Mid-Columbia Medical Center and Affiliates

Consolidated Financial Statements and Supplemental Information

Years Ended December 31, 2020 and 2019

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MID-COLUMBIA MEDICAL CENTER

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Mid-Columbia Medical Center
and Affiliates
Consolidated Financial Statements and Supplementary Consolidating Information
Years Ended December 31, 2020 and 2019

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Independent Auditor's Report

Board of Trustees
Mid-Columbia Medical Center and Affiliates
The Dalles, Oregon

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Mid-Columbia Medical Center and Affiliates, 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 financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mid-Columbia Medical Center and Affiliates, at December 31, 2020 and 2019, and the results of their operations, changes in their net assets, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Wipfli LLP

Wipfli LLP

April 26, 2021
Spokane, Washington

Mid-Columbia Medical Center and Affiliates

Consolidated Balance Sheets

As of December 31,	2020	2019
Current assets:		
Cash and cash equivalents	$ 31,480,431	$ 6,581,771
Receivables:		
Patient accounts receivable - Net	15,021,303	16,343,736
Other receivables	523,591	1,546,726
Estimated third-party payor settlements - Net	-	116,792
Supplies inventory	1,857,368	1,877,376
Prepaid expenses	1,364,994	1,495,651
Total current assets	50,247,687	27,962,052
Assets limited as to use	17,390,877	17,248,933
Property and equipment - Net	20,763,051	22,337,907
Other assets:		
Goodwill	1,160,669	1,410,669
Other noncurrent assets - Net	1,178,628	1,268,793
Total other assets	2,339,297	2,679,462
TOTAL ASSETS	$ 90,740,912	$ 70,228,354

Mid-Columbia Medical Center and Affiliates

Consolidated Balance Sheets (Continued)

As of December 31,	2020	2019
Current liabilities:		
Accounts payable	$ 5,776,159	$ 6,730,540
Estimated third-party payor settlements - Net	214,189	-
Current portion of Medicare refundable advance	7,159,167	-
Accrued compensation and related liabilities	4,230,228	4,917,587
Accrued paid time-off	3,823,373	3,023,416
Deferred revenues from provider relief funds	2,717,680	-
Current portion of long-term debt	808,702	7,945,357
Current portion of capital lease obligations	320,917	1,051,789
Total current liabilities	25,050,415	23,668,689
Long-term liabilities:		
Long-term debt - Net of current portion	8,491,950	1,797,754
Obligations under capital leases - Net of current portion	548,842	223,365
Postretirement benefit obligations	1,146,095	1,389,656
Estimated medical malpractice costs	762	670,052
Medicare refundable advance - Less current portion	7,635,833	-
Other long-term liabilities	437,500	486,100
Total long-term liabilities	18,260,982	4,566,927
Total liabilities	43,311,397	28,235,616
Net assets:		
Without donor restriction	43,482,193	36,706,886
With donor restriction	3,947,322	5,285,852
Total net assets	47,429,515	41,992,738
TOTAL LIABILITIES AND NET ASSETS	$ 90,740,912	$ 70,228,354

Mid-Columbia Medical Center and Affiliates

Consolidated Statements of Operations

Years ended December 31,	2020	2019
Revenue:		
Patient service revenue - Net	$ 117,836,305	$ 123,969,985
Other operating revenue	22,261,148	9,863,747
Total revenue	140,097,453	133,833,732
Expenses:		
Salaries	62,280,567	61,886,261
Employee benefits	14,245,745	12,759,846
Supplies	19,727,117	21,448,397
Professional fees	10,702,655	11,943,781
Purchased services	12,773,765	12,016,261
Rent	4,103,256	4,196,707
Repairs and maintenance	1,951,959	2,356,090
Utilities	1,270,633	1,284,807
Insurance	(51,150)	732,437
Depreciation	5,174,370	4,925,741
Interest and amortization	458,846	531,275
Other operating expense	1,514,971	1,918,489
Total operating expenses	134,152,734	136,000,092
Income (loss) from operations	5,944,719	(2,166,360)
Other income (expense):		
Investment income	855,599	1,367,150
Change in fair value of interest rate swap agreement	49,981	(138,168)
Gain on sale of interest in Lone Pine	-	2,797,843
Loss on disposal of property and equipment	(222,488)	-
Other expenses - Net	(1,769,697)	(560,854)
Total other income (expense)	(1,086,605)	3,465,971
Excess of revenue over expenses	4,858,114	1,299,611
Other changes in net assets without donor restriction:		
Net assets released from restrictions for operations	1,172,419	250,557
Net assets released from restrictions used for property and equipment acquisitions	744,774	744,774
Increase in net assets without donor restriction	$ 6,775,307	$ 2,294,942

See accompanying notes to consolidated financial statements.

Mid-Columbia Medical Center and Affiliates

Consolidated Statements of Changes in Net Assets

Years ended December 31,	2020	2019
Net assets without donor restrictions		
Excess of revenues over expenses	$ 4,858,114	$ 1,299,611
Net assets released from restrictions used for operations	1,172,419	250,557
Net assets released from restrictions used for property and equipment acquisitions	744,774	744,774
Total increase in net assets without donor restrictions	6,775,307	2,294,942
Net assets with donor restrictions		
Restricted contributions	522,482	498,731
Restricted investment income	34,775	81,110
Increase (decrease) in value of split-interest agreement	21,406	(19,256)
Net assets released from restrictions used for operations	(1,172,419)	(250,557)
Net assets released from restrictions used for property and equipment acquisitions	(744,774)	(744,774)
Total decrease in net assets with donor restrictions	(1,338,530)	(434,746)
Change in net assets	5,436,777	1,860,196
Net assets at beginning	41,992,738	40,132,542
Net assets at end	$ 47,429,515	$ 41,992,738

See accompanying notes to consolidated financial statements.

Mid-Columbia Medical Center and Affiliates

Consolidated Statements of Cash Flows

Years ended December 31,	2020	2019
Cash flows from operating activities:		
Increase in net assets	$ 5,436,777	$ 1,860,196
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	5,174,370	4,925,741
Provision for bad debts	2,529,293	1,055,269
Loss on sales of property and equipment - Net	222,488	-
Amortization of debt issuance costs	(85,687)	13,955
(Gain) loss in fair value of interest rate swap agreement	(49,981)	138,168
Investment income (loss)	(855,599)	262,037
Impairment of Goodwill	250,000	-
Restricted contributions and restricted investment income	(578,663)	(560,585)
Changes in operating assets and liabilities:		
Patient accounts receivable - Net	(1,206,860)	(2,282,796)
Other receivables	1,023,132	(146,205)
Estimated third-party payor settlements - Net	330,981	349,730
Supplies inventory	20,008	84,927
Prepaid expenses	130,657	(84,012)
Other noncurrent assets- Net	90,165	986,382
Accounts payable	(954,381)	(586,008)
Accrued compensation and related liabilities	(687,359)	503,786
Other current liabilities	9,876,847	-
Accrued paid time-off	799,957	442,702
Other noncurrent liabilities	6,724,363	(544,603)
Net cash from operating activities	$ 28,190,508	$ 6,418,684

See accompanying notes to consolidated financial statements.

Mid-Columbia Medical Center and Affiliates

Consolidated Statements of Cash Flows (Continued)

Years ended December 31,	2020	2019
Cash flows from investing activities:		
Proceeds from sale of assets limited as to use and investments	$ 5,100,006	$ 8,418,726
Purchases of assets limited as to use and investments	(4,386,348)	(12,301,229)
Purchases of property and equipment	(3,174,920)	(3,032,147)
Net cash from investing activities	(2,461,262)	(6,914,650)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	8,963,000	49,981
Payments on long-term debt	(9,319,772)	(648,511)
Payments on obligations under capital leases	(1,052,477)	(1,318,518)
Restricted contributions and investment income	578,663	560,585
Net cash from financing activities	(830,586)	(1,356,463)
Net change in cash and cash equivalents	24,898,660	(1,852,429)
Cash and cash equivalents at beginning of year	6,581,771	8,434,200
Cash and cash equivalents at end of year	$ 31,480,431	$ 6,581,771
Supplemental cash flow information:		
Cash paid for interest	$ 458,846	$ 531,275
Noncash financing activity:		
Equipment acquired under capital lease obligations	$ 647,082	$ 179,260

Note 1: Summary of Significant Accounting Policies

Organization and Principles of Consolidation

Mid-Columbia Medical Center and Affiliates (the "Medical Center") is an Oregon nonprofit corporation located in The Dalles, Oregon which was formed for the purpose of providing a comprehensive system of healthcare services to the communities in the Mid-Columbia region. Health Care for the Mid-Columbia Region (the "Region") is the sole member of the Medical Center, as well as the sole member or stockholder of several other affiliated organizations.

On April 4, 2019, the operations and related assets and liabilities of Health Care for the Mid-Columbia Region were merged into Mid-Columbia Medical Center. As a result, Mid-Columbia Medical Center exists as the parent over the affiliates, the Foundation and Dry Hollow. No change to the overall scope of operations occurred as a result of this event.

The accompanying consolidated financial statements include the accounts and transactions of the Medical Center. Affiliates are the Mid-Columbia Health Foundation (the "Foundation") and Dry Hollow Professional Center, Inc. ("Dry Hollow"), which are Oregon nonprofit corporations. Inter-affiliate accounts and transactions have been eliminated in consolidation.

