CRH Medical Corporation

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Year ended December 31, 2020
Financial Report

Trading Information: TSE (Symbol "CRH")
NYSE MKT (Symbol "CRHM")
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Management's Discussion and Analysis of Financial Condition and Results of Operation

*The following discussion should be read in conjunction with the attached financial statements and notes thereto. The Company prepares its financial statements in accordance with U.S. generally accepted accounting principles ("**U.S. GAAP**"). This Annual Report on Form 10-K, including the following section, contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. These statements are subject to risks and uncertainties that could cause actual results and events to differ materially from those expressed or implied by such forward-looking statements. For a detailed discussion of these risks and uncertainties, see Item 1A, "Risk Factors" of this Annual Report on Form 10-K. We caution the reader not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date of this Annual Report on Form 10-K. We undertake no obligation to update forward-looking statements which reflect events or circumstances occurring after the date of this Annual Report on Form 10-K, except as required by law. Throughout this discussion, unless the context specifies or implies otherwise, the terms "CRH," "we," "us," and "our" refer to CRH Medical Corporation and its subsidiaries.*

Overview

CRH is a North American company focused on providing GIs with innovative services and products for the treatment of GI diseases. In 2014, CRH acquired a full service gastroenterology anesthesia company, GAA, which provides anesthesia services for patients undergoing endoscopic procedures. CRH has complemented this transaction with thirty-one additional acquisitions of GI anesthesia companies since GAA.

According to the CDC, colorectal cancer is the second leading cause of cancer-related deaths in the United States and recent research indicates that the incidence of colon cancer in young adults is on the rise. The CDC has implemented campaigns to raise awareness of GI health and drive colorectal cancer screening rates among at risk populations. Colon cancer is treatable if detected early and screening colonoscopies are the most effective way to detect colon cancer in its early stages. Anesthesia-assisted endoscopies are the standard of care for colonoscopies and upper endoscopies.

CRH's goal is to establish itself as the premier provider of innovative products and essential services to GIs throughout the United States. The Company's CRH O'Regan System distribution strategy focuses on physician education, patient outcomes, and patient awareness. The O'Regan System is a single use, disposable, hemorrhoid banding technology that is safe and highly effective in treating hemorrhoid grades I – IV. CRH distributes the CRH O'Regan System, treatment protocols, operational and marketing expertise as a complete, turnkey package directly to physicians, allowing CRH to create meaningful relationships with the physicians it serves.

The Company has financed its cash requirements primarily from revenues generated from the sale of its product directly to physicians, GI anesthesia revenue, equity financings, debt financing and revolving and term credit facilities. The Company's ability to maintain the carrying value of its assets is dependent on the evolving COVID-19 pandemic and the easing of related governmental restrictions and on the Company successfully marketing its products and services, obtaining reasonable rates for anesthesia services and maintaining future profitable operations, the outcome of which cannot be predicted at this time. The Company has also stated its intention to acquire or develop additional GI anesthesia businesses. In the future, it may be necessary for the Company to raise additional funds for the continuing development of its business plan, including additional acquisitions.

Recent Events

FDHS Startup Joint Venture – March 2021

On March 1, 2021, the Company entered into a startup joint venture, whereby the Company will own a 51% interest in a gastroenterology anesthesia practice located in Largo, Florida.

Oak Tree Anesthesia Associates LLC ("OTAA" or "Oak Tree") – February 2021

On February 9, 2021, a subsidiary of the Company entered into an asset contribution and exchange agreement to acquire a 100% interest in Oak Tree Anesthesia Associates LLC ("OTAA" or "Oak Tree:), a gastroenterology anesthesia services provider in New Jersey. The purchase consideration, paid via cash, for the acquisition of the Company's 100% interest was $3,250,000 plus acquisition costs of $66,182. The provisional cost allocated to the exclusive professional services agreement which was acquired as part of this acquisition is $3,316,182.

Acquisition by WELL Health – February 2021

On February 6, 2021, the Company signed a definitive arrangement agreement (the "Arrangement Agreement") with Well Health Technologies Corp ("WELL Health" or "WELL"), pursuant to which WELL Health will acquire all of the issued and outstanding shares of CRH for US$4.00 per share (the "Acquisition" or the "Arrangement").

The Acquisition, which is to be carried out by way of a court-approved plan of arrangement under the Business Corporations Act (British Columbia), will require the approval of: (i) two-thirds of the votes cast by shareholders of the Company; and (ii) two-thirds of the votes cast by shareholders, holders of stock options and holders of restricted share units, voting together as single class. The Company's directors and officers, holding an aggregate of approximately 2.1% of the outstanding common shares of the Company, have each entered into voting support agreements to vote their shares in favor of the Acquisition. Completion of the Acquisition will also be subject to court and regulatory approvals and clearances, as well as other customary closing conditions. Subject to the satisfaction of such conditions, the Acquisition is expected to be completed during the second quarter of 2021.

The Arrangement Agreement contains certain customary provisions, including covenants in respect of non-solicitation of alternative acquisition proposals, a right to match any superior proposals for WELL Health and a termination fee of $10 million payable to WELL in certain circumstances. The Arrangement Agreement also provides for a reverse termination fee of $10 million payable to CRH in the event of certain breaches of a representation, warranty or covenant by WELL Health.

GAA Contract Non-Renewal & Subsequent Management Services Agreement – December 2020/February 2021

On December 22, 2020, the Company received notice that United Digestive ("UD") did not intend to renew its professional services agreements pursuant to which the Company provides anesthesia services to 12 of UD's surgery centers in the Greater Atlanta, Georgia markets. The agreements are scheduled to expire on October 31, 2021. The Company acquired most of the professional services agreements upon acquisition of Gastroenterology Anesthesia Associates LLC ("GAA") in 2014 and at the time of acquisition estimated a useful life of 12 years. Revenue earned under these agreements represents a significant portion of the Company's revenue; in 2020 GAA revenue represented approximately 17% of total anesthesia revenue earned.

Subsequently on February 22, 2021, the Company signed a five-year exclusive Management Services Agreement with UD whereby CRH will earn a fee for managing UD's anesthesia services at its surgery centers. The new agreement will be effective as of November 1, 2021.

As a result of the non-renewal of the GAA professional services agreements, the Company recorded an impairment loss of $27,008,037 in the fourth quarter of 2020.

FDHS Anesthesia Associates LLC ("FDHS") – December 2020

On December 14, 2020, a subsidiary of the Company entered into an asset contribution and exchange agreement to acquire a 51% interest in FDHS Anesthesia Associates LLC ("FDHS"), a gastroenterology anesthesia services provider in Florida. The purchase consideration, paid via cash, for the acquisition of the Company's 51% interest was $2,840,000 plus acquisition costs of $81,555. The cost allocated to the exclusive professional services agreement which was acquired as part of this acquisition is $5,728,541.

Western Carolina Sedation Associates LLC ("WCSA") – October 2020

CRH's start-up joint venture in North Carolina, called Western Carolina Anesthesia Associates LLC, began operations in October 2020. Initially, the Company owns a 15% interest with an option to acquire an additional 36% interest. WCAA began operating on October 1, 2020 and provides services to a single ambulatory surgery center.

Coastal Carolina Sedation Associates LLC ("CCSA") – September 2020

On September 1, 2020, a subsidiary of the Company entered into an asset contribution and exchange agreement to acquire a 51% interest in Coastal Carolina Sedation Associates LLC ("CCSA"), a gastroenterology anesthesia services provider in North Carolina. The purchase consideration, paid via cash, for the acquisition of the Company's 51% interest was $1,800,000 plus acquisition costs of $50,381. The cost allocated to the exclusive professional services agreement which was acquired as part of this acquisition is $3,628,197.

Orange County Anesthesia Associates LLC ("OCAA") – August 2020

On August 4, 2020, a subsidiary of the Company entered into an asset contribution and exchange agreement to acquire a 66% interest in Orange County Anesthesia Associates LLC ("OCAA"), a gastroenterology anesthesia services provider in Florida. The purchase consideration, paid via cash, for the acquisition of the Company's 66% interest was $6,200,000 plus acquisition costs of $51,015. The cost allocated to the exclusive professional services agreement which was acquired as part of this acquisition is $9,471,235.

Central Virginia Anesthesia Associates LLC ("CVAA") – July 2020

On July 7, 2020, a subsidiary of the Company entered into an asset contribution and exchange agreement to acquire a 51% interest in Central Virginia Anesthesia Associates LLC ("CVAA"), a gastroenterology anesthesia services provider in Virginia. The purchase consideration, paid via cash, for the acquisition of the Company's 51% interest was $2,800,000 plus acquisition costs of $145,915. Additionally, the Company has agreed to pay up to $2,500,000 approximately three years after the transaction date should certain EBITDA, revenue per case and employee headcount targets be met. The cost allocated to the exclusive professional services agreement which was acquired as part of this acquisition is $10,299,776.

Metro Orlando Anesthesia Associates LLC ("MOAA") – June 2020

On June 22, 2020, a subsidiary of the Company entered into an asset contribution and exchange agreement to acquire a 75% interest in Metro Orlando Anesthesia Associates LLC ("MOAA"), a gastroenterology anesthesia services provider in Florida. The purchase consideration, paid via cash, for the acquisition of the Company's 75% interest was $2,803,500 plus acquisition costs of $39,829. Additionally, the Company has agreed to pay $311,500 two years after the transaction date should certain EBITDA targets be met. The cost allocated to the exclusive professional services agreement which was acquired as part of this acquisition is $4,183,391.

Lake Lanier Anesthesia Associates LLC ("LLAA") – June 2020

On June 8, 2020, a subsidiary of the Company entered into an asset contribution and exchange agreement to acquire a 75% interest in Lake Lanier Anesthesia Associates LLC ("LLAA"), a gastroenterology anesthesia services provider in Georgia. The purchase consideration, paid via cash, for the acquisition of the Company's 75% interest was $5,379,954 plus acquisition costs of $48,560. The cost allocated to the exclusive professional services agreement which was acquired as part of this acquisition is $7,238,018.

Additionally, at the same time, the Company entered into a start-up joint venture whereby a subsidiary of the Company owns a 51% interest in Oconee River Anesthesia Associates LLC ("ORAA"), located in Georgia.

New Director – April 2020

Effective April 23, 2020, the Company appointed Brian Griffin to its Board of Directors, replacing Anthony Holler who resigned as director on March 19, 2020.

Mr. Griffin has a proven track record of over 35 years of senior leadership and operational experience in healthcare. He most recently served as Chairman and Chief Executive Officer of Diplomat Pharmacy Inc., one of the nation's largest independent Specialty Pharmacies and Pharmacy Benefit Managers (PBM), until it was recently acquired by UnitedHealth Group Inc. (NYSE: UNH). Previously, Mr. Griffin joined Anthem (NYSE: ANTM), in 2013, initially as President and Chief Executive Officer of its Empire BlueCross BlueShield – New York Company, and ultimately assuming the role of President of Anthem's Commercial Business, including its 14 BlueCross BlueShield plans nationwide. Thereafter, Mr. Griffin was named Chief Executive Officer of IngenioRx, Anthem's wholly owned national PBM. Mr. Griffin also held positions of increasing responsibility with Medco Health Solutions, Inc. and US Healthcare, Inc.

Paycheck Protection Program – April 2020

On April 15, 2020, the Company received loan proceeds of $2,945,620 under the Paycheck Protection Program ("PPP"). The PPP was established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") in order to enable small businesses to pay employees during the coronavirus crisis and provides loans to qualifying businesses for up to 2.5 times their average monthly payroll costs. The amount borrowed under the PPP is expected to be eligible to be forgiven provided that the borrower uses the loan proceeds during the twenty-four week period ("Covered Period") after receiving them, and provided that the proceeds are used to cover payroll costs (including benefits), rent, mortgage interest, and utility costs. The amount of loan forgiveness will be reduced if, among other reasons, the borrower does not maintain staffing or payroll levels.

Principal and interest payments on any unforgiven portion of the PPP Loan will be deferred for ten months after the end of the Covered Period and will accrue interest at a fixed annual rate of 1%. Additionally, the remaining PPP Loan balance will carry a two year maturity date. There is no prepayment penalty on the PPP Loan.

The Company anticipates forgiveness of the loan over the Covered Period indicated. As the Company has accounted for the loan as a government grant related to income, the Company has recognized within other income $2,928,748 of the loan proceeds as at December 31, 2020 with the remaining $16,872 included within accounts payable.

HHS Stimulus Fund – April 2020 and July/August 2020 and December 2020

In April 2020, the Company received $1,971,136 under the CARES Act, with subsequent funds of $177,941 receive in July and August of 2020 and further funds of $295,969 received in December 2020. The CARES Act provided funding to eligible healthcare providers to prevent, prepare for and respond to COVID-19. The funds were intended to reimburse healthcare providers for lost income attributable to COVID-19 and for healthcare related expenses. Consistent with the accounting applied to the PPP loan, the Company has accounted for the HHS Stimulus funds as government grants related to income. As there are no repayment provisions under the CARES Act and the Company has assessed that it has complied with the conditions of this program, funds received under this program have been recognized in other income in the year ended December 31, 2020.

CMS Medicare Advancement – April 2020

In April 2020, the Company also received $1,900,584 under the Medicare Accelerate and Advanced Payment Program. The Center for Medicare and Medicaid Services ("CMS") offers accelerated and advance payments in a number of circumstances, including in national emergencies to accelerate cashflow to impacted healthcare providers and suppliers. During the quarter ended September 30, 2020 the CMS amended the recoupment process for these funds: under the Continuing Appropriations Act, 2021 and Other Extensions Act, repayment will now begin one year from the issuance date of each provider or supplier's accelerated or advance payment. After that first year, Medicare will automatically recoup 25% of Medicare payments otherwise owed to the provider or supplier for 11 months. At the end of the 11-month period, recoupment will increase to 50% for another 6 months. As a result of the recoupment process, CRH has recognized the funds received as a liability on the balance sheet, including them within Contract liability – CMS Advancement at December 31, 2020.

COVID-19 – March 2020 and throughout fiscal 2020

In March 2020, a pandemic relating to the novel coronavirus known as COVID-19 occurred causing significant financial market disruption and social dislocation. The pandemic is dynamic with various cities, counties, states and countries around the world responding in different ways to address and contain the outbreak, including the declaration of a global pandemic by the World Health Organization, a National State of Emergency in the United States and state and local executive orders and ordinances forcing the closure of non-essential businesses and persons not employed in or using essential services to "stay at home" or "shelter in place". At this stage, we have no certainty as to how long the pandemic will last, what regions will be most effected or to what extent containment measures will be applied. As a result of the pandemic, the Company's operations were impacted in the last half of March 2020 and continued to be impacted throughout April and May 2020, with recovery beginning in late May and June 2020.

As a result of the COVID-19 pandemic, patients in the United States have cancelled or deferred non-emergent procedures or otherwise avoided medical treatment, resulting in reduced patient volumes and operating revenues and income from both our Products and Anesthesia Services businesses. These cancellations and deferrals continued through July 2020, but recovered in the fourth quarter of 2020 as patients resumed medical treatments. While we are currently at around 100% of our pre-COVID estimated volume, these deferrals impacted our results in the first, second and third quarters of 2020. Until the COVID-19 pandemic is controlled, the potential remains for significant declines in revenue and operating income in the future. See "*Risk Factors – Our operations and financial results have been and could be further harmed by the COVID-19 pandemic.*"

Results of Operations

The following tables provide a detailed analysis of our results of operations and financial condition. For each of the periods indicated below, we present our revenues by business segment, as well as present key metrics, such as operating expenses, operating income and net and comprehensive income attributable to shareholders of the company and non-controlling interest, from our statements of operations.

The selected financial information provided below has been prepared in accordance with United States Generally Accepted Accounting Principles ("US GAAP").

SELECTED US GAAP FINANCIAL INFORMATION

	2020	2019	% Change
Anesthesia services revenue	$ 97,688,095	$110,306,431	(11)%
Product sales revenue	8,484,070	10,078,843	(16)%
Total revenue	**106,172,165**	**120,385,274**	**(12)%**
Total operating expenses, including:	**112,928,124**	**105,703,079**	**7%**
Depreciation and amortization expense	40,658,314	35,009,070	16%
Stock based compensation expense	2,709,617	976,962	177%
Operating income (loss)	**(6,755,959)**	**14,682,195**	**(146)%**
Operating margin	**(6.4)%**	**12.2%**	
Net finance expense	**2,151,137**	**6,609,618**	**(67)%**
Income from equity investment	**(16,416)**	**(1,766,968)**	**(99)%**
Impairment of intangible asset	**27,008,037**	**—**	**NA**
Other income	**(5,442,457)**	**—**	**NA**
Tax expense (recovery)	**(7,543,376)**	**1,627,061**	**(564)%**
Net and comprehensive income (loss)	**$ (22,912,884)**	**$ 8,212,484**	**(379)%**
Attributable to:			
Shareholders of the Company	(24,476,138)	3,771,163	(749)%
Non-controlling interest[1]	1,563,254	4,441,321	(65)%
Earnings (loss) per share attributable to shareholders:			
Basic	$ (0.342)	$ 0.053	
Diluted	$ (0.342)	$ 0.052	

1 Non-controlling interest reflects the ownership interest of persons holding non-controlling interests in non-wholly owned subsidiaries of the Company.

NON-GAAP FINANCIAL MEASURES

In addition to results reported in accordance with US GAAP, the Company uses certain non-GAAP financial measures, including adjusted operating expenses (in total and broken down by operating segment), adjusted operating EBITDA (in total and broken down as attributable to non-controlling interest and shareholders of the Company) and adjusted operating EBITDA margin as supplemental indicators of its financial and operating performance. These non-GAAP measures are not recognized measures under US GAAP and do not have a standardized meaning prescribed by US GAAP, and are therefore unlikely to be comparable to measures presented by other companies. These measures are provided as additional information to complement US GAAP measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analyses of the Company's financial information reported under US GAAP. See "Use of Non-GAAP Financial Measures" elsewhere in this Annual Report on Form 10-K.

SELECTED FINANCIAL INFORMATION – NON-GAAP MEASURES[1]

	2020	2019	% Change
Total Adjusted operating expenses	$69,235,347	$68,681,627	1%
Adjusted operating EBITDA – non-controlling interest[2]	13,637,786	15,080,425	(10)%
Adjusted operating EBITDA – shareholders of the Company	28,741,294	36,623,224	(22)%
Adjusted operating EBITDA – total	$42,379,080	$51,703,649	(18)%
Adjusted operating EBITDA margin	39.9%	42.9%	

1 See "Use of Non-GAAP Financial Measures" below for definitions of Non-GAAP-based measures and reconciliations of GAAP-based measures to Non-GAAP-based measures.

2 Non-controlling interest reflects the ownership interest of persons holding non-controlling interests in non-wholly owned subsidiaries of the Company.

Summary of Quarterly Results (Unaudited)

The following table sets forth certain unaudited consolidated statements of operations data for each of the eight most recent quarters that, in management's opinion, have been prepared on a basis consistent with the audited consolidated financial statements for the year ended December 31, 2020.

