure detailing permitted asset classes and expected allocation among asset classes; encourages effective communication; and creates a framework for a well-diversified asset mix, which can be expected to generate acceptable long-term returns at a level of risk suitable to the investment committee. The System's investments are pooled to obtain maximum use of funds and higher interest rates. Investment income from this pool is allocated to net assets without donor restrictions and net assets with donor restrictions based on the percentage of total investments.

Derivatives—CAMC has entered into interest rate swap agreements in connection with its debt management program. CAMC records its derivative instruments as either assets or liabilities in the accompanying consolidated balance sheets at fair value. None of CAMC's current derivatives are designated as an accounting hedge and the asset or liability is presented as current as CAMC has the right to settle the agreements prior to expiration and periodically evaluates the interest rate environment to determine if the agreements are consistent with its debt management program.

Property, Equipment, and Information Systems—Amounts capitalized as part of property, equipment, and information systems, including additions and improvements to existing facilities, are recorded at acquisition cost. Property, equipment, and information systems consisted of the following:

	2020	**2019**
Land	$ 52,487	$ 51,997
Buildings and improvements	563,411	545,864
Equipment and information systems	600,901	586,456
Construction in progress	21,797	11,471
Total property, equipment, and information systems	1,238,596	1,195,788
Less accumulated depreciation and amortization	(840,680)	(802,626)
Property, equipment, and information systems—net	$ 397,916	$ 393,162

Finance lease right-of-use (ROU) assets included in property, equipment, and information systems in the accompanying consolidated balance sheets are $15,109 and $12,977, net of $5,579 and $9,027 of accumulated amortization, as of December 31, 2020 and 2019, respectively.

During 2020 and 2019, approximately $822 and $702, respectively, of internal labor costs were capitalized. During 2020 and 2019, $108 and $0, respectively, of interest was capitalized.

Depreciation, including amortization of ROU assets recorded under finance leases, is recorded using the straight-line method over the estimated useful lives of the aggregate building components and improvements (generally 10 to 45 years). Upon retirement or disposal, the asset and accumulated depreciation accounts are adjusted, and any gain or loss is recorded in the consolidated statements of operations. Maintenance costs and repairs are expensed as incurred. Depreciation expense was $43,920 and $44,141 for the years ended December 31, 2020 and 2019, respectively.

Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Any write-downs due to impairment are charged to operations at the time impairment is identified.

Intangible Assets—Intangible assets are reviewed for impairment if events or changes in circumstances indicate that the asset might be impaired. The impairment test consists of comparison of the undiscounted cash flows of the intangible asset with its carrying amount. If such undiscounted cash flows are less than the carrying amount, the fair value of the intangible asset is determined and the carrying value is adjusted through an impairment charge to such fair value.

Deferred Financing Costs—Costs related to long-term financing, presented within the consolidated balance sheets as a direct reduction to the related debt liability, are being amortized over the life of the bonds. The carrying value of deferred financing costs was $3,049 and $3,246 as of December 31, 2020 and 2019, respectively.

Net Assets Without Donor Restrictions—Net assets without donor restrictions represent net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the System. These net assets may be used at the discretion of the System's management and the board of directors (the "Board"). Quasi endowments are primarily for buildings and equipment ($143,225 and $128,141 for 2020 and 2019, respectively), scholarships and education ($49,258 and $47,039 for 2020 and 2019, respectively), patient-related programs ($6,361 and $5,439 for 2020 and 2019, respectively), and various other health care-related programs ($1,458 and $1,249 for 2020 and 2019, respectively).

Net assets without donor restrictions as of December 31, 2020 and 2019, are as follows:

	2020	2019
Undesignated	$ 458,429	$ 420,677
Quasi endowment	200,302	181,868
Total	$ 658,731	$ 602,545

Net Assets with Donor Restrictions—Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the System or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Net assets with donor restrictions can primarily be used by specified purpose, for example, attendance at a qualified school for scholarships. Funds of a perpetual duration are $30,232 and $25,789 for 2020 and 2019, respectively.

Net assets with donor restrictions as of December 31, 2020 and 2019, are restricted to the following:

	2020	2019
Patient-related projects	$47,738	$47,156
Scholarships and education	26,140	16,700
Various other health care-related activities	18,617	15,408
Total	$92,495	$79,264

Contributions—Contributions are recognized at fair value in the period cash or an unconditional 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. Gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of operations.

Donor-restricted contributions whose restrictions are met within the same year as received are reported as net assets released from restrictions in the accompanying consolidated financial statements.

Self-Insurance Programs—The System has self-insurance programs for professional malpractice, general liability, unemployment compensation, disability, and employee health insurance, although we maintain a stop-loss coverage with third-party insurers to limit our liability exposure. The estimated self-insurance obligations include a provision for incurred but not reported claims.

Excess of Revenues over Expenses—The consolidated statements of operations include excess of revenues over expenses. Changes in net assets without donor restrictions which are excluded from excess of revenues over expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions, which by donor restriction were to be used for the purposes of acquiring such assets), equity transactions with noncontrolling interest, and change in retirement obligations actuarial loss and prior service cost.

Income Taxes—The IRS has determined that CAMC, the Foundation, the Institute, and the Health Network are exempt from income taxes under Section 501(c)(3) of the Code and applicable state statutes. The System does not have any material uncertain tax positions as of December 31, 2020 and 2019. Tax years from 2016 remain open.

Use of Estimates—The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the System to make assumptions, estimates, and judgments that affect the amounts reported in the consolidated financial statements, including the notes thereto, and related disclosures of commitments and contingencies, if any. The more significant judgments and estimates include the following: recognition of net patient service revenue, which includes contractual allowances; provisions for doubtful accounts, implicit price concessions and charity care; recorded values of investments; and reserves for losses and expenses related to health care professional and general liability. Management relies on historical experience and other assumptions believed to be reasonable in making its judgments and estimates. Actual results could differ materially from those estimates and are recorded in the period in which they are determined.

Recently Issued Accounting Pronouncements—In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* This guidance introduces a new model for recognizing credit losses on financial instruments based on an estimate of current expected credit losses. Financial instruments impacted include accounts receivable, trade receivables, other financial assets measured at amortized cost, and other off-balance-sheet credit exposures. This guidance is effective for the System beginning January 1, 2023, with earlier adoption permitted. The System is currently evaluating the impact that this guidance may have on the consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20)—Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans*. ASU No. 2018-14 updates disclosure requirements to reflect most relevant information and applies to all employers that sponsor defined benefit pension or other postretirement plans. This guidance is effective for the System as of January 1, 2021. The System is evaluating the impact this guidance may have on the consolidated financial statements.

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. ASU No. 2020-04 provides temporary optional expedients and exceptions to the current guidance on contract modifications to ease the financial reporting burdens related to the expected market transition from London InterBank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates. The amendments in this ASU can be applied through December 31, 2022 and apply only to contract, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued. As of December 31, 2020, the System has not utilized any of the expedients discussed within this ASU. The System does not expect this ASU to have a material impact on its consolidated financial statements.

Newly Adopted Accounting Pronouncements—In July 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820)—Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement.* Designed to improve the effectiveness of fair value measurement disclosures, this update modifies existing disclosure requirements on fair value measurements. Current guidance is reflected in *Topic 820, Fair Value Measurement, based on the concepts in FASB Concepts Statement, Conceptual Framework for Financial Reporting—Chapter 8: Notes to Financial Statements, including the consideration of costs and benefits*. This guidance was effective for the System as of January 1, 2020. The adoption of ASU No. 2018-13 did not have a material impact on the consolidated financial statements.