Mid-Columbia Medical Center is a short-term acute care hospital that provides healthcare and healthcare related services primarily to residents of the Mid-Columbia region. The Clinic's operations consist of various medical clinics and physician practices. The Foundation was established to raise funds for healthcare providers in the Mid-Columbia region. Dry Hollow owns and operates a medical professional building.

Consolidating Financial Statements Presentation

The Medical Center follows accounting standards contained in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The ASC is the single source of authoritative accounting principles generally accepted in the Unites States (GAAP) to be applied to nongovernmental entities.

Use of Estimates in Preparation of Consolidated Financial Statements

The preparation of the accompanying consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that directly affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from estimates.

Note 1: Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with remaining maturities of three months or less at the time of purchase by the Medical Center, excluding assets limited as to use.

Assets Limited as to Use

Assets limited as to use primarily consist of assets designated by the Medical Center's Board of Trustees (the "Board") for certain operating purposes and future capital acquisitions (over which the Board retains control and may, at its discretion, subsequently use for other purposes); a deposit account required as a result of the Medical Center's guarantee of a related entity's debt obligation; and investments held by the Foundation.

Investments and Investment Income

Investments are measured at fair value in the accompanying balance sheets. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is included in nonoperating income (expense) and included in excess of revenue over expenses unless the income or loss is restricted by donor or law. In 2019, due to the adoption of ASU 2016-01 unrealized gains and losses are also included in nonoperating income (expense). In 2018 and prior, unrealized gains and losses on investments were excluded from excess of revenue over expenses unless the investments were trading securities. Realized gains and losses are determined by specific identification. As of December 31, 2020 and 2019, all of the Medical Center's assets limited as to use are classified as other than trading securities.

The Medical Center monitors the difference between the cost and fair value of its investments. A decline in market value of an individual investment security below cost that is deemed to be other than temporary results in an impairment, and the Medical Center reduces the investment's carrying value to fair value. A new cost basis is established for the investment, and any impairment loss is recorded as a realized loss in investment income. Investments in an unrealized loss position were not significant as of December 31, 2020 and 2019.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Note 1: Summary of Significant Accounting Policies (Continued)

Patient Accounts Receivable and Credit Policy

Patient accounts receivable are uncollateralized patient obligations that are stated at the amount management expects to collect from outstanding balances. These obligations are primarily from local residents, most of whom are insured under third-party payor agreements. The Medical Center bills third-party payors on the patients' behalf, or if a patient is uninsured, the patient is billed directly. Once claims are settled with the primary payor, any secondary insurance is billed, and patients are billed for copay and deductible amounts that are the patients' responsibility. Payments on patient accounts receivable are applied to the specific claim identified on the remittance advice or statement. The Medical Center does not have a policy to charge interest on past due accounts.

Patient accounts receivable are recorded in the accompanying consolidated balance sheets net of contractual adjustments and an allowance for doubtful accounts, which reflect management's estimate of the amounts that won't be collected. Management provides for contractual adjustments under terms of third-party reimbursement agreements through a reduction of gross revenue and a credit to patient accounts receivable.

In evaluating the collectability of patient accounts receivable, the Medical Center analyzes past results and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. Specifically, for receivables associated with services provided to patients who have third-party coverage, the Medical Center analyzes contractually due amounts and provides an allowance for uncollectible amounts on accounts for which the third-party payor has not yet paid or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely. For the years ended December 31, 2020 and 2019, bad debt expense was insignificant to the consolidated financial statements and was not discretely presented.

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

Supplies Inventory

Supplies inventory is valued at the lower of average cost (first-in, first-out method) or net realizable value, except for pharmacy inventory, which is determined on the lower of cost (first-in, first-out method) or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.

Note 1: Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment acquisitions are recorded at cost. Donated property and equipment items are recorded on the basis of estimated fair value at the date of donation. Property and equipment acquisitions, and improvements and replacements of property and equipment, with a cost of $3,000 or more are capitalized. Lesser amounts, and routine maintenance and repairs, are charged to expense as incurred.

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Depreciation is provided over the estimated useful lives of the depreciable assets based on guidelines published by the American Hospital Association and is computed using the straight-line method. Equipment under capital lease obligations is amortized using the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation expense in the accompanying consolidated financial statements.

Management reviews property and equipment for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. If there is an indication of impairment, management would prepare an estimate of future cash flows (undiscounted and without interest charges) expected to result from the use of the asset and its eventual disposition. If these estimated cash flows are less than the carrying amount of the asset, an impairment loss would be recognized to write down the asset to its estimated fair value. During 2020 and 2019, the Medical Center determined that no evaluations of recoverability were necessary.

Contributions of long-lived assets such as land, buildings, and equipment are reported as support without donor restriction and are excluded from the excess of revenue over expenses, unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restrictions that specify how the assets are to be used and contributions and grants of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Medical Center reports expirations of donor restrictions as support when the donated or acquired long-lived assets are placed in service.

Goodwill

Goodwill represents the excess of the total cost of an acquisition over the fair value of the underlying identifiable net assets at the date of acquisition. Goodwill is not amortized, but is reviewed for impairment, at least annually. During the year ended December 31, 2020, management reviewed its goodwill and determined that an impairment adjustment of $250,000 was necessary. Management was not aware of any impairment indicators impacting goodwill during the year ended December 31, 2019.

Note 1: Summary of Significant Accounting Policies (Continued)

Other Noncurrent Assets

Other noncurrent assets include the Medical Center's investments in certain related entities. If the Medical Center owns 50% or less of the voting interests of an investee and can exercise significant influence over the investee's operating and financial policies (generally presumed to be when the Medical Center owns more than 20% of the voting interests of the investee), the Medical Center accounts for such investments under the equity method of accounting, whereby the Medical Center records its proportionate share of the investee's income or loss in the statements of operations and records distributions from the investee as a reduction in the related investment balance.

If the Medical Center cannot exercise significant influence over the investee's operating and financial policies (generally presumed to be when the Medical Center owns less than 20% of the voting interests of the investee), the Medical Center accounts for such investments at cost and records dividends or distributions from the investee as other income when received.

Interest in Net Assets of the Foundation

Accounting guidance establishes standards of financial accounting and reporting for transactions in which an entity makes contributions to another entity or an entity accepts contributions from a donor and agrees to use those assets on behalf of or transfer those assets and the return on those assets to another entity. The Medical Center and the Foundation are financially interrelated organizations and, accordingly, the Medical Center recognizes its interest in the net assets of the Foundation and adjusts that interest for its share of the changes in the net assets of the Foundation.

Interest Rate Swap Agreements

The Medical Center enters into interest rate swap agreements (the "Swap Agreements"), which are derivative financial instruments - to reduce interest rate risk associated with its long-term debt. The Medical Center does not hold or issue derivative financial instruments for trading purposes. GAAP requires that an entity recognize all derivatives as either assets or liabilities and measure those instruments at fair value. The aggregate estimated fair value of the Swap Agreements as of December 31, 2019, was not significant to the accompanying consolidated balance sheets. As of December 31, 2020, the Medical Center no longer had any debt that carried swap agreements.

GAAP also requires that changes in the fair value of Swap Agreements be recognized in the consolidated statements of operations unless specific hedge accounting criteria are met. As of December 31, 2019, the Medical Center did not elect hedge accounting treatment for its Swap Agreements and, accordingly, the change in the fair value of the Swap Agreements is recorded as other expense in the accompanying consolidated statements of operations. As of December 31, 2020, the Medical Center no longer had any debt that carried swap agreements.

Note 1: Summary of Significant Accounting Policies (Continued)

Postretirement Benefit Obligations

The Medical Center sponsors deferred compensation programs covering certain retirees. The deferred compensation programs are funded with investments.

Net Patient Service Revenue

Net patient service revenue is reported at the amount that reflects the consideration to which the Medical Center expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Medical Center bills the patients and third-party payors several days after the services are performed and/or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided. Revenue from performance obligations satisfied over time is recognized based on actual charges incurred. Generally, performance obligations satisfied over time relate to patients receiving inpatient hospital acute care services, and sub-acute care services. For these services the Medical Center measures the performance obligation from admission to the point when there are no further services required for the patient, which is generally at the time of discharge. For outpatient services provided at hospitals, clinics, and home health and sub-acute services, the performance obligation is satisfied as the patient simultaneously receives and consumes the benefits provided as the services are performed. In the case of these outpatient services, recognition of the obligation over time yields the same result as recognizing the obligation at a point in time.

Because the Medical Center's performance obligations relate to contracts with a duration of less than one year, the Medical Center has elected to apply the optional exemption and, therefore, is 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.

The Medical Center uses a portfolio approach to account for categories of patient contracts as a collective group rather than recognizing revenue on an individual contract basis. The Medical Center used the following factors to develop portfolios: major payor classes, type of service (i.e., inpatient, outpatient, clinic), and geographic location. Using historical collection trends and other analyzes, the Medical Center evaluated the accuracy of its estimate and determined that recognizing revenue by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach was used.

Note 1: Summary of Significant Accounting Policies (Continued)

Net Patient Service Revenue (Continued)

The Medical Center determines the transaction price, which involves significant estimates and judgment, based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Medical Center's policy, and implicit price concessions provided to patients. The Medical Center determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policy, and historical experience. The Medical Center determines its estimate of implicit price concessions based on its historical collection experience for each patient portfolio based on payor class, service type, and geographic location.

