UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED June 30, 2021

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____TO _____

COMMISSION FILE NUMBER 1-11151

U.S. PHYSICAL THERAPY, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

NEVADA **(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)**	**76-0364866** **(I.R.S. EMPLOYER IDENTIFICATION NO.)**
1300 WEST SAM HOUSTON PARKWAY SOUTH, SUITE 300, HOUSTON, TEXAS **(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)**	**77042** **(ZIP CODE)**

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (713) 297-7000

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $.01 par value	USPH	New York Stock Exchange

As of August 9, 2021, the number of shares outstanding (issued less treasury stock) of the registrant's common stock, par value $.01 per share, was: 12,906,932.

PART I—FINANCIAL INFORMATION - UNAUDITED

ITEM 1. FINANCIAL STATEMENTS.

U. S. PHYSICAL THERAPY, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

	June 30, 2021	December 31, 2020
ASSETS	(unaudited)	
Current assets:		
Cash and cash equivalents	$ 20,419	$ 32,918
Patient accounts receivable, less allowance for credit losses of $2,435 and $2,008, respectively	45,144	41,906
Accounts receivable - other	9,025	9,039
Other current assets	5,111	3,773
Total current assets	79,699	87,636
Fixed assets:		
Furniture and equipment	57,538	55,426
Leasehold improvements	35,986	35,320
Fixed assets, gross	93,524	90,746
Less accumulated depreciation and amortization	71,964	69,081
Fixed assets, net	21,560	21,665
Operating lease right-of-use assets	87,090	81,595
Goodwill	373,887	345,646
Other identifiable intangible assets, net	59,216	56,280
Other assets	1,506	1,539
Total assets	$ 622,958	$ 594,361
LIABILITIES, REDEEMABLE NON-CONTROLLING INTERESTS, USPH SHAREHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS		
Current liabilities:		
Accounts payable - trade	$ 1,782	$ 1,335
Accrued expenses	44,720	59,746
Current portion of operating lease liabilities	27,860	27,512
Current portion of notes payable	1,017	4,899
Total current liabilities	75,379	93,492
Notes payable, net of current portion	821	596
Revolving line of credit	38,000	16,000
Deferred taxes	8,281	7,779
Operating lease liabilities, net of current portion	66,887	61,985
Other long-term liabilities	5,442	4,539
Total liabilities	194,810	184,391
Redeemable non-controlling interests - temporary equity	143,337	132,340
Commitments and Contingencies		
U.S. Physical Therapy, Inc. ("USPH") shareholders' equity:		
Preferred stock, $0.01 par value, 500,000 shares authorized, no shares issued and outstanding	-	-
Common stock, $0.01 par value, 20,000,000 shares authorized, 15,121,669 and 15,066,282 shares issued, respectively	151	151
Additional paid-in capital	99,039	95,622
Retained earnings	216,286	212,015
Treasury stock at cost, 2,214,737 shares	(31,628)	(31,628)
Total USPH shareholders' equity	283,848	276,160
Non-controlling interests - permanent equity	963	1,470
Total USPH shareholders' equity and non-controlling interests - permanent equity	284,811	277,630
Total liabilities, redeemable non-controlling interests, USPH shareholders' equity and non-controlling interests - permanent equity	$ 622,958	$ 594,361

See notes to consolidated financial statements.

U. S. PHYSICAL THERAPY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(unaudited)

	Three Months Ended		For the Six Months Ended	
	June 30, 2021	June 30, 2020	June 30,2021	June 30, 2020
Net patient revenues	$ 113,238	$ 72,279	$ 212,492	$ 172,405
Other revenues	13,690	11,578	26,804	24,169
Net revenues	126,928	83,857	239,296	196,574
Operating costs:				
Salaries and related costs	68,866	43,429	132,681	112,433
Rent, supplies, contract labor and other	22,416	20,311	43,836	43,220
Provision for credit losses	1,364	739	2,564	2,100
Closure costs - lease and other	(22)	94	15	1,987
Closure costs - derecognition of goodwill	-	-	-	1,859
Total operating costs	92,624	64,573	179,096	161,599
Gross profit	34,304	19,284	60,200	34,975
Corporate office costs	12,074	9,022	22,948	20,699
Operating income	22,230	10,262	37,252	14,276
Other income and expense:				
Relief Funds	-	7,959	-	7,959
Gain on sale of partnership interest and clinics	-	1,073	-	1,073
Interest and other income, net	46	4	100	47
Interest expense - debt and other	(237)	(653)	(483)	(1,080)
Total other income and expense	(191)	8,383	(383)	7,999
Income before taxes	22,039	18,645	36,869	22,275
Provision for income taxes	4,567	3,882	7,511	4,174
Net income	$ 17,472	$ 14,763	$ 29,358	$ 18,101
Less: net income attributable to non-controlling interests:				
Redeemable non-controlling interests - temporary equity	(3,611)	(2,996)	(6,064)	(4,792)
Non-controlling interests - permanent equity	(1,425)	(1,535)	(2,685)	(2,061)
	$ (5,036)	$ (4,531)	$ (8,749)	$ (6,853)
Net income attributable to USPH shareholders	$ 12,436	$ 10,232	$ 20,609	$ 11,248
Basic and diluted earnings per share attributable to USPH shareholders	$ 0.82	$ 0.99	$ 1.03	$ 1.19
Shares used in computation - basic and diluted	12,902	12,843	12,886	12,820
Dividends declared per common share	$ 0.35	$ -	$ 0.70	$ 0.32

See notes to consolidated financial statements.

U. S. PHYSICAL THERAPY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(unaudited)

	Six Months Ended	
	June 30, 2021	June 30, 2020
OPERATING ACTIVITIES		
Net income including non-controlling interests	$ 29,358	$ 18,101
Adjustments to reconcile net income including non-controlling interests to net cash provided by operating activities:		
Depreciation and amortization	5,484	5,333
Provision for credit losses	2,564	2,100
Equity-based awards compensation expense	3,405	3,389
Deferred income taxes	3,160	(1,737)
Loss on sale of fixed assets	106	429
Gain on sale of partnership interest	-	(1,073)
Derecognition (write-off) of goodwill - closed clinics	-	1,859
Changes in operating assets and liabilities:		
(Increase) decrease in patient accounts receivable	(5,325)	8,880
Decrease in accounts receivable - other	129	283
(Increase) decrease in other assets	(255)	5,969
(Decrease) increase in accounts payable and accrued expenses	(3,672)	4,478
Increase in other long-term liabilities	602	345
Net cash provided by operating activities	35,556	48,356
INVESTING ACTIVITIES		
Purchase of fixed assets	(3,301)	(4,628)
Purchase of majority interest in businesses, net of cash acquired	(20,402)	(11,633)
Purchase of redeemable non-controlling interest, temporary equity	(9,536)	(2,388)
Purchase of non-controlling interest, permanent equity	-	(144)
Proceeds on sale of redeemable non-controlling interest, temporary equity	32	19
Proceeds on sales of partnership interest, clinics and fixed assets	(168)	695
Net cash used in investing activities	(33,375)	(18,079)
FINANCING ACTIVITIES		
Distributions to non-controlling interests, permanent and temporary equity	(9,398)	(5,707)
Cash dividends paid to shareholders	(9,028)	(4,110)
Proceeds from revolving line of credit	128,000	99,000
Payments on revolving line of credit	(106,000)	(112,000)
Principal payments on notes payable	(4,207)	(314)
(Payment) receipt of Medicare Accelerated and Advance Funds	(14,054)	12,861
Other	7	-
Net cash used in financing activities	(14,680)	(10,270)
Net (decrease) increase in cash and cash equivalents	(12,499)	20,007
Cash and cash equivalents - beginning of period	32,918	23,548
Cash and cash equivalents - end of period	$ 20,419	$ 43,555
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period for:		
Income taxes	$ 6,967	$ 57
Interest	$ 741	$ 944
Non-cash investing and financing transactions during the period:		
Purchase of businesses - seller financing portion	$ 550	$ 300
Purchase of businesses - payable	$ 1,000	$ -
Purchase of redeemable non-controlling interest - notes payable	$ -	$ 137
Notes payable due to purchase of non-controlling interest, permanent equity	$ -	$ 699
Note receivables related to sale of partnership interest	$ 287	$ 386

See notes to consolidated financial statements.