3. REVENUE RECOGNITION

Net Patient Service Revenues—Net patient service revenue for the years ended December 31, 2020 and 2019, by major primary payor sources, is as follows:

	Net Patient Service Revenue			
	2020		2019	
Medicare	$ 342,916	32 %	$ 371,838	32 %
Medicaid	165,118	15	148,364	13
Other government third-party payors	59,885	6	64,028	6
Blue Cross	307,937	29	349,384	30
Commercial and other third-party payors	135,228	13	159,035	14
Self-pay	55,571	5	57,585	5
Total	$ 1,066,655	100 %	$ 1,150,234	100 %

Net patient service revenue includes implicit price concessions.

Net patient service revenue for the years ended December 31, 2020 and 2019, consists of the following:

	2020	2019
Gross patient service billings	$ 3,955,631	$ 3,921,380
Charity care allowances	(74,102)	(77,681)
Contractual allowances	(2,866,576)	(2,735,988)
Medicaid-DPP	38,604	30,296
Medicaid-enhanced payment program revenue	13,399	11,567
Medicaid-DSH payment program revenue	(301)	660
Net patient service revenue	$ 1,066,655	$ 1,150,234

Patient Receivables—The approximate percentage of patient receivables, net of allowances for contractual adjustments, charity care, and implicit price concessions, by type of payor, as of December 31, 2020 and 2019, is as follows:

	2020	2019
Blue Cross	30 %	28 %
Medicare	27	27
Commercial and other third-party payors	21	21
Medicaid	13	11
Other government third-party payors	5	9
PEIA	4	4
Total	100 %	100 %

Contract Assets—The opening and closing balances of contract assets are as follows:

	2020	2019
Opening balance—January 1	$ 12,283	$ 11,488
Ending balance—December 31	11,453	12,283
(Decrease) increase	$ (830)	$ 795

The decrease in the contract asset balances of the year ended December 31, 2020, compared to the year ended December 31, 2019, is due to a decrease in patients not discharged. Approximately 93% of our contract assets meet the conditions for unconditional right to payment and are reclassified as patient receivables within 90 days.

Contract Liabilities—The CARES Act revised the Medicare accelerated payment program in an attempt to disburse payments to hospitals more quickly to mitigate shortfalls due to delays in nonessential procedures, as well as staffing and billing disruptions. These advance payments represent contract liabilities in the consolidated balance sheets at December 31, 2020 and 2019. The opening and closing balances of contract liabilities are as follows:

	2020	2019
Opening balance—Jan 1	$ -	$ -
Ending balance—Dec 31	117,072	-
Increase	$ 117,072	$ -

The increase in the contract liability balances from the year ended December 31, 2020, compared to the year ended December 31, 2019, is due to the Medicare accelerated payment program.

Medicaid Provider Tax—During 2020 and 2019, the System recorded $30,680 and $31,203, respectively, related to Medicaid Provider Taxes within the line item Medicaid provider tax in the accompanying consolidated statements of operations. Such taxes include the following:

Medicaid-DPP Program Tax—The West Virginia Department of Tax and Revenue imposes a tax on licensed general acute care hospitals to generate revenue that is used as the state contribution toward drawing down additional federal-matching dollars for Medicaid to enhance current hospital payment rates under the DPP programs. The tax rate increased in 2020 to 0.88% of net patient service revenue from 0.75% of net patient service revenue in 2019.

Broad-Based Health Care-Related Tax—The West Virginia Broad-Based Health Care-Related Tax of 1993 assesses a tax on net patient service revenue at rates varying from 0.35% to 5.00%, depending on the type of services provided.

Other Revenue—Other revenue is derived from ancillary services, which are an integral part of the operations of the System other than providing health care services to patients. Such revenue is recognized when the related service is performed, drugs are dispensed, or in the case of grant revenue, when the System incurs the cost related to the grant’s purpose.

4. CHARITY CARE AND COMMUNITY SERVICE BENEFIT

The System provides care to patients who meet certain criteria under the approved charity care policy without charge or at amounts less than the established rates. Because the System does not pursue collection of amounts that are determined to qualify as charity care, they are not reported as net patient service revenue. The System maintains records to identify and monitor the level of charity care it provides. These records include the amount of gross charges forgone for direct patient care, which were $74,102 and $77,681 for the years ended December 31, 2020 and 2019, respectively. The cost associated with the charity care services provided are estimated by applying a cost-to-charge ratio to the amount of gross uncompensated charges for the patients receiving charity care and amounted to $18,992 and $20,562 for the years ended December 31, 2020 and 2019, respectively.

In addition to the charity care provided for direct patient care, the System provides free and below-cost service and programs for the community. The costs of these services and programs are included in compensation and employee benefits and various other expense line items of the System's consolidated statements of operations.

5. SHORT-TERM INVESTMENTS AND ASSETS LIMITED AS TO USE

Short-term investments and assets limited as to use as of December 31, 2020 and 2019, consist of the following:

	2020	**2019**
Short-term investments:		
Cash and cash equivalents	$ 25,703	$ 15,157
Corporate stocks and equity mutual funds	60,353	46,602
Fixed-income securities and mutual funds	185,144	31,012
Total short-term investments	$ 271,200	$ 92,771

	2020	2019
Assets limited as to use:		
Self-insurance:		
Cash and cash equivalents	$ 768	$ 1,093
US Treasury and US government agency obligations	366	558
Corporate stocks	19,236	16,166
Alternative investments	4,248	4,248
Equity mutual funds	21,094	16,857
Fixed-income securities and mutual funds	8,763	7,649
Total self-insurance	54,475	46,571
Board-designated and restricted funds:		
Cash and cash equivalents	1,065	21,152
US Treasury and US government agency obligations	22,709	22,439
Corporate stocks and equity mutual funds	197,641	164,589
Corporate bonds and fixed-income mutual funds	98,437	77,889
Alternative investments	7,022	4,780
Total board-designated and restricted funds	326,874	290,849
Trustee-held funds:		
Capital improvement fund—cash equivalents	21,779	30,249
Collateral on derivatives—cash equivalents	27,500	21,700
Other assets:		
Cash equivalents	7,157	31,936
Other fixed income	9,340	7,678
Total trustee-held funds	65,776	91,563
Total assets limited as to use	447,125	428,983
Less current portion	(10,000)	(10,000)
Assets limited as to use—net of current portion	$437,125	$418,983

Board-designated and trustee-held funds consist of the Foundation's and CAMC's investments set aside for capital, debt, and other similar expenditures. Self-insurance assets relate primarily to the malpractice and general liability self-insurance. The Board has also designated the majority of proceeds received from two taxable notes in 2013, as well as proceeds received from the 2019 bond funds, for use toward future capital projects.

6. LIQUIDITY AND AVAILABILITY

As of December 31, 2020, the System has working capital of $334,401 and average days' (based on normal expenditures divided by total cash and cash equivalent) cash on hand of 191 days.

The table below represents financial assets available for general expenditures within one year as of December 31, 2020:

Financial assets at year-end:	
Cash and cash equivalents	$ 39,887
Patient receivable—net	207,124
Short-term investments	271,200
Assets limited to use:	
Board-designated	238,862
Funds held by trustees	65,776
Donor-restricted	88,012
Pledges receivable—net	528
Total financial assets	911,389
Less amounts not available to be used within one year:	
Board-designated with liquidity horizons greater than one year	(6,334)
Funds held by trustees	(33,841)
Donor-restricted with liquidity horizons greater than one year	(88,012)
Pledges receivable—net	(50)
Financial assets not available to be used within one year	(128,237)
Financial assets available to meet general expenditures within one year	$ 783,152

The System has certain board-designated and donor-restricted assets limited to use, which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above for financial assets to meet general expenditures within one year. The System has other assets limited to use for donor-restricted purposes, capital improvements, and for the professional and general liability captive insurance program. Additionally, certain other board-designated assets are designated for future capital expenditures and an operating reserve. These assets limited to use, which are more fully described in Note 5, are not available for general expenditure within the next year. However, the board-designated amounts could be made available, if necessary.