The Medical Center has agreements with third-party payors that typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Government Payors

Prospective Payment

Medicare - Inpatient hospital acute care services 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, clinic, home health, and subacute care services are reimbursed primarily on a prospective payment methodology based upon a patient classification system or fixed fee schedules.

Medicaid - Inpatient and outpatient services are reimbursed primarily based upon prospectively determined rates. Clinic services are reimbursed primarily on a fixed fee schedule.

Cost-Reimbursed

Several of the clinics are designated as Provider-Based Rural Health Clinics (PB-RHC). Under the PB-RHC designation services rendered to Medicare and Medicaid beneficiaries are paid based upon a cost-reimbursement methodology.

Other Payors

The Medical Center has entered into payment agreements with commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per discharge, discounts from established charges, fee schedules, and prospectively determined daily rates.

Note 1: Summary of Significant Accounting Policies (Continued)

Net Patient Service Revenue (Continued)

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. Because of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Medical Center's compliance with these laws and regulations, and it is not possible to determine the impact (if any) of such claims, or penalties would have upon the Medical Center. The Centers for Medicare and Medicaid Services (CMS) uses recovery audit contractors (RACs) to search for potentially inaccurate Medicare payments that may have been made to health care providers and that were not detected through existing CMS program integrity efforts. Once the RAC identifies a claim it believes is inaccurate, the RAC makes a deduction from or addition to the provider's Medicare reimbursement in an amount estimated to equal the overpayment or underpayment. The Medical Center has not been notified by the RAC of any potential significant reimbursement adjustments. In addition, the contracts the Medical Center has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive 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. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Medical Center's 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. Adjustments arising from a change in the transaction price were not significant in 2020 and 2019.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Medical Center also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The Medical Center estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended December 31, 2020 and 2019, was not significant.

Note 1: Summary of Significant Accounting Policies (Continued)

Net Patient Service Revenue (Continued)

Consistent with the Medical Center's mission, care is provided to patients regardless of their ability to pay. Therefore, the Medical Center has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Medical Center expects to collect based on its collection history with those patients. The Medical Center's policy is to provide a discount from established charges to uninsured patients. This policy did not change in 2020 and 2019.

The estimated amount of consideration from patients and third-party payors has not been adjusted for the effects of a significant financing component due to the Medical Center's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. However, the Medical Center does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

All incremental customer contract acquisition costs are expensed as they are incurred as the amortization period of the asset that the Medical Center otherwise would have recognized is one year or less in duration.

Charity Care

The Medical Center provides services to patients who meet certain criteria of its financial assistance (i.e., charity care) policy without charge or at amounts less than its established rates. The Medical Center's criteria for the determination of charity care include the patient's, or other responsible party's, annual household income, assets, credit history, existing debt obligations, and other indicators of the patient's ability to pay. Generally, uninsured individuals with an annual household income at, or less than, 200% of the Federal Poverty Guidelines (the "Guidelines") qualify for charity care under the Medical Center's policy. In addition, the Medical Center may provide discounts on a sliding scale to those individuals with an annual household income of between 200% and 400% of the Guidelines. Since the Medical Center does not pursue collection of amounts determined to qualify as charity care, those amounts are not reported as net patient service revenue.

The estimated cost of providing charity care to patients under the Medical Center's charity care policy is calculated by multiplying the Medical Center's ratio of cost to gross charges by the gross uncompensated charges associated with providing the charity care.

Note 1: Summary of Significant Accounting Policies (Continued)

Excess of Revenues Over Expenses

For purposes of presentation, transactions deemed by the Medical Center to be ongoing, major, or central to the provision of healthcare services are reported as operating revenue and expenses. Peripheral or incidental transactions are reported as other income (expense). The accompanying consolidated statements of operations include the excess of revenue over expenses, which is considered the operating indicator. Changes in net assets without donor restrictions, which are excluded from the excess of revenue over expenses, consistent with industry practice, include the change in net unrealized gains and losses on the other trading securities and net assets released from restrictions used for property and equipment acquisitions.

Contributions

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

a) An explicit identifying of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized.

b) An implicit right of return of assets transferred or a right of release of a donor or grantor’s obligation to transfer assets promised, if the condition is not met.

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of operations as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Donated services are recognized as contributions if the services: (a) create or enhance nonfinancial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased.

Note 1: Summary of Significant Accounting Policies (Continued)

Net Assets

Net assets without donor restrictions consist of investments and otherwise unrestricted amounts that are available for use in carrying out the mission of the Medical Center and include those expendable resources, which have been designated for special use by the Medical Center's or affiliate's Board. Net assets with donor restrictions are those whose use by the Medical Center has been limited by donors to a specific time period or purpose, or have been restricted by donors to be maintained by the Medical Center in perpetuity. Net assets restricted by donors to be maintained by the Medical Center in perpetuity were not significant to the accompanying consolidated financial statements as of December 31, 2020 and 2019.

Income Taxes

The Mid-Columbia Medical Center, Dry Hollow, and the Foundation are tax-exempt corporations as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The various entities are also engaged, to a limited extent, in certain activities subject to taxation as unrelated business income (UBI). Income taxes on UBI are not significant.

In order to account for any uncertain tax positions, the Medical Center determines whether it is more likely than not that a tax position will be sustained on examination by the taxing authorities based on the technical merits of the position, assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more-likely-than-not recognition threshold, the benefit of the tax position is not recognized in the consolidated financial statements.

New Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842). The objective of this ASU is to assist organizations in recognizing the right to the use of an asset and its related liability or obligation when there is a contract in place, which includes the right to control or direct the use of an identifiable asset. This ASU also includes provisions where the majority of leases that have lease terms greater than one year are to be recorded as capital leases on the balance sheet, whereas in the past, these leases may have been recorded as either capital leases or operating leases. This ASU is effective for the Medical Center's year ending December 15, 2021.

Subsequent Events

Subsequent events have been evaluated through April 26, 2021, which is the date the consolidated financial statements were available to be issued.

Note 2: Business Conditions

In March 2020, the World Health Organization declared the outbreak of the novel coronavirus as a pandemic, which continues to spread throughout the United States. As a result of the pandemic, there are evolving federal and state regulatory requirements and laws that will affect the Medical Center's operations. The Medical Center is incorporating processes to comply with the evolving regulatory requirements and laws. At this time, it is unclear what the prolonged economic impact of COVID-19 will have on the Medical Center's operations.

Note 3: Community Benefits (Unaudited)

The Medical Center's philosophy embraces a definition of health that acknowledges the interdependence of biological, social, intellectual, environmental, and spiritual components. This definition has broadened the Medical Center's focus and prioritization of resources dedicated to improving the health of the communities within the Medical Center's geographic location. The Medical Center's mission is to lead and act as a catalyst in promoting health for all people in its service area. The Medical Center works to accomplish this by being willing to provide healthcare services to all members of the community, providing access to health information, and support services, and acting as a catalyst and strategic partner in broad-based community initiatives.

In keeping with the Medical Center's mission to serve all members of the community, free care, and/or subsidized care is provided. The Medical Center provided approximately $6,027,000 and $3,125,000 in free or charity care at established rates to qualified patients because of medical need and limited financial resources during the years ended December 31, 2020 and 2019, respectively. Management estimates that the net cost of charity care provided was approximately $2,811,000 and $1,427,000 for the years ended December 31, 2020 and 2019, respectively. These estimates were based on the Medical Center's ratio of cost to charges each year.

The Medical Center believes in community partnerships and preventive programs, which enhance the health and wellness of community members. According to Management, some of the Medical Center's efforts are as follows:

- Participates as a member of the Columbia Gorge Health Council (CGHC) in providing oversight and governance of the coordinated care organization formed by PacificSource Community Solutions (PacificSource). CGHC is a nonprofit corporation comprised of the Medical Center, Wasco County, Hood River County, Central Oregon Independent Practice Association, Inc., One Community Health, PacificSource, Providence Hood River Memorial Hospital, and at-large members of the community.

- Nurses provide access to free or reduced cost primary care and school nursing services for uninsured students in the local school districts.

- Provides free prenatal classes and support programs focusing on prenatal care, testing, delivery, and post-partum care for high-risk pregnancies.

Note 3: Community Benefits (Unaudited) (Continued)

- Provides meeting facilities for various civic, charitable, and support groups. Provides support for American Red Cross Blood Drives.
- Provides and subsidizes emergency medical technician training for several neighboring counties.
- Encourages staff to volunteer to make a difference through service to members of the community.
- Sponsors and participates in community, senior, and diabetes health fairs by supplying health and safety information, demonstrations, and screenings.
- Sponsors monthly support groups for various healthcare-related issues and post-treatment support for affected patients.
- Provides sports medicine specialists to the Northern Wasco, Dufur, and Sherman County school districts for education on prevention of sports-related injuries and preventative conditioning principles to increase athleticism, as well as injury assessment and treatment. The program covers athletic events, practices, sports and conditioning camps, and requested physical education classes.
- Partners with those in the community seeking to improve or enhance their health through lifestyle changes and choices, particularly in the areas of obesity and heart disease.

Note 4: Reimbursement Arrangements With Third-Party Payors

The Medical Center has arrangements with third-party payors that provide payments to the Medical Center at amounts different from its established rates. A summary of the basis of reimbursement with major third-party payor categories follows:

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries 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. Medicare reimburses the Medical Center for covered outpatient services rendered to Medicare beneficiaries by way of an outpatient prospective payment system based on ambulatory payment classifications.