U. S. PHYSICAL THERAPY, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(IN THOUSANDS)
(unaudited)

	U.S.Physical Therapy, Inc.								
	Common Stock		Additional Paid-In	Retained	Treasury Stock		Total Shareholders'	Non-Controlling	
For the three months ended June 30, 2021	Shares	Amount	Capital	Earnings	Shares	Amount	Equity	Interests	Total
Balance March 31, 2021	15,111	$ 151	$ 97,286	$ 210,375	(2,215)	$ (31,628)	$ 276,184	$ 1,057	$ 277,241
Issuance of restricted stock, net of cancellations	10	-	-	-	-	-	-	-	-
Revaluation of redeemable non-controlling interest, net of tax	-	-	-	(1,897)	-	-	(1,897)	-	(1,897)
Compensation expense - equity-based awards	-	-	1,754	-	-	-	1,754	-	1,754
Dividends paid to USPT shareholders	-	-	-	(4,514)	-	-	(4,514)	-	(4,514)
Distributions to non-controlling interest partners - permanent equity	-	-	-	-	-	-	-	(1,510)	(1,510)
Other	-	-	(1)	(114)	-	-	(115)	(9)	(124)
Net income attributable to non-controlling interest - permanent equity	-	-	-	-	-	-	-	1,425	1,425
Net income attributable to USPH shareholders	-	-	-	12,436	-	-	12,436	-	12,436
Balance June 30, 2021	15,121	$ 151	$ 99,039	$ 216,286	(2,215)	$ (31,628)	$ 283,848	$ 963	$ 284,811

	U.S.Physical Therapy, Inc.								
	Common Stock		Additional Paid-In	Retained	Treasury Stock		Total Shareholders'	Non-Controlling	
For the six months ended June 30, 2021	Shares	Amount	Capital	Earnings	Shares	Amount	Equity	Interests	Total
Balance December 31, 2020	15,065	$ 151	$ 95,622	$ 212,015	(2,215)	$ (31,628)	$ 276,160	$ 1,470	$ 277,630
Issuance of restricted stock, net of cancellations	56	-	-	-	-	-	-	-	-
Revaluation of redeemable non-controlling interest, net of tax	-	-	-	(7,310)	-	-	(7,310)	-	(7,310)
Compensation expense - equity-based awards	-	-	3,403	-	-	-	3,403	-	3,403
Dividends paid to USPT shareholders	-	-	-	(9,028)	-	-	(9,028)	-	(9,028)
Distributions to non-controlling interest partners - permanent equity	-	-	-	-	-	-	-	(3,182)	(3,182)
Short swing profit settlement	-	-	13	-	-	-	13	-	13
Other	-	-	1	-	-	-	1	(10)	(9)
Net income attributable to non-controlling interest - permanent equity	-	-	-	-	-	-	-	2,685	2,685
Net income attributable to USPH shareholders	-	-	-	20,609	-	-	20,609	-	20,609
Balance June 30, 2021	15,121	$ 151	$ 99,039	$ 216,286	(2,215)	$ (31,628)	$ 283,848	$ 963	$ 284,811

	U.S.Physical Therapy, Inc.								
	Common Stock		Additional Paid-In	Retained	Treasury Stock		Total Shareholders'	Non-Controlling	
For the three months ended June 30, 2020	Shares	Amount	Capital	Earnings	Shares	Amount	Equity	Interests	Total
Balance March 31, 2020	15,059	$ 151	$ 89,756	$ 182,785	(2,215)	$ (31,628)	$ 241,064	$ 1,240	$ 242,304
Issuance of restricted stock, net of cancellations	(1)	-	-	-	-	-	-	-	-
Revaluation of redeemable non-controlling interest, net of tax	-	-	-	2,466	-	-	2,466	-	2,466
Compensation expense - equity-based awards	-	-	1,502	-	-	-	1,502	-	1,502
Distributions to non-controlling interest partners - permanent equity	-	-	-	-	-	-	-	(1,313)	(1,313)
Other	-	-	-	(10)	-	-	(10)	(28)	(38)
Net income attributable to non-controlling interest - permanent equity	-	-	-	-	-	-	-	1,535	1,535
Net income attributable to USPH shareholders	-	-	-	10,232	-	-	10,232	-	10,232
Balance June 30, 2020	15,058	$ 151	$ 91,258	$ 195,473	(2,215)	$ (31,628)	$ 255,254	$ 1,434	$ 256,688

	U.S.Physical Therapy, Inc.								
	Common Stock		Additional Paid-In	Retained	Treasury Stock		Total Shareholders'	Non-Controlling	
For the six months ended June 30, 2020	Shares	Amount	Capital	Earnings	Shares	Amount	Equity	Interests	Total
Balance December 31, 2019	14,989	$ 150	$ 87,383	$ 184,352	(2,215)	$ (31,628)	$ 240,257	$ 1,444	$ 241,701
Issuance of restricted stock, net of cancellations	69	1	-	-	-	-	1	-	1
Revaluation of redeemable non-controlling interest, net of tax	-	-	-	4,036	-	-	4,036	-	4,036
Compensation expense - equity-based awards	-	-	3,389	-	-	-	3,389	-	3,389
Transfer of compensation liability for certain stock issued pursuant to long-term incentive plans	-	-	486	-	-	-	486	-	486
Dividends paid to USPT shareholders	-	-	-	(4,110)	-	-	(4,110)	-	(4,110)
Distributions to non-controlling interest partners - permanent equity	-	-	-	-	-	-	-	(2,043)	(2,043)
Other	-	-	-	(53)	-	-	(53)	(28)	(81)
Net income attributable to non-controlling interest - permanent equity	-	-	-	-	-	-	-	2,061	2,061
Net income attributable to USPH shareholders	-	-	-	11,248	-	-	11,248	-	11,248
Balance June 30, 2020	15,058	$ 151	$ 91,258	$ 195,473	(2,215)	$ (31,628)	$ 255,254	$ 1,434	$ 256,688

See notes to consolidated financial statements.

U.S. PHYSICAL THERAPY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021
(unaudited)

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements include the accounts of U.S. Physical Therapy, Inc. and its subsidiaries (the "Company"). All significant intercompany transactions and balances have been eliminated.

The Company operates its business through two reportable business segments. The Company's reportable segments include the physical therapy operations segment and the industrial injury prevention services segment. The Company's physical therapy operations consist of physical therapy and occupational therapy clinics that provide pre-and post-operative care and treatment for orthopedic-related disorders, sports-related injuries, preventive care, rehabilitation of injured workers and neurological injuries. Services provided by industrial injury prevention services segment include onsite injury prevention and rehabilitation, performance optimization and ergonomic assessments. Prior to the second quarter of 2020, the Company operated as a single segment. All prior year segment information has been reclassified to conform to the current segment presentation. See Note 11 - Segment Information.

Physical Therapy Operations

The physical therapy operations segment primarily operates through subsidiary clinic partnerships, in which the Company generally owns a 1% general partnership and limited partnership interests typically ranging from 49% to 99% in the Clinic Partnerships. The managing therapist of each clinic owns, directly or indirectly, the remaining limited partnership interest in most of the clinics (hereinafter referred to as "Clinic Partnerships"). To a lesser extent, the Company operates some clinics, through wholly-owned subsidiaries, under profit sharing arrangements with therapists (hereinafter referred to as "Wholly-Owned Facilities").

The Company continues to seek to attract for employment physical therapists who have established relationships with physicians and other referral sources, by offering these therapists a competitive salary and incentives based on the profitability of the clinic that they manage. For multi-site clinic practices in which a controlling interest is acquired by the Company, the prior owners typically continue on as employees to manage the clinic operations, retaining a non-controlling ownership interest in the clinics and receiving a competitive salary for managing the clinic operations. In addition, the Company has developed satellite clinic facilities as part of existing Clinic Partnerships and Wholly-Owned Facilities, with the result that a substantial number of Clinic Partnerships and Wholly-Owned Facilities operate more than one clinic location.