Seasonality impacts quarterly anesthesia and product revenues. With our expenses primarily fixed, adjusted operating EBITDA margins will fluctuate quarterly. Seasonality also impacts net income as net income will fluctuate with fluctuations in adjusted operating EBITDA.[1]

(in 000's of US$, except EPS)	Q4 '20	Q3 '20	Q2 '20	Q1 '20	Q4 '19	Q3 '19	Q2 '19	Q1 '19
Anesthesia services revenue	34,126	27,984	12,427	23,150	27,621	27,967	28,026	26,693
Product sales revenue	2,657	2,366	1,158	2,304	2,749	2,448	2,456	2,426
Total revenue	**36,783**	**30,349**	**13,585**	**25,455**	**30,369**	**30,415**	**30,482**	**29,119**
Total operating expense	**32,977**	**30,265**	**21,634**	**28,052**	**27,812**	**26,702**	**25,895**	**25,294**
Adjusted operating expenses								
Anesthesia services	18,369	16,022	9,416	15,094	15,588	15,036	14,609	13,779
Product sales	1,062	980	696	1,057	1,118	1,002	1,131	1,053
Corporate	1,593	1,792	1,397	1,756	1,393	1,319	1,444	1,211
Total adjusted operating expenses	**21,024**	**18,794**	**11,510**	**17,907**	**18,099**	**17,357**	**17,184**	**16,042**
Operating income (loss)	**3,806**	**85**	**(8,049)**	**(2,597)**	**2,558**	**3,713**	**4,587**	**3,825**
Operating margin	**10%**	**0%**	**(59)%**	**(10)%**	**8%**	**12%**	**15%**	**13%**
Adjusted operating EBITDA - non-controlling interest[2]	4,834	3,877	2,251	2,676	3,465	3,666	3,638	4,311
Adjusted operating EBITDA- shareholders of the Company	**11,221**	**7,968**	**4,681**	**4,871**	**8,805**	**9,392**	**9,661**	**8,766**
Adjusted operating EBITDA - total	**16,055**	**11,845**	**6,932**	**7,547**	**12,270**	**13,058**	**13,298**	**13,077**
Adjusted operating EBITDA margin	**44%**	**39%**	**51%**	**30%**	**40%**	**43%**	**44%**	**45%**
Net finance expense	765	442	447	497	913	1,125	2,179	2,392
(Income) loss from equity investment	(54)	—	22	16	(1,350)	(77)	(214)	(125)
Impairment of intangible assets	27,008	—	—	—	—	—	—	—
Other income	(296)	(290)	(4,857)	—	—	—	—	—
Income tax expense (recovery)	(5,959)	(376)	(234)	(974)	891	565	4	167
Net income (loss)	**(17,658)**	**309**	**(3,428)**	**(2,135)**	**2,104**	**2,099**	**2,619**	**1,391**
Net income (loss) attributable to:								
Shareholders of the Company	(19,152)	(338)	(2,908)	(2,078)	1,219	982	1,647	(77)
Non-controlling interest[2]	1,494	647	(521)	(56)	885	1,117	972	1,468
Earnings (loss) per share attributable to shareholders								
Basic	(0.268)	(0.005)	(0.041)	(0.029)	0.017	0.014	0.023	(0.001)
Diluted	(0.268)	(0.005)	(0.041)	(0.029)	0.017	0.013	0.022	(0.001)

1 See "Use of Non-GAAP Financial Measures" below for definitions of Non-GAAP-based measures and reconciliations of GAAP-based measures to Non-GAAP-based measures.

2 Non-controlling interest reflects the ownership interest of persons holding non-controlling interests in non-wholly owned subsidiaries of the Company.

Results of Operations for the Years Ended December 31, 2020 and 2019

Revenues for the year ended December 31, 2020 were $106,172,165 compared to $120,385,274 for the year ended December 31, 2019. The 12% decrease is driven primarily by a decrease in volumes and reduced activity levels as a result of COVID-19, primarily in the first, second and third quarters of 2020, offset by revenues from acquisitions completed in 2020 and from 2019 mid-year acquisitions. Revenue for the three months ended December 31, 2020 reflect the revenue contributions from anesthesia businesses acquired during 2020 and were $36,783,014, an increase of 21% or $6,413,791 when compared to the three months ended December 31, 2019.

Revenues from anesthesia services for the year ended December 31, 2020 were $97,688,095 compared to $110,306,431 for the year ended December 31, 2019. As above, the decrease was primarily a result of a decrease in anesthesia service volumes as a result of COVID-19, partially offset by revenue increases from acquisitions completed in 2020 and 2019; however, there were additional factors which impacted the change in revenue between fiscal 2020 and fiscal 2019. The $12.6 million decrease in revenue from the prior period is reflective of the following:

- growth through acquisitions completed in 2019 and 2020 contributed $13.2 million to revenue when comparing the two periods;
- after excluding case growth from acquisitions, above, cases declined by 19.9% from cases reported in 2019, equivalent to $21.1 million in revenue. The decline in cases is related to temporary closures of anesthesia service centers and decreased case volumes where we provide our services. Many locations started closures as early as mid-March due to the COVID-19 pandemic, with many subsequently resuming services in May and June 2020 and early in the third quarter of 2020;
- changes in non-contracted payor reimbursement strategies and payor mix, primarily related to entities acquired prior to 2019, offset by favourable rate variances arising from our rate strategies, decreased 2020 revenue by approximately $0.7 million when compared to 2019;
- included within 2020 revenue is a negative prior period revenue adjustment of approximately $1.6 million. In contrast, in 2019 we recognized a positive $2.3 million prior period revenue adjustment based on actual recoveries compared to our estimates; and
- revenue related to services provided to non-owned anesthesia entities decreased by $0.2 million.

Anesthesia revenues for the three months ended December 31, 2020 were $34,126,481 compared to $27,620,527 for the three months ended December 31, 2019. The $6.5 million increase in revenue from the prior period is reflective of the following:

- growth through acquisitions completed in 2019 and 2020 contributed $4.5 million to revenue when comparing the two periods;
- after excluding case growth from acquisitions, above, cases declined by 1.6% from cases reported in the fourth quarter of 2019, equivalent to approximately $0.3 million in revenue;
- as a result of our rate strategy, we've seen favorable rate variances resulting in an approximately $1.2 million increase when compared to 2019; and
- included within the fourth quarter of 2020 revenue is a positive prior period revenue adjustment of approximately $0.1 million. In contrast, in the fourth quarter of 2019 we recognized a negative $1.2 million prior period revenue adjustment based on actual recoveries compared to our estimates.

In the year ended December 31, 2020, the anesthesia services segment serviced 323,644 patient cases compared to 345,393 patient cases during the year ended December 31, 2019. Patient cases serviced in the fourth quarter of 2020 were 108,681 compared to 94,503 patient cases in the fourth quarter of 2019.

The tables below summarize our approximate payor mix as a percentage of all patient cases for the years ended December 31, 2020 and 2019 and for the fourth quarters of 2020 and 2019.

	Three months ended			Years ended		
Payor	**December 31, 2020**	**December 31, 2019**	**Change**	**December 31, 2020**	**December 31, 2019**	**Change**
Commercial	60.6%	60.7%	(0.2)%	57.7%	58.8%	(1.9)%
Federal	39.4%	39.3%	0.3%	42.3%	41.2%	2.7%
Total	**100.0%**	**100.0%**		**100.0%**	**100.0%**	

The payor mix for the three months and year ended December 31, 2020 includes acquisitions completed during 2020 and 2019 and as a result is not directly comparable to the three months and year ended December 31, 2019. As we acquire anesthesia providers, these providers may have different payor mix profiles and impact our overall payor mix above.

The table below summarizes our approximate payor mix as a percentage of all patient cases for the three months and year ended December 31, 2020 and 2019, but exclude patient cases related to acquisitions completed in 2020 and 2019 as inclusion of these acquisitions would reduce comparability of the data presented.

	Three months ended			Years ended		
Payor	**December 31, 2020**	**December 31, 2019**	**Change**	**December 31, 2020**	**December 31, 2019**	**Change**
Commercial	62.7%	62.1%	1.0%	59.6%	59.4%	0.3%
Federal	37.3%	37.9%	(1.6)%	40.4%	40.6%	(0.5)%
Total	**100.0%**	**100.0%**		**100.0%**	**100.0%**	

The table below summarizes our approximate payor mix as a percentage of all patient cases for the year ended December 31, 2020, by quarter, and excludes patient cases related to acquisitions completed in 2020 and 2019 as inclusion of these acquisitions would reduce the comparability of the date presented.

Payor	**Q4 2020**	**Q3 2020**	**Q2 2020**	**Q1 2020**
Commercial	62.7%	58.7%	56.5%	58.1%
Federal	37.3%	41.3%	43.5%	41.9%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Seasonality is driven by both patient cases and seasonal payor mix. As a result, revenue per patient will fluctuate quarterly. The seasonality of patient cases for fiscal 2020 is provided below for organic patient cases; it excludes patient cases relating to acquisitions completed in 2020. COVID-19 had the most significant impact on case volumes in the second quarter of 2020.

Seasonality	**Q4 2020**	**Q3 2020**	**Q2 2020**	**Q1 2020**
Patient cases	31.8%	28.7%	13.8%	25.7%

Revenues from product sales for the year ended December 31, 2020 were $8,484,070 compared to $10,078,843 for 2019. Product sales volume was impacted by the effect of COVID-19, with the majority of the impact felt in the first, second and third quarters of the year. Product sales revenue for the quarter ended December 31, 2020 was $2,656,533 compared to $2,748,696 for the quarter ended December 31, 2019. As of December 31, 2020, the Company has trained 3,254 physicians to use the O'Regan System, representing 1,253 clinical practices. This compares to 3,158 physicians trained, representing 1,209 clinical practices, as of December 31, 2019.

Total operating expenses

Total operating expense for the year ended December 31, 2020 was $112,928,124 compared to $105,703,079 for the year ended December 31, 2019. Total operating expense for the three months ended December 31, 2020 was $32,977,482 compared to $27,811,635 for the three months ended December 31, 2019. The increase in operating expenses is in part driven by the increase in case volumes associated with our acquisitions completed in the last quarter of 2019 and in 2020. While non-acquisition driven anesthesia cases and revenue declined due to COVID-19, payroll expenses, which are generally fixed, respond more slowly to changes in volume. As a result of COVID-19, CRH engaged in workforce reductions primarily occurring within the Company's contracted workforce. Wherever possible, the Company worked to retain its employee workforce. As a result, total operating expenses, excluding expenses relating to acquisitions completed in 2019 and 2020, did not decline in line with revenues. Government assistance received to encourage this retention of employee workforce has been recognized in other income totaling $5,442,457 in the year.

Amortization expense for the year ended December 31, 2020 increased by 16% from 2019. This is a result of the incremental amortization expense related to asset acquisitions completed in 2019 and 2020 and the related intangible assets that were acquired. Amortization expense for the three months ended December 31, 2020 similarly increased by 21% from the comparable period in 2019.

Stock-based compensation expense for the year ended December 31, 2020 increased $1,732,655 compared to 2019. This increase is a result of forfeitures experienced in the second quarter of 2019 relating to the departure of the Company's previous CEO. In contrast, stock-based compensation expense for the quarter ended December 31, 2020 increased by 16% or $112,043 from the comparable period of 2019, primarily as a result of additional grants issued in September 2020.

Total adjusted operating expenses – Non-GAAP[1]

For the year ended December 31, 2020, total adjusted operating expenses were $69,235,347 compared to $68,681,627 for the year ended December 31, 2019. For the three months ended December 31, 2020, total adjusted operating expenses were $21,024,048 compared to $18,099,185 for the three months ended December 31, 2019. In general, increases seen in adjusted operating expenses are primarily related to adjusted operating expenses in the anesthesia services business as a result of recent acquisitions, offset by cost reduction initiatives as a result of COVID-19, as well as increases within our corporate segment.

Anesthesia services adjusted operating expenses for the year ended December 31, 2020 were $58,901,975, compared to $59,011,532 for the year ended December 31, 2019. Anesthesia services adjusted operating expenses for the three months ended December 31, 2020 were $18,369,011, compared to $15,588,323 for the three months ended December 31, 2019. Anesthesia services adjusted operating expenses primarily include labor related costs for Certified Registered Nurse Anesthetists and MD anesthesiologists, billing and management related expenses, medical drugs and supplies, and other related expenses. With the Company completing acquisitions in both 2019 and 2020, fiscal 2020 is not directly comparable to 2019. Though revenue may fluctuate, adjusted operating expenses, which are primarily employee related costs, due to their fixed nature, primarily increase or decrease as a result of the Company's acquisition strategy or as a result of other than temporary case volume reductions.

For the year ended December 31, 2020, as noted above, beginning April 2020, the Company was able to reduce its contracted workforce for anesthesia case volume declines and therefore reduce its operating expenses; this most significantly impacted the second quarter of 2020 where case volumes saw significant declines as a result of COVID-19. Additionally, the Company's billing related expenses declined as a result of case volume declines as billing related expenses are based on a percentage revenue. Other ancillary expenses such as travel and entertainment were also curtailed. As a result, Anesthesia services adjusted operating expenses did not increase in 2020 despite the addition of new acquisitions. With case volumes resuming normal activity levels by the end of the third quarter, Anesthesia services adjusted operating expenses resumed normal levels and thus increased when compared to the comparable period of 2019 as a result of expenses incurred by entities acquired in 2020.

Total adjusted operating expenses per case[1] for the anesthesia segment were $169 per case for the three months ended December 31, 2020 and is slightly higher than the $165 per case seen in the fourth quarter of 2019. Total adjusted operating expenses per case[1] for the anesthesia segment were $182 per case for the year ended December 31, 2020 compared to the $171 seen in year ended December 31, 2019. This case rate is higher than that experienced in 2019 due to the lower case volumes in 2020. While the Company was able to respond to lower case volumes with contracted workforce reductions, the Company also retained as many of its employees as possible. Government stimulus meant to encourage employee workforce retention has been recognized in other income and therefore has not been applied against the costs of retention efforts embedded within adjusted operating expenses.

Product sales adjusted operating expenses for the year ended December 31, 2020 were $3,794,457 compared to $4,303,630 for the year ended December 31, 2019. The decrease year over year is reflective of reduced activities, including cost of sales and product support costs such as conferences and travel. Product sales adjusted operating expenses for the three months ended December 31, 2020 were $1,061,656 compared to $1,117,862 for the three months ended December 31, 2019. In general, expenses have returned to pre-COVID levels as a result of the recovery of product sales activity.

Corporate adjusted operating expenses for the year ended December 31, 2020 were $6,538,915 compared to $5,366,464 for the year ended December 31, 2019. Corporate expenses have increased when compared to 2019 as a result of increases in corporate and other professional fees. In general, the increases seen in corporate and professional fees, including professional fees relating to Sarbanes-Oxley requirements, are reflective of the increasing complexity of our business which is also increasing our compliance costs. Corporate adjusted operating expenses for the three months ended December 31, 2020 were $1,593,382 compared to $1,393,000 for the three months ended December 31, 2019.

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[1] See "Use of Non-GAAP Financial Measures" below for definitions of Non-GAAP-based measures and reconciliations of GAAP-based measures to Non-GAAP-based measures.

Operating income (loss)

Operating loss for the year ended December 31, 2020 was $6,755,959 compared to operating income of $14,682,195 for the same period in 2019. Operating income for the three months ended December 31, 2020 was $3,805,532 compared to $2,557,588 for the comparable period in 2019. The following schedule reconciles the changes in operating income between periods:

	Year ended December 31, 2020	Quarter ended December 31, 2020
Prior period operating income	$ 14,682,195	$ 2,557,588
Increase (decrease) in period revenues	(14,213,112)	6,413,791
Increase in period adjusted operating expenses[1]	(553,915)	(2,925,058)
Increase in period amortization and depreciation expense	(5,649,245)	(1,937,062)
Increase in period stock based compensation expense	(1,732,655)	(112,043)
Decrease in other non-recurring expenses	930,917	—
Inventory write-off	(64,911)	—
Increase in period acquisition expenses	(155,233)	(191,684)
Current period operating income	$ (6,755,959)	$ 3,805,532

Changes in the company's revenues and adjusted operating expenses[1] are described above within their respective sections. Fluctuations in revenue will not necessarily result in correlating fluctuations in operating expenses due to the fixed nature of these costs and as such will impact operating income.

The primary driver of the decline in operating income for the year ended December 31, 2020 is the reduction in anesthesia and product revenues in the period, with the majority of the reduction directly correlated with COVID-19 and its impact on the Company's anesthesia case and product sales volumes. With many expenses being slow to respond to changes in volume due to their fixed nature, any change in revenue, specifically case volume, directly impacts operating income until the Company is able to respond via workforce reductions. Conversely, in the quarter ended December 31, 2020, with activity levels returning to their pre-COVID levels, operating income increased as a result. The increase in operating income is a direct correlation to acquisitions completed in the fourth quarter of 2019 and in 2020 as well as other revenue gains detailed in the revenue section, offset by related incremental amortization expense.

Anesthesia operating loss for the year ended December 31, 2020 was $2,529,277 compared to operating income of $15,800,392 for the year ended December 31, 2019. The decrease is primarily reflective of the decrease in adjusted operating EBITDA[1] in the year (calculated above as revenues less adjusted operating expenses), in conjunction with an incremental increase in amortization expense of $5,649,245 when comparing fiscal 2020 to fiscal 2019. Anesthesia operating income for the quarter ended December 31, 2020 was $4,490,090 compared to operating income of $2,919,379 for the quarter ended December 31, 2019 and reflects activity levels returning to pre-COVID levels.

Product operating income for the year ended December 31, 2020 was $4,212,737, a decrease of $1,218,387 from the same period in 2019. The decline in operating income is primarily driven by the decline in revenues in the period as a result of COVID-19 and its impact on sales in the first three quarters of the year. Product operating income for the three months ended December 31, 2020 was $1,410,459 compared to $1,542,183 for the three months ended December 31, 2019. The slight decrease is due to slightly lower sales volume in the period.

1 See "Use of Non-GAAP Financial Measures" below for definitions of Non-GAAP-based measures and reconciliations of GAAP-based measures to Non-GAAP-based measures.

Adjusted operating EBITDA[1] – Non-GAAP

Adjusted operating EBITDA attributable to shareholders of the Company for the year ended December 31, 2020 was $28,741,294, a decrease of $7,881,930 when compared to the year ended December 31, 2019. The decrease in adjusted operating EBITDA attributable to shareholders is primarily a reflection of the overall net decline in revenue (described within the revenue section, but, in effect, attributable to COVID-19), offset by reductions in adjusted operating expenses. While revenue declined due to case volume decreases due to COVID-19, the Company took measures to reduce operating expenses, primarily payroll related, beginning early April 2020. With the majority of its anesthesia locations open and resuming operations in May and June 2020, the Company's provider staffing expenses resumed. Note that for the purposes of calculating adjusted operating EBITDA, other income of $4,241,183 arising from the receipt of government assistance has been included for the year ended December 31, 2020. It is management's opinion that this most accurately reflects the financial performance of the Company as the Company may have incurred further workforce reductions to offset reduced revenue volume were it not for the receipt of these incentives. Adjusted operating EBITDA attributable to shareholders of the Company for the three months ended December 31, 2020 was $11,220,896, an increase of $2,416,155 from the comparable period in 2019. The increase in adjusted operating EBITDA attributable to shareholders for the fourth quarter reflects the increase in revenue in the period.

Adjusted operating EBITDA attributable to non-controlling interest was $13,637,786 for the year ended December 31, 2020, compared to $15,080,425 for the year ended December 31, 2019. Other income of $1,201,274 arising from the receipt of government assistance has been included in the calculation of adjusted operating EBITDA attributable to non-controlling interest for the year ended December 31, 2020. Adjusted operating EBITDA attributable to non-controlling interest was $4,833,844 for the three months ended December 31, 2020, compared to $3,465,297 for the comparable period in 2019. Note that for comparative purposes, the Company acquired the non-controlling 49% in Arapahoe in April 2019 and CCAA in August 2019; the financial results of these entities are now included 100% in adjusted operating EBITDA attributable to shareholders.

Total adjusted operating EBITDA was $42,379,080 for the year ended December 31, 2020, a decrease of 18% from the same period in 2019. Total adjusted operating EBITDA was $16,054,740 for the three months ended December 31, 2020, an increase of 31% from the same period in 2019.

[1] See "Use of Non-GAAP Financial Measures" below for definitions of Non-GAAP-based measures and reconciliations of GAAP-based measures to Non-GAAP-based measures.