Inpatient nonacute services, certain outpatient services, and defined capital costs related to Medicare beneficiaries are paid based, in part, on a cost reimbursement methodology. The Medical Center is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. The estimated amounts due to or from the program are reviewed and adjusted annually based on the status of such audits and any subsequent appeals. Differences between final settlements and amounts accrued in previous years are reported as adjustments to net patient service revenue in the year examination is substantially completed.

Note 4: Reimbursement Arrangements With Third-Party Payors (Continued)

Medicaid – Services rendered to Medicaid beneficiaries are primarily reimbursed at discounts from standard charges or based on fee schedules. In addition, the rural health clinics (RHCs) receive “wrap-around” payments. “Wrap-around” payment receivables were approximately $1,378,000 and $1,762,000 as of December 31, 2020 and 2019, respectively, and are included in estimated third-party payor settlements - net in the accompanying consolidated balance sheets. Services rendered to Medicaid program beneficiaries are generally reimbursed under a cost reimbursement methodology. Under this methodology, the Medical Center is reimbursed at a tentative rate with final settlement determined after audits of the Medical Center's annual cost reports by Medicaid.

Commercial Insurance, Health Maintenance Organizations, and Preferred Provider Organizations – The Medical Center has also entered into agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Medical Center under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Other - The Medical Center also provides its services to patients enrolled in programs of commercial insurance carriers, health maintenance organizations and preferred provider organizations under which the Medical Center does not have agreements. The Medical Center recognizes revenue for these patients based on its usual customary rates for these services adjusted for historical trends in the Medical Center's reimbursement for similar services.

Accounting for Contractual Arrangements

The Medical Center is reimbursed for certain cost-reimbursable items at an interim rate, with final settlements determined after an audit of the Medical Center's related annual cost reports by the respective Medicare and Medicaid fiscal intermediaries. Estimated provisions to approximate the final expected settlements after review by the intermediaries are included in the accompanying consolidated financial statements. The Medical Center’s Medicare cost reports have been examined by the Medicare Administrative Contractors (MAC) through December 31, 2015, and the Medicaid cost reports have been examined through the year ended December 31, 2015.

Note 4: Reimbursement Arrangements With Third-Party Payors (Continued)

Laws and Regulations

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and billing regulations. Government activity with respect to investigations and allegations concerning possible violations of such regulations by health care providers has increased. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. While no significant regulatory inquiries have been made of the Medical Center, compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

CMS uses RAC as part of CMS's efforts to ensure accurate payments. RAC's search for potentially inaccurate Medicare payments that might have been made to healthcare providers and were not detected through existing CMS program integrity efforts. Once a RAC identifies a claim it believes is inaccurate, it makes a deduction from or addition to the provider's Medicare reimbursement in an amount estimated to equal the overpayment or underpayment. The provider may either accept or appeal the RAC's findings. As of December 31, 2020, management is not aware of any current RAC reviews that would result in significant reimbursement adjustments.

Note 5: Patient Accounts Receivable - Net

Patient accounts receivable - net consisted of the following as of December 31:

	2020	2019
Patient accounts receivable	$ 24,526,139	$ 25,160,914
Less:		
Contractual allowances	7,388,368	7,825,177
Allowance for doubtful accounts	2,116,468	992,001
Patient accounts receivable - Net	$ 15,021,303	$ 16,343,736

The Medical Center's allowance for doubtful accounts for self-pay patients was 22% of self-pay accounts receivable at December 31, 2020, and 26% at December 31, 2019. The Medical Center has not changed its charity care or uninsured discount policies during 2020 and 2019. The Medical Center does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant write-offs from third-party payors.

Note 6: Assets Limited as to Use

Assets limited as to use consisted of the following as of December 31:

	2020	2019
Internally designated for certain operating purposes:		
Money market funds	$ 213,942	$ 174,817
Government bonds	104,994	166,442
Common stock	150,431	294,411
Certificates of deposit	726,797	462,073
Corporate notes	58,135	-
Accrued interest receivable	2,163	-
Total internally designated for certain operating purposes	1,256,462	1,097,743
Internally designated for investment purposes:		
Money market funds	2,851,333	2,256,531
Common stock	1,192,919	983,705
Certificates of deposit	1,139,419	2,261,624
Corporate notes and government bonds	3,889,421	3,300,099
Mutual and exchange traded funds	1,864,878	1,731,387
Accrued interest receivable	15,702	8,252
Total internally designated for investment purposes	10,953,672	10,541,598
Restricted under guarantee agreement:		
Deposit account (cash and cash equivalents)	-	501,463
Investments held by the Foundation:		
Money market funds	77,962	274,756
Mutual and exchange-traded funds	553,448	2,865,176
Certificates of deposit	1,085,478	408,003
Corporate notes and government bonds	3,329,790	1,124,676
Accrued interest receivable	4,065	9,326
Total investments held by the Foundation	5,050,743	4,681,937
Restricted for self-insurance:		
Certificate of deposit	130,000	426,192
Total assets limited as to use	$ 17,390,877	$ 17,248,933

Note 7: Investment Income

Investment income, including unrestricted and restricted investments income, consisted of the following for the years ended December 31:

	2020	2019
Interest and dividend income	$ 447,901	$ 1,448,260
Realized and unrealized gains on investment - Net	442,473	2,797,843
Total investment income	$ 890,374	$ 4,246,103

Investments, in general, are exposed to various risks such as interest rate, credit, and overall market volatility. Because of the level of risk associated with certain investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated financial statements.

Management assesses individual investment securities as to whether declines in market value are other than temporary and result in impairment. For equity securities, the Medical Center considers whether it has the ability and intent to hold the investment until a market price recovery. Evidence considered in this includes the reasons for the impairment, the severity and duration of the impairment, changes in value subsequent to year-end, the issuer's financial condition, and the general market condition in the geographic area or industry the investee operates in. For debt securities, if the Medical Center has made a decision to sell the security, or if it's more likely than not the Medical Center will sell the security before the recovery of the security's cost basis, an other-than-temporary impairment is considered to have occurred.

If the Medical Center has not made a decision or does not have an intent to sell the debt security, but the debt security is not expected to recover its value because of a credit loss, an other-than-temporary impairment is considered to have occurred. Because the Medical Center has the intent and the ability to hold investment securities until a market price recovery or maturity, investment securities at December 31, 2020 and 2019, are not other than temporarily impaired. No impairment losses were recognized by the Medical Center during 2020 and 2019.

Note 8: Fair Value Measurements

Following is a description of the valuation methodologies used for assets measured at fair value:

Common stock and corporate notes: The fair value for common stock and corporate notes is determined based on quoted market prices and other observable market data.

Corporate and government obligations: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Mutual funds and exchange traded funds: Valued at the daily closing prices as reported by the fund. Mutual funds held by the Medical Center are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Medical Center are deemed to be actively traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Medical Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level the Medical Center's assets at fair value:

As of December 31, 2020	Level 1	Level 2	Level 3	Total Assets at Fair Value
Assets limited to use:				
Common stock and corporate notes	$ 4,673,140	$ -	$ -	$ 4,673,140
Corporate and government obligations	-	4,052,550	-	4,052,550
Mutual and exchange traded funds	-	2,418,326	-	2,418,326
Total value	$ 4,673,140	$ 6,470,876	$ -	11,144,016
Other assets limited to use:				
Cash and cash equivalents				3,143,237
Certificates of deposit				3,081,694
Accrued interest income				21,930
Total assets limited as to use - Net				$ 17,390,877

Note 8: Fair Value Measurements (Continued)

As of December 31, 2019	Level 1	Level 2	Level 3	Total Assets at Fair Value
Assets limited to use:				
Common stock and corporate notes	$ 4,143,291	$ -	$ -	$ 4,143,291
Corporate and government obligations	-	1,726,042	-	1,726,042
Mutual and exchange traded funds	-	4,596,563	-	4,596,563
Swap agreements - Net	-	88,186	-	88,186
Total value	$ 4,143,291	$ 6,410,791	$ -	10,554,082
Other assets limited to use:				
Cash and cash equivalents				3,207,567
Certificates of deposit				3,557,893
Accrued interest income				17,577
Total assets limited as to use and swap agreements - Net				$ 17,337,119

Note 9: Liquidity

The following reflects the Medical Center’s financial assets and liquidity as of the consolidated balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

As part of the Medical Center’s liquidity management, it invests cash in excess of daily requirements in a variety of investment vehicles. These funds, included in assets limited as to use, are considered available for operational or capital needs, except for investment vehicles with restrictive redemption requirements. Occasionally, the Board designates a portion of operating surplus to be appropriated at its discretion for future operational initiatives, debt service, and capital expenditures. Though these funds, at the discretion of the Board, could be released immediately, these funds are not considered available under the Medical Center’s liquidity management.

Receivables included in estimated third party payor settlements - net primarily consisted of RHC "wrap-around" payment receivables as of December 31, 2020 and 2019.