On June 30, 2021, the Company acquired a 65% interest in an eight-clinic physical therapy practice with the practice founder retaining 35%. The purchase price was approximately $10.3 million, of which $9.0 million was paid in cash, $1.0 million is payable based on the achievement of certain business criteria and $0.3 million is in the form of a note payable. The note accrues interest at 3.25% per annum and the principal and interest is payable on June 30, 2023.

On March 31, 2021, the Company acquired a 70% interest in a five-clinic physical therapy practice with the practice founder retaining 30%. When acquired, the practice was developing a sixth clinic which has been completed. The purchase price for the 70% interest was approximately $12.0 million, of which $11.7 million was paid in cash and $0.3 million in the form of a note payable. The note accrues interest at 3.25% per annum and the principal and interest is payable on March 31, 2023.

On November 30, 2020, the Company acquired a 75% interest in a three-clinic physical therapy practice. The purchase price for the 75% interest was $8.9 million (net of cash acquired), of which $8.6 million was paid in cash and $0.3 million in the form of a note payable that is payable in two principal installments totaling $162,500 each. The first principal payment plus accrued interest is due to be paid on November 2021 with the second installment to be paid in November 2022. The note accrues interest at 3.25% per annum.

On September 30, 2020, the Company acquired a 70% interest in an entity which holds six-management contracts that have been in place for a number of years. The purchase price for the 70% interest was approximately $4.2 million, of which $3.7 million was paid in cash and $0.5 million in the form of two notes payable. One of the notes payable of $0.3 million was paid in November 2020. The remaining note of $0.2 million is payable, with any accrued interest at 5% per annum, on September 30, 2021.

On February 27, 2020, the Company acquired interests in a four-clinic physical therapy practice. The four clinics are operated in four separate partnerships. The Company's interests in the four partnerships range from 10.0% to 83.8%, with an overall 65.0% based on the initial purchase transaction. The aggregate purchase price was $11.9 million, of which $11.6 million was paid in cash and $0.3 million in the form of a note payable. The note accrues interest at 4.75% per annum and the principal and interest is payable in February 2022.

During the six months ended June 30, 2021, the Company sold two clinics. The aggregate sales price of $0.1 million was paid in cash.

As of June 30, 2021, the Company operated 575 clinics in 39 states. The Company also manages physical therapy facilities for third parties, primarily hospital and physicians, with 39 third-party facilities under management as of June 30, 2021.

Clinic Partnerships

For non-acquired Clinic Partnerships, the earnings and liabilities attributable to the non-controlling interests, typically owned by the managing therapist, directly or indirectly, are recorded within the balance sheets as non-controlling interests – permanent equity and within the income statements as net income attributable to non-controlling interests – permanent equity.

For acquired Clinic Partnerships with redeemable non-controlling interests, the earnings attributable to the redeemable non-controlling interests are recorded within the consolidated statements of income line item – *net income attributable to non-controlling interests – redeemable non-controlling interests – temporary equity* and the equity interests are recorded on the consolidated balance sheet as *redeemable non-controlling interests – temporary equity*. In accordance with current accounting guidance, the revaluation of redeemable non-controlling interest, net of tax, is not included in net income but charged directly to retained earnings and is included in the earnings per basic and diluted share calculation.

Wholly-Owned Facilities

For Wholly-Owned Facilities with profit sharing arrangements, an appropriate accrual is recorded for the amount of profit sharing due to the profit sharing therapists. The amount is expensed as compensation and included in operating costs – salaries and related costs. The respective liability is included in current liabilities – accrued expenses on the balance sheets.

Industrial Injury Prevention Services

In March 2017, the Company acquired a 55% interest in the initial industrial injury prevention business. On April 30, 2018, the Company acquired a 65% interest in another business in the industrial injury prevention sector. On April 30, 2018, the Company combined the two businesses. After the combination, the Company owned a 59.45% interest in the combined business, Briotix Health, Limited Partnership ("Briotix Health"), the Company's industrial injury prevention operation.

On April 11, 2019, the Company acquired 100% of a third company that is a provider of industrial injury prevention services. The acquired company specializes in delivering injury prevention and care, post offer employment testing, functional capacity evaluations and return-to-work services. It performs these services across a network in 45 states including onsite at eleven client locations. The business was then combined with Briotix Health increasing the Company's ownership position in the partnership to approximately 76.0%.

Services provided in the industrial injury prevention services segment include onsite injury prevention and rehabilitation, performance optimization, post offer employment testing, functional capacity evaluations, and ergonomic assessments. The majority of these services are contracted with and paid for directly by employers, including a number of Fortune 500 companies. Other clients include large insurers and their contractors. The Company performs these services through Industrial Sports Medicine Professionals, consisting of both physical therapists and specialized certified athletic trainers (ATCs).

Basis of Presentation

The accompanying unaudited consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and in accordance with the instructions for Form 10-Q. However, the statements do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. Management believes this report contains all necessary adjustments (consisting only of normal recurring adjustments) to present fairly, in all material respects, the Company’s financial position, results of operations and cash flows for the interim periods presented. For further information regarding the Company’s accounting policies, please read the audited financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020 filed with the Securities and Exchange Commission on March 1, 2021.

The Company believes, and the Chief Executive Officer, Chief Financial Officer and Corporate Controller have certified, that the financial statements included in this report present fairly, in all material respects, the Company’s financial position, results of operations and cash flows for the interim periods presented.

Operating results for the three months and six months ended June 30, 2021 are not necessarily indicative of the results the Company expects for the entire year.

Impact of COVID-19

As previously disclosed in a series of filings with the SEC and further described in detail in the Company’s Quarterly Reports on Form 10-Q for the first three quarters of 2020 and our Annual Report on Form 10-K for the year ended December 31, 2020, the Company’s results were negatively impacted by the effects of the COVID-19 pandemic in 2020. For 2021 periods as compared to 2020 periods, the increase in revenues and expenses are primarily due to the Company returning to pre-pandemic results.

The Company has put preparedness plans in place at our facilities to maintain continuity of operations, while also taking steps to keep employees and patients safe. In line with recommendations to reduce large gatherings and increase social distancing, the Company has continued to allow a large number of office-based employees to work remotely. The Company is monitoring the situation and will adjust work environments accordingly.

In response to the COVID-19 pandemic, the federal government approved the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). In March 2020, in response to the COVID-19 pandemic, the CARES Act was signed into law. The CARES Act provides numerous tax provisions and other stimulus measures, including temporary changes regarding the prior and future utilization of net operating losses, temporary changes to the prior and future limitations on interest deductions, temporary suspension of certain payment requirements for the employer portion of Social Security taxes, technical corrections from prior tax legislation for tax depreciation of certain qualified improvement property, and the creation of certain payroll tax credits associated with the retention of employees.

In 2020, the Company received a number of benefits under the CARES Act including, but not limited to:

- The CARES Act allowed for qualified healthcare providers to receive advanced payments under the existing Medicare Accelerated and Advance Payment Program (“MAAPP Funds”) during the COVID-19 pandemic. Under this program, healthcare providers could choose to receive advanced payments for future Medicare services provided. The Company applied for and received approval from Centers for Medicare & Medicaid Services (“CMS”) in April 2020. The Company recorded these payments as a liability; however, during the first quarter of 2021, the Company repaid the MAAPP Funds of $14.1 million rather than applying them to future services performed.

- The Company elected to defer depositing the employer’s share of Social Security taxes for payments due from March 27, 2020 through December 31, 2020, interest-free and penalty-free. As of June 30, 2021 included in accrued liabilities is $4.1 million and in other long-term liabilities is $4.2 million related to these deferred payments.