As part of the System's liquidity management plan, cash in excess of daily requirements are invested in short-term investments and money market funds. Occasionally, the Board designates a portion of any operating surplus to an operating reserve, which was $238,862 as of December 31, 2020. This fund established by the Board may be drawn upon, if necessary, to meet unexpected liquidity needs.

Additionally, the System maintains a $10,000 line of credit, as discussed in more detail in Note 8. As of December 31, 2020, $10,000 remained available on the System's line of credit.

7. INVESTMENT INCOME (LOSS)

Investment income and unrealized and realized gains and losses on investments for the years ended December 31, 2020 and 2019, are composed of the following:

	2020	2019
Without donor restrictions:		
Interest and dividends	$ 11,394	$ 10,755
Realized gain on investments—net	7,585	3,844
Net unrealized gain	22,185	48,714
Total without donor restrictions investment income—net	41,164	63,313
With donor restrictions:		
Interest and dividends	1,801	2,196
Realized gain on investments—net	372	795
Net unrealized gain	6,809	9,153
Total with donor restrictions investment income—net	8,982	12,144
Net investment income and realized and unrealized gains and losses on investments	$ 50,146	$ 75,457

8. LONG-TERM DEBT, FINANCE LEASE OBLIGATIONS, AND DERIVATIVES

Obligations under long-term debt and finance lease obligations as of December 31, 2020 and 2019, consist of the following:

	2020	2019
2019 Series A Bonds	$ 87,985	$ 87,985
2019 Series B Bonds	14,354	15,472
2014 Series A Bonds	45,625	45,625
2013 Taxable Debt Notes	68,410	70,300
2010 Bank Loan	-	3,667
2008 Series A Bonds	112,730	114,930
Finance lease obligations	8,262	1,741
Total	337,366	339,720
Plus unamortized bond premium	17,375	18,530
Less unamortized issuance costs	(3,049)	(3,246)
Total—net of unamortized discount and premium and debt issuance costs	351,692	355,004
Less current maturities	(6,478)	(9,429)
Total long-term debt and finance lease obligations	$ 345,214	$ 345,575

The fair value of the System's debt obligations was $356,948 and $353,180 as of December 31, 2020 and 2019, respectively, and falls within Level 2 in the fair value hierarchy. In determining the fair value of debt, the System considers its credit standing and does not take into account the credit standing of the financial institution that participated in the issuance of the debt instruments. Additional considerations for valuing the debt include the maturity date and the coupon and yield of the debt instrument.

Obligated Group—CAMC and the Foundation are members of the obligated group (the "Obligated Group") in accordance with the provisions of the 2019 Amended and Restated Master Trust Indenture (the "Indenture") and are jointly and severally liable for the performance of all covenants and obligations contained in the Indenture and in the related notes and guarantees. The 2013 taxable debt notes; 2008 Series A Bonds; 2014 Series A Bonds; 2019 Series A Bonds; 2019 Series B Bonds; and various notes, lines, and letters of credit are obligations under the Indenture. The Foundation's restricted net assets are not available to satisfy obligations of the Obligated Group. The obligations of the Obligated Group are evidenced and secured by promissory notes issued pursuant to the Indenture dated June 1, 2019, as supplemented from time to time. All notes issued under the Indenture are secured primarily by a security interest in revenue and a deed of trust on the primary hospital facilities.

The Obligated Group is subject to certain restrictive covenants that require, among other items, the Obligated Group to maintain certain financial ratios as defined in the debt agreements and to make certain informational filings with its creditors. The System is currently in compliance with all restrictive covenants.

2019 Series A Bonds—In June 2019, CAMC entered into a loan agreement with the West Virginia Hospital Finance Authority (the "Authority") pursuant to which CAMC borrowed the proceeds of the Authority's $87,985 fixed-rate hospital revenue refunding bonds 2019 Series A. The bonds were issued at a premium of $15,918, which will be amortized to interest and debt expense over the 20-year life of the issue. Interest on the bonds is payable semiannually and principal is payable annually beginning September 2029. The coupon rates of the bonds range from 3.25% to 5.00% depending on maturity.

The proceeds of the 2019 Series A Bonds were used to refund and extinguish the balance of the 2009 Series A Bonds in the principal amount of $86,101 and pay issuance cost of $1,286. As a result of the refunding, CAMC recognized a loss on debt refunding of $1,998, which is reported in interest and debt expense in the consolidated statement of operations for the year ended December 31, 2019.

2019 Series B Bonds—In June 2019, CAMC entered into a loan agreement with the Authority pursuant to which CAMC borrowed the proceeds of the Authority's $16,032 variable-rate revenue bonds. The bonds require the payment of principal and interest monthly through June 19, 2024, to refund the 2008 CAMC Teays Bonds. Principal is amortizing as if the debt is repaying over 14 years in equal monthly installments. On June 19, 2024, a balloon payment is due for the remaining principal and accrued interest. Interest is accrued on a monthly basis. The associated note carries a variable monthly interest rate equal to the adjusted non-bank-qualified LIBOR. As of December 31, 2020, the interest rate was 1.26%.

2014 Series A Bonds—In June 2014, CAMC entered into a loan agreement with the Authority pursuant to which CAMC borrowed the proceeds of the Authority's $45,625 fixed-rate hospital revenue refunding bonds 2014 Series A. The bonds were issued at a premium of $5,046, which will be amortized to interest and debt expense over the 14-year life of the issue. Interest on the bonds is payable semiannually and principal is payable annually beginning September 2024. The coupon rates of the bonds range from 3.5% to 5.0% depending on maturity.

2013 Taxable Debt Notes—On March 22, 2013, CAMC issued and sold $60,000 4.5% taxable Master Note 2013-1 with final maturity on March 14, 2043, utilizing level-debt amortization over 30 years. On May 21, 2013, CAMC issued and sold $20,000 4.02% taxable Master Note 2013-2 with final maturity on March 15, 2038, utilizing level-debt amortization over 25 years. These notes are issued and secured under the Indenture and secured primarily by a security interest in revenue and a deed of trust on the primary hospital facilities.

2010 Bank Loan—In December 2010, CAMC entered into a bank loan agreement for $9,000. Principal and interest are payable in equal monthly installments sufficient to fully amortize the debt in 15 years with the outstanding balance of the note being due and payable in full on December 10, 2015. CAMC refinanced this note on December 10, 2015, with outstanding balance paid in full on December 1, 2020.

2008 Series A Bonds—In June 2008, CAMC entered into a loan agreement with the Authority pursuant to which CAMC borrowed the proceeds of the Authority's $127,355 variable-rate revenue bonds 2008 Series A. The bonds require the payment of principal and interest through September 1, 2037. The bonds are multimodal variable-rate demand obligations supported by a credit enhancement and liquidity facility.

The timely payment of principal and interest on the 2008 Series A Bonds and the purchase price of tendered bonds are secured by an irrevocable, transferable direct pay letter of credit issued by a bank. The letter of credit will expire on June 19, 2024, unless renewed, and may be replaced by a substitute letter of credit. Should any portion of the bonds not remarket, the holders of said bonds may tender them to the bank holding the direct pay letter of credit. Draws on the letter of credit, which cannot be remarketed after 90 days, will begin repayment over 10 years with a balloon payment at the end of five years. There were no draws on the letter of credit in 2019. Interest on the 2008 bonds is variable and can bear interest at a daily rate or a weekly rate as determined by a remarketing agent. Interest accrues at the stated interest rate, which, in the judgment of the remarketing agent under then-existing market conditions, would result in the sale of the 2008 bonds on such rate determination date at a price equal to the principal amount thereof, plus interest accrued through the rate period. As of December 31, 2020, the interest rate was 0.09%.