Note 9: Liquidity (Continued)

As of December 31, 2020, and 2019, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled debt service payments, and capital items, were as follows:

	2020	2019
Financial assets:		
Cash and cash equivalents	$ 31,480,431	$ 6,581,771
Patient accounts receivable - Net	15,021,303	16,343,736
Other receivables	523,591	1,546,726
Assets limited as to use	17,390,877	17,248,933
RHC "wrap-around" payment receivables	1,378,442	1,762,033
Total financial assets and liquidity resources	65,794,644	43,483,199
Less those unavailable for general expenditures within one year, due to:		
Internally designated for certain operating purposes	1,256,462	1,097,743
Internally designated for investment purposes	10,953,672	10,541,598
Deposits restricted under guarantee agreement	-	501,463
Investments held by the Foundation	5,050,743	4,681,937
Restricted for self insurance	130,000	426,192
Total unavailable for general expenditures within one year	17,390,877	17,248,933
Financial assets available to meet cash needs for general expenditures within one year	$ 48,403,767	$ 26,234,266

Note 10: Property and Equipment

Property and equipment consisted of the following as of December 31:

	2020	2019
Land	$ 701,591	$ 701,591
Land improvements	544,663	1,064,587
Buildings	19,540,385	19,334,608
Leasehold improvements	6,813,433	5,838,074
Fixed equipment	8,594,975	15,370,523
Furniture and moveable equipment	31,925,961	35,152,283
Totals	68,121,008	77,461,666
Less - Accumulated depreciation	(48,073,153)	(56,591,010)
Totals	20,047,855	20,870,656
Construction in progress	715,196	1,467,251
Property and equipment - Net	$ 20,763,051	$ 22,337,907

Included in property and equipment were assets under capital lease obligations with a cost of approximately $3,470,000 and $6,530,000 as of December 31, 2020 and 2019, respectively. Accumulated amortization related to these assets was approximately $2,430,000 and $3,911,000 as of December 31, 2020 and 2019, respectively.

Note 11: Collaboration Agreement

Effective July 1, 2014, the Medical Center entered into a Clinical Collaboration Agreement (the "Collaboration Agreement") with Oregon Health and Science University (OHSU) with a goal of improving the overall health of, and access to quality, cost-effective care, for people in the Mid-Columbia region.

Under the Collaboration Agreement, which has an initial term of 10 years, OHSU is providing certain financial assistance for recruiting physicians, employing physicians who are providing professional services on behalf of the Medical Center, providing an administrative director for the Clinics, potentially providing certain financial support to cover a portion of losses incurred by the Clinics from 2015 through 2018, and allowing the Medical Center to implement certain electronic health record (EHR) technologies owned by OHSU. Also, under the Collaboration Agreement, OHSU has a representative on the Board of Mid-Columbia Medical Center. Not less than quarterly for the first five years of the Collaboration Agreement, OHSU and the Medical Center are jointly reviewing the Medical Center's performance compared to a four-year forecast and other metrics.

Note 11: Collaboration Agreement (Continued)

OHSU has the right to terminate the Collaboration Agreement and/or not provide financial support to cover a portion of losses incurred by the Clinics if the Medical Center does not meet certain financial covenants on an annual basis.

OHSU provided contributed services, certain physician services, and EHR maintenance during the years ended December 31, 2020 and 2019. In addition, OHSU provided physician recruitment support for the year ended December 31, 2019.

In addition, during the year ended December 31, 2015, OHSU contributed EHR assets valued at approximately \$5,087,000 to the Medical Center. Accumulated depreciation on these assets was approximately \$3,691,000 and \$2,946,000 as of December 31, 2020 and 2019, respectively. Annual depreciation on these contributed assets is reported as net assets released from restrictions used for property and equipment acquisitions in the accompanying statements of changes in net assets.

Significant amounts under the Collaboration Agreement included in the accompanying consolidated financial statements were as follows as of December 31:

	2020	2019
Consolidated statements of operations and changes in net assets items:		
Other operating revenue - OHSU physician recruitment support	$ -	$ 1,000,000
Professional fees - OHSU physician services	6,921,140	4,929,098
Purchased services - OHSU EHR technologies maintenance	2,171,317	2,033,050
Net assets released from restrictions used for property and equipment acquisitions - OHSU contributed EHR assets	744,774	744,774

Note 12: Long-Term Debt

Long-term debt consisted of the following as of December 31:

	2020	2019
Notes payable to Umpqua	$ -	$ 8,955,069
Note payable to Columbia State Bank (Columbia)	526,047	624,552
Note payable to GE Capital	51,735	107,825
Notes payable to physicians	48,346	67,603
Note payable to Commerce Bank of Oregon	8,769,335	-
Less - Unamortized debt issuance costs	94,811	11,938
Long-term debt - Less unamortized debt issuance costs	9,300,652	9,743,111
Less current portion	808,702	7,945,357
Long-term portion	$ 8,491,950	$ 1,797,754

In August 2012, the Medical Center entered into a loan agreement with Umpqua (the "Umpqua Loan Agreement") to borrow $10,000,000. The proceeds from the Umpqua Loan Agreement were used primarily to refinance the balance payable under a previous loan agreement in order to obtain a more favorable interest rate. During the 2019 fiscal year, the Medical Center entered into an agreement to extend the loan under the current terms for six months with the final balloon payment being due in February 2020, instead of the original due date of August 1, 2019. In January 2020, the Umpqua loans was refinanced with Commerce Bank of Oregon.

The Umpqua Loan Agreement was due in monthly principal installments of approximately $27,000 through January 2020, with a final principal payment of approximately $7,620,000 due in February 2020. Borrowings outstanding under the Umpqua Loan Agreement were $7,673,283 as of December 31, 2019, and were secured by substantially all of the Medical Center's real property and fixed equipment and were guaranteed by the Medical Center. The note payable to Umpqua bore interest at the one-month London lnterBank Offered Rate (LIBOR) plus 2.25% (4.04% as of December 31, 2019,) which was payable monthly. However, in connection with the issuance of the note payable to Umpqua, the Medical Center entered into one of the Swap Agreements with Umpqua to reduce the Medical Center's exposure to increases in interest rates on the note payable to Umpqua. This Swap Agreement - which was extended through February 2020 - was an interest rate swap in which the Medical Center paid a fixed interest rate of 1.76% to Umpqua instead of paying the variable rate described above. The notional amount under the Swap Agreement decreased as principal payments were made on the Umpqua Loan Agreement so that the notional amount approximately equaled the expected principal balance outstanding on the Umpqua Loan Agreement. This Swap Agreement had a notional amount of approximately $7,673,000 as of December 31, 2019. In January 2020, the Umpqua loans were refinanced with the Commerce Bank of Oregon, effectively terminating the Swap.

Note 12: Long-Term Debt (Continued)

In November 2014, the Medical Center entered into another loan agreement with Umpqua (the "Elevator Loan Agreement") to borrow $695,000 to fund the addition of new elevators within the Medical Center. The Elevator Loan Agreement was due in monthly installments of approximately $13,000, including interest at 3.37% plus the five-year amortizing advance rate as determined by the Federal Home Loan Bank of Des Moines through July 2019 (with a final payment of approximately $48,000 due in August 2019). During the 2019 fiscal year, the Medical Center paid off this loan in full.

In November 2015, the Medical Center entered into a loan agreement with Umpqua (the medical office building (MOB) Agreement) to borrow $1,400,000 to finance a remodeling of the MOB. The MOB Agreement was due in monthly principal installments ranging from approximately $4,000 to $5,000 through October 2025 plus interest at the one-month LIBOR plus 2.45% (4.88% as of December 31, 2020) with a final payment of approximately $909,000 due in November 2025. However, in connection with the issuance of the MOB Agreement, the Medical Center entered into another Swap Agreement with Umpqua to reduce the Medical Center's exposure to increases in interest rates on the note payable under the MOB Agreement. This Swap Agreement, which was originally scheduled to terminate on November 20, 2025, was an interest rate swap in which the Medical Center paid a fixed interest rate of 4.88% to Umpqua instead of paying the variable rate described above. The notional amount under this Swap Agreement decreases as principal payments are made on the MOB Agreement so that the notional amount approximately equals the expected principal balance outstanding on the MOB Agreement. This Swap Agreement had a notional amount of approximately $1,232,000 as of December 31, 2019. Borrowings outstanding under the MOB Agreement were $-0- and $1,232,125 as of December 31, 2020 and 2019, respectively, were secured by the MOB and related improvements and an assignment of rents; and were guaranteed by the Medical Center. Included in the notes payable to Umpqua was $49,661 relating to the Swap Agreement at December 31, 2019. In January 2020, the Umpqua loans were refinanced with Commerce Bank of Oregon effectively terminating the Swap.

In August 2016, the Medical Center entered into an agreement with Columbia (the "Columbia Loan Agreement") to borrow $1,000,000. The Columbia Loan Agreement is due in monthly installments of approximately $10,000, including interest at 4.5%, through September 2021 (with a final payment of approximately $560,000 due in September 2021). The Columbia Loan Agreement contains certain financial covenants.

In November 2015, the Medical Center entered into a note payable agreement with GE Capital (the GE Capital Agreement) to borrow approximately $308,000 to finance certain anesthesia and related monitoring equipment. The GE Capital Agreement is due in monthly installments of approximately $5,000 through December 2021 (including interest at 5.25%). Borrowings outstanding under the GE Capital Agreement are secured by the related equipment.