- The CARES Act provided additional waivers, reimbursement, grants and other funds to assist health care providers during the COVID-19 pandemic, including $100.0 billion in appropriations for the Public Health and Social Services Emergency Fund, also referred to as the Provider Relief Fund, to be used for preventing, preparing, and responding to the coronavirus, and for reimbursing eligible health care providers for lost revenues and health care related expenses that are attributable to COVID-19. In 2020, the Company's consolidated subsidiaries received approximately $13.5 million in payments under the CARES Act ("Relief Funds"). In accordance with GAAP, these payments were recorded as Other income – Relief Funds. These funds are not required to be repaid upon attestation and compliance with certain terms and conditions, which could change materially based on evolving grant compliance provisions and guidance provided by the U.S. Department of Health and Human Services. Currently, the Company can attest to and comply with the terms and conditions. The Company will continue to monitor the evolving guidelines and may record adjustments as additional information is released. There were no Relief Funds received in the six months ended June 30, 2021.

Significant Accounting Policies

Cash Equivalents

The Company maintains its cash and cash equivalents at financial institutions. The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The combined account balances at several institutions typically exceed Federal Deposit Insurance Corporation ("FDIC") insurance coverage and, as a result, there is a concentration of credit risk related on deposits in excess of FDIC insurance coverage. Management believes that the risk is not significant.

Long-Lived Assets

Fixed assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives for furniture and equipment range from three to eight years and for purchased software from three to seven years. Leasehold improvements are amortized over the shorter of the lease term or estimated useful lives of the assets, which is generally three to five years.

The Company reviews property and equipment and intangible assets with finite lives for impairment upon the occurrence of certain events or circumstances which indicate that the amounts may be impaired. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

The Company did not note an impairment to long-lived assets during the six months ended June 30, 2021.

Goodwill

Goodwill represents the excess of the amount paid and fair value of the non-controlling interests over the fair value of the acquired business assets, which include certain identifiable intangible assets. Historically, goodwill has been derived from acquisitions and, prior to 2009, from the purchase of some or all of a particular local management's equity interest in an existing clinic. Effective January 1, 2009, if the purchase price of a non-controlling interest by the Company exceeds or is less than the book value at the time of purchase, any excess or shortfall is recognized as an adjustment to additional paid-in capital.

Goodwill and other indefinite-lived intangible assets are not amortized, but are instead subject to periodic impairment evaluations. The fair value of goodwill and other identifiable intangible assets with indefinite lives are evaluated for impairment at least annually and upon the occurrence of certain events or conditions, and are written down to fair value if considered impaired. These events or conditions include, but are not limited to: a significant adverse change in the business environment, regulatory environment, or legal factors; a current period operating or cash flow loss combined with a history of such losses or a projection of continuing losses; or a sale or disposition of a significant portion of a reporting unit. The occurrence of one of these events or conditions could significantly impact an impairment assessment, necessitating an impairment charge. The Company evaluates indefinite lived tradenames using the relief from royalty method in conjunction with its annual goodwill impairment test.

The Company operates a two segment business which is made up of various clinics within partnerships, and the other is industrial injury prevention services business. The partnerships are components of regions and are aggregated to the operating segment level for the purpose of determining the Company's reporting units when performing its annual goodwill impairment test (there were six regions in both 2020 and 2019 in the physical therapy operations segment). In addition to the six regions mentioned prior, the impairment analysis included a separate analysis for the industrial injury prevention business, as a separate reporting unit.

As part of the impairment analysis, the Company is first required to assess qualitatively if it can conclude whether goodwill is more likely than not impaired. If goodwill is more likely than not impaired, the Company is then required to complete a quantitative analysis of whether a reporting unit's fair value is less than its carrying amount. In evaluating whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the Company considers relevant events or circumstances that affect the fair value or carrying amount of a reporting unit. The Company considers both the income and market approach in determining the fair value of its reporting units when performing a quantitative analysis.

An impairment loss generally would be recognized when the carrying amount of the net assets of a reporting unit, inclusive of goodwill and other identifiable intangible assets, exceeds the estimated fair value of the reporting unit. The evaluation of goodwill in 2020 and 2019 did not result in any goodwill amounts that were deemed impaired.

Based on the economic conditions and the decline in patient visits due to the COVID-19 pandemic, the Company evaluated whether events or circumstances indicated that it was more likely than not that the fair value of the reporting units were reduced below their carrying value as of June 30, 2021. As a result of the assessment, the Company determined that it was not more likely than not that goodwill and tradenames of the reporting units were impaired as of June 30, 2021.

The Company will continue to monitor for any triggering events or other indicators of impairment. Due to the uncertainty of the current economic conditions resulting from the COVID-19 pandemic, the Company will continue to review its carrying amounts of goodwill and other intangibles quarterly.

During the six months ended June 30, 2020, the Company derecognized (wrote-off) goodwill in the amount of $1.9 million related to closed clinics due to COVID-19.

Redeemable Non-Controlling Interests

The non-controlling interests that are reflected as redeemable non-controlling interests in the consolidated financial statements consist of those that the owners and the Company have certain redemption rights, whether currently exercisable or not, and which currently, or in the future, require that the Company purchase or the owner sell the non-controlling interest held by the owner, if certain conditions are met. The purchase price is derived at a predetermined formula based on a multiple of trailing twelve months earnings performance as defined in the respective limited partnership agreements. The redemption rights can be triggered by the owner or the Company at such time as both of the following events have occurred: 1) termination of the owner's employment, regardless of the reason for such termination, and 2) the passage of specified number of years after the closing of the transaction, typically three to five years, as defined in the limited partnership agreement. The redemption rights are not automatic or mandatory (even upon death) and require either the owner or the Company to exercise its rights when the conditions triggering the redemption rights have been satisfied.

On the date the Company acquires a controlling interest in a partnership, and the limited partnership agreement for such partnership contains redemption rights not under the control of the Company, the fair value of the non-controlling interest is recorded in the consolidated balance sheet under the caption – Redeemable non-controlling interests – temporary equity. Then, in each reporting period thereafter until it is purchased by the Company, the redeemable non-controlling interest is adjusted to the greater of its then current redemption value or initial carrying value, based on the predetermined formula defined in the respective limited partnership agreement. As a result, the value of the non-controlling interest is not adjusted below its initial carrying value. The Company records any adjustments in the redemption value, net of tax, directly to retained earnings and the adjustments are not reflected in the consolidated statements of income. Although the adjustments are not reflected in the consolidated statements of income, current accounting rules require that the Company reflects the adjustments, net of tax, in the earnings per share calculation. The amount of net income attributable to redeemable non-controlling interest owners is included in consolidated net income on the face of the consolidated statements of net income. Management believes the redemption value (i.e. the carrying amount) and fair value are the same.

Non-Controlling Interests

The Company recognizes non-controlling interests, in which the Company has no obligation but the right to purchase the non-controlling interests, as permanent equity in the consolidated financial statements separate from the parent entity's equity. The amount of net income attributable to non-controlling interests is included in consolidated net income on the face of the statements of net income. Changes in a parent entity's ownership interest in a subsidiary that do not result in deconsolidation are treated as equity transactions if the parent entity retains its controlling financial interest. The Company recognizes a gain or loss in net income when a subsidiary is deconsolidated. Such gain or loss is measured using the fair value of the non-controlling equity investment on the deconsolidation date.

When the purchase price of a non-controlling interest by the Company exceeds the book value at the time of purchase, any excess or shortfall is recognized as an adjustment to additional paid-in capital. Additionally, operating losses are allocated to non-controlling interests even when such allocation creates a deficit balance for the non-controlling interest partner.

Revenue Recognition

Revenues are recognized in the period in which services are rendered. See Note 3- Revenue Recognition, for further discussion of revenue recognition.

Provision for Credit Losses

The Company determines provisions for credit losses based on the specific agings and payor classifications at each clinic. The provision for credit losses is included in operating costs in the consolidated statements of net income. Net accounts receivable, which are stated at the historical carrying amount net of contractual allowances, write-offs and provisions for credit losses, includes only those amounts the Company estimates to be collectible.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount to be recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority.

On March 27, 2020, the CARES Act was enacted. The CARES Act includes changes to certain tax law related to net operating losses and the deductibility of interest expense and depreciation. ASC 740, Income Taxes requires the effects of changes in tax rates and laws on deferred tax balances to be recognized in the period in which the legislation is enacted. The legislation had no effect on the Company's deferred income taxes and current income taxes payable during the six months ended June 30, 2021.