Net finance (income) / expense

As a result of the Company's debt facilities and long-term finance obligations, including its earn-out obligations, the Company has recorded a net finance expense of $2,151,137 for the year ended December 31, 2020, compared to net finance expense of $6,609,618 in the year ended December 31, 2019. Net finance expense is comprised of both interest and other debt related expenses, including fair value adjustments. Fair value adjustments related to the Company's earn-out obligation are the primary driver of significant fluctuations in finance expense between comparable periods.

	2020	2019
Finance expense:		
Interest and accretion expense on borrowings	$ 1,883,863	$ 3,288,704
Accretion expense on earn-out obligation and deferred consideration	$ 50,040	$ 133,450
Amortization of deferred financing fees	$ 372,835	$ 276,260
Net change in fair value of financial liabilities at fair value through earnings	$ (155,601)	$ 2,861,204
Other	$ —	$ 50,000
Total finance expense	$ 2,151,137	$ 6,609,618
Net finance expense	$ 2,151,137	$ 6,609,618
Net finance expense, excluding fair value adjustments	$ 2,306,738	$ 3,748,414

During the year ended December 31, 2020, the Company recognized a fair value adjustment (recovery) of $155,601 in respect of its earn-out obligation. The fair value adjustment resulted from changes in estimates underlying the Company's earn-out obligation. The changes in estimates underlying the Company's earn-out obligation were driven primarily by the changes in the cash flow estimates, which were driven by both changes in payor mix and revenue rates per unit. During the year ended December 31, 2019, the Company recognized a fair value adjustment of $2,861,204 in respect of its earn-out obligation.

Cash interest paid in the year ended December 31, 2020 was $1,949,694 compared to $3,055,374 cash interest paid in 2019. The decrease in cash interest paid is reflective of the lower LIBOR rates in 2020 as well as the credit spread on the Company's current JP Morgan Facility being lower than its previous Scotia Facility. As at December 31, 2020, the Company owed $71,348,120 under its JP Morgan Facility as compared to $69,341,370 owed at December 31, 2019. The Company anticipates that, in future, cash interest will fluctuate as the Company draws or repays on its Facility and as LIBOR rates fluctuate.

(Gain) Loss from Equity Investment

In 2019, equity income was derived from the Company's 15% equity interest in Triad Sedation Associates LLC ("TSA"). TSA began operating in February 2019 and was the result of an agreement between CRH and Digestive Health Specialists ("DHS"), located in North Carolina, whereby CRH assisted DHS in the development and management of a monitored anesthesia care program. Under the terms of the agreement, CRH was a 15% equity owner in the anesthesia business and received compensation for its billing and collection services. Under the terms of the limited liability company agreement, CRH had the right, at CRH's option, to acquire an additional 36% interest in the anesthesia business at a future date, which it exercised in November 2019. Upon exercise of the option, CRH obtained control of TSA and TSA was therefore consolidated 100% within the results of CRH from the date control was acquired. As a result, TSA was not an equity investment as at December 31, 2020; however, in June 2020, the entered into an additional agreement resulting in an equity interest.

In June 2020, the Company entered into an agreement with 6 doctors located in North Carolina to assist these doctors in the development and management of a monitored anesthesia care program. Under the terms of the agreement, CRH is a 15% equity owner in the anesthesia business, Western Carolina Sedation Associates LLC ("WCSA") and receives compensation for its billing and collections services. Under the terms of the limited liability company agreement, CRH has the right, at CRH's option, to acquire an additional 36% interest in the anesthesia business at a future date, but no sooner than September 2021. The Company assessed and concluded that as WCSA is an LLC entity, equity method accounting is required under ASC 970-323 until such time as a change in ownership control occurs. WCSA began operations on October 1, 2020, at which time the Company provided a loan of $226,000 to the investment for working capital purposes and is expected to be repaid within twelve months of issue.

The decrease in equity income between 2020 and 2019 is due to the fact that the Company did not have any income from equity investments in the first three quarters of 2020.

Impairment of intangible assets

As a result of the notice of non-renewal of the GAA professional services agreements by United Digestive ("UD") on December 22, 2020, CRH recorded an impairment loss relating to the GAA professional services agreements assets of $27,008,037 in the year ended December 31, 2020. The impairment loss was recorded in the fourth quarter of 2020 as a result of the notification of non-renewal. The Company provided anesthesia services to 12 surgery centers in the Greater Atlanta market via these professional services agreements, representing approximately 17% of the Company's 2020 revenue. The professional services agreements are set to expire on October 31, 2021.

Other Income

On April 15, 2020, the Company received loan proceeds of $2,945,620 ("PPP Loan") under the Paycheck Protection Program ("PPP"). The PPP was established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") in order to enable small businesses to pay employees during the COVID-19 crisis, and provides loans to qualifying businesses for up to 2.5 times their average monthly payroll costs. The amount borrowed under the PPP is expected to be eligible to be forgiven provided that the borrower uses the loan proceeds during the twenty-four week period ("Covered Period") after receiving them, and provided that the proceeds are used to cover payroll costs (including benefits), rent, mortgage interest, and utility costs. The amount of loan forgiveness will be reduced if, among other reasons, the borrower does not maintain staffing or payroll levels.

The Company anticipates forgiveness of the loan over the Covered Period indicated. As such, the Company has accounted for the loan as a government grant related to income, and has recognized within other income $2,928,748 of the loan proceeds as at December 31, 2020.

Additionally, during the year ended December 31, 2020, the Company received funds of $2,445,046 under the CARES Act HHS Stimulus Fund. The CARES Act provided funding to eligible healthcare providers to prevent, prepare for and respond to COVID-19. The funds were intended to reimburse healthcare providers for lost income attributable to COVID-19 and for healthcare related expenses. Consistent with the accounting applied to the PPP loan, the Company has accounted for the HHS Stimulus funds as government grants related to income. As there are no repayment provisions under the CARES Act and the Company has assessed that it has complied with the conditions of this program, funds received under this program have been recognized in other income in the year ended December 31, 2020.

Income tax expense

For the year ended December 31, 2020, the Company recorded an income tax recovery of $7,543,376 compared to income tax expense of $1,627,061 for the year ended December 31, 2019. Income tax expense relates only to income attributable to the Company's shareholders and the income tax recovery in the period is driven by the Company's net loss before tax, which in turn is driven by the impact COVID-19 has had on the Company's operating results as well as the impairment of the Company's GAA professional services agreements. The impairment of the Company's GAA professional services agreements resulted in an increase to the Company's deferred assets. The Company has not recorded a valuation allowance against its deferred tax assets as management has assessed that it is more likely than not that those assets will be realized based on projected future taxable income.

Net and comprehensive income

For the year ended December 31, 2020, the Company recorded a net and comprehensive loss attributable to shareholders of the Company of $24,476,138 compared to net and comprehensive income attributable to shareholders of $3,771,163 for the year ended December 31, 2019. The decrease year over year is largely a reflection of the decrease in operating income in the period in addition to the GAA impairment loss recognized in the fourth quarter of 2020 and the related tax recovery. For the three months ended December 31, 2020, the Company recorded a net and comprehensive loss attributable to shareholders of the Company of $19,151,875 compared to net and comprehensive income attributable to shareholders of $1,219,079 for the same period in 2019. The loss generated in the period, given the increase in operating income in the period, is primarily related to the GAA impairment loss recognized in the fourth quarter 2020.

Net and comprehensive income attributable to non-controlling interest was $1,563,254 for the year ended December 31, 2020 compared to net and comprehensive income attributable to non-controlling interest of $4,441,321 for the year ended December 31, 2019. Consistent with the loss attributable to shareholders, the net and comprehensive income attributable to non-controlling interest in the year is a reflection of the decrease in operating income as a result of the impact COVID-19 has had on the Company's operating results in the year. Additionally, the Company acquired the non-controlling 49% in Arapahoe in April 2019 and CCAA in August 2019; the financial results of these entities are now included 100% in adjusted operating EBITDA attributable to shareholders. Net and comprehensive income attributable to non-controlling interest was $1,493,674 for the three months ended December 31, 2020 compared to the net and comprehensive income attributable to non-controlling interest of $884,610 for the three months ended December 31, 2019. Like net and comprehensive income attributable to shareholders, the impact of operating income increases had a positive effect.

Use of Non-GAAP Financial Measures

As discussed above, in addition to results reported in accordance with US GAAP, the Company uses certain non-GAAP financial measures, including adjusted operating expenses (in total and broken down by operating segment), adjusted operating EBITDA (in total and broken down as attributable to non-controlling interest and shareholders of the Company), and adjusted operating EBITDA margin as supplemental indicators of its financial and operating performance. These non-GAAP measures are not recognized measures under US GAAP and do not have a standardized meaning prescribed by U.S. Generally Accepted Accounting Principles ("US GAAP") and thus the Company's definition may be different from and unlikely to be comparable to non-GAAP measures presented by other companies. These measures are provided as additional information to complement US GAAP measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analyses of the Company's financial information reported under US GAAP. Management uses these non-GAAP measures to provide investors with a supplemental measure of the Company's operating performance and thus highlight trends in the Company's core business that may not otherwise be apparent when relying solely on US GAAP financial measures. Management also believes that securities analysts, investors and other interested parties frequently use non-GAAP measures in the evaluation of issuers. In addition, management uses these non-GAAP measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets, and to assess its ability to meet future debt service, capital expenditure, and working capital requirements. The definitions of these measures, as well as a reconciliation of the most directly comparable financial measure calculated and presented in accordance with GAAP to each non-GAAP measure, are presented below.

Adjusted operating EBITDA: The Company defines adjusted operating EBITDA as operating earnings before interest, taxes, depreciation, amortization, stock based compensation, acquisition related expenses, asset impairment charges and other non-recurring expenses plus other income related to government assistance. Adjusted operating EBITDA is presented on a basis consistent with the Company's internal management reports. The Company analyzes and discloses adjusted operating EBITDA to capture the profitability of its business before the impact of items not considered in management's evaluation of operating unit performance.

Adjusted operating EBITDA margin. The Company defines adjusted operating EBITDA margin as operating earnings before interest, taxes, depreciation, amortization, stock based compensation, acquisition related expenses, asset impairment charges and other non-recurring expenses plus other income related to government assistance as a percentage of revenue. Adjusted operating EBITDA

margin is presented on a basis consistent with the Company's internal management reports. The Company analyzes and discloses adjusted operating EBITDA margin to capture the profitability of its business before the impact of items not considered in management's evaluation of operating performance.

Adjusted operating expenses: The Company defines adjusted operating expenses as operating expenses before acquisition related expenses, stock based compensation, depreciation, amortization, asset impairment charges and other non-recurring expenses. Adjusted operating expenses are presented on a basis consistent with the Company's internal management reports. The Company analyzes and discloses adjusted operating expenses to capture the operating cost of the business before the impact of items not considered in management's evaluation of operating costs.

Adjusted operating expense per case – Anesthesia segment: The Company defines adjusted operating expense per case for the anesthesia segment as adjusted operating expense for the anesthesia segment divided by anesthesia cases serviced in the period. The Company analyzes and discloses adjusted operating expenses to capture the operating cost of the business before the impact of items not considered in management's evaluation of operating costs and evaluates these costs as a per case metric.

The Company's management believes that the presentation of the above defined Non-GAAP financial measures provides useful information to investors because they reflect the Company's ongoing business in a manner that allows for meaningful period-to-period comparisons and analysis of trends in its business. In addition, they portray the financial results of the Company before the impact of certain non-operational charges. The use of the term "non-operational charge" is defined for this purpose as an expense that does not impact the ongoing operating decisions taken by the Company's management. These items are excluded based upon the way the Company's management evaluates the performance of the Company's business for use in the Company's internal reports and are not excluded in the sense that they may be used under US GAAP.

The Company does not acquire businesses on a predictable cycle, and therefore believes that the presentation of non-GAAP measures, which adjusts for the impact of amortization of intangible assets, will provide readers of financial statements with a more consistent basis for comparison across accounting periods and be more useful in helping readers understand the Company's operating results and underlying operational trends.

In summary, the Company believes the provision of supplemental Non-GAAP measures allow investors to evaluate the operational and financial performance of the Company's core business using the same evaluation measures that management uses and is therefore a useful indication of CRH's performance or expected performance of future operations and facilitates period-to-period comparison of operating performance (although prior performance is not necessarily indicative of future performance). As a result, the Company considers it appropriate and reasonable to provide, in addition to U.S. GAAP measures, supplementary Non-GAAP financial measures that exclude certain items from the presentation of its financial results.

The following charts provide unaudited reconciliations of US GAAP-based financial measures to Non-GAAP-based financial measures for the following periods presented:

Reconciliation of selected GAAP-based measures to Non-GAAP-based measures

ADJUSTED OPERATING EBITDA

	2020					2019				
(USD in thousands)	FY '20	Q4 '20	Q3 '20	Q2 '20	Q1 '20	FY '19	Q4 '19	Q3 '19	Q2 '19	Q1 '19
Net and comprehensive income (loss)	**(22,912)**	**(17,658)**	**309**	**(3,428)**	**(2,135)**	**8,213**	**2,104**	**2,099**	**2,619**	**1,391**
Net finance (income) expense	2,151	765	442	447	497	6,609	913	1,125	2,179	2,392
Equity income	(16)	(54)	—	22	16	(1,766)	(1,350)	(77)	(214)	(125)
Income tax expense (recovery)	(7,543)	(5,959)	(376)	(234)	(974)	1,627	891	565	4	167
Other income - government assistance	(5,443)	(296)	(290)	(4,857)	—	—	—	—	—	—
Impairment	27,008	27,008	—	—	—	—	—	—	—	—
Operating income (loss)	**(6,756)**	**3,806**	**85**	**(8,049)**	**(2,597)**	**14,683**	**2,558**	**3,713**	**4,587**	**3,825**
Amortization expense	40,492	10,889	10,735	9,489	9,380	34,898	9,006	8,528	8,723	8,641
Depreciation and related expense	166	83	26	28	29	111	29	28	27	27
Stock based compensation	2,710	809	653	595	653	977	697	706	(990)	564
Acquisition expenses[1]	260	173	57	12	18	104	(19)	83	20	20
Inventory write-downs	65	—	—	—	65	—	—	—	—	—
Other non-recurring items[2]	—	—	—	—	—	931	—	—	931	—
Other income - government assistance	5,443	296	290	4,857	—	—	—	—	—	—
Total adjusted operating EBITDA	**42,378**	**16,055**	**11,845**	**6,932**	**7,547**	**51,703**	**12,270**	**13,058**	**13,298**	**13,077**
Adjusted operating EBITDA attributable to:										
Shareholders of the Company	28,739	11,221	7,968	4,681	4,871	36,623	8,805	9,392	9,661	8,766
Non-controlling interest	13,638	4,834	3,877	2,251	2,676	15,080	3,465	3,666	3,638	4,311

[1] Acquisition expenses relating to incomplete acquisitions-

[2] Non-recurring expenses relating to the replacement of the Company's CEO

ADJUSTED OPERATING EBITDA MARGIN

	2020					2019				
(USD in thousands)	FY '20	Q4 '20	Q3 '20	Q2 '20	Q1 '20	FY '19	Q4 '19	Q3 '19	Q2 '19	Q1 '19
Revenue	**106,172**	**36,783**	**30,349**	**13,585**	**25,455**	**120,385**	**30,369**	**30,415**	**30,482**	**29,119**
Operating income	**(6,756)**	**3,806**	**85**	**(8,049)**	**(2,597)**	**14,682**	**2,558**	**3,713**	**4,587**	**3,825**
Operating margin	**(6.4)%**	**10.3%**	**0.3%**	**(59.3)%**	**(10.2)%**	**12.2%**	**8.4%**	**12.2%**	**15.0%**	**13.1%**
Amortization expense	38.1%	29.6%	35.3%	69.9%	36.8%	29.0%	29.7%	28.0%	28.6%	29.7%
Depreciation and related expense	0.2%	0.2%	0.1%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Stock based compensation	2.6%	2.2%	2.2%	4.4%	2.6%	0.8%	2.3%	2.3%	(3.2)%	1.9%
Acquisition expenses[1]	0.2%	0.5%	0.1%	0.1%	0.1%	0.1%	(0.1)%	0.3%	0.1%	0.1%
Inventory write-downs	0.1%	0.0%	(—)%	(—)%	0.3%	(—)%	(—)%	(—)%	(—)%	(—)%
Other non-recurring items[2]	(—)%	(—)%	(—)%	(—)%	(—)%	0.8%	(—)%	(—)%	3.1%	(—)%
Other income - government assistance	5.1%	0.8%	1.0%	35.8%	(—)%	(—)%	(—)%	(—)%	(—)%	(—)%
Total adjusted operating EBITDA margin	**39.9%**	**43.6%**	**39.0%**	**51.0%**	**29.7%**	**42.9%**	**40.4%**	**42.9%**	**43.6%**	**44.9%**

ADJUSTED OPERATING EXPENSES

	2020					2019				
(USD in thousands)	**FY '20**	**Q4 '20**	**Q3 '20**	**Q2 '20**	**Q1 '20**	**FY '19**	**Q4 '19**	**Q3 '19**	**Q2 '19**	**Q1 '19**
Anesthesia services expense	**100,217**	**29,636**	**26,964**	**18,988**	**24,629**	**94,505**	**24,701**	**23,774**	**23,471**	**22,559**
Amortization expense	(40,490)	(10,888)	(10,734)	(9,489)	(9,379)	(34,895)	(9,005)	(8,527)	(8,722)	(8,641)
Depreciation and related expense	(14)	(3)	(3)	(4)	(4)	(13)	(4)	(3)	(3)	(3)
Stock based compensation	(552)	(203)	(148)	(67)	(134)	(482)	(123)	(125)	(117)	(117)
Acquisition expenses[1]	(260)	(173)	(57)	(12)	(18)	(104)	19	(83)	(20)	(20)
Anesthesia services – adjusted operating expense	**58,901**	**18,369**	**16,022**	**9,416**	**15,094**	**59,012**	**15,588**	**15,036**	**14,609**	**13,779**
Product sales expense	**4,271**	**1,246**	**1,081**	**753**	**1,191**	**4,647**	**1,207**	**1,089**	**1,217**	**1,134**
Amortization expense	(2)	(1)	(1)	—	—	(3)	(1)	(1)	(1)	—
Depreciation and related expense	(67)	(52)	(5)	(5)	(5)	(24)	(5)	(5)	(5)	(9)
Stock based compensation	(342)	(132)	(95)	(51)	(64)	(318)	(83)	(82)	(81)	(73)
Inventory write-downs	(65)	—	—	—	(65)	—	—	—	—	—
Product sales - adjusted operating expense	**3,794**	**1,062**	**980**	**696**	**1,057**	**4,304**	**1,118**	**1,002**	**1,131**	**1,053**
Corporate expense	**8,440**	**2,095**	**2,220**	**1,894**	**2,231**	**6,549**	**1,904**	**1,839**	**1,206**	**1,600**
Amortization expense	—	—	—	—	—	—	—	—	—	—
Depreciation and related expense	(85)	(28)	(18)	(19)	(20)	(75)	(20)	(20)	(20)	(15)
Stock based compensation	(1,817)	(474)	(410)	(478)	(455)	(178)	(491)	(500)	1,188	(375)
Other non-recurring items[2]	—	—	—	—	—	(931)	—	—	(931)	—
Corporate - adjusted operating expenses	**6,538**	**1,593**	**1,792**	**1,397**	**1,756**	**5,367**	**1,393**	**1,319**	**1,444**	**1,211**
Total operating expense	**112,928**	**32,977**	**30,265**	**21,634**	**28,052**	**105,703**	**27,812**	**26,702**	**25,895**	**25,294**
Total adjusted operating expense	**69,235**	**21,024**	**18,794**	**11,510**	**17,907**	**68,682**	**18,099**	**17,357**	**17,184**	**16,042**

ADJUSTED OPERATING EXPENSE PER CASE – ANESTHESIA SEGMENT

	2020					2019				
(USD in thousands, except case and per case amounts)	**FY '20**	**Q4 '20**	**Q3 '20**	**Q2 '20**	**Q1 '20**	**FY '19**	**Q4 '19**	**Q3 '19**	**Q2 '19**	**Q1 '19**
Anesthesia services – adjusted operating expense	58,901	18,369	16,022	9,416	15,094	59,012	15,588	15,036	14,609	13,779
Anesthesia cases serviced	323,644	108,681	94,052	42,918	77,993	345,393	94,503	88,733	84,656	77,501
Total adjusted operating expense per case – Anesthesia segment	**182**	**169**	**170**	**219**	**194**	**171**	**165**	**169**	**173**	**178**

Liquidity and Capital Resources

At December 31, 2020, the Company had $3,919,747 in cash and cash equivalents compared to $6,568,716 at the end of 2019. The decrease in cash and equivalents is primarily a reflection of cash generated from operations and debt financing activities, less cash used to finance normal course issuer bid repurchases and acquisitions during 2020.