Note 12: Long-Term Debt (Continued)

In conjunction with the purchase of all of the common stock of Dry Hollow in 2005, the Medical Center financed $481,300 of the purchase price with note payable agreements with the four physicians who owned Dry Hollow. Two of the note payable agreements were repaid in full by July 2015. In July 2015, one of the remaining notes was extended five years, and the other was extended 10 years. During the 2020 fiscal year, Medical Center paid off the five year note in full. The remaining note payable agreements are due in monthly installments of approximately $960, including interest at 4.25% as of December 31, 2020 (adjusted annually each July 1 to prime plus 1.00%, not to exceed 6.50% with a floor of 4.25%) through June 2025.

In January 2020, the Medical Center entered into a loan agreement with Zions Bancorporation, N.A. dba The Commerce Bank of Oregon to borrow $8,963,000. The loan is due in monthly principal and interest installments of approximately $47,000 through January 2030, with a final principal payment of approximately $6,430,000 due January 31, 2030. Borrowings outstanding under the loan are secured by substantially all of the Medical Center's real property and fixed equipment and are guaranteed by the Medical Center.

Required principal payments on long-term debt, including current maturities for the five years subsequent to December 31, 2020, and thereafter, are as follows:

2021	$ 808,702
2022	240,019
2023	249,863
2024	259,191
2025	265,931
Thereafter	7,571,757
Total	$ 9,395,463

Note 13: Obligations under Capital Leases

Obligations under capital leases consisted of the following as of December 31:

	2020	2019
Lease obligation payable to Jules and Associates, Inc., due in monthly installments of approximately $26,000 with interest at approximately 4.32%, paid in full during 2020	$ -	$ 78,291
Lease obligation payable to Intuitive Surgical, Inc., due in monthly installments of approximately $47,000 with interest at approximately 3.50%, paid in full during 2020	-	507,668
Lease obligation payable to Roche Diagnostics Corporation, due in monthly installments of approximately $10,000 through April 2022, with interest at approximately 4.95%	156,025	266,481
Lease obligation payable to Huntington Technology Finance, Inc., due in monthly installments of approximately $8,000 through April 2021, with interest at approximately 5.89%	16,101	109,298
Lease obligation payable to Meridian Leasing, due in monthly installments of approximately $11,500 through October 2025, with interest at approximately 2.69%	647,081	-
Lease obligation payable to GE Capital, due in monthly installments of approximately $3,000 through February 2022, with interest at approximately 4.60%	40,126	75,428
Other leases	10,426	237,988
Total	869,759	1,275,154
Less current portion	320,917	1,051,789
Long-term portion of capital leases payable	$ 548,842	$ 223,365

Future minimum lease payments under capital lease obligations for the five years subsequent to December 31, 2020 are as follows:

2021	$ 345,173
2022	182,795
2023	138,455
2024	138,455
2025	115,379
Total minimum lease payments	920,257
Less amounts representing interest	50,498
Present value of minimum lease payments	$ 869,759

Note 14: Net Assets

Net Assets Without Donor Restrictions

The Board has designated net assets without donor restrictions for certain operating purposes and capital acquisitions for $12,340,134 and $12,566,996 as of December 31, 2020 and 2019, respectively.

Net Assets With Donor Restrictions

Net assets with donor restrictions were available for the following purposes as of December 31:

	2020	2019
Restricted for donor purposes:		
Capital purchases	$ 3,203,484	$ 4,431,076
Educational programs	52,932	77,527
Other purposes	272,259	402,936
Restricted in perpetuity, earnings to be used for the following:		
Educational and other purposes	418,647	374,313
Total assets with donor restrictions	$ 3,947,322	$ 5,285,852

Net assets with donor restrictions to be maintained by the Medical Center in perpetuity are not significant to the consolidated financial statements.

As a result of having incurred expenditures that satisfied donor restrictions, the Medical Center released $1,172,419 and $250,557 of net assets from restrictions in 2020 and 2019, respectively.

Note 15: Patient Service Revenue - Net of Contractual Allowances and Discounts

Patient service revenue - Net of contractual allowances, discounts and bad debts was as follows for the years ended December 31:

	2020	2019
Gross patient service revenue:		
Hospital	$ 255,585,271	$ 261,049,713
Clinics	30,565,340	35,375,084
Totals	286,150,611	296,424,797
Less:		
Contractual allowances and discounts under third-party reimbursement programs	165,785,013	171,399,543
Provision for bad debts	2,529,293	1,055,269
Patient service revenue - Net of contractual allowances, discounts and bad debts	$ 117,836,305	$ 123,969,985

Patient service revenue - Net of contractual allowances, discounts, and bad debts by major payor source was as follows for the years ended December 31:

	2020	2019
Medicare	$ 48,835,984	$ 45,157,607
Medicaid and Oregon Health Plan (OHP)	16,118,275	14,169,925
Regence BlueCross BlueShield of Oregon	16,813,912	18,694,262
Other commercial insurance and third-party payors	33,007,799	45,168,013
Self-pay	3,060,335	780,178
Totals	$ 117,836,305	$ 123,969,985

Note 15: Patient Service Revenue - Net of Contractual Allowances and Discounts
(Continued)

Gross patient service revenue by payor was as follows for the years ended December 31:

	2020	2019
Medicare	49 %	47 %
Medicaid and Oregon Health Plan (OHP)	17 %	17 %
Regence BlueCross BlueShield of Oregon	10 %	11 %
Other commercial insurance and third-party payors	23 %	23 %
Self-Pay	1 %	2 %
Total all payors	100 %	100 %

Note 16: Commitments and Contingencies

Operating Leases

The Medical Center leases certain equipment and facilities under operating lease agreements, which expire at various dates through 2039. Some of the lease agreements contain renewal options. Such lease agreements include a lease of a building from Lone Pine Health and Wellness Center, LLC ("Lone Pine"), a limited liability company that was partially owned by the Medical Center until the date of the sale on June 28, 2019.

Future minimum payments under these operating lease agreements are as follows for the years ending December 31:

	Lone Pine Lease	Other	Total
2021	$ 2,122,283	$ 1,118,577	$ 3,240,860
2022	2,129,568	1,078,182	3,207,750
2023	2,090,675	1,026,770	3,117,445
2024	2,128,901	803,289	2,932,190
2025	2,167,891	577,539	2,745,430
Thereafter	34,869,961	353,596	35,223,557
Future minimum lease payments	$ 45,509,279	$ 4,957,953	$ 50,467,232

Total rent expense included approximately $1,959,000 and $1,890,000 related to the Lone Pine Lease during the years ended December 31, 2020 and 2019, respectively.

Note 16: Commitments and Contingencies (Continued)

Purchase Commitment

In conjunction with the Collaboration Agreement and EHR technologies acquired, the Medical Center has agreed to various software application support, licensing, and maintenance agreements. Management anticipates that the expense related to such agreements will range from approximately $1.9 million to $2.1 million per year through 2021. Such estimated costs may vary based on the actual usage of OHSU's support staff.

In addition, one of the Medical Center's capital lease agreements requires it to purchase certain services, reagents, supplies, etc. aggregating approximately $360,000 per year through May 2021.

Medical Malpractice Insurance

In September 2010, the Medical Center, along with four other hospitals who previously participated in a captive insurance company, Health Future Insurance Exchange (HFIE), began participating in a Montana based captive insurance company, Mountain States Healthcare Reciprocal Risk Retention Group (MSH), whereby each participating hospital shares in the payments of medical malpractice claims. Under the insurance arrangement with MSH, the Medical Center is responsible for the first $25,000 of indemnity payments related to each of its medical malpractice claims, MSH is responsible for any amounts from $25,000 to $1,000,000 per claim and $3,000,000 in aggregate, and MSH carries excess medical malpractice insurance coverage for amounts in excess of $1,000,000 per claim up to $20,000,000 per claim (and $20,000,000 in aggregate for all claims of the Medical Center and $60,000,000 in aggregate for all participating hospitals' claims). The insurance policy under this arrangement is on a claims-made basis. Under this policy, medical malpractice claims reported during the policy period are covered; however, any medical malpractice claim that has been incurred but not reported (IBNR) to the insurance company during the policy period is not covered.

As part of participation in MSH, each hospital pays premiums to MSH, calculated by an independent actuary, to pay future medical malpractice claims, as well as premiums for the excess coverage. Annually, the actuary calculates each hospital's required premiums based on the previous years' actual medical malpractice claims history. Each HFIE member joining MSH was required to support its premium with a contribution to a policyholders' surplus account (PSA) in an amount equal to one-third of its 2010 premium.

The Medical Center's contribution, which was not significant to the accompanying consolidated financial statements, is included in Other noncurrent assets - Net in the accompanying consolidated balance sheets. Similar contributions to the PSA are required annually. MSH distributes its annual net income to members in the form of allocations to each member's savings account (SA) in proportion to the premiums paid by each member. In years in which the net income is less than zero, there is no distribution. If the net amount of PSA contributions made by former HFIE members and SA distributions to former HFIE members is not sufficient to support the premiums for former HFIE members in 2020, additional PSA contributions will be required toward the 2021 premium. As of December 31, 2020 and 2019, the Medical Center's SA was approximately $65,000 and $59,000 for the years ended December 31, 2020 and 2019, respectively, which is included in Other noncurrent assets - Net in the accompanying consolidated balance sheets.