The Company did not have any accrued interest or penalties associated with any unrecognized tax benefits nor was any interest expense recognized during the six months ended June 30, 2021. The Company records any interest or penalties, if required, in interest and other expense, as appropriate.

Fair Value of Financial Instruments

The carrying amounts reported in the balance sheets for cash and cash equivalents, accounts receivable, accounts payable and notes payable approximate their fair values due to the short-term maturity of these financial instruments. The carrying amount under the Amended Credit Agreement and the redemption value of Redeemable non-controlling interests approximate the respective fair values. The fair value of the Company's redeemable non-controlling interests is determined based on "Level 3" inputs. The interest rate on the Amended Credit Agreement, is tied to the London Interbank Offered Rate ("LIBOR"). Provisions within the agreement currently provide the Company with the ability to replace LIBOR with a different reference rate in the event LIBOR ceases to exist.

Segment Reporting

Operating segments are components of an enterprise for which separate financial information is available that is evaluated regularly by chief operating decision makers in determining the allocation of resources and in assessing performance. The Company currently operates through two segments: physical therapy operations and industrial injury prevention services.

Use of Estimates

In preparing the Company's consolidated financial statements, management makes certain estimates and assumptions, especially in relation to, but not limited to, goodwill impairment, tradenames and other intangible assets, allocations of purchase price, provision for credit losses, tax provision and contractual allowances, that affect the amounts reported in the consolidated financial statements and related disclosures. Actual results may differ from these estimates.

Self-Insurance Program

The Company utilizes a self-insurance plan for its employee group health insurance coverage administered by a third party. Predetermined loss limits have been arranged with an insurance company to minimize the Company's maximum liability and cash outlay. Accrued expenses include the estimated incurred but unreported costs to settle unpaid claims and estimated future claims. Management believes that the current accrued amounts are sufficient to pay claims arising from self-insurance claims incurred through June 30, 2021.

Restricted Stock

Restricted stock issued to employees and directors is subject to continued employment or continued service on the board, respectively. Generally, restrictions on the stock granted to employees lapse in equal annual installments on the following four anniversaries of the date of grant. For those shares granted to directors, the restrictions will lapse in equal quarterly installments during the first year after the date of grant. For those granted to officers, the restrictions will lapse in equal quarterly installments during the four years following the date of grant. Compensation expense for grants of restricted stock is recognized based on the fair value per share on the date of grant amortized over the vesting period. The Company recognizes any forfeitures as they occur. The restricted stock issued is included in basic and diluted shares for the earnings per share computation.

Recently Adopted Accounting Guidance

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses, which added a new impairment model (known as the current expected credit loss (CECL) model) that is based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes as an allowance its estimate of expected credit losses. The CECL model applies to most debt instruments, including trade receivables. The CECL model does not have a minimum threshold for recognition of impairment losses and entities will need to measure expected credit losses on assets that have a low risk of loss. The standard is required to be applied using the modified retrospective approach with a cumulative-effect adjustment to retained earnings, if any, upon adoption.

The Company completed the adoption of the standard on January 1, 2020. The financial instruments subject to ASU 2016-13 are the Company's accounts receivable derived from contracts with customers. A significant portion of the Company's accounts receivable are from highly-solvent, creditworthy payors including governmental programs such as Medicare and Medicaid, and highly regulated commercial insurers. The Company's estimate of expected credit losses as of January 1, 2020, using its expected credit loss evaluation process, resulted in no adjustments to the allowance for credit losses and no cumulative-effect adjustment to retained earnings on the adoption date of the standard.

In January 2017, the FASB issued ASU 2017-04, *Simplifying the Test for Goodwill Impairment (Topic 350),* which eliminates the requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge. ASU 2017-04 is effective prospectively for fiscal years, and the interim periods within those years, beginning after December 15, 2019. The Company completed the adoption of the standard effective January 1, 2020 and there was no impact to goodwill from the Company's adoption of this change.

Recently Issued Accounting Guidance

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting. This ASU provides temporary optional expedients and exceptions to the guidance on contract modifications and hedge accounting to ease the financial reporting burdens of the expected market transition from LIBOR and other interbank offered rates to alternative reference rates. The new guidance was effective upon issuance, and the Company is allowed to elect to apply the amendments prospectively through December 31, 2022. Borrowings under the Amended Credit Agreement bear interest based on LIBOR or an alternate base rate. Provisions within the agreement currently provide the Company with the ability to replace LIBOR with a different reference rate in the event LIBOR ceases to exist.

In August 2020, the FASB issued ASU 2020-06 *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity,* which simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. As part of this update, convertible instruments are to be included in diluted earnings per share using the if-converted method, rather than the treasury stock method. Further, contracts which can be settled in cash or shares, excluding liability-classified share-based payment awards, are to be included in diluted earnings per share on an if-converted basis if the effect is dilutive, regardless of whether the entity or the counterparty can choose between cash and share settlement. The share-settlement presumption may not be rebutted based on past experience or a stated policy.

This pronouncement is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2021. The Company plans to adopt this pronouncement as of January 1, 2022. The use of either the modified retrospective or fully retrospective method of transition is permitted. The Company is currently evaluating the impact of the adoption of ASU 2020-06 on the Company's consolidated financial statements.

2. ACQUISITIONS OF BUSINESSES

On June 30, 2021, the Company acquired a 65% interest in an eight-clinic physical therapy practice with the practice founder retaining 35%. The purchase price was approximately $10.3 million, of which $9.0 million was paid in cash, $1.0 million is payable based on the achievement of certain business criteria and $0.3 million is in the form of a note payable. The note accrues interest at 3.25% per annum and the principal and interest is payable on June 30, 2023.

On March 31, 2021, the Company acquired a 70% interest in a five-clinic physical therapy practice with the practice founder retaining 30%. When acquired, the practice was developing a sixth clinic which has been completed. The purchase price for the 70% interest was approximately $12.0 million, of which $11.7 million was paid in cash and $0.3 million in the form of a note payable. The note accrues interest at 3.25% per annum and the principal and interest is payable on March 31, 2023.

The purchase price plus the fair value of the non-controlling interests for the acquisitions in 2021 was allocated to the fair value of the assets acquired, inclusive of identifiable intangible assets, i.e. tradenames, referral relationships and non-compete agreements, and liabilities assumed based on the estimated fair values at the acquisition date, with the amount in excess of fair values being recorded as goodwill. The Company is in the process of completing its formal valuation analysis of the acquisitions, to identify and determine the fair value of tangible and identifiable intangible assets acquired and the liabilities assumed. Thus, the final allocation of the purchase price may differ from the preliminary estimates used at June 30, 2021 based on additional information obtained and completion of the valuation of the identifiable intangible assets. Changes in the estimated valuation of the tangible assets acquired, the completion of the valuation of identifiable intangible assets and the completion by the Company of the identification of any unrecorded pre-acquisition contingencies, where the liability is probable and the amount can be reasonably estimated, will likely result in adjustments to goodwill. The Company does not expect the adjustments to be material.

For the acquisitions in 2021, the estimated values assigned to the referral relationships and non-compete agreements are being amortized to expense equally over the respective estimated lives. For referral relationships, the amortization period is 12.0 years. For non-compete agreements, the amortization period is 6.0 years.

The results of operations of the acquired clinics have been included in the Company's consolidated financial statements since the date of their respective acquisition.

The purchase price for the 2021 acquisitions has been preliminarily allocated as follows (in thousands):

Cash paid, net of cash acquired	$	20,401
Seller note		550
Payable		1,000
Total consideration	$	21,951
Estimated fair value of net tangible assets acquired:		
Total current assets	$	476
Total non-current assets		505
Total liabilities		(1,159)
Net tangible assets acquired	$	(178)
Referral relationships		3,249
Non-compete		495
Tradename		1,290
Goodwill		27,814
Fair value of non-controlling interest (classified as redeemable non-controlling interests)		(10,719)
	$	21,951

On November 30, 2020, the Company acquired a 75% interest in a three-clinic physical therapy practice. The purchase price for the 75% interest was $8.9 million (net of cash acquired), of which $8.6 million was paid in cash and $0.3 million in the form of a note payable that is payable in two principal installments totaling $162,500 each. The first principal payment plus accrued interest will be paid on November 2021 with the second installment to be paid in November 2022. The note accrues interest at 3.25% per annum.