Other—CAMC maintains a $10,000 working capital line of credit with a local bank, which expires on December 31, 2021. As of December 31, 2020 and 2019, there was no outstanding balance. A note securing the line of credit has been issued under the Indenture.

As of December 31, 2020 and 2019, there was $2,623 and $2,907, respectively, committed to four undrawn recurring letters of credit related to workers' compensation. These letters of credit are renewed annually and currently expire on December 31, 2021.

CAMC is one of three charter members of HealthNet Aeromedical Services, Inc. (HNET), a West Virginia nonprofit corporation that provides air medical transportation service to CAMC's primary patient population. HNET is not a consolidated entity of the Parent. CAMC has issued guarantees in the aggregate amount of $11,481 to support the acquisition, renovation, and replacement of two medical helicopters. In February 2020, one guarantee in the amount of $3,950 was fully amortized. In March 2020, CAMC entered into another guarantee in the amount of $7,344. The guarantees reduce as HNET's lease liability for each of the helicopters is repaid. As of December 31, 2020, CAMC had not been called upon to make payments under the guarantee agreement.

CAMC has recorded $8,262 and $1,588 as of December 31, 2020 and 2019, respectively, as a finance lease obligation for these helicopters as a result of the lease guarantees and the helicopters being primarily used by CAMC. The related ROU assets are included in property, equipment, and information systems in the accompanying consolidated balance sheets.

Debt-Service Requirements—The System is required to make principal payments under long-term debt and finance lease obligations. The required principal payments are as follows:

	2021	2022	2023	2024	2025	Thereafter	Total
2019 Series A Bonds	$ -	$ -	$ -	$ -	$ -	$ 87,985	$ 87,985
2019 Series B Bonds	1,118	1,118	1,118	11,000	-	-	14,354
2014 Series A Bonds	-	-	-	8,115	8,530	28,980	45,625
2013 Taxable Debt Notes	1,975	2,060	2,145	2,245	2,335	57,650	68,410
2008 Series A Bonds	2,330	2,405	2,525	2,640	2,745	100,085	112,730
Finance lease obligations	1,141	1,166	1,088	797	756	3,314	8,262
Total principal	6,564	6,749	6,876	24,797	14,366	278,014	337,366
Plus unamortized bond premium	-	-	-	358	358	16,659	17,375
Less debt issuance costs	(86)	(86)	(86)	(135)	(135)	(2,521)	(3,049)
Principal—net	$ 6,478	$ 6,663	$ 6,790	$ 25,020	$ 14,589	$ 292,152	$ 351,692

Derivatives—CAMC has entered into floating-to-fixed and floating-to-floating interest rate swap agreements in connection with its debt management program. The objective is to reduce the amount of interest related to outstanding debt obligations. Such agreements are not designated as hedging instruments. Net interest paid or received under the swap agreements is included in the consolidated statements of operations as a component of interest and debt expense, while the change in the fair value of the derivative is reported separately in the consolidated statements of operations.

CAMC's interest rate swap agreements as of December 31, 2020 and 2019, are as follows:

Swap Type	Expiration Date	System Pays	Notional Amount 2020	Notional Amount 2019
Floating	September 4, 2027	USD-securities industry and financial markets association municipal bond index	$ 50,000	$ 50,000
Fixed	September 1, 2037	4.22%	92,605	94,420
			$ 142,605	$ 144,420

Net interest paid and received on CAMC's interest rate swap transactions was an expense of $2,551 and $1,592 for the years ended December 31, 2020 and 2019, respectively. This is included in interest and debt expense in the accompanying consolidated statements of operations.

Under the terms of certain derivative contracts, the Obligated Group is required to maintain collateral posted with the counterparty to secure a portion of the estimated value of the derivative instruments when said instruments are valued in favor of the counterparty, as periodically determined by the counterparty. Collateral must be posted when the applicable aggregate derivative values exceed $5,000 in favor of the counterparty. As of December 31, 2020 and 2019, $27,500 and $21,700, respectively, of collateral had been posted. The System's accounting policy is not to offset collateral amounts against amounts recognized for derivative obligations. Accordingly, the posted collateral is included in assets limited as to use in the accompanying consolidated balance sheets.

Generally, the counterparties to the transactions could force an early termination if the Obligated Group's underlying credit rating declines from Baa1 to Baa3 or below as determined by Moody's Investors Service if the Obligated Group fails to post collateral or if the Obligated Group fails to make swap payments. Aggregate termination payments would approximate the fair market value of the outstanding instruments as reported above.

To evidence its obligations under the derivatives, promissory notes were negotiated by CAMC and the swap counterparty to give the swap counterparty security for the Obligated Group's obligations under the derivative agreements. The actual obligation of the Obligated Group on these notes may vary significantly from the nominal amounts of each note. No amounts are outstanding under these notes.

The following table summarizes the estimated fair value of CAMC's derivative financial instruments at December 31, 2020 and 2019:

Derivatives not Designated as Hedging Instruments	Consolidated Balance Sheet Location	2020	2019
Asset derivatives—interest rate swaps	Prepaid expenses and other	$ 5,497	$ 6,155
Liability derivatives—interest rate swaps	Derivative obligation	31,924	28,178
Net amount		$ 26,427	$ 22,023

9. LEASES

The System leases various land, computer, office, and movable equipment under noncancelable operating lease agreements expiring at various dates through 2030. Initial lease terms are typically three to 10 years. We do not record short-term leases in our consolidated balance sheets.

We determine if an arrangement is a lease at inception of the contract. Our ROU assets represent our right to use the underlying assets for the lease term and our lease liabilities represent our obligation to make lease payments arising from the leases. ROU assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the rate implicit in the lease is not readily determinable in most of our leases, we use our incremental borrowing rate based on the information available at commencement date to determine the present value of lease payments. The System's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms. Operating lease expense for fixed lease payments is recognized on a straight-line basis over the lease term. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise those options. Additionally, our leases do not contain any material residual guarantees or material restrictive covenants.

The components of lease cost for the years ended December 31, 2020 and 2019, were as follows:

	2020	2019
Operating lease cost:		
Operating lease cost	$2,714	$2,723
Short-term lease cost	433	474
Variable lease cost	129	65
Total operating lease cost	$3,276	$3,262

Operating lease cost and amortization of the operating lease ROU assets are included in supplies and other in the accompanying consolidated statements of operations.

The weighted-average lease terms and discount rates for operating leases for the years ended December 31, 2020 and 2019, were as follows:

	2020	2019
Weighted-average remaining lease term (years)—operating leases	4.7	4.9
Weighted-average discount rate—operating leases	4.5 %	4.5 %

Cash flow and other information related to leases for the years ended December 31, 2020 and 2019, was as follows:

	2020	2019
Cash paid for amounts included in the measurement of lease liabilities—operating cash outflows from operating leases	$ 2,736	$ 2,929
Non-cash ROU assets obtained in exchange for lease obligations—operating leases	154	286

Future maturities of operating lease liabilities as of December 31, 2020, are as follows:

Years Ending December 31	
2021	$ 2,477
2022	2,027
2023	1,927
2024	1,725
2025	1,628
Thereafter	4,589
Total undiscounted lease payments	14,373
Less imputed interest	2,187
Total operating lease liabilities	$ 12,186

10. LIABILITIES FOR SELF-INSURANCE RESERVES

Certain of the System’s subsidiaries are self-insured for professional malpractice and general liability claims through the CAMC Health System Inc. and Affiliates Malpractice Self-Insurance Trust (the “Trust”). This is a revocable trust. Participating affiliates have proportionate rights to the Trust’s account balance held under the custodial management of a bank trust department and can withdraw from the Trust, subject to certain actuarially determined thresholds. The Trust’s account may be used for payment of any professional malpractice and general liability losses, expenses relating thereto, costs of administering the Trust, and insurance premiums for coverage in excess of the self-insured limits.