Note 16: Commitments and Contingencies (Continued)

Medical Malpractice Insurance (Continued)

The Medical Center has recorded estimated liabilities for IBNR medical malpractice claims, which along with estimated liabilities for reported claims, aggregated approximately $1,000 and $670,000 as of December 31, 2020 and 2019. During 2020, an actuarial report was received for the remaining liability of medical malpractice insurance which ceased in 2017. The actuarial report calculated less than $1,000 in liability to exist as of December 31, 2020. Thus, the liability reported for previous years calculations had been written down by $669,000 causing a decrease in expense for year ended December 31, 2020.

Management believes that the estimated liabilities for medical malpractice claims are adequate; however, the establishment of estimated liabilities for reported and IBNR medical malpractice claims is an inherently uncertain process, and there can be no assurance that currently established reserves will prove adequate to cover actual expenses. Subsequent actual experience could result in reserves being too high or too low, which could positively or negatively impact the Medical Center's reported results of operations in future periods.

Self Insurance

The Medical Center was self-insured for employee accident claims through June 30, 2015, and is self-insured for employee (and eligible family members of the employee) healthcare claims. The Medical Center previously purchased stop-loss insurance, which limited the Medical Center's liability to $375,000 for employee accident claims and currently purchases stop-loss insurance, which limits the Medical Center's liability to $225,000 for employee healthcare claims. Claims are accrued as the incidents which give rise to them became known. The provision and accrual for estimated employee accident and healthcare claims includes estimates of the ultimate costs for both reported claims and IBNR claims and is based upon the estimated costs of settlement, including claim settlement expenses. Effective July 1, 2015, the Medical Center changed policies for employee accident claims such that it is now fully insured for all claims incurred subsequent to this effective date.

The Medical Center has recorded estimated liabilities for reported and IBNR employee accident and healthcare claims aggregating approximately $755,000 and $744,000, which are included in accrued compensation and related liabilities in the accompanying consolidated balance sheets as of December 31, 2020 and 2019, respectively. Management believes that adequate amounts have been accrued in the accompanying consolidated financial statements to cover estimated employee accident and healthcare claims; however, the establishment of estimated liabilities for IBNR accident and healthcare claims is an inherently uncertain process, and there can be no assurance that currently established reserves will prove adequate to cover actual ultimate expenses. Subsequent actual experience could result in reserves being too high or too low, which could positively or negatively impact the Medical Center's reported results of operations in future periods.

In conjunction with the Medical Center's self-insured employee accident claims policy, the Medical Center has a $130,000 standby letter of credit from Columbia Bank that extends through July 8, 2021, and the Medical Center maintains restricted certificates of deposit with the same Columbia Bank as collateral to support the payment of the related claims.

Note 16: Commitments and Contingencies (Continued)

Risk Management

The Medical Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; cyber attacks; errors and omissions; and natural disasters for which the Medical Center carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past two fiscal years.

Collective Bargaining Agreement

As of December 31, 2020, approximately 18% of the Medical Center's employees are covered under a collective bargaining agreement with the Oregon Nurses Association, which expires in June 2021.

Healthcare Reform

As a result of recently enacted federal health care reform legislation, substantial changes are anticipated in the United States' healthcare system. Such legislation includes numerous provisions affecting the delivery of healthcare services, the financing of healthcare costs, reimbursement of healthcare providers, and the legal obligations of health insurers, providers, and employers. These provisions are currently slated to take effect at specified times over approximately the next decade. The federal healthcare reform legislation does not affect the 2020 financial statements.

Note 17: Retirement Plan

The Medical Center has a contributory, defined contribution retirement plan (the "Plan"). Under the Plan, eligible participants receive a discretionary profit sharing contribution from the Medical Center. For the years ended December 31, 2020 and 2019, this profit sharing contribution was equal to 3% of each eligible participant's compensation. In addition, the Medical Center may make discretionary matching contributions to the Plan. For the years ended December 31, 2020 and 2019, the Medical Center's discretionary matching contributions were as follows:

Participant Contributions	*Matching Contributions*
Less than 2% of compensation	None
2% to 3% of contributions	1% of compensation
More than 3% of contributions	2% of compensation

Retirement plan costs associated with the Plan, which were charged to operations were approximately $2,523,000 and $2,535,000 for the years ended December 31, 2020 and 2019, respectively.

Note 18: Other Related-Parties

Lone Pine

The Medical Center had a 30% ownership interest in Lone Pine, which was formed in January 2009 to build, own, and operate a building, the construction of which was completed in June 2010. Upon completion of the building, the Medical Center began renting most of the building for certain of its operations (e.g., sleep center, outpatient rehabilitation) under an operating lease agreement that requires payments of approximately $1,733,000 per year through May 2030 (with two 20-year renewal options) with annual increases based on the consumer price index). On June 28, 2019, the Medical Center sold its ownership interest in Lone Pine.

Columbia Gorge Health Council ("CGHC")

In 2011, the Oregon Legislature enacted House Bill 3650 (HB 3650), which established the initial framework for the creation of coordinated care organizations (CCOs) within the State of Oregon. Section 26 of HB 3650 provided that CCOs would be responsible for providing fully integrated physical, mental, and dental health services for Oregon Health Plan patients effective August 1, 2012. In August 2012, CGHC was incorporated as an Oregon nonprofit corporation, and PacificSource was awarded the contract to serve as the CCO in the Mid-Columbia region. The Medical Center maintains a representative on CGHC's Board of Trustees.

The Medical Center has a risk pool based contract with PacificSource to provide healthcare services to certain OHP patients. In accordance with the terms of the Medical Center's contract with PacificSource, a percentage of the Medical Center's reimbursement for such healthcare services is retained by PacificSource in a risk pool reserve. To the extent that actual healthcare costs are less than agreed-upon medical target loss ratios, a portion of such amount is returned to the Medical Center. In addition, the Medical Center can earn a portion of a potential "surplus" based on PacificSource's actual healthcare costs. For the years ended December 31, 2020 and 2019, the Medical Center recognized approximately $15,900 and $150,000 of risk pool and surplus revenue and receivables (included in other receivables) in the accompanying consolidated financial statements.

Note 19: Medicare Refundable Advance

As a result of the COVID-19 pandemic, CMS offered an accelerated and advance payment program, which gave healthcare providers the opportunity to receive an advance on future Medicare payments. The Medical Center received a non-interest-bearing Medicare Refundable Advance of $14,795,000 during the year ended December 31, 2020. Repayment of the Medicare Refundable Advance is expected to begin 12 months after receipt of the advance. The Medical Center recorded a Medicare Refundable Advance liability totaling $14,795,000 at December 31, 2020, which is reported as a Medicare Refundable Advance in the accompanying consolidated balance sheets. The current portion of the refundable advance is management's estimate of the amount to be repaid within the next fiscal year.

Note 20: COVID-19 Relief Funds and Grant Revenue

During 2020, the Medical Center received $13,400,768 in grant funding from the U.S. Department of Health and Human Services (HHS) Provider Relief Fund, which was established as a result of the CARES Act. Based on the terms and conditions of the grant, the Medical Center earns the grant by incurring healthcare-related expenses attributable to COVID-19 that another source has not reimbursed and is not obligated to reimburse, or by incurring lost revenues, defined as a negative change in year-over-year net patient care revenue. In addition to the funds discussed above, the Medical Center received $197,846 from HHS for Covid Rural Health testing. This funding was fully recognized as of December 31, 2020. During 2020, the Medical Center recognized $10,683,088 in grant revenue related to this program, which reflects management's estimate of the amount of the grant earned, including consideration for uncertainties related to reporting guidance still developing as of the date the financial statements were available to be issued. As of December 31, 2020, the Medical Center recorded deferred grant revenue of $2,717,680, for the amount of grants received but not earned.

Note 21: Functional Expenses

The Medical Center provides general healthcare services to residents within its geographic location. The consolidated financial statements report certain categories of expenses that are attributable to one or more supporting functions of the Medical Center. Those expenses include depreciation, interest, insurance, wages and employee benefits. Depreciation, interest and insurance are allocated based on square footage while wages and employee benefits are allocated based on time spent. All other expenses are based on actual costs. Expenses relating to providing these services consisted of the following for the years ended December 31:

2020	Hospital	Clinics	Admin and General	Fundraising	Total
Salaries and wages	$ 46,341,927	$ 13,566,351	$ 2,081,417	$ 290,872	$ 62,280,567
Employee benefits	11,519,904	2,402,436	286,034	37,371	14,245,745
Supplies	18,101,392	1,558,797	60,953	5,975	19,727,117
Professional fees	3,054,199	7,644,854	3,602	-	10,702,655
Purchased services	10,475,600	1,211,420	815,069	271,676	12,773,765
Rent	2,029,840	1,991,460	62,657	19,299	4,103,256
Repairs and maintenance	1,870,849	67,378	13,415	317	1,951,959
Utilities	905,383	92,554	268,783	3,913	1,270,633
Insurance	(240,900)	170,671	18,303	776	(51,150)
Interest and amortization	458,846	-	-	-	458,846
Depreciation	4,011,307	693,634	469,224	205	5,174,370
Other operating expenses	1,313,868	119,083	79,607	2,413	1,514,971
Total operating expenses	$ 99,842,215	$ 29,518,638	$ 4,159,064	$ 632,817	$134,152,734

Note 21: Functional Expenses (Continued)