Working capital was $19,775,137 at December 31, 2020 compared to working capital of $18,677,498 at December 31, 2019. The Company expects to meet its short-term obligations, including short-term obligations in respect of its earn-out obligation and contract payable, through cash earned through operating activities in conjunction with monies available under its credit facility.

The average number of days receivables outstanding at December 31, 2020 was 57 days. At December 31, 2019, the average number of days receivables outstanding was 59 days. The Company continues to monitor this measure on an ongoing basis.

Cash provided by operating activities for the year ended December 31, 2020 was $35,993,673 compared to $45,005,557 in the same period in fiscal 2019. Cash provided by operating activities for the quarter ended December 31, 2020 was $11,197,959 compared to $12,335,680 for the same period in fiscal 2019.

Cash used in investing activities for the year ended December 31, 2020 was $24,625,171 as compared to $10,668,165 for the year ended December 31, 2019. Cash used in investing activities for the quarter-ended December 31, 2020 was $3,087,586 as compared to $5,876,008 for the three months ended December 31, 2019.

Cash used in financing activities was $14,018,534 for 2020 compared to $37,717,737 for the twelve months ended December 31, 2019. Cash used in financing activities was $9,290,655 as compared to $5,106,718 for the three months ended December 31, 2019.

For the year ended December 31, 2019, the statements of cash flows were adjusted to reclassify Acquisition of equity interest from non-controlling interest from investing activities to financing activities given that the transaction is among owners. As a result, net cash flows from investing activities and financing activities are presented as follows:

	For the year ended December 31, 2019		
	As previously presented	**Adjustment**	**As currently presented**
Cash flows from financing activities	$ (27,793,356)	$ (9,924,381)	$ (37,717,737)
Cash flows from investing activities	$ (20,592,546)	$ 9,924,381	$ (10,668,165)

The Company has financed its operations primarily from revenues generated from product sales and anesthesia services and through equity and debt financings and a revolving credit facility. As of December 31, 2020, the Company has raised approximately $51 million from the sale and issuance of equity securities and most recently, the Company entered into a syndicated debt facility with JP Morgan Chase Bank, increasing its facility to $200 million on October 22, 2019. As at December 31, 2020, the Company owed $71.3 million under the facility. The terms of the Company's facility as of December 31, 2020 is described below.

JP Morgan Chase Facility

On October 22, 2019, the Company entered into a three year revolving credit line which provides up to $200 million in borrowing capacity. The JP Morgan Facility includes a committed $125 million facility and access to an accordion feature that increases the amount of the credit available to the Company by $75 million. Interest on the facility is calculated with reference to LIBOR plus 1.25% to 1.75%, dependent on the Company's Total leverage ratio. The JP Morgan Facility is secured by the assets of the Company and matures on October 22, 2022. Since the JP Morgan Facility is a syndicated facility, which includes the Bank of Nova Scotia as a lender, any remaining deferred financing fees under the Company's previous Scotia Facility were retained and are amortized over the term of the new facility. The Company incurred deferred financing fees of $839,893 in connection with this facility in the year ended December 31, 2019 and incurred additional deferred fees of $125,000 in the year ended December 31, 2020 when the Company further amended its facility on September 18, 2020. This amendment, in conjunction with a previous amendment dated August 13, 2020, allows for the Company to engage in investments where less than 51% equity ownership is held and also amended the Company's Total Leverage Ratio to not greater than 3.50:1.00 until the quarter ended June 30, 2021. Should the Company's PPP loan be forgiven prior to June 30, 2021, the ratio is amended downward to 3.25:1.00. After June 30, 2021, the Total Leverage Ratio will revert back to 3.00:1.00. The remaining unamortized fees relating to the JP Morgan Facility and the deferred financing fees under the previous Scotia Facility, as of December 31, 2020 were $747,505. Under the JP Morgan Facility, there are no quarterly or annual repayment requirements. As of December 31, 2020, the Company had drawn $71,348,120 on the JP Morgan Facility (2019 - $69,341,370). As at December 31, 2020, the Company is required to maintain the following financial covenants in respect of this Facility:

Financial Covenant	**Required Ratio**
Total leverage ratio	Not greater than 3.50:1.00
Interest coverage ratio	Not less than 3.00:1.00

The Company's Total Leverage ratio is calculated as the ratio of the Company's total indebtedness at the end of the period to EBITDA for the Company's previous four consecutive quarters.

The Company is in compliance with all covenants at December 31, 2020.

Contractual Obligations and Contingent Liabilities

The Company's near-term cash requirements relate primarily to interest payments, remaining payments under its earn-out obligation, operations, working capital and general corporate purposes, including further acquisitions. As a result of the impact of COVID-19, the Company has updated its forecasts to account for the impact of the pandemic. Based on this assessment, the Company believes cash and cash equivalents and the availability of its revolving credit facility will be sufficient to fund the Company's operating, debt repayment and capital requirements for at least the next 12 months. The Company updates its forecasts on a regular basis and will consider additional financing sources as appropriate.

The following table summarizes the relative maturities of the financial liabilities of the Company at December 31, 2020:

		Maturity			
At December 31, 2020	**TOTAL**	**Less than one year**	**One to three years**	**Four to five years**	**After five years**
Trade and other payables	$ 7,023,060	$ 7,023,060	$ —	$ —	$ —
Employee benefits	789,409	789,409	—	—	—
Lease liabilities [3]	1,179,310	300,354	457,746	421,210	
Notes payable and bank indebtedness [1]	71,348,120	—	71,348,120	—	—
Earn-out obligation	907,459	907,459	—	—	—
Contract payable	1,900,589	1,900,589	—	—	—
Deferred consideration [2]	2,811,500	—	2,811,500	—	—
	$85,959,447	$10,920,871	$74,617,366	$ 421,210	$ —

(1) Excludes interest payable over the remaining term of the facility. Interest on the facility is calculated with references to LIBOR plus 1.25% to 1.75% depending on the Company's Total Leverage Ratio

(2) Excludes expected accretion of $74,316. Accretion is determined with reference to a discount rate based on Corporate BBB bond yields.

(3) Excludes expected accretion of $177,183. Accretion is determined with reference to a discount rate based on Corporate BBB bond yields.

As at December 31, 2020, the Company has no material contractual obligations, other than those obligations relating to its leases of premises and those obligations under its debt agreements, deferred consideration agreements, normal course issuer bid agreements, and earn-out obligations as described above.

The Company's earn-out obligation arose in respect of the Company's acquisition of Gastroenterology Anesthesia Associates LLC in 2014. The Company's earn-out obligation is recorded at fair value and reflects management's best estimate of the contingent consideration payable. As at December 31, 2020, the fair value of the earn-out obligation is $907,459. The Company paid this obligation in the first quarter of 2021.

The Company's deferred consideration arose in respect of the Company's acquisitions of Metro Orlando Anesthesia Associates LLC ("MOAA") and Central Virginia Anesthesia Associates LLC ("CVAA") in 2020. As part of the MOAA transaction, the Company is required to pay $311,500 to the seller after the second anniversary date of the transaction dependent on MOAA meeting certain EBITDA targets during the first and second year after the transaction date. Based on the Company's current forecasts, the Company believes it probable that the EBITDA targets will be met. If the EBITDA targets are not met, no contingent consideration is payable. As part of the CVAA transaction, the Company is required to pay either $1,500,000 or $2,500,000 to the seller after the third anniversary date of the transaction dependent on CVAA meeting certain EBITDA, full-time equivalent employee and revenue per case targets during the second and third year after the transaction date. Based on the Company's current forecasts, the Company believes it probable that the targets will be met and the full amount of the contingent consideration, $2,500,000, will be paid.

The Company's contract payable relates to funds received under the Medicare Accelerated and Advanced Payment Program. Repayment under the program is expected to be completed prior to December 31, 2021.

Critical Accounting Policies

Our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses, and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates under different assumptions or conditions.

An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, if different estimates reasonably could have been used, or if changes in the estimate that are reasonably possible could materially impact the financial statements. We believe that the assumptions and estimates associated with management's assessment for impairment, estimates supporting reported anesthesia revenues and the valuation of deferred tax assets have the greatest potential impact on our consolidated financial statements. Therefore, we consider these to be our critical accounting policies and estimates. For further information on all of our significant accounting policies, see Note 3 — Significant Accounting Policies in the accompanying notes to consolidated financial statements included in Part II, Item 8, "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K

Impairment of intangible assets:

The Company's intangible assets are comprised of purchased professional service agreements and patents.

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there are any events or changes in circumstances which indicate that the carrying value may not be recoverable. Example factors that could trigger impairment reviews include significant underperformance relative to historical or projected future operating results, significant changes in the use of the acquired assets or strategy for the overall business and significant negative economic trends. Depending on the specific asset and circumstances, assets are assessed for impairment as an individual asset, as part of an asset group or at the reporting unit ("RU") level. A reporting unit is an operating segment or one level below an operating segment if certain conditions are met. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of cash inflows from other assets or groups of assets.

If indicators of impairment exist, an asset or asset group is impaired if its carrying amount exceeds its fair value, being the projected future discounted cash flows that are directly associated with and that are expected to arise as a direct result of the use and eventual disposition of the asset or asset group. Projected cash flows are based upon historical results adjusted to reflect management's best estimate of future market and operating conditions which may differ from actual cash flows. The process of determining estimated fair value is complex and there is significant judgment applied in determining significant assumptions used when estimating fair value. Significant assumptions included in projected cash flows include anesthesia case growth rates and revenue rates per case.

As at December 31, 2020, the Company identified indicators of impairment in respect of three of its professional services agreements relating to financial performance and contract non-renewal. Upon performing undiscounted cash flow models for these assets, the Company identified only one asset that required further review for impairment: Gastroenterology Anesthesia Associates LLC "GAA".

The requirement to further assess this asset was driven by non-renewal of the Company's GAA professional services agreement assets. On December 22, 2020, the Company received notice that these professional services agreements would not be renewed. CRH provided anesthesia services to 12 surgery centers in the Greater Atlanta market via these professional services agreements, representing approximately 17% of the Company's 2020 revenue. The professional services agreements were set to originally expire on October 31, 2021; the majority of these agreements were acquired in conjunction with the GAA acquisition in December 2014. At the time of acquisition, the Company estimated a useful life of 12 years these professional services agreements.

The Company performed discounted cash flow modelling for these assets and compared the resultant discounted cash flows expected over the life of the assets, estimated to be approximately 10 months, to the carrying amounts as at December 31, 2020. The income approach is used for the quantitative assessment to estimate the fair value of the assets, which requires estimating future cash flows and risk-adjusted discount rates in the Company's discounted cash flow model. The overall market outlook and cash flow projections for these assets involves the use of key assumptions, including revenue rates per case and expected case counts.

As a result of performing the above discounted cash flow analysis, the Company has recorded an impairment charge of $27,008,037 in relation to its GAA professional services agreements. The discounted cash flow analysis is highly sensitive to revenue rates per case and the expected case counts. A +/-1% change in the revenue rate per case utilized would result in a $120,000 adjustment to the impairment charge taken. Similarly, a +/- 1% change in the expected case counts would result in a $110,000 adjustment to the impairment charge taken. Due to uncertainties in the estimates that are inherent to the Company's industry, actual results could differ significantly from the estimates made. Many key assumptions in the cash flow projections are interdependent on each other. A change in any one or combination of these assumptions could impact the estimated fair value of the assets.

At December 31, 2019, the Company identified indicators of impairment in respect of six of its professional services agreements. Upon performing undiscounted cash flow models for these assets, the Company identified only two assets that required further review for impairment.

As a result of this test, no write-downs to the intangible assets were required for the year ended December 31, 2019.

Revenue recognition – Anesthesia services:

Our anesthesia service revenues are derived from anesthesia procedures performed under our professional services agreements. The fees for such services are billed either to a third party payor, including Medicare or Medicaid or to the patient. We recognize anesthesia service revenues, net of contractual adjustments and implicit price concessions, which we estimate based on the historical trend of our cash collections and contractual adjustments. There is significant judgment involved in determining the estimated revenues that will be collected in the future due to the judgment required in estimating the amounts that third-party payors will pay for services based on past collections.

Anesthesia services procedures for each patient qualify as a distinct service obligation, as they are provided simultaneously with other readily available resources during the service procedure. The transaction price is variable and not constrained. Variable consideration relates to contractual allowances, credit provisions and other discounts. The standard requires management to estimate the transaction price, including any implicit concessions from the credit approval process. The Company adopted a portfolio approach to estimate variable consideration transaction price by payor type (patient, government and/or insurer) and the specifics of the services being provided. These portfolios share characteristics such that the results of applying a portfolio approach are not materially different than if the standard was applied to individual patient contracts. Revenue is recognized upon completion of the services to the customer (patient) for practical reasons as the service period is performed over a short time period.

Income taxes:

The Company records a provision for income taxes for the anticipated tax consequences of the reported results of operations using the asset and liability method. Under this method, it recognizes deferred income tax assets and liabilities for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using the enacted tax rates that are expected to apply to taxable income for the years in which those tax assets and liabilities are expected to be realized or settled. The Company recognizes the deferred income tax effects of a change in tax rates in the period of the enactment. The Company records a valuation allowance to reduce its deferred tax assets to the net amount that management believes is more likely than not to be realized. The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than fifty percent likely of being realized. The Company records interest related to unrecognized tax benefits in interest expense and penalties in operating expenses.

Income tax expense is comprised of current and deferred tax.

Recently Issued Accounting Pronouncements

In June 2016, FASB issued ASU No. 2016-13, "*Financial Instruments- Credit Losses (Topic 326)"*, which requires companies to measure credit losses on financial instruments measured at amortized cost by applying an "expected credit loss" model based upon past events, current conditions and reasonable and supportable forecasts that affect collectability. Previously, companies applied an "incurred loss" methodology for recognizing credit losses. This standard is effective for fiscal years beginning January 1, 2023 for smaller reporting companies. As CRH meets the definition of smaller reporting company, CRH will adopt this standard for fiscal years beginning January 1, 2023. The Company is current assessing the impact that adopting this guidance will have on its consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes – Simplifying the Accounting for Income Taxes*. The new guidance simplifies the accounting for income taxes by removing several exceptions in the current standard and adding guidance to reduce complexity in certain areas, such as requiring that an entity reflect the effect of an enacted change in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020, with early adoption permitted. The Company is currently assessing the impact that adopting this guidance will have on its consolidated financial statements.

Off-Balance Sheet Arrangements

The Company has no material undisclosed off-balance sheet arrangements that have or are reasonably likely to have, a current or future effect on our results of operations or financial condition. See Recent Events section for disclosure of the pending acquisition of the Company by Well Health Technologies Corp.

Tabular Disclosure of Contractual Obligations

Not applicable.

Outstanding Share Data

As at December 31, 2020, there were 71,674,647 common shares issued and outstanding for a total of $57,255,264 in share capital.

As at December 31, 2020, there were 979,687 options outstanding at a weighted-average exercise price of $1.69 per share, of which 604,687 were exercisable into common shares at a weighted-average exercise price of $1.01 per share. As at December 31, 2020, there were 3,286,562 share units ("**SUs**") issued and outstanding.

As at March 12, 2021, there were 71,620,447 common shares issued and outstanding, excluding shares held as treasury, for a total of $57,215,160 in share capital.

As at March 12, 2021, there were 979,687 options outstanding at a weighted-average exercise price of $1.73 per share, of which 604,687 were exercisable into common shares at a weighted-average exercise price of $1.03 per share. As at March 12, 2021, there were 3,286,562 share units ("**SUs**") issued and outstanding.

Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company maintains a system of disclosure controls and procedures to give reasonable assurance that information required to be disclosed in the Company's reports filed or submitted under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. These controls and procedures also give reasonable assurance that information required to be disclosed in such reports is accumulated and communicated to management to allow timely decisions regarding required disclosures.

As of December 31, 2020, the Company's Chief Executive Officer (the "CEO") and Chief Financial Officer (the "CFO"), together with management, conducted an evaluation of the effectiveness of the Company's disclosure controls and procedures pursuant to Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based on that evaluation, the CEO and CFO concluded that these disclosure controls and procedures were not effective as of such date due to material weaknesses in internal control over financial reporting, described below.

Management's Annual Report on Internal Control Over Financial Reporting

Management, under the supervision of the board of directors, is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of consolidated financial statements for external purposes in accordance with U.S. generally accepted accounting principles ("GAAP").

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2020 using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control - Integrated Framework* (2013). Based on management's assessment using this framework, management has concluded that our internal control over financial reporting was not effective as at December 31, 2020, due to material weaknesses in our internal control over financial reporting described below. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

We did not have effective continuous risk assessment processes and there were insufficient resources to adequately assess risk. As a result:

- We were unable to rely on internal controls within the service organization used to process our anesthesia claims and revenue because that service organization did not provide a third-party attestation report with regard to internal controls over those processes and our existing review controls did not operate at a sufficient level of precision to compensate for this deficiency. This deficiency did not result in adjustments to the consolidated financial statements; and
- The Company had a combination of control deficiencies within its information technology ("IT") general and application controls across the systems supporting the Company's financial reporting processes, including access controls related to maintaining appropriate segregation of duties and super-user access. We have concluded that process-level automated controls and manual controls that were dependent upon IT general controls, information and data derived from impacted IT systems were ineffective because they could have been adversely impacted. This deficiency was pervasive in nature. This deficiency did not result in adjustment to the consolidated financial statements.

Additionally, the Company did not involve personnel with sufficient knowledge and practical experience in performing the discounted cash flow model utilized in the impairment evaluation of intangible assets. Discounted cash flow modelling, and the judgments surrounding cash flow inputs used, requires significant judgment and expertise in the field of fair value modelling. Specifically, the discounted cash flow modelling utilized in the impairment evaluation included certain cash flows that should have been excluded. This resulted in a $2.6 million understatement of the impairment charge initially recorded to intangible assets. The understatement has been corrected in the Company's audited consolidated financial statements.

Each of these deficiencies creates a reasonable possibility that a material misstatement in the consolidated financial statements will not be prevented or detected on a timely basis.

KPMG LLP, an independent registered public accounting firm, has audited the Company's consolidated financial statements and has issued an adverse report on the effectiveness of internal control over financial reporting, as stated in their report included elsewhere in this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

Except for the material weaknesses that were identified in the fourth quarter but that arose earlier in 2020, there were no changes in our internal control over financial reporting that occurred during our fiscal quarter ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Remediation Plan and Status

Management, with oversight from the Audit Committee of our Board of Directors, will implement remediation measures related to analyzing key risks in the business and designing and implementing the key controls that mitigate those risks, including monitoring controls related to service organizations and general IT general and application controls as noted below.

In response to the identified material weaknesses, our management, with the oversight of the Audit Committee of our Board of Directors, has reached an agreement with the service organization to provide a System and Organization Controls (SOC) 1 Type 2 compliance report in 2021 to allow for Management's monitoring of controls related to the design and operating effectiveness of anesthesia claims and revenue processing. Management will review the SOC 1 Type 2 compliance report to assess design and operating effectiveness of internal controls over the service organization's processing of our anesthesia claims and revenue.