Obligations of the Trust are determined using statistical analysis by an independent actuarial valuation of occurrence-based risks, which includes consideration of incurred but not reported claims exposure. The System's methodology for estimating this self-insured obligation is a simulation modeling approach largely dependent on the System's actual loss history and certain national, regional, and state-specific claim statistics. As of December 31, 2020 and 2019, the System has recorded $22,567 and $19,560, respectively, as the liability for self-insured asserted and unasserted professional malpractice and general liability claims. The estimated current portion of $10,000 in 2020 and 2019 is recorded in current liabilities in the accompanying consolidated balance sheets. The estimated liability for such malpractice and general liability claims has been discounted using a discount rate of 0.25% and 1.5% in 2020 and 2019, respectively. While the ultimate amount of costs incurred under the System's self-insured programs is dependent on future developments, in management's opinion, recorded reserves are adequate to cover the future settlement value of claims. However, it is reasonably possible that recorded reserves may not be adequate to cover the future settlement of claims. Adjustments, if any, to estimates recorded resulting from ultimate claim payments will be reflected in operations in the periods in which such adjustments are known.

In 2019, CAMC entered into a professional malpractice settlement agreement which required CAMC to establish an escrow account in the amount of $23,100, which was funded through insurance recoveries. At December 31, 2019, this restricted cash was included in assets limited as to use with an offsetting liability included in accounts payable and accrued expenses in the consolidated balance sheet. These funds were subsequently remitted to the appointed custodian in 2020. CAMC also settled a separate professional malpractice claim in 2019 for $13,925. As of December 31, 2019, CAMC recorded additional insurance recoveries of $17,800, which includes amounts related to cases above, as well as additional claims, within other receivables in the consolidated balance sheet at December 31, 2019.

The malpractice self-insurance limits are a maximum $3,000 per occurrence and a maximum annual aggregate limit of $12,000 for May 1, 2001, through April 30, 2002; $5,000 per occurrence and a maximum annual aggregate limit of $20,000 for May 1, 2002, through April 30, 2003; $7,000 per occurrence and a maximum annual aggregate limit of $25,000 for May 1, 2003, through April 30, 2004; $10,000 per occurrence and a maximum annual aggregate limit of $30,000 for May 1, 2004, through April 30, 2011; $10,000 per reported claim and a maximum annual aggregate limit of $25,000 for May 1, 2011, through April 30, 2018; and $10,000 per occurrence and maximum annual aggregate limit of $30,000 for May 1, 2018, through April 30, 2021.

Prior to 2012, certain members of the System were also self-insured for workers' compensation, unemployment compensation, disability, and employee health insurance. The workers' compensation long-term portion of the obligation recorded in self-insurance reserves in the accompanying consolidated balance sheets for these programs is $1,041 and $808 as of December 31, 2020 and 2019, respectively. The current portion of the obligation recorded in accrued expenses for workers' compensation was $371 and $614 as of December 31, 2020 and 2019, respectively. Beginning, January 1, 2012, all System members became insured for workers' compensation. Self-insured workers' compensation obligations are reserved for claims prior to the effective date of January 1, 2012, including incurred, but not reported claims. Claims, beginning on January 1, 2012, are administered under a deductible insured program with limits of $1,000 per occurrence and $3,000 annual aggregate.

Prior to 2012, the System was subject to risk pools (security and guaranty) for the benefit of self-insured employers in West Virginia. The risk pools were utilized to fund the claims payments of default and bankrupt self-insured employers. The System maintains a required $500 letter of credit in favor of the West Virginia Insurance Commission to secure claims with dates of injury on or prior to June 30,

2004. The System and other pool participants are required to pay annual guaranty pool assessments until the guaranty pool contains the sum of $30,000 or 5% of the estimated total claims liability of all self-insured employers. In the event that actual claim defaults exceed the amounts of defaulted claim reserves, additional amounts may be assessed to the self-insured employers to fund the guaranty pool. The System made no contributions to the guaranty pool in either 2020 or 2019. The amount of the System's liability in respect to potential assessments cannot be estimated. Accordingly, no accrual for such liability has been reflected in the consolidated financial statements.

11. RETIREMENT OBLIGATIONS

Supplemental Executive Retirement Plans (SERP)—The System maintains a Defined Benefit SERP ("Benefit SERP Plan") for the benefit of select corporate officers. The Benefit SERP Plan, when combined with the retirement savings plan, is intended to provide corporate officers with a retirement benefit from all System sources (including 50% of social security benefits) of approximately 55% of the officer's average compensation during his or her final five years of employment with an assumed normal retirement age of 60. Generally, an officer may become fully vested in the Benefit SERP Plan benefits at age 60 with at least 30 years of service. Partial vesting in these benefits begins at age 55 with at least five years of service. Benefit payments under these plans generally do not commence until 24 months after termination of employment. The Benefit SERP Plan is a nonqualified plan.

The table below sets forth the change in the benefit obligation of the Benefit SERP Plan for the years ended December 31, 2020 and 2019, using a December 31 valuation date:

Change in Projected Benefit Obligation	2020	2019
Benefit obligation at beginning of year	$ 7,662	$ 8,787
Service cost	284	476
Interest cost	179	298
Actuarial loss	1,376	801
Curtailments	(1,778)	-
Benefits paid	-	(2,700)
Projected benefit obligation (underfunded status) at end of year	$ 7,723	$ 7,662

The accumulated benefit obligation for the Benefit SERP Plan was $6,607 and $5,532 as of December 31, 2020 and 2019, respectively.

Included in net assets without donor restrictions as of December 31, 2020 and 2019, are the following amounts that have not yet been recognized in net periodic benefit cost: unrecognized actuarial loss of $160 and $1,297, respectively, and unrecognized net prior service cost of $104 and $2,018, respectively.

The benefit payments, which reflect expected future service, as appropriate, expected to be paid by the Benefit SERP Plan during the years ending December 31 are as follows:

Years Ending December 31	
2021	$ -
2022	1,023
2023	-
2024	-
2025	4,566
Thereafter	883

The components of net periodic benefit cost for the Benefit SERP Plan for the years ended December 31, 2020 and 2019, are as follows:

	2020	**2019**
Service cost	$ 284	$ 476
Interest cost	179	298
Settlement charge	-	457
Curtailments	625	-
Actuarial loss	-	11
Amortization of prior service cost	107	238
Net periodic benefit cost	$ 1,195	$ 1,480

Service cost is recorded in salaries and wages and the remainder of net periodic benefit cost is recorded in employee benefits in the consolidated statements of operations. Actuarial plan assumptions for the years ended December 31, 2020 and 2019, are as follows:

	2020	**2019**
Weighted-average assumptions used to determine net periodic benefit cost for the years ended December 31:		
Discount rate	1.60 %	2.90 %
Expected rate of compensation increase	3.00	3.00
Weighted-average assumptions used to determine benefit obligations as of December 31:		
Discount rate	1.60 %	2.90 %
Expected rate of compensation increase	3.00	3.00
Lump-sum interest rate	1.75	2.00

The System also participates in a Defined Contribution Plan (“Contribution Plan”) and a Target Benefit Defined Contribution Plan (“Target Plan”), which were newly established in 2019. Corporate officers new to the System will be invited into the Contribution Plan going forward. Corporate officers currently participating in the existing Benefit SERP Plan were offered an opportunity to transfer participation to the new Target Plan. SERP benefits for executives who chose to elect into the Target Plan had their benefits under the Benefit SERP Plan frozen as of February 29, 2020. The Target Plan began March 1, 2020, and provides an annual employer contribution that targets providing 55% of final average compensation at age 60 with 30 years of service.