On September 30, 2020, the Company acquired a 70% interest in an entity which holds six-management contracts that have been in place for a number of years. The purchase price for the 70% interest was approximately $4.2 million, of which $3.7 million was paid in cash and $0.5 million in the form of two notes payable. One of the notes payable of $0.2 million is payable, with any accrued interest at 5% per annum, on September 30, 2021. The remaining note of $0.3 million was paid in November 2020.

On February 27, 2020, the Company acquired interests in a four-clinic physical therapy practice. The four clinics are in four separate partnerships. The Company's interests in the four partnerships range from 10.0% to 83.8%, with an overall 65.0% based on the initial purchase transaction. The aggregate purchase price was $11.9 million, of which $11.6 million was paid in cash and $0.3 million in the form of a note payable. The note accrues interest at 4.75% per annum and the principal and interest is payable on February 2022.

The results of operations of the acquired clinics have been included in the Company's consolidated financial statements since the date of their respective acquisition.

For the 2021 and 2020 acquisitions, a majority of total current assets primarily represents accounts receivable. Total non-current assets are fixed assets and equipment used in the practice.

The purchase price for the 2020 acquisitions has been allocated as follows (in thousands):

Cash paid, net of cash acquired	$	23,912
Seller note		1,121
Total consideration	$	25,033
Estimated fair value of net tangible assets acquired:		
Total current assets	$	1,271
Total non-current assets		196
Total liabilities		(555)
Net tangible assets acquired	$	912
Referral relationships		4,497
Non-compete		522
Tradename		1,557
Goodwill		28,843
Fair value of non-controlling interest (classified as redeemable non-controlling interests)		(11,298)
	$	25,033

The Company is in the process of completing its formal valuation analysis of the September 2020 and November 2020 acquisitions, to identify and determine the fair value of tangible and identifiable intangible assets acquired and the liabilities assumed. Thus, the final allocation of the purchase price may differ from the preliminary estimates used at June 30, 2021 based on additional information obtained and completion of the valuation of the identifiable intangible assets. Changes in the estimated valuation of the tangible assets acquired, the completion of the valuation of identifiable intangible assets and the completion by the Company of the identification of any unrecorded pre-acquisition contingencies, where the liability is probable and the amount can be reasonably estimated, will likely result in adjustments to goodwill. The Company does not expect the adjustments to be material.

The purchase prices plus the fair value of the non-controlling interests for the acquisitions in 2020 were allocated to the fair value of the assets acquired, inclusive of identifiable intangible assets, i.e. trade names, referral relationships and non-compete agreements, and liabilities assumed based on the fair values at the acquisition date, with the amount exceeding the fair values being recorded as goodwill.

For the acquisitions in 2020, the values assigned to the referral relationships and non-compete agreements are being amortized to expense equally over the respective estimated lives. For referral relationships, the weighted average amortization period was 11.0 years at December 31, 2020. For non-compete agreements, the weighted average amortization period was 6.0 years at December 31, 2020. The values assigned to tradenames are tested annually for impairment.

The consideration paid for each of the acquisitions was derived through arm's length negotiations. Funding for the cash portions was derived from proceeds from the Company's revolving credit facility. The results of operations of the acquisitions have been included in the Company's consolidated financial statements since their respective date of acquisition. Unaudited proforma consolidated financial information for the acquisitions in 2021 and 2020 have not been included, as the results, individually and in the aggregate, were not material to current operations.

3. REVENUE RECOGNITION

Categories

Revenues are recognized in the period in which services are rendered.

Net patient revenues consists of revenues for physical therapy and occupational therapy clinics that provide pre-and post-operative care and treatment for orthopedic-related disorders, sports-related injuries, preventative care, rehabilitation of injured workers and neurological-related injuries. Net patient revenues (patient revenues less estimated contractual adjustments) are recognized at the estimated net realizable amounts from third-party payors, patients and others in exchange for services rendered when obligations under the terms of the contract are satisfied. There is an implied contract between us and the patient upon each patient visit. Generally, this occurs as the Company provides physical and occupational therapy services, as each service provided is distinct and future services rendered are not dependent on previously rendered services. The Company has agreements with third-party payors that provide for payments to the Company at amounts different from its established rates. The allowance for estimated contractual adjustments is based on terms of payor contracts and historical collection and write-off experience.

Management contract revenues, which are included in other revenues in the consolidated statements of net income, are derived from contractual arrangements whereby the Company manages a clinic owned by a third party. The Company does not have any ownership interest in these clinics. Typically, revenues are determined based on the number of visits conducted at the clinic and recognized at the point in time when services are performed. Costs, typically salaries for our employees, are recorded when incurred.

Revenues from the industrial injury prevention services segment, which are also included in other revenues in the consolidated statements of net income, are derived from onsite services the Company provides to clients' employees including injury prevention, rehabilitation, ergonomic assessments and performance optimization. Revenue from the industrial injury prevention services segment is recognized when obligations under the terms of the contract are satisfied. Revenues are recognized at an amount equal to the consideration the Company expects to receive in exchange for providing injury prevention services to its clients. The revenue is determined and recognized based on the number of hours and respective rate for services provided in a given period.

Additionally, other revenues include services the Company provides on-site, such as schools, for physical or occupational therapy services, and fees from athletic trainers. Contract terms and rates are agreed to in advance between the Company and the third parties. Services are typically performed over the contract period and revenue is recorded at the point of service. If the services are paid in advance, revenue is recorded as a liability over the period of the agreement and recognized at the point in time, when the services are performed.

The Company determines allowances for doubtful accounts based on the specific agings and payor classifications at each clinic. The provision for credit losses is included in clinic operating costs in the statements of net income. Patient accounts receivable, which are stated at the historical carrying amount net of contractual allowances, write-offs and provision for credit losses, includes only those amounts the Company estimates to be collectible.

The following table details the revenue related to the various categories (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Net patient revenues	$ 113,238	$ 72,279	$ 212,492	$ 172,405
Management contract revenues	2,739	1,592	5,297	3,740
Other revenues	918	328	1,464	895
Physical therapy operations	$ 116,895	$ 74,199	$ 219,253	$ 177,040
Industrial injury prevention services revenues	10,033	9,658	20,043	19,534
	$ 126,928	$ 83,857	$ 239,296	$ 196,574

Medicare Reimbursement

The Medicare program reimburses outpatient rehabilitation providers based on the Medicare Physician Fee Schedule (“MPFS”). For services provided in 2017 through 2019, a 0.5% increase was applied to the fee schedule payment rates before applying the mandatory budget neutrality adjustment. For services provided in 2020 through 2025 no adjustment is expected to be applied each year to the fee schedule payment rates, before applying the mandatory budget neutrality adjustment.

In the 2020 MPFS Final Rule, CMS revised coding, documentation guidelines, and increased the code values for office/outpatient evaluation and management (E/M) codes and cuts to other codes to maintain budget neutrality of the MPFS beginning in 2021. Under the 2021 MPFS Final Rule, CMS increased the values for the E/M office visit codes and cuts to other specialty codes to maintain budget neutrality. As a result, reimbursement for the codes applicable to physical/occupational therapy services provided by our clinics received an estimated 3.5% decrease in the aggregate in payment from Medicare in calendar year 2021 as compared to 2020.

The Budget Control Act of 2011 increased the federal debt ceiling in connection with deficit reductions over the next ten years, and requires automatic reductions in federal spending by approximately $1.2 trillion. Payments to Medicare providers are subject to these automatic spending reductions, subject to a 2% cap. On April 1, 2013, a 2% reduction to Medicare payments was implemented. The Bipartisan Budget Act of 2015, enacted on November 2, 2015, extended the 2% reductions to Medicare payments through fiscal year 2025. The Bipartisan Budget Act of 2018, enacted on February 9, 2018, extends the 2% reductions to Medicare payments through fiscal year 2027. The CARES Act suspended the 2% payment reduction to Medicare payments for dates of service from May 1, 2020 through December 31, 2020. The Consolidated Appropriations Act, 2021 further suspended the 2% payment reduction until March 31, 2021. On April 14, 2021, additional legislation was enacted that waived the 2% payment reduction for the remainder of calendar 2021.