Additionally, to remediate material weaknesses identified within our IT general and application controls, the Company will be working internally to reduce super-user access to key financial reporting systems to a limited number of non-finance users and thus create more robust segregation of duties.

With respect to the material weakness identified in the Company's impairment analysis process, management believes this material weakness in internal controls is an isolated event and not pervasive in nature. Management is committed to remediating the material weakness in a timely manner. The remediation plan includes engaging additional resources or specialists with valuations knowledge to aid in situations where fair value modelling is required.

Financial Statements and Supplementary Data

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Management's Report
Consolidated Balance Sheets at December 31, 2020 and 2019
Consolidated Statements of Operations and Comprehensive Income for the years ended December 31, 2020 and 2019
Consolidated Statements of Changes in Equity for the years ended December 31, 2020 and 2019
Consolidated Statements of Cash Flows for the years ended December 31, 2020 and 2019
Notes to the Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
CRH Medical Corporation:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of CRH Medical Corporation (the Company) as of December 31, 2020 and 2019, the related consolidated statements of operations and comprehensive income (loss), changes in equity, and cash flows for each of the years in the two-year period ended December 31, 2020, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 16, 2021 expressed an adverse opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Assessment of the accuracy of the fair value of impaired intangible assets with finite lives

As discussed in Note 9 to the consolidated financial statements, the Company recorded an impairment charge of $27,008,037 in relation to its Gastroenterology Anesthesia Associates, LLC (GAA) professional services agreements. The Company evaluates these assets for potential impairment by comparing estimated future undiscounted net cash flows to the carrying amount of the assets. If the carrying amount of the assets exceeds the estimated future undiscounted net cash flows, impairment is measured based on the difference between the carrying amount of the assets and fair value.

We identified the assessment of the accuracy of the fair value of the GAA professional services agreements as a critical audit matter. Auditing this fair value was complex and highly judgmental due to the significant judgment applied by management in determining the significant assumptions used to calculate the fair value. These significant assumptions included expected case counts and revenue rates per case.

The primary procedures we performed to address this critical audit matter included the following. We evaluated the expected case counts by comparing them against historical case counts obtained internally from the Company. We compared the revenue rates per case with the historical collections data obtained internally from the Company. We performed sensitivity analyses over the significant assumptions to assess the impact of reasonably possible alternative assumptions on the Company's impairment assessment.

Evaluation of the estimate of anesthesia services revenue accrual

As described in Note 3 to the consolidated financial statements, anesthesia service revenues are recognized upon completion of anesthesia procedures for each patient and are recognized net of contractual adjustments and implicit price concessions. Due to such contractual adjustments and implicit price concessions, the transaction price for these services is considered to be variable and not constrained. The Company follows a portfolio approach in estimating this variable consideration based upon the historical trend of cash collections for each payor type. Accrued revenues from the anesthesia segment contributed to a significant portion of the Company's consolidated net accounts receivable balance of $23,323,473 as of December 31, 2020.

We identified the evaluation of the estimate of the anesthesia services revenue accrual as a critical audit matter. There was significant judgment involved in determining the estimated revenues that will be collected in the future due to the judgment required in estimating the amounts that third-party payors will pay for services based on past collections. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating the audit evidence obtained related to the anesthesia services revenue accrual.

The primary procedures we performed to address this critical audit matter included the following. We evaluated the Company's estimate of future revenue collections by reference to the Company's historical collections data. We evaluated the Company's ability to accurately estimate the anesthesia services revenue accrual by comparing actual cash collections to the anesthesia services revenue accrual recorded in the previous financial year. We tested anesthesia services cash collections subsequent to year end by comparing the revenue accrual to the amounts actually collected.

/s/ KPMG LLP

Chartered Professional Accountants

We have served as the Company's auditor since 2008.

Vancouver, Canada
March 16, 2021

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
CRH Medical Corporation:

Opinion on Internal Control Over Financial Reporting

We have audited CRH Medical Corporation's (the Company) internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, because of the effect of the material weaknesses, described below, on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2020 and 2019, the related consolidated statements of operations and comprehensive income (loss), changes in equity, and cash flows for each of the years in the two-year period ended December 31, 2020, and the related notes (collectively, the consolidated financial statements), and our report dated March 16, 2021 expressed an unqualified opinion on those consolidated financial statements.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. Material weaknesses related to the following were identified and included in management's assessment:

- The Company did not have effective continuous risk assessment processes and there were insufficient resources to adequately assess risk.
- The Company was unable to rely on internal controls within the service organization used to process anesthesia claims and revenue because that service organization did not provide a third-party attestation report with regard to internal controls over those processes and the Company's existing review controls did not operate at a sufficient level of precision to compensate for this deficiency.
- The Company had a combination of control deficiencies within its information technology (IT) general and application controls across the systems supporting the Company's financial reporting processes, including access controls related to maintaining appropriate segregation of duties and super-user access. The Company concluded that process-level automated controls and manual controls that were dependent upon IT general controls, information and data derived from impacted IT systems were ineffective.
- The Company did not involve personnel with sufficient knowledge and practical experience in performing the discounted cash flow modelling utilized in the impairment evaluation of intangible assets.

The material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2020 consolidated financial statements, and this report does not affect our report on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Form 10-K. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an

understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
March 16, 2021

MANAGEMENT'S REPORT

The accompanying consolidated financial statements of CRH Medical Corporation are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements have been prepared by management in accordance with United States Generally Accepted Accounting Principles, and where appropriate, reflect management's best estimates and assumptions based upon information available at the time that these estimates and assumptions were made.

Management is responsible for establishing and maintaining a system of internal controls over financial reporting designed to provide reasonable assurance as to the reliability of financial information and the safeguarding of assets.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The Board of Directors exercises this responsibility principally through the Audit Committee. The Audit Committee consists of directors not involved in the daily operations of the Company. The Audit Committee is responsible for engaging the external auditor and meets with management and the external auditors to satisfy itself that management's responsibilities are properly discharged and to review the financial statements prior to their presentation to the Board of Directors for approval.

The Company's external auditors, who are appointed by the shareholders, conducted an independent audit in accordance with the standards of the Public Company Accounting Oversight Board (United States) and express their opinion thereon.

Chief Executive Officer	Chief Financial Officer
(signed) "Tushar Ramani"	(signed) "Richard Bear"
March 16, 2021	March 16, 2021

CRH MEDICAL CORPORATION
Consolidated Balance Sheets
(Expressed in United States dollars)

As at December 31, 2020 and 2019

	Note	2020	2019
Assets			
Current assets:			
Cash and cash equivalents		$ 3,919,747	$ 6,568,716
Trade and other receivables, net	5	23,323,473	20,041,288
Income tax receivable		2,942,008	1,332,129
Prepaid expenses and deposits		870,441	729,483
Loan to equity investee	10	226,000	—
Inventories		262,466	349,324
		31,544,135	29,020,940
Non-current assets:			
Property and equipment, net	8,19	127,800	251,933
Right of use assets	7	1,063,804	214,854
Intangible assets, net	4,9,19	136,404,143	163,108,193
Deferred asset acquisition costs		68,211	59,249
Investment	4	2,016,076	—
Equity investment	10	104,180	—
Deferred tax assets	14	20,456,381	10,440,100
		160,240,595	174,074,329
Total assets		$ 191,784,730	$ 203,095,269
Liabilities			
Current liabilities:			
Trade and other payables	6	$ 7,023,060	$ 6,196,741
Employee benefits		789,409	992,845
Current portion of lease liability	7	272,480	125,555
Current tax payable		753,501	28,589
Deferred consideration		—	1,868,052
Earn-out obligation	16	907,459	1,063,060
Contract payable - CMS Advancement	11	1,900,589	—
Member loan	4	122,500	68,600
		11,768,998	10,343,442
Non-current liabilities:			
Contingent consideration	4	2,634,317	—
Lease liability	7	832,514	54,300
Notes payable and bank indebtedness	12	70,600,615	68,380,345
Deferred tax liabilities	14	—	101,822
		74,067,446	68,536,467
Equity			
Common stock, no par value; 71,674,647 and 71,603,584 shares issued and outstanding at December 31, 2020 and 2019, respectively	13	57,255,264	56,056,113
Additional paid-in capital		8,402,216	7,168,156
Accumulated other comprehensive loss		(66,772)	(66,772)
Retained earnings (loss)		(11,870,442)	13,154,981
Total equity attributable to shareholders of the Company		53,720,266	76,312,478
Non-controlling interest		52,228,020	47,902,882
Total equity		105,948,286	124,215,360
Total liabilities and equity		$ 191,784,730	$ 203,095,269

See accompanying notes to consolidated financial statements.
Commitments and contingencies (note 17)
Subsequent events (note 20)

CRH MEDICAL CORPORATION

Consolidated Statements of Operations and Comprehensive Income (Loss)
(Expressed in United States dollars, except for number of shares)

Years ended December 31, 2020 and 2019

	Notes	2020	2019
Revenue:			
Anesthesia services	19	$ 97,688,095	$ 110,306,431
Product sales	19	8,484,070	10,078,843
		106,172,165	120,385,274
Expenses:			
Anesthesia services expense	19	100,217,372	94,506,039
Product sales expense	19	4,271,333	4,647,719
Corporate expense	19	8,439,419	6,549,321
		112,928,124	105,703,079
Operating income (loss)		(6,755,959)	14,682,195
Finance expense	15	2,151,137	6,609,618
Gain from equity investment	10	(16,416)	(1,766,968)
Impairment of intangible asset	9	27,008,037	—
Other income	11	(5,442,457)	—
Income before tax		(30,456,260)	9,839,545
Income tax expense (recovery)	14	(7,543,376)	1,627,061
Net and comprehensive income (loss)		$ (22,912,884)	$ 8,212,484
Attributable to:			
Shareholders of the Company		$ (24,476,138)	$ 3,771,163
Non-controlling interest		1,563,254	4,441,321
		$ (22,912,884)	$ 8,212,484
Earnings (loss) per share attributable to shareholders			
Basic	13(f)	$ (0.342)	$ 0.053
Diluted	13(f)	$ (0.342)	$ 0.052
Weighted average shares outstanding:			
Basic	13(f)	71,535,343	71,536,310
Diluted	13(f)	71,535,343	72,697,539

See accompanying notes to consolidated financial statements.

CRH MEDICAL CORPORATION

Consolidated Statements of Changes in Equity

(Expressed in United States dollars, except for number of shares)

For the years ended December 31, 2020 and 2019

	Number of shares	Common stock	Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings (loss)	Non-controlling interest	Total equity
Balance as at January 1, 2019	72,055,688	55,372,884	9,329,335	(66,772)	12,916,565	59,739,165	137,291,177
Total net and comprehensive income for the year	—	—	—	—	3,771,163	4,441,321	8,212,484
Stock based compensation expense	—	—	976,962	—	—	—	976,962
Common shares issued on exercise of options	840,000	733,165	(306,799)	—	—	—	426,366
Common shares issued on vesting of share units	325,875	1,159,912	(1,159,912)	—	—	—	—
Common shares repurchased in connection with normal course issuer bid and cancelled (note 13(e))	(1,607,579)	(1,209,848)	—	—	(3,532,747)	—	(4,742,595)
Cancellation of treasury shares (held as treasury shares as of 12/31/2018)	(10,400)	—	—	—	—	—	—
Distributions to members	—	—	—	—	—	(15,825,600)	(15,825,600)
Purchase of equity interest from non-controlling interest	—	—	(1,671,430)	—	—	(7,676,894)	(9,348,324)
Acquisition of non-controlling interest, including LWA price adjustment (note 4)	—	—	—	—	—	7,224,890	7,224,890
Balance as at December 31, 2019	71,603,584	$ 56,056,113	$ 7,168,156	$ (66,772)	$ 13,154,981	$ 47,902,882	$ 124,215,360
Balance as at January 1, 2020	71,603,584	56,056,113	7,168,156	(66,772)	13,154,981	47,902,882	124,215,360
Total net and comprehensive income (loss) for the year	—	—	—	—	(24,476,138)	1,563,254	(22,912,884)
Stock based compensation expense	—	—	2,709,617	—	—	—	2,709,617
Common shares issued on exercise of options	25,000	19,007	(8,327)	—	—	—	10,680
Common shares issued on vesting of share units	446,563	1,493,179	(1,493,179)	—	—	—	—
Common shares repurchased in connection with normal course issuer bid and cancelled (note 13(e))	(400,500)	(311,066)	—	—	(545,253)	—	(856,319)
Common shares repurchased in connection with normal course issuer bid and held as treasury shares at December 31,2020 (2,500 shares)	—	(1,969)	—	—	(4,032)	—	(6,001)
Distributions to members	—	—	—	—	—	(12,945,380)	(12,945,380)
Acquisition of non-controlling interest, (note 4)	—	—	25,949	—	—	15,707,264	15,733,213
Balance as at December 31, 2020	71,674,647	57,255,264	8,402,216	(66,772)	(11,870,442)	52,228,020	105,948,286

See accompanying notes to consolidated financial statements.

CRH MEDICAL CORPORATION

Consolidated Statements of Cash Flows

(Expressed in United States dollars)

For the years ended December 31, 2020 and 2019

	Notes	2020	2019 (Reclassification - see note 2(b))
Operating activities:			
Net income (loss)		$ (22,912,884)	$ 8,212,484
Adjustments for:			
Depreciation of property, equipment and intangibles		40,658,314	35,009,070
Stock-based compensation		2,709,617	976,962
Unrealized foreign exchange		5,756	8,925
Deferred income tax recovery	14	(10,116,104)	(3,440,121)
Change in fair value of contingent consideration	15	(155,601)	2,861,204
Accretion on contingent consideration and deferred consideration	15	50,040	133,450
Amortization of deferred financing fees	15	372,835	276,260
Gain on equity investment		(16,416)	(1,766,968)
Impairment of intangible asset	9	27,008,037	—
Change in current tax receivable (payable)		(896,519)	939,779
Change in trade and other receivables		(3,244,859)	1,376,733
Change in prepaid expenses		(140,965)	132,290
Change in inventories		86,858	53,220
Change in trade and other payables, including contract payable		2,789,000	121,615
Change in employee benefits		(203,436)	110,654
Cash provided by operating activities		$ 35,993,673	$ 45,005,557
Financing activities			
Proceeds from member loans		$ 122,500	$ 68,600
Repayment of member loans		(68,600)	(49,000)
Equity loan advance	10	(226,000)	—
Repayment of short-term advances		—	(26,783)
Repayment of notes payable and bank indebtedness		(14,000,000)	(82,550,000)
Proceeds on bank indebtedness		16,006,750	81,641,370
Payment of deferred financing fees		(159,314)	(839,892)
Payment of deferred consideration		(1,896,850)	(1,100,000)
Payment of earn-out obligation		—	(4,795,822)
Acquisition of equity interest from non-controlling interest		—	(9,924,381)
Distributions to non-controlling interest		(12,945,380)	(15,825,600)
Proceeds from the issuance of shares relating to stock-based compensation		10,680	426,366
Repurchase of shares for cancellation	13(e)	(862,320)	(4,742,595)
Cash used in financing activities		$ (14,018,534)	$ (37,717,737)
Investing activities			
Acquisition of property and equipment		$ (42,031)	$ (59,508)
Deferred asset acquisition costs		(51,859)	(59,249)
Acquisition of professional services agreements	4	(22,465,280)	(15,052,058)
Acquisition of investment	4	(2,016,076)	—
Acquisition of equity investment	10	(49,925)	—
Distribution received from equity investment		—	136,650
Purchase adjustment relating to anesthesia service providers acquired in prior periods	4	—	4,366,000
Cash used in investing activities		$ (24,625,171)	$ (10,668,165)
Effects of foreign exchange on cash and cash equivalents		1,063	2,116
Decrease in cash and cash equivalents		(2,648,969)	(3,378,229)
Cash and cash equivalents, beginning of year		6,568,716	9,946,945
Cash and cash equivalents, end of year		$ 3,919,747	$ 6,568,716
Supplemental disclosure of cash interest and taxes paid:			
Cash interest paid		$ (1,949,694)	$ (3,055,374)
Lease payments made		$ (230,228)	$ (369,262)
Non-cash acquisition financing		$ (36,659)	$ (800,985)
Taxes paid		$ (3,431,921)	$ (4,127,443)

See accompanying notes to consolidated financial statements.

1. Reporting entity:

CRH Medical Corporation ("CRH" or "the Company") was incorporated on April 21, 2001 and is incorporated under the Business Corporations Act (British Columbia). The Company provides anesthesiology services to gastroenterologists in the United States through its subsidiaries and sells its patented proprietary technology for the treatment of hemorrhoids directly to physicians in the United States and Canada.

CRH principally operates in the United States and is headquartered from its registered offices located at Unit 619, 999 Canada Place, Vancouver, British Columbia, Canada.

2. Basis of preparation:

(a) Basis of presentation:

These consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles ("US GAAP").

(b) Reclassification adjustment relating to 2019 comparative period:

For the year ended December 31, 2019, the statements of cash flows were adjusted to reclassify Acquisition of equity interest from non-controlling interest from investing activities to financing activities given that the transaction is among owners. As a result, net cash flows from investing activities and financing activities are presented as follows:

	For the year ended December 31, 2019		
	As previously presented	**Adjustment**	**As currently presented**
Cash flows from financing activities	$ (27,793,356)	$ (9,924,381)	$ (37,717,737)
Cash flows from investing activities	$ (20,592,546)	$ 9,924,381	$ (10,668,165)

(c) Functional and presentation currency:

These consolidated financial statements are presented in United States dollars, which is the Company's presentation currency. The functional currency of the Company and its subsidiaries is the United States dollar.

(d) Use of estimates, assumptions and judgments:

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Reported amounts and note disclosures reflect the overall economic conditions that are most likely to occur and anticipated measures management intends to take. Actual results could differ from those estimates.

(*i*) Use of estimates and assumptions:

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant areas requiring the use of management estimates relate to the assessment for impairment of intangible assets, estimates supporting reported anesthesia revenues and the determination of the likelihood of realization of deferred tax assets.

(*ii*) Judgments:

Significant judgments made by management in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements is the determination of control for the purposes of consolidation.

3. Significant accounting policies:

The accounting policies have been applied consistently by the Company and its subsidiaries.

(a) Basis of consolidation:

These consolidated financial statements include the accounts of the Company and its subsidiaries. Subsidiaries are entities controlled by the Company through voting control and for anesthesia businesses, control over the assets and business operations of the subsidiary through operating agreements. Control exists when the Company has the continuing power to govern the financial and operating polices of the investee. Subsidiaries are included in the consolidated financial results of the Company from the effective date of acquisition up to the effective date of disposition or loss of control. Non-controlling interests, if any, are valued at fair value at inception. All significant intercompany transactions and balances have been eliminated on consolidation.

(b) Cash equivalents:

The Company considers all highly liquid investments with an original maturity of 90 days or less, when acquired, to be cash equivalents.

(c) Foreign currency:

Transactions in foreign currencies are translated to the respective functional currencies of the subsidiaries of the Company at exchange rates at the date of the transaction.

Period end balances of monetary assets and liabilities in foreign currency are translated to the respective functional currencies using period end foreign currency rates. Foreign currency gains and losses arising from settlement of foreign currency transactions are recognized in earnings. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date on which the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(d) Inventories:

Inventories are measured at the lower of cost, determined using the first-in first-out method, and net realizable value. Inventory costs include the purchase price and other costs directly related to the acquisition of inventory and costs related to bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the Company's ordinary course of business, less the estimated costs of completion and selling expenses. All inventory held is finished goods inventory.

(e) Property and equipment, net:

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

The estimated useful lives and the methods of depreciation for the current and comparative periods are as follows:

Asset	Basis	Rate
Computer equipment	Straight-line	4 years
Computer software	Straight-line	1 year
Furniture and equipment	Straight-line	5 years
Leasehold improvements initial lease	Straight-line	Shorter of initial lease term or useful life
Injection mold	Straight-line	5 years

These depreciation methods most closely reflect the expected pattern of consumption of the future economic benefits embodied in the asset.