The Target Plan and Contribution Plan are funded annually. Contributions of $321 and $0 were made to these plans for the years ended December 31, 2020 and 2019, respectively. The corresponding investment account, recorded within assets limited as to use in the consolidated balance sheets, had a total of $371 and $0, including $51 and $0 of investment earnings, as of December 31, 2020 and 2019, respectively. The total liability is $388 and $0 as of December 31, 2020 and 2019, respectively, and is recorded within retirement obligations in the consolidated balance sheets. The costs to fund these plans are included within employee benefits in the consolidated statements of operations.

Retirement Savings Plan—Employees of the System are eligible to participate in a retirement savings plan. Employees may contribute from 1% to 100% of their salary to the plan, subject to certain limitations, and the employers will match from 1% to 4% of salary based on the employees' salary deferrals made during the plan year; 100% match on the first 3% deferred, and 50% match on the next 2% with 4% being the maximum. Total employer contributions to the retirement savings plan were $6,238 and $13,618 during 2020 and 2019, respectively. As part of the System's response to the COVID-19 pandemic, employer matching was temporarily discontinued, effective June 1, 2020, through the remainder of 2020. The matching was reinstated on January 1, 2021.

12. RELATED-PARTY TRANSACTIONS

West Virginia University (WVU) employs physicians who provide medical education and supervision to the resident physicians employed by CAMC. In 2020 and 2019, CAMC provided $18,867 and $18,035, respectively, to WVU for the physicians who teach and supervise the resident physicians for call pay, income guarantees, fees for services, and other expenses. The fees paid are included in either professional compensation and fees or supplies and other, depending on the nature of the transaction. CAMC has committed $18,892 to further support WVU during 2021 for the use of the teaching and supervising physicians.

CAMC, Cabell Huntington Hospital, and WVU Hospital are members of HNET. Each member's legally controlled percentage is 33.3%. HNET is recognized as exempt from federal income tax under Section 501(c)(3) of the Code. Members are required to support HNET to the extent that expenses exceed revenues. For the years ended December 31, 2020 and 2019, HNET expenses exceeded revenues by $1,515 and $1,852, respectively. Amounts due from HNET included in other receivables were $185 as of December 31, 2020. Amounts due to HNET included in accounts payable and accrued expenses were $221 as of December 31, 2019.

CAMC has purchased an interest in Charleston Area Radiation Therapy Centers, LLC, which manages the technical component of radiation therapy services offered by CAMC. Alliance Oncology, LLC owns a 50% interest; CAMC owns a 20% interest; and Charleston Radiation Therapy Consultants, PLLC owns a 30% interest in Charleston Area Radiation Therapy Centers, LLC. For the years ended December 31, 2020 and 2019, Charleston Area Radiation Therapy Centers, LLC's revenues exceeded expenses by $6,109 and $3,085, respectively. Amounts due to Charleston Area Radiation Therapy Centers, LLC included in accounts payable and accrued expenses were $1,212 and $269 as of December 31, 2020 and 2019, respectively.

13. FUNCTIONAL EXPENSES

The functional expenses related to the System's operations as of December 31, 2020 and 2019, are as follows:

	For the Year Ended December 31, 2020					
	Health Care Services				Support Services	
	Acute	Ambulatory	Physician	Research	Administrative	Fundraising
Nonphysician salaries and wages	$174,093	$ 66,044	$23,968	$ 6,870	$126,773	$202
Physician salaries and wages	30,835	5,548	48,709	203	5,442	-
Employee benefits	13,009	5,114	2,875	887	99,242	49
Professional compensation and fees	9,472	2,800	9,333	120	13,309	-
Supplies and other	157,189	138,825	8,603	1,587	165,659	247
Depreciation and amortization	8,801	7,942	859	283	26,035	-
Medicaid provider tax	-	-	-	-	30,680	-
Interest and debt expense	-	-	-	-	13,619	-
Change in fair value of derivatives	-	-	-	-	4,403	-
Total	$393,399	$226,273	$94,347	$ 9,950	$485,162	$498

	For the Year Ended December 31, 2019					
	Health Care Services				Support Services	
	Acute	Ambulatory	Physician	Research	Administrative	Fundraising
Nonphysician salaries and wages	$175,088	$ 68,419	$22,795	$ 6,683	$116,245	$251
Physician salaries and wages	29,247	5,282	51,363	126	4,905	-
Employee benefits	14,040	5,418	2,753	706	115,292	52
Professional compensation and fees	11,032	2,707	6,105	88	5,461	-
Supplies and other	127,104	127,056	8,943	2,667	195,272	403
Depreciation and amortization	9,251	8,398	921	272	25,298	-
Medicaid provider tax	-	-	-	-	31,203	-
Interest and debt expense	-	-	-	-	16,714	-
Change in fair value of derivatives	-	-	-	-	5,561	-
Total	$365,762	$217,280	$92,880	$10,542	$515,951	$706

14. COMMITMENTS, CONTINGENCIES, AND LITIGATION

Entities of the System are party to a number of lawsuits. It is not possible at the present time to estimate the ultimate legal and financial liability, if any, with respect to certain lawsuits. In the opinion of management, after consultation with counsel, adequate insurance and self-insurance reserves exist in the event of any significant financial exposure. Accordingly, in the opinion of management, resolution of those matters is not expected to have a material adverse effect on the System's consolidated financial position. However, depending on the amount and timing of such resolution, an unfavorable resolution of some or all of these matters could materially affect the future consolidated results of operations or cash flows in a particular period.

Asset Retirement Obligations—Management, based on its consideration of asset retirement activities, such as asbestos removal on existing properties, does not believe that remediation of such items will have a material effect on the consolidated financial statements.

Information Technology (IT) Outsourcing—On April 3, 2015, CAMC signed an agreement (the "Cerner Agreement") with Cerner Corporation to replace the then-existing clinical and revenue cycle software and deliver functionality to meet regulatory requirements. The annual provisions of the Cerner Agreement begin April 1 of each year. Under the Cerner Agreement, CAMC pays $6,611 per year through 2023 with an optional three-year renewal for the license of the underlying software, implementation, and related maintenance and support. Annual payments are recorded in supplies and other in the consolidated statements of operations.

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Level 1—Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2—Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Corporate bonds are valued using pricing models maximizing the use of observable inputs for similar securities. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments.

Level 3—Inputs to the valuation methodology are unobservable and significant to the fair value measurement related to notice requirements in order to withdraw from the investment.

A financial instrument’s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The financial instruments carried at fair value as of December 31, 2020, by caption, in the consolidated balance sheets by the three-level valuation hierarchy defined above are as follows:

	Level 1	Level 2	Level 3	Total
Investments:				
Cash equivalents	$ 48,856	$ -	$ -	$ 48,856
Equity securities	148,647	-	-	148,647
Equity mutual funds	158,793	-	-	158,793
Debt securities issued by US Treasury and other US government corporations and agencies	-	25,276	-	25,276
Debt securities issued by states of the United States and political subdivisions of the states	-	13,226	-	13,226
Corporate debt securities	-	68,465	-	68,465
Fixed-income mutual funds	230,318	-	-	230,318
Total investments at fair value	$ 586,614	$ 106,967	$ -	$ 693,581
Assets—derivative asset	$ -	$ 5,497	$ -	$ 5,497
Liabilities—derivative obligation	$ -	$ 31,924	$ -	$ 31,924

The financial instruments carried at fair value as of December 31, 2019, by caption, in the consolidated balance sheets by the three-level valuation hierarchy defined above are as follows:

	Level 1	Level 2	Level 3	Total
Investments:				
Cash equivalents	$ 81,210	$ -	$ -	$ 81,210
Equity securities	135,370	-	-	135,370
Equity mutual funds	129,897	-	-	129,897
Debt securities issued by US Treasury and other US government corporations and agencies	-	24,572	-	24,572
Debt securities issued by states of the United States and political subdivisions of the states	-	9,443	-	9,443
Corporate debt securities	-	50,997	-	50,997
Fixed-income mutual funds	71,167	-	-	71,167
Total investments at fair value	$ 417,644	$ 85,012	$ -	$ 502,656
Assets—derivative asset	$ -	$ 6,155	$ -	$ 6,155
Liabilities—derivative obligation	$ -	$ 28,178	$ -	$ 28,178

Following is a description of the System's valuation methodologies for assets and liabilities measured at fair value.