Beginning in 2021, payments to individual therapists (Physical/Occupational Therapist in Private Practice) paid under the fee schedule may be subject to adjustment based on performance in the Merit Based Incentive Payment System (“MIPS”), which measures performance based on certain quality metrics, resource use, and meaningful use of electronic health records. Therapists eligible to participate in MIPS include only those therapists who are enrolled with Medicare as private practice providers, and does not include therapists in facility-based providers, such as our clinics enrolled as certified rehabilitation agencies. Less than 3% of the Company’s therapist providers currently participate in MIPS. Under the MIPS requirements, a provider’s performance is assessed according to established performance standards each year and then is used to determine an adjustment factor that is applied to the professional’s payment for the corresponding payment year. The provider’s MIPS performance in 2019 will determine the payment adjustment in 2021. For those therapist providers who actually participated in MIPS during 2019, the resulting average payment adjustment was an increase of 1%.

Each year from 2019 through 2024, professionals who receive a significant share of their revenues through an alternate payment model (“APM”) (such as accountable care organizations or bundled payment arrangements) that involves risk of financial losses and a quality measurement component will receive a 5% bonus in the corresponding payment year. The bonus payment for APM participation is intended to encourage participation and testing of new APMs and to promote the alignment of incentives across payors.

Under the Middle Class Tax Relief and Job Creation Act of 2012 (‘‘MCTRA’’), since October 1, 2012, patients who met or exceeded $3,700 in therapy expenditures during a calendar year have been subject to a manual medical review to determine whether applicable payment criteria are satisfied. The $3,700 threshold is applied to Physical Therapy and Speech Language Pathology Services; a separate $3,700 threshold is applied to the Occupational Therapy. The MACRA directed CMS to modify the manual medical review process such that those reviews will no longer apply to all claims exceeding the $3,700 threshold and instead will be determined on a targeted basis based on a variety of factors that CMS considers appropriate. The Bipartisan Budget Act of 2018 extends the targeted medical review indefinitely, but reduces the threshold to $3,000 through December 31, 2027. For 2028, the threshold amount will be increased by the percentage increase in the Medicare Economic Index (“MEI”) for 2028 and in subsequent years the threshold amount will increase based on the corresponding percentage increase in the MEI for such subsequent year.

CMS adopted a multiple procedure payment reduction (''MPPR'') for therapy services in the final update to the MPFS for calendar year 2011. The MPPR applied to all outpatient therapy services paid under Medicare Part B — occupational therapy, physical therapy and speech-language pathology. Under the policy, the Medicare program pays 100% of the practice expense component of the Relative Value Unit (''RVU'') for the therapy procedure with the highest practice expense RVU, then reduces the payment for the practice expense component for the second and subsequent therapy procedures or units of service furnished during the same day for the same patient, regardless of whether those therapy services are furnished in separate sessions. In 2013, the practice expense component for the second and subsequent therapy service furnished during the same day for the same patient was reduced by 50%.

Medicare claims for outpatient therapy services furnished by therapy assistants on or after January 1, 2020 must include a modifier indicating the service was furnished by a therapy assistant. Outpatient therapy services furnished on or after January 1, 2022 in whole or part by a therapy assistant will be paid at an amount equal to 85% of the payment amount otherwise applicable for the service.

Statutes, regulations, and payment rules governing the delivery of therapy services to Medicare beneficiaries are complex and subject to interpretation. We believe that we are in compliance, in all material respects, with all applicable laws and regulations and are not aware of any pending or threatened investigations involving allegations of potential wrongdoing that would have a material effect on the our financial statements as of June 30, 2021. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare program. For the three months ended June 30, 2021 and 2020, respectively, net patient revenues from Medicare were approximately $35.6 million and $16.9 million, respectively. For the six months ended June 30, 2021 and 2020, respectively, net patient revenues from Medicare were approximately $62.2 million and $44.4 million, respectively.

Given the history of frequent revisions to the Medicare program and its reimbursement rates and rules, we may not continue to receive reimbursement rates from Medicare that sufficiently compensate us for our services or, in some instances, cover our operating costs. Limits on reimbursement rates or the scope of services being reimbursed could have a material adverse effect on our revenue, financial condition and results of operations. Additionally, any delay or default by the federal or state governments in making Medicare and/or Medicaid reimbursement payments could materially and, adversely, affect our business, financial condition and results of operations.

Contractual Allowances

Contractual allowances result from the differences between the rates charged for services performed and expected reimbursements by both insurance companies and government sponsored healthcare programs for such services. Medicare regulations and the various third party payors and managed care contracts are often complex and may include multiple reimbursement mechanisms payable for the services provided in Company clinics. The Company estimates contractual allowances based on its interpretation of the applicable regulations, payor contracts and historical calculations. Each month the Company estimates its contractual allowance for each clinic based on payor contracts and the historical collection experience of the clinic and applies an appropriate contractual allowance reserve percentage to the gross accounts receivable balances for each payor of the clinic. Based on the Company's historical experience, calculating the contractual allowance reserve percentage at the payor level is sufficient to allow the Company to provide the necessary detail and accuracy with its collectability estimates. However, the services authorized and provided and related reimbursement are subject to interpretation that could result in payments that differ from the Company's estimates. Payor terms are periodically revised necessitating continual review and assessment of the estimates made by management. The Company's billing system does not capture the exact change in its contractual allowance reserve estimate from period to period in order to assess the accuracy of its revenues and hence its contractual allowance reserves. Management regularly compares its cash collections to corresponding net revenues measured both in the aggregate and on a clinic-by-clinic basis. In the aggregate, historically the difference between net revenues and corresponding cash collections has generally reflected a difference within approximately 1.0% to 1.5% of net revenues. Additionally, analysis of subsequent periods' contractual write-offs on a payor basis reflects a difference within approximately 1.0% to 1.5% between the actual aggregate contractual reserve percentage as compared to the estimated contractual allowance reserve percentage associated with the same period end balance. As a result, the Company believes that a change in the contractual allowance reserve estimate would not likely be more than 1.0% to 1.5% at June 30, 2021.

A contract's transaction price is allocated to each distinct performance obligation and recognized when, or as, the performance obligation is satisfied. To determine the transaction price, the Company includes the effects of any variable consideration, such as the probability of collecting that amount. The Company applies established rates to the services provided, and adjusts for the terms of payor contracts, as applicable. These contracted amounts are different from the Company's established rates. The Company has established a "contractual allowance" for this difference. The allowance is based on the terms of payor contracts, historical and current reimbursement information and current experience with the clinic and partners. The Company's established rates less the contractual allowance is the revenue that is recognized in the period in which the service is rendered. This revenue is deemed the transaction price and stated as "Net Patient Revenue" on the Company's consolidated statements of income.

The Company's performance obligations are satisfied at a point in time. After the clinic has provided services and satisfied its obligation to the customer for the reimbursement rates stipulated in the payor contracts (i.e. the transaction price), the Company recognizes the revenue, net of contractual allowances, in the period in which the services are rendered. The Company recognizes the full amount of revenue and reports the contractual allowances as a contra (or offset) revenue account to report a net revenue number based on the expected collections.

4. EARNINGS PER SHARE

In accordance with current accounting guidance, the revaluation of redeemable non-controlling interest (see Note 5 – Redeemable Non-Controlling Interest), net of tax, charged directly to retained earnings is included in the earnings per basic and diluted share calculation. The following table provides a detail of the basic and diluted earnings per share computation (in thousands, except per share data).