Estimates for depreciation methods, useful lives and residual values are reviewed at each reporting period-end and adjusted if appropriate.

3. Significant accounting policies (continued):

(f) Intangible assets:

Intangible assets, consisting of acquired exclusive professional service agreements to provide anesthesia services and the cost of acquiring patents, are recorded at historical cost. For patents, costs also include legal costs involved in expanding the countries in which the patents are recognized to the extent expected cash flows from those countries exceed these costs over the amortization period and costs related to new patents. The amortization term for professional services agreements are based on the contractual terms of the agreements. Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives and are measured at cost less accumulated amortization and accumulated impairment losses. Intangible assets with finite lives are amortized over the following periods:

Asset	Basis	Rate
Intellectual property rights to the CRH O'Regan System	Straight-line	15 years
Intellectual property new technology	Straight-line	20 years
Exclusive professional services agreements	Straight-line	4.5 to 15 years

(g) Impairment of non-financial assets:

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there are any events or changes in circumstances which indicate that the carrying value may not be recoverable from future undiscounted cash flows. Example factors that could trigger impairment reviews include significant underperformance relative to historical or projected future operating results, significant changes in the use of the acquired assets or strategy for the overall business and significant negative economic trends. Depending on the specific asset and circumstances, assets are assessed for impairment as an individual asset, as part of an asset group or at the reporting unit ("RU") level. A reporting unit is an operating segment or one level below an operating segment if certain conditions are met. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of cash inflows from other assets or groups of assets.

If the carrying amount of the asset exceeds the estimated undiscounted future cash flows expected to be generated over the asset's remaining useful life, the carrying amount of the asset is reduced to its estimated fair value. The fair value is determined by the projected future discounted cash flows that are directly associated with and that are expected to arise as a direct result of the use and eventual disposition of the asset or asset group. Projected cash flows are based upon historical results adjusted to reflect management's best estimate of future market and operating conditions which may differ from actual cash flows. The process of determining estimated fair value is complex and there is significant judgment applied in determining key assumptions in estimating fair value. Significant assumptions included in projected cash flows include anesthesia case growth rates and revenue rates per case.

(h) Income taxes:

The Company is subject to income taxes in Canada and the United States. Judgment is required in determining the provision for income taxes and income tax assets and liabilities, including evaluating uncertainties in the application of accounting principles and complex tax laws.

The Company records a provision for income taxes for the anticipated tax consequences of the reported results of operations using the asset and liability method. Under this method, it recognizes deferred income tax assets and liabilities for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using the enacted tax rates that are expected to apply to taxable income for the years in which those tax assets and liabilities are expected to be realized or settled. The Company recognizes the deferred income tax effects of a change in tax rates in the period of the enactment. The Company records a valuation allowance to reduce its deferred tax assets to the net amount that management believes is more likely than not to be realized. The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than fifty percent likely of being realized. The Company records interest related to unrecognized tax benefits in interest expense and penalties in operating expenses.

Income tax expense (recovery) is comprised of current and deferred tax.

3. Significant accounting policies (continued):

(i) Share-based compensation:

The Company records share-based compensation related to equity classified stock options and share units granted using using either the Black-Scholes model or Binomial model. The vesting components of graded vesting employee awards, with only a service vesting condition, are accounted for as separate share-based arrangements. Each vesting installment is measured separately and expensed over the related installment's vesting period. Compensation cost is measured at fair value at the date of grant and expensed as employee benefits over the period in which employees unconditionally become entitled to the award. Forfeitures are estimated in recognizing share-based compensation, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

(j) Share capital:

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares, stock options and share options are recognized as a deduction from equity, net of any tax effects.

(k) Earnings per share:

The Company presents basic and diluted earnings per share (EPS) data for its common shares. Basic EPS is calculated by dividing the net income or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held, if applicable. Diluted EPS is determined by adjusting the income or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held if applicable, for the effects of all dilutive potential common shares. Diluted EPS for year-to-date (including annual) periods is based on the weighted average of the incremental shares included in each interim period for the year-to-date period.

(l) Segment reporting:

The Company's operating segments consist of the sale of medical products and the provision of anesthesia services.

(m) Finance costs:

Finance cost is primarily comprised of interest on the Company's notes payable and bank indebtedness and also includes the amortization of costs incurred to obtain loan financing and any fees in respect of arranging loan financing. Deferred finance costs are amortized using the effective interest method over the term of the related loan financing. Deferred finance costs are presented as a reduction to the related liability.

Finance costs also include changes in fair value of the Company's earn-out obligation.

(n) Asset acquisitions:

Asset acquisitions are accounted for using the cost accumulation and allocation method. The acquisition cost includes directly related acquisition costs. The cost of the acquisition is allocated to the net assets acquired on a relative fair value basis.

Contingent consideration, where the arrangement is not a derivative, is recognized when it is probable and estimable. After the initial acquisition accounting, changes in contingent and deferred consideration are recorded as an adjustment to the related asset.

The Company's policy is to recognize any non-controlling interest on consolidation either at fair value of the non-controlling interest or at the fair value of the proportionate share of the net assets acquired.

Where the Company acquires an asset via a step transaction, the Company remeasures any previously held interest to fair value.

3. Significant accounting policies (continued):

(o) Revenue recognition:

Our anesthesia service revenues are derived from anesthesia procedures performed under our professional services agreements. The fees for such services are billed either to a third party payor, including Medicare or Medicaid or to the patient. We recognize anesthesia service revenues, net of contractual adjustments and implicit price concessions, which we estimate based on the historical trend of our cash collections and contractual adjustments. There is significant judgement involved in determining the estimated revenues that will be collected in the future due to the judgment required in estimating the amounts that third party payors will pay for services based on past collections.

Anesthesia services procedures for each patient qualify as a distinct service obligation, as they are provided simultaneously with other readily available resources during the service procedure. The transaction price is variable and not constrained. Variable consideration relates to contractual allowances, credit provisions and other discounts. The standard requires management to estimate the transaction price, including any implicit concessions from the credit approval process. The Company adopted a portfolio approach to estimate variable consideration transaction price by payor type (patient, government and/or insurer) and the specifics of the services being provided. These portfolios share characteristics such that the results of applying a portfolio approach are not materially different than if the standard was applied to individual patient contracts. Revenue is recognized upon completion of the services to the customer (patient) for practical reasons as the service period is performed over a short time period.

The Company recognizes revenue from product sales at the time the product is shipped, which is when title passes to the customer, and when all significant contractual obligations have been satisfied, collection is probable and the amount of revenue can be estimated reliably.

Product sales contracts generally contain a single distinct performance obligation, but multiple performance obligations may exist when multiple product types are ordered by a physician in a contract. The transaction price for product sales is fixed and no variable consideration exists. Contract consideration is allocated to each distinct performance obligation in the contract based upon available stand-alone selling prices obtained from historical sales transactions for each product. The Company recognizes revenue from product sales at the point in time when control of the goods passes to the customer (physician) when the product is shipped, which is when title passes to the customer and an obligation to pay for the goods arises. Shipping services performed after control has passed to the customer, if any, is a separate performance obligation, but was determined to be nominal.

(p) Equity investments

Where the Company does not hold a majority interest in an entity, the Company assesses whether equity method accounting is required under US GAAP Accounting Standards Codification ("ASC") 323 as well as under ASC 970-323, depending on whether the entity is an LLC. Generally, the Company will account for an investment in an entity as an equity investment where the Company is able to exert significant influence over the operating or financial decisions of the investee, but where control is not established.

The Company records its equity investment initially at cost, including directly attributable third party costs, and subsequently measures its share of any earning or losses of the investee in the periods for which they are reported in the investee financial statements after elimination of any intra-entity profits and losses.

(q) Adoption of new accounting policies:

i) Government Assistance

As a result of the receipt of government stimulus measures in the year ended December 31, 2020 (see note 11), the Company has adopted the following accounting policy in respect of funds received. In general, a government grant is recognized if it is probable that it will be received and that the Company will comply with the conditions associated with the grant. If the conditions are met, the Company recognizes the grant in profit or loss on a systematic basis in line with its recognition of the expenses that the grant is intended to compensate for. For grants related to income, a Company can elect to either offset the grant against the related expenditures or include it in other income. Government assistance received by the Company during the period which met the recognition criteria, has been accounted for as government grants related to income and has been included in other income. Where stimulus is received in the form of a forgivable loan, such as the Paycheck Protection Program ("PPP"), the Company has opted to apply government grant accounting and will recognize the proceeds within other income upon concluding that forgiveness of the loan is probable and that the Company has complied with the relevant provisions of the program. If forgiveness of the loan is not probable, it is presented as a loan on the balance sheet as of the end of the reporting period.

3. **Significant accounting policies (continued):**

ii) Investments

As a result of the Company's investment in an anesthesia revenue cycle management organization, the Company has adopted a new accounting policy in the period. In accordance with ASC 323: Investments – Equity Method and Joint Ventures, where the Company exerts virtually no influence over an investment, the Company will account for the investment at cost, using the measurement alternative permitted under ASC 321: Investments – Equity Securities. Equity securities without a readily determinable fair value are recorded at cost, minus impairment, if any.

(r) New standards and interpretations not yet applied:

(i) Credit Losses

In June 2016, FASB issued ASU No. 2016-13, "*Financial Instruments- Credit Losses (Topic 326)"*, which requires companies to measure credit losses on financial instruments measured at amortized cost by applying an "expected credit loss" model based upon past events, current conditions and reasonable and supportable forecasts that affect collectability. Previously, companies applied an "incurred loss" methodology for recognizing credit losses. This standard is effective for fiscal years beginning January 1, 2023 for smaller reporting companies. As CRH meets the definition of smaller reporting company, CRH will adopt this standard for fiscal years beginning January 1, 2023. The Company is currently assessing the impact that adopting this guidance will have on its consolidated financial statements.

(ii) Income Taxes – Simplifying the Accounting for Income Taxes

In December 2019, the FASB issued ASU 2019-12, *Income Taxes – Simplifying the Accounting for Income Taxes*. The new guidance simplifies the accounting for income taxes by removing several exceptions in the current standard and adding guidance to reduce complexity in certain areas, such as requiring that an entity reflect the effect of an enacted change in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020, with early adoption permitted. The Company is currently assessing the impact that adopting this guidance will have on its consolidated financial statements.

4. **Asset acquisitions:**

During the year ended December 31, 2020, the Company completed six asset acquisitions. These asset acquisitions have been included in the anesthesia segment of the Company and represents the following:

Acquired Operation	**Date Acquired**	**Consideration**
Lake Lanier Anesthesia Associates LLC ("LLAA")	June 2020	$ 5,428,514
Metro Orlando Anesthesia Associates LLC ("MOAA")	June 2020	$ 3,137,543
Central Virginia Anesthesia Associates LLC ("CVAA")	July 2020	$ 5,252,886
Orange County Anesthesia Associates LLC ("OCAA")	August 2020	$ 6,251,015
Coastal Carolina Sedation Associates LLC ("CCSA")	September 2020	$ 1,850,381
FDHS Anesthesia Associates LLC ("FDHS")	December 2020	$ 2,921,555

4. Asset acquisitions (continued):

The results of operations of the acquired entities have been included in the Company's consolidated financial statements from the date of acquisition as the Company has control over these entities.

The following table summarizes the fair value of the consideration transferred and the allocated costs of the assets and liabilities acquired at the acquisition date.

	LLAA	MOAA	CVAA	OCAA	CCSA	FDHS	Total
Cash	$5,379,954	$2,803,500	$ 2,800,000	$6,200,000	$1,800,000	$2,840,000	$21,823,454
Contingent consideration	$ —	$ 294,214	$ 2,306,971	$ —	$ —	$ —	$ 2,601,185
Acquisition costs	$ 48,560	$ 39,829	$ 145,915	$ 51,015	$ 50,381	$ 81,555	$ 417,255
Purchase consideration	$5,428,514	$3,137,543	$ 5,252,886	$6,251,015	$1,850,381	$2,921,555	$24,841,894
Non-controlling interest	$1,809,504	$1,045,848	$ 5,046,890	$3,220,220	$1,777,816	$2,806,986	$15,707,264
	$7,238,018	$4,183,391	$10,299,776	$9,471,235	$3,628,197	$5,728,541	$40,549,158
Assets and liabilities acquired:							
Exclusive professional services agreements	$7,238,018	$4,183,391	$10,299,776	$9,471,235	$3,628,197	$5,728,541	$40,549,158
Fair value of net identifiable assets and liabilities acquired	$7,238,018	$4,183,391	$10,299,776	$9,471,235	$3,628,197	$5,728,541	$40,549,158
Exclusive professional services agreements – amortization term	5 years	5 years	5 years	7 years	7 years	7 years	
CRH ownership interest	75%	75%	51%	66%	51%	51%	

The value of the acquired intangible assets, being exclusive professional services agreements, relate to the acquisition of exclusive professional services agreements to provide professional anesthesia services. The amortization term for the agreements is based upon contractual terms within the respective acquisition agreements and professional services agreements.

The non-controlling interest was determined with reference to the non-controlling interest shareholder's share of the fair value of the net identifiable assets as estimated by the Company.

The Company has obtained control over the acquired assets via the Company's majority ownership in the shares of the entities and its agreements with the non-controlling interest shareholders.

As part of the MOAA transaction, the Company is required to pay $311,500 to the seller after the second anniversary date of the transaction dependent on MOAA meeting certain earnings before interest, tax, depreciation and amortization ("EBITDA") targets during the first and second year after the transaction date. Based on the Company's current forecasts, the Company believes it probable that the EBITDA targets will be met. If the EBITDA targets are not met, no contingent consideration is payable.

As part of the CVAA transaction, the Company is required to pay either $1,500,000 or $2,500,000 to the seller after the third anniversary date of the transaction dependent on CVAA meeting certain EBITDA, full-time equivalent employee and revenue per case targets during the second and third year after the transaction date. Based on the Company's current forecasts, the Company believes it probable that the targets will be met and the full amount of the contingent consideration, $2,500,000, will be paid.

Other Transactions

In addition to the above asset acquisitions, on September 17, 2020, a subsidiary of the Company entered into a membership interest purchase agreement to purchase a 5.56% interest in an anesthesia revenue cycle management organization for $2,000,000. The Company also incurred $16,076 of legal fees as part of the transaction. As the Company has virtually no influence over this investment, in accordance with ASC 323: Investments – Equity Method and Joint Ventures, the Company will account for the investment at cost, using the measurement alternative permitted under ASC 321: Investments – Equity Securities, which is to measure equity securities without a readily determinable fair value at cost, minus impairment, if any.

Additionally, on December 31, 2020, the Company completed an asset purchase agreement to acquire an additional professional services agreement in its West Florida Anesthesia Associates LLC entity. The total cash consideration was $230,000 and the Company incurred $16,978 in transaction costs related to the agreement. The transaction is being accounted for as an asset transaction, with the asset amortized over 5 years.

4. Asset acquisitions (continued):

For those asset acquisitions where CRH ownership interest is less than 100%, in conjunction with the acquisition, both the Company and the non-controlling interest shareholder contributed loans. The terms of the loans are such that they will be repaid first, prior to any future distributions and are non-interest bearing.

	LLAA	MOAA	CVAA	OCAA	CCSA	FDHS	Total
CRH member loan	$ 281,250	$ 168,750	$ 114,750	$ 132,000	$ 127,500	$ 127,500	$ 951,750
Non-controlling interest member loan	$ 93,750	$ 56,250	$ 110,250	$ 68,000	$ 122,500	$ 122,500	$ 573,250
Amount outstanding at December 31, 2020	$ —	$ —	$ —	$ —	$ —	$ 250,000	$ 250,000

During the year ended December 31, 2019, the Company completed five asset acquisitions. These asset acquisitions have been included in the anesthesia segment of the Company and represents the following:

Acquired Operation	Date Acquired	Consideration
Anesthesia Care Associates LLC ("ACA")	January 2019	$ 5,355,028
South Metro Anesthesia Associates LLC ("SMAA")	May 2019	$ 1,791,431
Crystal River Anesthesia Associates LLC ("CRAA")	July 2019	$ 2,174,003
Triad Sedation Associates LLC ("TSA")	November 2019	$ 3,828,661
Florida Panhandle Anesthesia Associates LLC ("FPAA")	December 2019	$ 2,762,302

The results of operations of the acquired entities have been included in the Company's consolidated financial statements from the date of acquisition as the Company has control over these entities.

The following table summarizes the fair value of the consideration transferred and the allocated costs of the assets and liabilities acquired at the acquisition date.

	ACA	SMAA	CRAA	TSA	FPAA	Total
Cash	$ 5,239,003	$ 1,752,465	$ 2,130,000	$ 3,185,843	$ 2,725,000	$ 15,032,311
Acquisition costs	116,025	38,966	44,003	15,173	37,302	251,469
Deferred consideration	—	—	—	627,645	—	627,645
Pre-transaction equity interest	—	—	—	1,595,275	—	1,595,275
Purchase consideration	$ 5,355,028	$ 1,791,431	$ 2,174,003	$ 5,423,936	$ 2,762,302	$ 17,506,700
Non-controlling interest	$ —	$ 1,465,716	$ 2,088,748	$ 5,211,233	$ 2,653,976	$ 11,419,673
	$ 5,355,028	$ 3,257,147	$ 4,262,751	$ 10,635,169	$ 5,416,278	$ 28,926,373
Assets and liabilities acquired:						
Exclusive professional services agreements	$ 5,355,028	$ 3,257,147	$ 4,262,751	$ 8,891,711	$ 5,416,278	$ 27,182,915
Cash	—	—	—	115,397	—	$ 115,397
Accounts receivable	—	—	—	1,950,219	—	$ 1,950,219
Prepaid expenses and deposits	—	—	—	1,518	—	$ 1,518
Trade payables and other accruals	—	—	—	(323,676)	—	$ (323,676)

The value of the acquired intangible assets, being exclusive professional services agreements, relate to the acquisition of exclusive professional services agreements to provide professional anesthesia services. The amortization term for the agreements is based upon contractual terms within the respective acquisition agreements and professional services agreements.

The non-controlling interest was determined with reference to the non-controlling interest shareholder's share of the fair value of the net identifiable assets as estimated by the Company.

4. Asset acquisitions (continued):

Other Transactions

In addition to the above asset acquisitions, on April 3, 2019, a subsidiary of the Company entered into a membership interest purchase agreement to purchase the remaining 49% interest in Arapahoe Gastroenterology Anesthesia Associates LLC ("Arapahoe"); prior to the purchase the Company held a 51% interest in the Arapahoe entity. The purchase consideration, paid via cash, for the acquisition of the remaining 49% interest was $2,300,000 plus 49% of Arapahoe's working capital as at March 31, 2019. Additionally, the Company incurred deferred acquisition costs of $26,086.

On August 31, 2019, a subsidiary of the Company entered into a membership interest purchase agreement to purchase the remaining 49% interest in Central Colorado Anesthesia Associates LLC ("CCAA"); prior to the purchase the Company held a 51% interest in the CCAA entity. The purchase consideration, paid via cash, for the acquisition of the remaining 49% interest was $7,000,000 plus 49% of CCAA's working capital as at August 31, 2019. Additionally, the Company incurred deferred acquisition costs of $18,658.

In September 2019, the Company also received a payment of $4,366,000 in respect of the LWA acquisition which was a reduction in the purchase price. This payment served to reduce the value of the related LWA professional services contract intangible and did not modify ownership interest or the term of the LWA agreement.

On November 1, 2019, the Company acquired an additional 36% interest in Triad Sedation Associates LLC and Triad Support Services PLLC (collectively "TSA"). Prior to this transaction, the Company held a 15% interest in TSA and it was accounted for under the equity method. Upon completing the transaction CRH acquired control of TSA; the Company has consolidated the results of TSA from the date control was obtained, November 1, 2019. On conversion from an equity method investment to consolidation, CRH revalued its investment in TSA, resulting in a gain of $1,318,769. See note 10.