The following methods and assumptions were used by the System in estimating the fair value of its financial instruments:

Cash Equivalents—The carrying amounts reported in the accompanying consolidated balance sheets for cash equivalents approximate their fair value.

Equity Securities—Equity securities are valued at the closing price reported on the applicable exchange on which the security is traded and are classified as Level 1 within the fair value hierarchy.

Equity Mutual Funds and Fixed-Income Mutual Funds—Mutual funds are valued using the net asset value based on the value of the underlying assets owned by the fund, minus liabilities, divided by the number of shares outstanding, and multiplied by the number of shares owned and are classified as Level 1 within the fair value hierarchy.

Debt Securities Issued by US Treasury and Other US Government Corporations and Agencies, Debt Securities Issued by States of the United States and Political Subdivisions of the States, and Corporate Debt Securities—Debt securities are valued using quoted market prices and/or other market data for the same or comparable securities and transactions in establishing the prices, discounted cash flow models, and other pricing methods. These models are primarily industry-standard models that consider various assumptions, including the time value and yield curve, as well as other relevant economic measures. Due to the nature of pricing methods utilized, debt securities are classified as Level 2 within the fair value hierarchy.

Derivatives—The fair value of the derivative obligation is based on observable inputs from market sources that aggregate data based upon market transactions (see Note 8). In determining the fair value of the System's derivative instruments, quoted price can be obtained from a number of dealer counterparties and other independent market sources based on observable interest rates and yield curves for the full term of the asset or liability. In order to determine the risk of nonperformance for derivative instruments, the System determines the credit spread for debt issues by entities with similar credit characteristics to the System. The fair value of the System's derivative instruments will adjust based on the nonperformance risk of the System when the derivative instrument is a liability position or by each counterparty when the derivative instrument is an asset to the System.

The System is required to assess its credit risk versus its counterparties; this assessment resulted in an increase in the asset and decrease in the liability of $4,872, which increased the System's excess of revenues over expenses; and an increase in the asset and decrease in the liability of $2,089, which increased the System's excess of revenues over expenses for the years ended December 31, 2020 and 2019, respectively.

16. ENDOWMENT—WITH DONOR RESTRICTION

The System's endowment is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and consists of 147 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The board of trustees of the System has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift absent explicit donor stipulations to the contrary. As a result of this interpretation, the System classifies as net assets with donor restrictions the original value of gifts donated to the permanent endowment and accumulations to the permanent endowment required by the donor gift instrument, if applicable. The remaining portion of the donor-restricted endowment fund that is not classified as a fund restricted in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure. In accordance with UPMIFA, the System considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

a. The duration and preservation of the fund
b. The purposes of the System and the donor-restricted endowment fund
c. General economic conditions
d. The possible effect of inflation and deflation
e. The expected total return from income and the appreciation of investments
f. Other resources of the System
g. The investment policies of the System

The System's investment and spending policies for endowment assets are structured to provide a predictable stream of funding to programs supported by the endowment and maintain purchasing power of the endowment assets. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to produce a real return, net of inflation, and investment management costs, of at least 5% over the long term. Therefore, the desired minimum rate of return is equal to the consumer price index, plus 600 basis points (6%) on an annualized basis. Actual returns in any given year will vary.

To satisfy its long-term rate of return objectives, the System relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The System targets a diversified asset allocation that places a greater emphasis on equity-based and alternative investments to achieve its long-term objective within prudent risk constraints.

The System computes a 12-quarter trailing average market value of each portfolio as of the prior June 30 and makes 5% of that amount available for expenditure. The computed value may be adjusted for large contributions, withdrawals, or market value swings as necessary to produce the desired level of cash. With this policy, the annual dollar amount available for spending will be known at the beginning of the year. If necessary, quarterly transfers of approximately 1.25% are scheduled for transfer to the Foundation's main cash account.

Changes in endowment funds for the years ended December 31, 2020 and 2019, consisted of the following:

	2020	2019
Net assets—beginning of year	$74,768	$63,643
Investment return—net	7,458	11,243
Contributions	3,184	386
Fund transfer	-	(40)
Appropriation of endowment assets for expenditure	(316)	(464)
Net assets—end of year	$85,094	$74,768

From time to time, the fair value of assets associated with individual donor-restricted endowments funds may fall below the level that the donor or UPMIFA requires the System to retain as a fund of perpetual duration. These deficiencies can result from unfavorable market fluctuations that occur shortly after the investment of new net assets with donor restrictions contributions and continued appropriation for certain programs that was deemed prudent by the board of trustees. There were no significant deficiencies of this nature that are reported in net assets without donor restrictions as of December 31, 2020 and 2019.

17. INTANGIBLE ASSETS

The System's identifiable intangible assets with finite lives are being amortized over their estimated useful lives and are as follows:

	December 31, 2020			
	Gross Carrying Amount	Accumulated Amortization	Net	Amortization Period
Noncontract relationships—recorded in other assets	$ 4,131	$ (2,065)	$ 2,066	20 years
Intangibles—software—recorded in property, equipment, and information systems	83,979	(72,527)	11,452	7 years

	December 31, 2019			
	Gross Carrying Amount	Accumulated Amortization	Net	Amortization Period
Noncontract relationships—recorded in other assets	$ 4,131	$ (1,859)	$ 2,272	20 years
Intangibles—software—recorded in property, equipment, and information systems	82,808	(65,256)	17,552	7 years

Amortization expense for finite-lived intangible assets was $7,473 and $7,236 for the years ended December 31, 2020 and 2019, respectively. The following is a schedule of estimated future amortization of finite-lived intangible assets as of December 31, 2020:

Years Ending December 31	
2021	$ 6,351
2022	3,494
2023	2,226
2024	207
2025	207
Thereafter	1,033
Total	$ 13,518

18. SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 9, 2021, the date the consolidated financial statements were available to be issued. No material subsequent events have occurred since December 31, 2020, that require recognition or disclosure in the consolidated financial statements.

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SUPPLEMENTAL SCHEDULES

CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

SCHEDULE OF EXPENDITURES OF STATE OF WEST VIRGINIA AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

Funding Source	Grant #	Activity #	Amount Received	Amount Expended	Difference
State of WV/DHHR/BHP/OMCFH	G200176/G210279	68657/63160	$ 104,039	$ 134,251	$ (30,212)
State of WV/DJCS	20-CAC-03/21-CAC-03	63024/63159	117,085	82,108	34,977
WVU	934150205-002	63156	49,439	-	49,439
DHHR/WV DHHR BPH	93.991/G210277	63162	4,650	1,463	3,187
			$ 275,213	$ 217,822	$ 57,391

See notes to schedule of expenditures of state of West Virginia awards.

CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

SCHEDULE OF EXPENDITURES OF STATE OF WEST VIRGINIA AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

Funding Source	Grant #	Activity #	Amount Received	Amount Expended	Difference
State of WV/DHHR/BHP/OMCFH	G190346/G200176	68657	$ 152,606	$ 114,486	$ 38,120
State of WV/DJCS	19-CAC-02/20-CAC-03	63024	119,029	76,009	43,020
			$ 271,635	$ 190,495	$ 81,140

See notes to schedule of expenditures of state of West Virginia awards.

CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

NOTES TO SCHEDULE OF EXPENDITURES OF STATE OF WEST VIRGINIA AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of State of West Virginia Awards (the "State Schedule") includes the state of West Virginia award activity of CAMC Health System Inc., and subsidiaries (the "System") under programs of the state of West Virginia government for the year ended December 31, 2020. The information in this State Schedule is presented in accordance with the requirements of West Virginia Code §12-4-14, CSR §148-18 (the "Code").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the State Schedule are reported on the accrual basis of accounting, and amounts received represent cash from state awards received by the System. Such expenditures are recognized following the cost principles contained in the Code, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

Federal Grantor/Program Title	Source	Federal CFDA No.	Pass-Through Entity Identifying Number	Indirect Agency	Total Federal Expenditures	Subrecipient Distributions
FUNDING FROM DEPARTMENT OF HEALTH AND HUMAN SERVICES:						
Accountable Health Communities	I	93.650	CMS-1P1-17-001	PIHN	$ 31,909	$ -
Public Health and Social Services	I	93.003	CDC-FRA-TP17-17010201SUPP18	HEF	1,156	-
Maternal and Child Health	I	93.110	3209610520	CHOP	9,263	-
Blood Disorder Program	I	93.080	6NU27DD001155-04-02/8901210920	CHOP	18,950	-
Outreach Programs to Reduce the Prevalence of Obesity	I	93.319	18-1003-CAMC	WVU	35,633	-
Sickle Cell Treatment Demonstration Program	I	93.365	2004125184	JHU	521	-
State Opioid Response	I	93.788	G200678	WVDHHR	412,013	58,652
HIV Care Formula Grants	I	93.917	G190836; G200832	WVDHHR	366,267	-
Provide Outpatients DIS with Respect of HIV Disease	D	93.918	Not applicable	N/A	407,510	-
COVID-19- Ryan White Response	D	93.918	Not applicable	N/A	48,668	-
COVID-19 ASC	I	93.421	NU380T000283-02-00	ACS	3,214	-
Terrorism Preparedness; Lead Region 3/4 Coordinator & Ebola Funding	I	93.817	Not applicable	WVDHHR	6,309	-
COVID-19 ASPR I Preparedness and Response	I	93.889	U3REP200619	HEF	78,879	-
COVID-19 ASPR II Preparedness and Response	I	93.889	6 U3REP200619-01-01	HEF	141,898	-
COVID-19 Special Pathogens Treatment Center	I	93.889	U3REP190612	HEF	158,457	-
COVID-19 FCC Telehealth	D	32.006	Not applicable	N/A	770,602	-
COVID-19 Testing for the Uninsured	D	93.461	Not applicable	N/A	31,018	-
Preventative Health and Health Services Block Grant/						-
Diabetes Education and Prevention	I	93.991	G210277	WVDHHR	975	-
Total Department of Health and Human Services					2,523,241	-
Medical Assistance Program	I	93.778	G210279	WVDHHR	134,251	-
Total Medicaid Cluster					134,251	-
FUNDING FROM DEPARTMENT OF JUSTICE:						
Victims of Crime Act	I	16.575	17-VA-067; 18-VA-70	WV Division of Justice and Community Services	231,870	-
Total Department of Justice					231,870	-
FUNDING FROM DEPARTMENT OF AGRICULTURE:						
Supplemental Nutrition Assistance Program—SNAP	I	10.561	14-895-K4HK-5; 14-895-K4HK-6	West Virginia University Research Corporation	198,112	-
Total SNAP Cluster					198,112	-
RESEARCH AND DEVELOPMENT CLUSTER:						
Nurse Anesthetist Traineeship	D	93.124	Not applicable	N/A	36,104	-
Biomedical Research and Research Training	I	93.859	12-303-CAMC-5	West Virginia University Research Corporation	210,167	-
Total Research and Development Cluster					246,271	-
TOTAL FEDERAL EXPENDITURES					$ 3,333,746	$ 58,652

See notes to schedule of expenditures of federal awards.

CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of CAMC Health System Inc., and subsidiaries (the "System") under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

For the purposes of the Schedule, federal awards include the following:

- Direct federal awards
- Pass-through funds received from nonfederal organizations under federally sponsored programs conducted by those organizations
- In accordance with the requirements of the Title 2 *CFR* Part 200, *Appendix XI Compliance Supplement Addendum*, Provider Relief Funds were not included in the Schedule.

3. INDIRECT COST RATE

- The System has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. SUBRECIPIENT DISBURSEMENTS

The System made subrecipient disbursements of $58,652 to its subrecipient, Thomas Health Physician Partners, Inc., during the year ended December 31, 2020.

* * *

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
CAMC Health System, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of CAMC Health System, Inc. (the "System"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended and the related notes to the consolidated financial statements, and have issued our report thereon dated April 9, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the System's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the System's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Deloitte & Touche LLP

April 9, 2021

Deloitte.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

To the Board of Directors of
CAMC Health System, Inc.:

Report on Compliance for Each Major Federal Program

We have audited CAMC Health System, Inc. and subsidiaries' (the "System") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the System's major federal programs for the year ended December 31, 2020. The System's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the System's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") . Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the System's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program; however, our audit does not provide a legal determination of the System's compliance.

Opinion on Each Major Federal Program

In our opinion, the System complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of the System is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the System's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-001 that we considered to be a significant deficiency.

The System's response to the internal control over compliance finding identified in our audit is described in the accompanying corrective action plan. The System's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Deloitte & Touche LLP

January 28, 2022

CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020

SECTION I—SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _______ yes __X__ no
- Significant deficiency(ies) identified not considered to be material weaknesses? _______ yes __X__ none reported

Noncompliance material to financial statements noted? _______ yes __X__ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _______ yes __X__ no
- Significant deficiency(ies) identified not considered to be material weaknesses(es)? __X__ yes ____ none reported

Type of auditors' report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance 2 CFR 200.516(a)? _______ yes __X__ no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
93.788	State Opioid Response Program
93.918	Ryan White Program
32.006	FCC COVID-19 Telehealth Program

Dollar threshold used to distinguish between Type A and Type B programs $750,000

Auditee qualified as low-risk auditee? __X__ yes _______ no

CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020

SECTION II—FINANCIAL STATEMENT FINDINGS

No matters were reportable.

SECTION III—FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2020-001 Completeness Review for inclusion of Grant Expenditures in the Schedules

FCC COVID-19 Telehealth—CFDA #32.006

Preparation of Schedule of Federal Expenditures—Significant Deficiency

Criteria—In accordance with the Uniform Guidance, management is responsible for the preparation of the Schedule of Expenditures of Federal Awards ("SEFA"). This includes identifying all expenditures by grant for any given fiscal year.

Conditions and Cause—Programs and related expenditures related to fiscal year 2020 were improperly excluded from the 2020 SEFA. The error resulted when the respective department failed to identify and record expenditures related to certain programs in a timely manner.

Perspective—A number of programs reported on the SEFA were not originally included in the SEFA. The System corrected the error by adding these expenditures into the 2020 SEFA and performed a completeness check to ensure all grants were properly included.

Questioned Costs—None

Effect—Federal programs may be inaccurately stated in the SEFA. This could impact the assessment of major programs in any given year and could potentially affect compliance of the period of availability requirements for grants.

Recommendation—Continue to work with departments through various means (communications, trainings, and policy revisions) to ensure that accurate data, on an accrual basis, is communicated to the CAMC Health Education and Research Institute (the "Institute") on a timely basis.

View of Responsible Officials and Status—See corrective action plan.

CAMC HEALTH SYSTEM, INC. AND SUBSIDIARIES

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2020

2020-001 Completeness Review for inclusion Grant Expenditures in the Schedules

Responsible Party- Terri Chapman

Corrective Action- The System will ensure controls around the completeness of the schedules, including appropriate communication between departments in order to capture all grant expenditures, are implemented and operating effectively.

Expected Completion Date- Completed in November 2021