2019	Hospital	Clinics	Admin and General	Fundraising	Total
Salaries and wages	$ 44,416,072	$ 13,177,703	$ 3,946,096	$ 346,390	$ 61,886,261
Employee benefits	9,952,864	2,385,570	377,493	43,919	12,759,846
Supplies	19,341,314	1,756,128	295,243	55,712	21,448,397
Professional fees	3,497,740	8,092,433	353,409	199	11,943,781
Purchased services	10,342,964	1,227,903	245,611	199,783	12,016,261
Rent	2,112,490	1,994,618	71,003	18,596	4,196,707
Repairs and maintenance	2,227,349	42,512	81,718	4,511	2,356,090
Utilities	941,063	100,127	240,661	2,956	1,284,807
Insurance	503,689	190,626	37,557	565	732,437
Interest and amortization	495,495	-	35,575	205	531,275
Depreciation	3,955,431	622,149	348,161	-	4,925,741
Other operating expenses	1,042,298	218,437	655,536	2,218	1,918,489
Total operating expenses	$ 98,828,769	$ 29,808,206	$ 6,688,063	$ 675,054	$136,000,092

Note 22: Concentration of Credit Risk

The Medical Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors was as follows as of December 31:

	2020	2019
Medicare	31 %	25 %
Medicaid and Oregon Health Plan	14 %	11 %
Regence BlueCross BlueShield of Oregon	12 %	10 %
Other commercial insurance and third-party payors	29 %	35 %
Self-pay	14 %	19 %
Totals	100 %	100 %

The Medical Center maintains depository relationships with area financial institutions. Depository accounts at these institutions are insured up to $250,000. At December 31, 2020, the Medical Center had deposits in excess of insured limits of approximately $33,655,000.

Note 23: Reclassifications

Certain amounts for 2019, have been reclassified to conform with the 2020 presentation.

Supplementary Consolidating Information

WIPFLI

Independent Auditor's Report on Supplementary Consolidating Information

Board of Trustees
Mid-Columbia Medical Center and Affiliates
The Dalles, Oregon

We have audited the consolidated financial statements of Mid-Columbia Medical Center and Affiliates as of and for the years ended December 31, 2020 and 2019, and our report thereon dated April 26, 2021, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating information appearing on pages 46 through 48 is presented for the purpose of additional analysis, rather than to present financial position, results of operations, and cash flows of the individual companies, and is not a required part of the consolidated financial statements.

The supplementary 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 consolidating 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. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Wipfli LLP

Wipfli LLP

April 26, 2021
Spokane, Washington

Mid-Columbia Medical Center and Affiliates
Consolidating Balance Sheet
December 31, 2020

	MCMC and Clinics	Foundation	Dry Hollow	Auxiliary	Subtotal	Eliminations	Total
Current assets:							
Cash and cash equivalents	$ 30,879,341	$ 598,499	$ 2,591	$.	$ 31,480,431	$ -	$ 31,480,431
Receivables:							
Patient accounts receivable Net	15,021,303	-	-	-	15,021,303	-	15,021,303
Other receivables	244,379	279,212	-	-	523,591	-	523,591
Supplies inventory	1,857,368	-	-	-	1,857,368	-	1,857,368
Prepaid expenses	1,364,994	-	-	-	1,364,994	-	1,364,994
Due from (due to) affiliates	(212,962)	(39,985)	252,716	231	-	-	-
Total current assets	49,154,423	837,726	255,307	231	50,247,687	-	50,247,687
Assets limited as to use	12,340,134	5,050,743	-	-	17,390,877	-	17,390,877
Property and equipment Net	20,222,452	922	539,677	-	20,763,051	-	20,763,051
Other assets:							
Investments in affiliates	2,256,369	-	-	-	2,256,369	(2,256,369)	-
Goodwill	1,160,669	-	-	-	1,160,669	-	1,160,669
Other noncurrent assets	748,875	429,753	-	-	1,178,628	-	1,178,628
Total other assets	4,165,913	429,753	-	-	4,595,666	(2,256,369)	2,339,297
Total assets	$ 85,882,922	$ 6,319,144	$ 794,984	$ 231	$ 92,997,281	$ (2,256,369)	$ 90,740,912

Mid-Columbia Medical Center and Affiliates

Consolidating Balance Sheet (Continued)

December 31, 2020

	MCMC and Clinics	Foundation	Dry Hollow	Auxiliary	Subtotal	Eliminations	Total
Current liabilities:							
Accounts payable	$ 5,776,159	$.	$ -	$ -	$ 5,776,159	$ -	$ 5,776,159
Estimated thirdparty payor settlements Net	214,189	-	-	-	214,189	-	214,189
Current portion of Medicare refundable advance	7,159,167	-	-	-	7,159,167	-	7,159,167
Accrued compensation and related liabilities	4,217,277	12,951	-	-	4,230,228	-	4,230,228
Accrued paidtimeoff	3,807,006	16,367	-	-	3,823,373	-	3,823,373
Deferred revenues from provider relief funds	2,717,680	-	-	-	2,717,680	-	2,717,680
Current portion of longterm debt	808,702	-	-	-	808,702	-	808,702
Current portion of obligations under capital leases	320,917	-	-	-	320,917	-	320,917
Total current liabilities	25,021,097	29,318	-	-	25,050,415	-	25,050,415
Longterm liabilities:							
Longterm debt Net of current portion	8,491,950	-	-	-	8,491,950	-	8,491,950
Obligations under capital leases Net of current portion	548,842	-	-	-	548,842	-	548,842
Postretirement benefit obligations	1,146,095	-	-	-	1,146,095	-	1,146,095
Estimated medical malpractices costs	762	-	-	-	762	-	762
Medicare refundable advance Less curent portion	7,635,833	-	-	-	7,635,833	-	7,635,833
Other longterm liabilities	132,289	189,701	115,510	-	437,500	-	437,500
Total longterm liabilties	17,955,771	189,701	115,510	-	18,260,982	-	18,260,982
Total liabilities	42,976,868	219,019	115,510	-	43,311,397	-	43,311,397
Net assets:							
Without donor restriction	41,472,645	3,586,212	679,474	231	45,738,562	(2,256,369)	43,482,193
With donor restriction	1,433,409	2,513,913	-	-	3,947,322	-	3,947,322
Total net assets	42,906,054	6,100,125	679,474	231	49,685,884	(2,256,369)	47,429,515
Total liabilities and net assets	$ 85,882,922	$ 6,319,144	$ 794,984	$ 231	$ 92,997,281	$ (2,256,369)	$ 90,740,912

See Independent Auditor's Report on Supplementary Consolidating Information.

Mid-Columbia Medical Center and Affiliates
Consolidating Statement of Operations
December 31, 2020

	MCMC and Clinics	Foundation	Dry Hollow	Auxiliary	Subtotal	Eliminations	Total
Revenue							
Patient service revenue Net	$ 117,836,305	$.	$ -	$ -	$ 117,836,305	$ -	$ 117,836,305
Other operating revenue	21,419,130	842,018	107,554	-	22,368,702	(107,554)	22,261,148
Total revenue	139,255,435	842,018	107,554	-	140,205,007	(107,554)	140,097,453
Expenses:							
Salaries	61,989,695	290,872	-	-	62,280,567	-	62,280,567
Employee benefits	14,208,374	37,371	-	-	14,245,745	-	14,245,745
Supplies	19,721,142	6,206	-	(231)	19,727,117	-	19,727,117
Professional fees	10,702,655	-	-	-	10,702,655	-	10,702,655
Purchased services	12,485,782	271,676	16,307	-	12,773,765	-	12,773,765
Rent	4,191,511	19,299	-	-	4,210,810	(107,554)	4,103,256
Repairs and maintenance	1,951,642	317	-	-	1,951,959	-	1,951,959
Utilities	1,252,099	3,913	14,621	-	1,270,633	-	1,270,633
Insurance	(54,364)	776	2,438	-	(51,150)	-	(51,150)
Depreciation	5,132,662	205	41,503	-	5,174,370	-	5,174,370
Interest and amortization	458,846	-	-	-	458,846	-	458,846
Other operating expense	1,499,776	2,413	12,782	-	1,514,971	-	1,514,971
Total operating expenses	133,539,820	633,048	87,651	(231)	134,260,288	(107,554)	134,152,734
Income from operations	5,715,615	208,970	19,903	231	5,944,719	-	5,944,719
Other income (expense):							
Investment income	492,887	362,712	-	-	855,599	-	855,599
Change in investment in affiliates	(86,724)	-	-	-	(86,724)	86,724	-
Change in fair value of interest rate swap agreement	49,981	-	-	-	49,981	-	49,981
Loss on disposal of property and equipment	(222,488)	-	-	-	(222,488)	-	(222,488)
Other expenses Net	(190,688)	(1,579,009)	-	-	(1,769,697)	-	(1,769,697)
Total other income (expense)	42,968	(1,216,297)	-	-	(1,173,329)	86,724	(1,086,605)
Excess (deficit) of revenues over expenses	5,758,583	(1,007,327)	19,903	231	4,771,390	86,724	4,858,114
Other changes in net assets without donor restriction:							
Net assets released from restrictions for operations	-	1,172,419	-	-	1,172,419	-	1,172,419
Net assets released from restrictions used for property and equipment acquisitions	744,774	-	-	-	744,774	-	744,774
Increase in net assets without donor restriction	$ 6,503,357	$ 165,092	$ 19,903	$ 231	$ 6,688,583	$ 86,724	$ 6,775,307