5. Trade and other receivables:

	2020	2019
Trade receivables, gross	$ 23,264,840	$ 20,024,916
Other receivables	81,767	50,756
Less: allowance for doubtful accounts	$ (23,134)	(34,384)
	$ 23,323,473	$ 20,041,288
Anesthesia segment – trade receivables, gross	$ 22,082,820	$ 19,081,177
Product segment – trade receivables, gross	1,182,020	943,739
	$ 23,264,840	$ 20,024,916

6. Trade and other payables:

	2020	2019
Trade payables	$ 946,758	$ 1,213,276
Accruals and other payables	6,059,430	4,983,465
Government assistance - Paycheck Protection Program ("PPP") (note 11)	16,872	—
	$ 7,023,060	$ 6,196,741

7. Right of use assets and related obligations:

The Company has applied the exemption to treat short-term leases as executory contracts as well as applied the practical expedient to choose not to separate non-lease components from lease components and instead to account for each separate lease component and the non-lease components associated with that lease component as a single lease component. During the year ended December 31, 2020, the Company incurred total operating lease expenses of $340,726 (2019 - $369,263); this included lease expenses associated with fixed lease payments of $306,635 (2019 - $285,890) and variable lease payments of $34,091 (2019 - $83,373).

Lease expense is allocated to operating segments based on the location of the leases, as follows:

	2020	2019
Anesthesia services expense	$ 166,086	$ 118,943
Product sales expense	87,320	125,160
Corporate expense	87,320	125,160
	$ 340,726	$ 369,263

The weighted average lease term of the Company's three premises leases is 4.46 years. During the year ended December 31, 2020, the Company entered into a new 5.25 year lease for office space for its Atlanta office location. This lease includes a renewal option to further extend the lease for 2 additional 5-year terms. The Company has not included the 2 additional 5-year renewal terms in its calculation of the lease liability. The weighted average discount rate used by the Company in calculating the obligation relating to right of use assets is based on US Corporate BBB effective bond yields at December 31, 2020.

The following table presents a maturity analysis of the Company's undiscounted lease obligations for each of the next five years, reconciled to the obligation as recorded on the balance sheet.

	Undiscounted lease payments
2021	$ 300,354
2022	225,769
2023	231,977
2024	238,357
2025	182,853
	$ 1,179,310
Accretion related to outstanding lease obligations	(74,316)
Total	$ 1,104,994
Current obligation relating to right of use assets	$ 272,480
Long-term obligation relating to right of use assets	$ 832,514
Total	$ 1,104,994

8. Property and equipment:

Property and equipment consist of the following:

	December 31,	
	2020	2019
Computer equipment and software	$ 146,045	$ 124,640
Furniture and equipment	283,446	267,051
Leasehold improvements	10,015	5,784
Injection mold	408,062	408,062
Property and equipment	$ 847,568	$ 805,537
Less: Accumulated depreciation	(719,768)	(553,604)
Property and equipment, net	$ 127,800	$ 251,933

9. Intangible assets:

	Professional Services Agreements	Patents	Total
Cost			
Balance as at January 1, 2019	$256,491,260	$ 532,598	$257,023,858
Additions through asset acquisitions and adjustments (note 4)	18,622,130	—	18,622,130
Balance as at December 31, 2019	$275,113,390	$ 532,598	$275,645,988
Additions through asset acquisitions (note 4)	40,796,136	—	$ 40,796,136
Impairment of intangible asset	(27,008,037)	—	$ (27,008,037)
Balance as at December 31, 2020	$288,901,489	$ 532,598	$289,434,087

	Professional Services Agreements	Patents	Total
Accumulated depreciation			
Balance as at January 1, 2019	$ 77,139,732	$ 499,863	$ 77,639,595
Amortization expense and adjustments (note 4)	34,895,944	2,256	34,898,200
Balance as at December 31, 2019	$112,035,676	$ 502,119	$112,537,795
Amortization expense	40,490,267	1,882	40,492,149
Balance as at December 31, 2020	$152,525,943	$ 504,001	$153,029,944

	Professional Services Agreements	Patents	Total
Net book value			
December 31, 2020	$136,375,546	$ 28,597	$136,404,143
December 31, 2019	$163,077,714	$ 30,479	$163,108,193

At December 31, 2020, the Company identified indicators of impairment in respect of three of its professional services agreements relating to financial performance and contract non-renewal. For each professional services agreement identified, the Company performed undiscounted cash flow modelling which estimated future cash flows based upon expected contract renewal assumptions. The impact of the COVID-19 pandemic (see note 17), has been incorporated into the Company's key assumptions and underlying cash flow estimates; however, due to uncertainties in the estimates that are inherent to the Company's industry and uncertainties around the duration and longevity of the pandemic, actual results could differ significantly from the estimates made. Many significant assumptions in the cash flow projections are interdependent on each other. A change in any one or combination of these assumptions could impact the estimated fair value of the reporting unit.

Upon performing undiscounted cash flow models for these assets, the Company identified only one asset that required further review for impairment: Gastroenterology Anesthesia Associates LLC ("GAA").

The requirement to further assess this asset was driven by non-renewal of the Company's GAA professional services agreement assets. On December 22, 2020, the Company received notice that these professional services agreements would not be renewed. CRH provided anesthesia services to 12 surgery centers in the Greater Atlanta market via these professional services agreements, representing approximately 17% of the Company's 2020 revenue. The majority of the professional services agreements were acquired in conjunction with the GAA acquisition in 2014. At the time of acquisition, CRH estimated a useful life of 12 years for these professional services agreements.

The Company performed discounted cash flow modelling for these assets and compared the resultant discounted cash flows expected over the life of the assets, estimated to be approximately 10 months, to the carrying amounts as at December 31, 2020. The income approach is used for the quantitative assessment to estimate the fair value of the assets, which requires estimating future cash flows and risk-adjusted discount rates in the Company's discounted cash flow model. The overall market outlook and cash flow projections for these assets involves the use of significant assumptions, including revenue rates per case and expected case counts.

9. Intangible assets (continued):

As a result of performing the above discounted cash flow analysis, the Company has recorded an impairment charge of $27,008,037 in relation to its GAA professional services agreements. The discounted cash flow analysis is highly sensitive to revenue rates per case and expected case counts. A +/-1% change in the revenue rate per case utilized would result in a $120,000 adjustment to the impairment charge taken. Similarly, a +/- 1% change in the expected case counts would result in a $110,000 adjustment to the impairment charge taken. Due to uncertainties in the estimates that are inherent to the Company's industry, actual results could differ significantly from the estimates made. Many key assumptions in the cash flow projections are interdependent on each other. A change in any one or combination of these assumptions could impact the estimated fair value of the assets.

As a result of the impairment of these assets, the Company will record a tax recovery of approximately $6.6 million as a result of these assets continuing to be tax deductible.

At December 31, 2019, the Company identified indicators of impairment in respect of six of its professional services agreements. Upon performing undiscounted cash flow models for these assets, the Company identified only two assets that required further review for impairment. No impairment was indicated based on the discounted cash flow modelling performed.

Various of the Company’s professional services agreements are subject to renewal terms. The weighted average period before the Company’s professional services agreements are up for renewal is 2.76 years. The weighted average remaining amortization period for the Company’s professional services agreements is 3.32 years.

Based on the Company’s professional services agreements in place at December 31, 2020, the Company anticipates that the amortization expense to be incurred by the Company over the next five years is as follows:

	Amortization Expense
For professional services agreements as at December 31, 2020:	
2021	$ 39,774,863
2022	26,887,710
2023	22,741,294
2024	20,817,379
2025	11,378,480
	$121,599,726

10. Equity investment:

In June 2020, the Company entered into an agreement with 6 doctors located in North Carolina to assist these doctors in the development and management of a monitored anesthesia care program. Under the terms of the agreement, CRH is a 15% equity owner in the anesthesia business, Western Carolina Sedation Associates LLC (“WCSA”) and receives compensation for its billing and collections services. Under the terms of the limited liability company agreement, CRH has the right, at CRH’s option, to acquire an additional 36% interest in the anesthesia business at a future date, but no sooner than September 2021. The Company assessed and concluded that as WCSA is an LLC entity, equity method accounting is required. WCSA began operations on October 1, 2020, at which time the Company provided a loan of $226,000 to the investment for working capital purposes and is expected to be repaid within twelve months of issue.

The option agreement was determined to be an executory contract and was determined to have only nominal value upon grant and as at December 31, 2020.

The following table provides a summary of the Company’s investment in WCSA as at December 31 2020:

		12 months ended December 31, 2020
Beginning balance	$	—
Directly attributable transaction costs		49,925
Share of net income		54,255
Member distributions		—
Ending balance	$	104,180

10. Equity investment (continued):

The following tables summarize unaudited financial information for our equity method investee:

Balance sheet		December 31, 2020
Current assets	$	650,063
Non-current assets		—
Total assets	$	650,063
Current liabilities	$	334,498
Non-current liabilities		—
Shareholder's equity		315,565
Total liabilities and shareholders' equity	$	650,063

Results of operations		Twelve months ended December 31, 2020
Anesthesia revenue	$	576,686
Anesthesia services expense		(261,121)
Net income	$	315,565

In October 2018, the Company entered into an agreement with Digestive Health Specialists (“DHS”), located in North Carolina, to assist DHS in the development and management of a monitored anesthesia care program. Under the terms of the agreement, CRH was a 15% equity owner in the anesthesia business, Triad Sedation Associates LLC (“TSA”) and received compensation for its billing and collection services. Under the terms of the limited liability company agreement, CRH had the right, at CRH’s option, to acquire an additional 36% interest in the anesthesia business at a future date, but no sooner than November 2019. On November 1, 2019, the Company acquired control of TSA via the exercise of its option to acquire an additional 36% interest. Refer to note 4. The results of operations of the TSA equity investment, up to the date control was obtained by CRH, is presented below. On obtaining control of TSA and completing its option to purchase an additional 36% interest in the entity, CRH revalued its original 15% equity investment with reference to the price paid for the additional 36% interest. This resulted in a gain arising on its equity investment of $1,318,769 in the year. Prior to obtaining control, CRH recorded equity income of $448,199 in relation to its 15% investment in TSA.

Results of operations		Ten months ended October 31, 2019
Anesthesia revenue	$	4,169,162
Anesthesia services expense		(1,514,704)
Net income	$	2,654,458

11. Government assistance:

On April 15, 2020, the Company received loan proceeds of $2,945,620 (“PPP Loan”) under the Paycheck Protection Program (“PPP”). The PPP was established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”) in order to enable small businesses to pay employees during the COVID-19 crisis, and provides loans to qualifying businesses for up to 2.5 times their average monthly payroll costs. The amount borrowed under the PPP is expected to be eligible to be forgiven provided that the borrower uses the loan proceeds during the twenty-four week period (“Covered Period”) after receiving them, and provided that the proceeds are used to cover payroll costs (including benefits), rent, mortgage interest, and utility costs. The amount of loan forgiveness will be reduced if, among other reasons, the borrower does not maintain staffing or payroll levels.

Principal and interest payments on any unforgiven portion of the PPP Loan will be deferred for ten months after the end of the Covered Period and will accrue interest at a fixed annual rate of 1%. Additionally, the remaining PPP Loan balance will carry a two year maturity date. There is no prepayment penalty on the PPP Loan.

The Company anticipates forgiveness of the loan over the Covered Period indicated. As the Company has accounted for the loan as a government grant related to income, the Company has recognized within other income $2,928,748 of the loan proceeds as at December 31, 2020 with $16,872 included within accounts payable. The Company has and will recognize the grant in earnings on a systematic basis in line with the recognition of eligible expenses.

11. Government assistance (continued):

During the year ended December 31, 2020, the Company also received additional funds of $2,445,046 under the CARES Act HHS Stimulus Fund. The CARES Act provided funding to eligible healthcare providers to prevent, prepare for and respond to COVID-19. The funds were intended to reimburse healthcare providers for lost income attributable to COVID-19 and for healthcare related expenses. Consistent with the accounting applied to the PPP loan, the Company has accounted for the HHS Stimulus funds as government grants related to income. As there are no repayment provisions under the CARES Act and the Company has assessed that it has complied with the conditions of this program, funds received under this program have been recognized in other income in the year ended December 31, 2020.

During the year ended December 31, 2020, the Company also received additional funds of $68,663 under the Canadian Employee Wage Subsidy ("CEWS") program. As the Company has assessed that it has complied with the conditions of this program, funds received under this program have been recognized in other income in the year ended December 31, 2020.

During the year ended December 31, 2020, the Company also received $1,900,589 under the Medicare Accelerated and Advanced Payment Program. The Center for Medicare and Medicaid Services ("CMS") offers accelerated and advance payments in a number of circumstances, including in national emergencies to accelerate cashflow to impacted healthcare providers and suppliers. During the quarter ended September 30, 2020, the CMS amended the recoupment process for these funds: under the Continuing Appropriations Act, 2021 and Other Extensions Act, repayment will now begin one year from the issuance date of each provider or supplier's accelerated or advance payment. After that first year, Medicare will automatically recoup 25% of Medicare payments otherwise owed to the provider or supplier for 11 months. At the end of the 11-month period, recoupment will increase to 50% for another 6 months. As a result of the recoupment process, CRH has recognized the funds received as a liability on the balance sheet, including them within contract payable – CMS advancement at period end.

12. Notes payable:

	December 31,	
	2020	2019
Current portion	$ —	$ —
Non-current portion	70,600,615	68,380,345
Total loans and borrowings	$ 70,600,615	$ 68,380,345

12. Notes payable (continued):

J.P. Morgan Chase ("JP Morgan Facility")

On October 22, 2019, the Company entered into a three year revolving credit line which provides up to $200 million in borrowing capacity. The JP Morgan Facility includes a committed $125 million facility and access to an accordion feature that increases the amount of the credit available to the Company by $75 million. Interest on the facility is calculated with reference to LIBOR plus 1.25% to 1.75%, dependent on the Company's Total leverage ratio. The JP Morgan Facility is secured by the assets of the Company and matures on October 22, 2022. Since the JP Morgan Facility is a syndicated facility, which includes the Bank of Nova Scotia as a lender, any remaining deferred financing fees under the Company's previous Scotia Facility were retained and will be amortized over the term of the new facility. The Company incurred deferred financing fees of $839,893 in connection with this facility in the year ended December 31, 2019 and incurred additional deferred fees of $125,000 in the year ended December 31, 2020 when the Company further amended its facility on September 18, 2020. This amendment, in conjunction with a previous amendment dated August 13, 2020, allows for the Company to engage in investments where less than 51% equity ownership is held and also amended the Company's Total Leverage Ratio to not greater than 3.50:1.00 until the quarter ended June 30, 2021. Should the Company's PPP loan be forgiven prior to June 30, 2021, the ratio is amended downward to 3.25:1.00. After June 30, 2021, the Total Leverage Ratio will revert back to 3.00:1.00. The remaining unamortized fees relating to the JP Morgan Facility and the deferred financing fees under the previous Scotia Facility, as of December 31, 2020 were $747,505. Under the JP Morgan Facility, there are no quarterly or annual repayment requirements. As of December 31, 2020, the Company had drawn $71,348,120 on the JP Morgan Facility (2019 - $69,341,370). As at December 31, 2020, the Company is required to maintain the following financial covenants in respect of this Facility:

Financial Covenant	Required Ratio
Total leverage ratio	Not greater than 3.50:1.00
Interest coverage ratio	Not less than 3.00:1.00

The Company is in compliance with all covenants as at December 31, 2020.

The consolidated minimum loan payments (principal) in the future for all loan agreements in place as of December 31, 2020 are as follows:

	Minimum Principal
At December 31, 2020	
2021	—
2022	71,348,120
	$ 71,348,120

13. Share capital:

(a) Authorized:

100,000,000 common shares without par value.

(b) Issued and outstanding – common shares:

Other than in connection with shares issued in respect of the Company's share unit and share option plans and in connection with the Company's normal course issuer bid (note 13(e)), there were no share transactions in the years ended December 31, 2020 and 2019.

13. Share capital (continued):

(c) Stock option plan:

Under the Company's Stock Option Plan, the Company may grant options to its directors, officers, consultants and eligible employees. The plan provides for the granting of stock options at the fair market value of the Company's stock at the date of grant, and the term of options range from two to ten years. The Board of Directors may, in its sole discretion, determine the time during which options shall vest and the method of vesting. As a result of the Share Unit plan approved in June 2020, the Company is authorized to grant a total of 1,826,096 options or share units under its Equity Compensation Plans. A summary of the status of the plan as of December 31, 2020 and 2019 is as follows (options are granted in CAD and USD amounts are calculated using prevailing exchange rates):

	Number of options	Weighted average exercise price	
		CAD	USD
Outstanding, January 1, 2019	1,344,687	$ 0.69	$ 0.53
Issued	500,000	3.56	2.73
Exercised	(840,000)	(0.68)	(0.52)
Forfeited	—	—	—
Expired	—	—	—
Outstanding, December 31, 2019	1,004,687	$ 2.12	$ 1.63
Issued	—	—	—
Exercised	(25,000)	(0.60)	(0.47)
Forfeited	—	—	—
Expired	—	—	—
Outstanding, December 31, 2020	979,687	$ 2.16	$ 1.69

All but 375,000 options are vested as of December 31, 2020 (2019 – 500,000 options).

The weighted average fair value of stock options granted during the year ended December 31, 2019 was $1.43 (CAD$1.86) The estimated fair value of the stock options granted was determined using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	2019
Expected life of options	5.05 years
Risk-free interest rate	1.61%
Dividend yield	0%
Volatility	63%
Pre-vest forfeiture rate	3.67%

There is no dividend yield because the Company does not pay, and does not plan to pay, cash dividends on its common shares. The expected stock price volatility is based on the historical volatility of the Company's average monthly stock closing prices over a period equal to the expected life of each option grant. The risk-free interest rate is based on yields from Canadian Government Bond yields with a term equal to the expected term of the options being valued. The expected life of options represents the period of time that the options are expected to be outstanding based on historical data of option holder exercise and termination behaviour.

For those options that were exercised in 2020, the intrinsic value of the options that were exercised was $32,555 and the fair value of the options that were exercised was $8,327.

For those options that were exercised in 2019, the intrinsic value of the options that were exercised was $2,067,497 and the fair value of the options that were exercised was $306,798.

13. Share capital continued:

(c) Stock option plan (continued):

The following table summarizes information about the stock options outstanding as at:

December 31, 2020:

Exercise price		Options outstanding				Options exercisable		
$CAD	**$USD**	**Number of options**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price ($CAD)**	**Weighted average exercise price ($USD)**	**Number of options**	**Weighted average exercise price ($CAD)**	**Weighted average exercise price ($USD)**
0.60 - 0.70	0.47 - 0.55	479,687	3.06	0.69	0.54	479,687	0.69	0.54
3.56 - 3.56	2.79 - 2.79	500,000	8.27	3.56	2.79	125,000	3.56	2.79

December 31, 2019:

Exercise price		Options outstanding				Options exercisable		
$CAD	**$USD**	**Number of options**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price ($CAD)**	**Weighted average exercise price ($USD)**	**Number of options**	**Weighted average exercise price ($CAD)**	**Weighted average exercise price ($USD)**
0.60 - 0.70	0.46 - 0.57	504,687	4.05	0.69	0.53	504,687	0.69	0.53
3.56 - 3.56	2.73 - 2.73	500,000	9.27	3.56	2.73	—	—	—

For the year ended December 31, 2020, the Company recognized $237,284 (2019 - $239,413), in compensation expense as a result of stock options awarded and vested. Compensation expense is recorded in the consolidated statement of operations and comprehensive income and is allocated to product sales expenses, corporate expenses and anesthesia expenses on the same basis as the allocations of cash compensation. See note 19.

(d) Share unit plan:

In June 2017, the shareholders of the Company approved a Share Unit Plan and the plan was subsequently amended and approved in June 2020. Employees, directors and eligible consultants of the Company and its designated subsidiaries are eligible to participate in the Share Unit Plan. In accordance with the terms of the plan, the Company will approve those employees, directors and eligible consultants who are entitled to receive share units and the number of share units to be awarded to each participant. Each share unit awarded conditionally entitles the participant to receive one common share of the Company upon attainment of the share unit vesting criteria. The vesting of share units is conditional upon the expiry of time-based vesting conditions or performance-based vesting conditions or a combination of the two. Once the share units vest, the participant is entitled to receive the equivalent number of underlying common shares; the Company issues new shares in satisfying its obligations under the plan. As at December 31, 2020, the Company is authorized to grant a further 1,826,096 option or share unit awards under its Equity Compensation Plans.

13. Share capital continued:

(d) Share unit plan (continued):

A summary of the status of the share unit plan as of December 31, 2020 and 2019 is as follows:

	Time based share units	Performance based share units
Outstanding, January 1, 2019	1,045,250	1,500,000
Issued	1,553,125	—
Exercised	(325,875)	—
Forfeited	(125,000)	(550,000)
Expired	—	—
Outstanding, December 31, 2019	2,147,500	950,000
Vested	—	—
Expected to vest	2,147,500	—
Outstanding, January 1, 2020	2,147,500	950,000
Issued	751,250	—
Exercised	(446,563)	—
Forfeited	(115,625)	—
Expired	—	—
Outstanding, December 31, 2020	2,336,562	950,000
Vested	—	—
Expected to vest	2,336,562	—

	Time based share units	Performance based share units
Outstanding, January 1, 2020	2,147,500	-
Weighted average contractual life (years)	3.03	7.02
Outstanding, December 31, 2020	2,336,562	950,000
Weighted average contractual life (years)	2.53	6.02

For those share units that vested in 2020, the intrinsic value of the share units that vested was $1,130,815 and the fair value of the share units that vested was $1,493,178.

For those share units that vested in 2019, the intrinsic value of the share units that vested was $1,038,456 and the fair value of the share units that vested was $1,159,913.

During the year ended December 31, 2020, the Company granted 751,250 time based share units. The weighted average fair value for the time based units at the date of grant was $2.15 (CAD$2.80) per unit. The fair value per unit was based on the market value of the underlying shares at the date of issuance.

During the year ended December 31, 2020, the Company issued 446,563 shares in respect of the 446,563 time-based share units which vested during the year.

During the year ended December 31, 2019, the Company granted 1,553,125 time based share units . The weighted average fair value for the time based units at the date of grant was $2.93 (CAD$3.81) per unit. The fair value per unit was based on the market value of the underlying shares at the date of issuance.

During the year ended December 31, 2019, the Company issued 325,875 shares in respect of the 325,875 time-based share units which vested during the year.

During the year ended December 31, 2020, the Company recognized $2,472,333 (2019 - $737,548), in compensation expense in relation to the granting and vesting of share units. See note 19 for allocation of expense between the Company's segments.

13. Share capital continued:

(e) Normal Course Issuer Bid:

On November 6, 2017, the Board of Directors of the Company approved a normal course issuer bid to purchase outstanding shares of the Company. On November 8, 2018, the Company's normal course issuer bid was renewed, with subsequent renewals on November 6, 2019 and November 19, 2020. Under the renewed bid, the Company may purchase up to 6,999,137 shares pursuant to the bid, representing no more than 9.8% of the Company's shares outstanding on October 30, 2020. All purchases of shares under the bid are made pursuant to an Automated Share Purchase Plan. Subject to any block purchases made in accordance with the rules of the TSX, the bid is subject to a daily repurchase maximum of 39,673 shares. Shares are purchased at the market price of the shares at the time of purchase and are purchased on behalf of the Company by a registered investment dealer through the facilities of the TSX or alternative Canadian and US marketplaces.

During 2020, the Company repurchased 403,000 of its shares for a total cost, including transaction fees, of $865,302 (CAD$1,164,632). As at December 31, 2020, 400,500 of these shares have been cancelled, with the remaining 2,500 shares scheduled for cancellation on January 8, 2021.

During 2019, the Company repurchased 1,607,579 of its shares for a total cost, including transaction fees, of $4,754,295 (CAD$6,313,347). As at December 31, 2019, all of the repurchased shares had been cancelled.

(f) Earnings per share:

The calculation of basic earnings per share for the years ended December 31, 2020 and 2019 is as follows:

	2020			2019		
	Net earnings	Weighted average number of common shares outstanding	Per share amount	Net earnings	Weighted average number of common shares outstanding	Per share amount
Net earnings attributable to shareholders:						
Earnings per common share:						
Basic	$ (24,476,138)	71,535,343	(0.342)	$ 3,771,163	71,536,310	$ 0.053
Share options		—			421,249	
Share units		—			739,980	
Diluted	$ (24,476,138)	71,535,343	$ (0.342)	$ 3,771,163	72,697,539	$ 0.052

For the year ended December 31, 2020, 979,687 options (2019 –583,438) and 3,286,562 share units (2019 – 2,357,520) were excluded from the diluted weighted average number of common shares calculation as they are anti-dilutive.

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding. The treasury method is used to determine the calculation of dilutive shares.

14. Income taxes:

(a) Income tax expense is comprised of the following:

	2020	2019
Current tax expense	$ 2,572,728	$ 5,067,182
Deferred tax recovery	(10,116,104)	(3,440,121)
Total tax expense	$ (7,543,376)	$ 1,627,061

The reconciliation of income tax computed at statutory tax rates to income tax expense, using a 27% (2019 – 27%) statutory rate, is:

	2020	2019
Net income before tax – Canada	$ 6,761,468	$ 6,889,481
Net income before tax – United States	(37,217,728)	2,950,064
Net income before tax – All jurisdictions	$(30,456,260)	$ 9,839,545
Tax expense at statutory income tax rates	$ (8,223,190)	$ 2,656,677
Permanent differences	(96,384)	(50,235)
Income attributable to non-controlling interest	(421,055)	(1,192,280)
Foreign income taxed at different rates	996,636	33,189
Impact of change in tax rates	314,056	26,902
Other	(113,439)	152,808
Total tax expense	$ (7,543,376)	$ 1,627,061

(b) Deferred tax assets and liabilities:

The Company had the following deferred tax assets and liabilities resulting from temporary differences recognized for financial statement and income tax purposes.

	2020	2019
Deferred tax assets:		
Property and equipment	$ 38,391	2,684
Intangible assets	18,461,272	9,222,824
Finance related costs	4,335	224,986
Reserves	55,464	64,755
Share transaction costs	643,733	—
Stock-based compensation	1,052,095	767,228
Earn-out obligation	221,751	265,660
Deferred tax liabilities:		
Property and equipment	—	(23,757)
Deferred consideration	—	(4,226)
Reserves	(2,557)	(83,206)
Unrealized foreign exchange	(18,103)	(20,610)
Finance related costs	—	(78,060)
Net deferred tax asset	$ 20,456,381	$ 10,338,278

14. Income taxes (Continued):

(b) Deferred tax assets and liabilities (Continued):

Deferred tax assets by jurisdiction	2020	2019
Canada:		
Deferred tax asset	$ 36,851	$ —
Deferred tax liability	—	(101,822)
Net deferred tax asset (liability)	$ 36,850	$ (101,822)
United States:		
Deferred tax asset	$ 20,440,190	$ 10,548,137
Deferred tax liability	(20,659)	(108,037)
Net deferred tax asset (liability)	$ 20,419,531	$ 10,440,100

The realization of deferred income tax assets is dependent on the generation of sufficient taxable income during future periods in which the temporary differences are expected to reverse. If it is more likely than not that all or a portion of deferred tax assets will not be realized, a valuation allowance is provided against such deferred tax assets. In making such determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations.

As at December 31, 2020 and 2019, the Company had no valuation allowance against its deferred income tax assets. The Company currently does not have any unrecognized tax benefits or material uncertain tax positions.

The Company currently files income tax returns in Canada and the US, the jurisdiction in which the Company believes that it is subject to tax. The Company is currently under audit by the IRS for its 2017 taxation year. Management is not aware of any other material income tax examination currently in progress by any taxing jurisdiction. Tax years ranging from 2016 to 2020 remain subject to Canadian income tax examinations. Tax years ranging from 2017 to 2020 remain subject to U.S. income tax examinations.

15. Net finance expense

Recognized in earnings in the years ended December 31:

	2020	2019
Finance expense:		
Interest and accretion expense on borrowings	$ 1,883,863	$ 3,288,704
Accretion expense on earn-out obligation and deferred consideration	50,040	133,450
Amortization of deferred financing fees	372,835	276,260
Net change in fair value of financial liabilities at fair value through earnings	(155,601)	2,861,204
Other	—	50,000
Total finance expense	$ 2,151,137	$ 6,609,618
Net finance expense	$ 2,151,137	$ 6,609,618

16. Financial instruments:

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, investments, trade and other payables, employee benefit obligations, loans, notes payable and bank indebtedness, deferred consideration and the Company's earn-out obligation. The fair values of these financial instruments, except the Company's investment, notes payable balances, the deferred consideration and the earn-out obligation, approximate carrying value because of their short-term nature.

The Company's investment, which is recorded at cost, does not have a readily determinable fair value. The Company has assessed whether there any changes in the investment which would indicate impairment at December 31, 2020 and concluded that there is no impairment of this asset.

The Company's Notes Payable balance, which is comprised of the JP Morgan Facility, is a floating rate instrument which is based on LIBOR plus 1.25% to 1.75% dependent on the Company's total Leverage Ratio. As a result, a portion of the interest on this instrument is fixed rate. The Company has estimated the fair value of this financial instrument to be $70,884,761 as at December 31, 2020 based on Level 3 unobservable inputs. The fair value of the Company's Notes Payable balance approximated book value as at December 31, 2019 due to the facility's interest rates being set shortly before period end.

The Company's deferred consideration, related to its MOAA and CVAA acquisitions, approximates fair value as the amounts payable under these deferred consideration arrangements are discounted based on Corporate BBB effective bond yields.

The Company's earn-out obligation is recorded at fair value.

An established fair value hierarchy requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is available and significant to the fair value measurement. There are three levels of inputs that may be used to measure fair value:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Liabilities	December 31, 2020	Level 1	Level 2	Level 3
Earn-out obligation	$ 907,459	$ —	$ —	$ 907,459
Total	$ 907,459	$ —	$ —	$ 907,459

Liabilities	December 31, 2019	Level 1	Level 2	Level 3
Earn-out obligation	$ 1,063,060	$ —	$ —	$ 1,063,060
Total	$ 1,063,060	$ —	$ —	$ 1,063,060

16. Financial instruments (Continued):

The Company's earn-out obligation is measured at fair value on a recurring basis using significant unobservable inputs (Level 3). The earn-out obligation relates to the Company's Gastroenterology Anesthesia Associates LLC acquisition, which was acquired in 2014. As part of the business combination, the Company is required to pay consideration contingent on the post-acquisition earnings of the acquired asset. The Company expects to pay the remaining obligation of $907,459 within the first quarter of 2021. The Company measures the fair value of the earn-out obligation based on its best estimate of the cash outflows payable in respect of the earn-out obligation. This valuation technique includes inputs relating to estimated cash outflows under the arrangement. The Company evaluates the inputs into the valuation technique at each reporting period. During the year ended December 31, 2020, the Company revised its estimate underlying the remaining amount to be paid under the earn-out obligation. The amendment of the cash outflow estimates underlying the earn-out resulted in an decrease of $155,601 for the year ended December 31, 2020 to the fair value of the earn-out obligation. The impact of this adjustment was recorded through finance expense in the period.

Reconciliation of level 3 fair values:

	Earn-out obligation
Balance as at January 1, 2019	$ 2,920,583
Payment	(4,795,822)
Recorded in finance expense:	
Accretion expense	77,095
Fair value adjustment	2,861,204
Balance as at January 1, 2020	$ 1,063,060
Recorded in finance expense:	
Fair value adjustment	(155,601)
Balance as at December 31, 2020	$ 907,459

The Company's financial instruments are exposed to certain financial risks, including credit risk, and market risk.

(a) Credit risk:

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and cash equivalents and trade receivables. The carrying amount of the financial assets represents the maximum credit exposure.

The Company limits its exposure to credit risk on cash and cash equivalents by placing these financial instruments with high-credit quality financial institutions and only investing in liquid, investment grade securities.

The Company has a number of individual customers and no one customer represents a concentration of credit risk.

No one customer accounts for more than 10% of the Company's consolidated revenue. The Company establishes a provision for losses on accounts receivable if it is determined that all or part of the outstanding balance is uncollectable. Collectability is reviewed regularly and an allowance is established or adjusted, as necessary, using a combination of the specific identification method, historic collection patterns and existing economic conditions. Estimates of allowances are subject to change as they are impacted by the nature of healthcare collections, which may involve delays and the current uncertainty in the economy.

(b) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, will affect the Company's income or the value of the financial instruments held.

(*i*) Interest rate risk:

As at December 31, 2020, the Company's only interest bearing liability is its JP Morgan Facility. With respect to the Company's Facility, with all other variables held constant, a 10% increase in the interest rate would have reduced net income by approximately $188,000 (2019 - $329,000) for the year ended December 31, 2020. There would be an equal and opposite impact on net income with a 10% decrease.

17. Commitments and contingencies:

The Company is a party to a variety of agreements in the ordinary course of business under which it may be obligated to indemnify third parties with respect to certain matters. These obligations include, but are not limited to contracts entered into with physicians where the Company agrees, under certain circumstances, to indemnify a third party, against losses arising from matters including but not limited to medical malpractice and product liability. The impact of any such future claims, if made, on future financial results is not subject to reasonable estimation because considerable uncertainty exists as to final outcome of these potential claims.

From time to time, the Company is subject to various legal proceedings and claims related to matters arising in the ordinary course of business. The Company does not believe it is currently subject to any material matters where there is at least a reasonable possibility that a material loss may be incurred.

In March 2020 the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and our business are not known at this time. These impacts could include an impact on our ability to obtain debt and equity financing, impairment in the value of our long-lived assets, or potential future decrease in revenue or the profitability of our going operations.

18. Related party transactions:

Balances and transactions between the Company and its wholly owned and controlled subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of the transactions between the Company and other related parties are disclosed below:

(a) Related party transactions:

During the year ended December 31, 2020, the Company made product sales totaling $28,475 (2019 - $35,095) to one company owned or controlled by one of the Company's Directors. The transaction terms with related parties may not be on the same price as those that would result from transactions among non-related parties. There were no amounts owing by or to this related party as of December 31, 2020 (2019 - $nil).

19. Segmented information:

The Company operates in two industry segments: the sale of medical products and the provision of anesthesia services. The revenues relating to geographic segments based on customer location, in United States dollars, for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
Revenue:		
Canada and other	$ 181,372	$ 225,807
United States	105,990,793	120,159,467
Total	$106,172,165	$120,385,274

The Company's revenues are disaggregated below into categories which differ in terms of the economic factors which impact the amount, timing and uncertainty of revenue and cash flows.

	2020	2019
Revenue:		
Commercial Insurers	$ 79,609,199	$ 90,332,380
Federal Insurers	17,715,466	19,404,851
Physicians	8,484,070	10,078,843
Other	363,430	569,200
Total	$106,172,165	$120,385,274

19. Segmented information (Continued):

The Company's property and equipment, intangibles, other assets and total assets are located in the following geographic regions as at December 31, 2020 and 2019:

	2020	2019
Property and equipment:		
Canada	$ 78,820	$ 210,386
United States	$ 48,980	41,547
Total	$ 127,800	$ 251,933
Intangible assets:		
Canada	$ 28,596	$ 30,478
United States	$136,375,547	163,077,715
Total	$136,404,143	$163,108,193
Total assets:		
Canada	$ 3,379,636	$ 3,231,845
United States	$188,405,094	199,863,424
Total	$191,784,730	$203,095,269

The financial measures reviewed by the Company's Chief Operating Decision Maker are presented below for the years ended December 31, 2020 and 2019. The Company does not allocate expenses related to corporate activities. These expenses are presented within "Other" to allow for reconciliation to reported measures.

	2020			
	Anesthesia services	Product sales	Other	Total
Revenue	$ 97,688,095	$ 8,484,070	$ —	$106,172,165
Operating costs	100,217,372	4,271,333	8,439,419	112,928,124
Operating income (loss)	$ (2,529,277)	$ 4,212,737	$(8,439,419)	$ (6,755,959)

	2019			
	Anesthesia services	Product sales	Other	Total
Revenue	$110,306,431	$10,078,843	$ —	$120,385,274
Operating costs	94,506,039	4,647,719	6,549,321	105,703,079
Operating income (loss)	$ 15,800,392	$ 5,431,124	$(6,549,321)	$ 14,682,195

Additionally, the company incurs the following in each of its operating segments:

	2020			
	Anesthesia services	Product sales	Other	Total
Finance expense	$ (105,561)	$ —	$ 2,256,698	$ 2,151,137
Stock based compensation expense	$ 551,323	$ 342,361	$ 1,815,933	$ 2,709,617
Depreciation and amortization expense	$40,504,339	$ 69,604	$ 84,370	$40,658,314

	2019			
	Anesthesia services	Product sales	Other	Total
Finance expense	$ 2,994,654	$ —	$ 3,614,964	$ 6,609,618
Stock based compensation expense	$ 481,240	$ 318,554	$ 177,168	$ 976,962
Depreciation and amortization expense	$34,908,764	$ 25,534	$ 74,772	$35,009,070

20. Subsequent events:

Acquisition by WELL Health Technologies Corp

On February 6, 2021, the Company signed a definitive arrangement agreement (the "Arrangement Agreement") with Well Health Technologies Corp ("WELL Health" or "WELL"), pursuant to which WELL Health will acquire all of the issued and outstanding shares of CRH for US$4.00 per share (the "Arrangement").

The Arrangement, which is to be carried out by way of a court-approved plan of arrangement under the Business Corporations Act (British Columbia), will require the approval of: (i) two-thirds of the votes cast by shareholders of the Company; and (ii) two-thirds of the votes cast by shareholders, holders of stock options and holders of restricted share units, voting together as single class. The Company's directors and officers, holding an aggregate of approximately 2.1% of the outstanding common shares of the Company, have each entered into voting support agreements to vote their shares in favor of the Acquisition. Completion of the Acquisition will also be subject to court and regulatory approvals and clearances, as well as other customary closing conditions. Subject to the satisfaction of such conditions, the Acquisition is expected to be completed during the second quarter of 2021.

The Arrangement contains certain customary provisions, including covenants in respect of non-solicitation of alternative acquisition proposals, a right to match any superior proposals for WELL Health and a termination fee of $10 million payable to WELL in certain circumstances. The Acquisition Agreement also provides for a reverse termination fee of $10 million payable to CRH in the event of certain breaches of a representation, warranty or covenant by WELL Health.

Oak Tree Anesthesia Associates LLC Acquisition

On February 9, 2021, a subsidiary of the Company entered into an asset contribution and exchange agreement to acquire a 100% interest in Oak Tree Anesthesia Associates LLC ("Oak Tree"), a gastroenterology anesthesia services provider in New Jersey. The purchase consideration, paid via cash, for the acquisition of the Company's interest was $3,250,000 plus deferred acquisition costs of $66,182. The provisional cost allocation of the exclusive professional services agreement which was acquired as part of this acquisition is $3,316,182.

UD Management Services Agreement

On February 22, 2021 a subsidiary of the Company entered into a five-year exclusive Management Services Agreement with United Digestive ("UD"). Under this agreement, the Company will earn a fee for managing UD's anesthesia service. The agreement is effective November 1, 2021.

FDHS Startup Joint Venture

On March 1, 2021, the Company entered into a startup joint venture, whereby the Company will own a 51% interest in a gastroenterology anesthesia practice located in Largo, Florida.