	Three Months Ended		Six Months Ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Computation of earnings per share - USPH shareholders:				
Net income attributable to USPH shareholders	$ 12,436	$ 10,232	$ 20,609	$ 11,248
(Charges) credit to retained earnings:				
Revaluation of redeemable non-controlling interest	(2,549)	3,344	(9,819)	5,473
Tax effect at statutory rate (federal and state) of 25.55% and 26.25%, respectively	651	(878)	2,508	(1,437)
	$ 10,538	$ 12,698	$ 13,298	$ 15,284
Earnings per share (basic and diluted)	$ 0.82	$ 0.99	$ 1.03	$ 1.19
Shares used in computation:				
Basic and diluted earnings per share - weighted-average shares	12,902	12,843	12,886	12,820

5. REDEEMABLE NON-CONTROLLING INTEREST

Since October 2017, when the Company acquires a majority interest (the "Acquisition") in a physical therapy clinic business (referred to as "Therapy Practice"), these Acquisitions occur in a series of steps which are described below.

1. Prior to the Acquisition, the Therapy Practice exists as a separate legal entity (the "Seller Entity"). The Seller Entity is owned by one or more individuals (the "Selling Shareholders") most of whom are physical therapists that work in the Therapy Practice and provide physical therapy services to patients.
2. In conjunction with the Acquisition, the Seller Entity contributes the Therapy Practice into a newly-formed limited partnership ("NewCo"), in exchange for one hundred percent (100%) of the limited and general partnership interests in NewCo. Therefore, in this step, NewCo becomes a wholly-owned subsidiary of the Seller Entity.
3. The Company enters into an agreement (the "Purchase Agreement") to acquire from the Seller Entity a majority (ranges from 50% to 90%) of the limited partnership interest and in all cases 100% of the general partnership interest in NewCo. The Company does not purchase 100% of the limited partnership interest because the Selling Shareholders, through the Seller Entity, want to maintain an ownership percentage. The consideration for the Acquisition is primarily payable in the form of cash at closing and a small, two-year note in lieu of an escrow (the "Purchase Price"). The Purchase Agreement does not contain any future earn-out or other contingent consideration that is payable to the Seller Entity or the Selling Shareholders.
4. The Company and the Seller Entity also execute a partnership agreement (the "Partnership Agreement") for NewCo that sets forth the rights and obligations of the limited and general partners of NewCo. After the Acquisition, the Company is the general partner of NewCo.
5. As noted above, the Company does not purchase 100% of the limited partnership interests in NewCo and the Seller Entity retains a portion of the limited partnership interest in NewCo ("Seller Entity Interest").

6. In most cases, some or all of the Selling Shareholders enter into an employment agreement (the “Employment Agreement”) with NewCo with an initial term that ranges from three to five years (the “Employment Term”), with automatic one-year renewals, unless employment is terminated prior to the end of the Employment Term. As a result, a Selling Shareholder becomes an employee (“Employed Selling Shareholder”) of NewCo. The employment of an Employed Selling Shareholder can be terminated by the Employed Selling Shareholder or NewCo, with or without cause, at any time. In a few situations, a Selling Shareholder does not become employed by NewCo and is not involved with NewCo following the closing; in those situations, such Selling Shareholders sell their entire ownership interest in the Seller Entity as of the closing of the Acquisition.
7. The compensation of each Employed Selling Shareholder is specified in the Employment Agreement and is customary and commensurate with his or her responsibilities based on other employees in similar capacities within NewCo, the Company and the industry.
8. The Company and the Selling Shareholder (including both Employed Selling Shareholders and Selling Shareholders not employed by NewCo) execute a non-compete agreement (the “Non-Compete Agreement”) which restricts the Selling Shareholder from engaging in competing business activities for a specified period of time (the “Non-Compete Term”). A Non-Compete Agreement is executed with the Selling Shareholders in all cases. That is, even if the Selling Shareholder does not become an Employed Selling Shareholder, the Selling Shareholder is restricted from engaging in a competing business during the Non-Compete Term.
9. The Non-Compete Term commences as of the date of the Acquisition and expires on the later of :
   a. Two years after the date an Employed Selling Shareholders’ employment is terminated (if the Selling Shareholder becomes an Employed Selling Shareholder) or
   b. Five to six years from the date of the Acquisition, as defined in the Non-Compete Agreement, regardless of whether the Selling Shareholder is employed by NewCo.
10. The Non-Compete Agreement applies to a restricted region which is defined as a 15-mile radius from the Therapy Practice. That is, an Employed Selling Shareholder is permitted to engage in competing businesses or activities outside the 15-mile radius (after such Employed Selling Shareholder no longer is employed by NewCo) and a Selling Shareholder who is not employed by NewCo immediately is permitted to engage in the competing business or activities outside the 15-mile radius.

The Partnership Agreement contains provisions for the redemption of the Seller Entity Interest, either at the option of the Company (the “Call Right”) or at the option of the Seller Entity (the “Put Right”) as follows:

1. Put Right
   a. In the event that any Selling Shareholder’s employment is terminated under certain circumstances prior to a specified date (the “Specified Date”), the Seller Entity thereafter may have an irrevocable right to cause the Company to purchase from Seller Entity the Terminated Selling Shareholder’s Allocable Percentage of Seller Entity’s Interest at the purchase price described in “3” below.
   b. In the event that any Selling Shareholder is not employed by NewCo as of the Specified Date and the Company has not exercised its Call Right with respect to the Terminated Selling Shareholder’s Allocable Percentage of Seller Entity’s Interest, Seller Entity thereafter shall have the Put Right to cause the Company to purchase from Seller Entity the Terminated Selling Shareholder’s Allocable Percentage of Seller Entity’s Interest at the purchase price described in “3” below.
   c. In the event that any Selling Shareholder’s employment with NewCo is terminated for any reason on or after the Specified Date, the Seller Entity shall have the Put Right, and upon the exercise of the Put Right, the Terminated Selling Shareholder’s Allocable Percentage of Seller Entity’s Interest shall be redeemed by the Company at the purchase price described in “3” below.

2. Call Right
   a. If any Selling Shareholder’s employment by NewCo is terminated prior to the Specified Date, the Company thereafter shall have an irrevocable right to purchase from Seller Entity the Terminated Selling Shareholder’s Allocable Percentage of Seller Entity’s Interest, in each case at the purchase price described in “3” below.
   b. In the event that any Selling Shareholder’s employment with NewCo is terminated for any reason on or after Specified Date, the Company shall have the Call Right, and upon the exercise of the Call Right, the Terminated Selling Shareholder’s Allocable Percentage of Seller Entity’s Interest shall be redeemed by the Company at the purchase price described in “3” below.

3. For the Put Right and the Call Right, the purchase price is derived from a formula based on a specified multiple of NewCo's trailing twelve months of earnings before interest, taxes, depreciation, amortization, and the Company's internal management fee, plus an Allocable Percentage of any undistributed earnings of NewCo (the "Redemption Amount"). NewCo's earnings are distributed monthly based on available cash within NewCo.; Therefore, the undistributed earnings amount is small, if any.
4. The Purchase Price for the initial equity interest purchased by the Company is, in almost all cases, also based on the same specified multiple of the trailing twelve-month earnings that is used in the Put Right and the Call Right noted above.
5. The Put Right and the Call Right do not have an expiration date, and the Seller Entity Interest is not required to be purchased by the Company or sold by the Seller Entity unless either the Put Right or the Call Right is exercised.
6. The Put Right and the Call Right never apply to Selling Shareholders who do not become employed by NewCo, since the Company requires that such Selling Shareholders sell their entire ownership interest in the Seller Entity at the closing of the Acquisition.

An Employed Selling Shareholder's ownership of his or her equity interest in the Seller Entity predates the Acquisition and the Company's purchase of its partnership interest in NewCo. The Employment Agreement and the Non-Compete Agreement do not contain any provision to escrow or "claw back" the equity interest in the Seller Entity held by such Employed Selling Shareholder, nor the Seller Entity Interest in NewCo, in the event of a breach of the employment or non-compete terms. More specifically, even if the Employed Selling Shareholder is terminated for "cause" by NewCo, such Employed Selling Shareholder does not forfeit his or her right to his or her full equity interest in the Seller Entity and the Seller Entity does not forfeit its right to any portion of the Seller Entity Interest. The Company's only recourse against the Employed Selling Shareholder for breach of either the Employment Agreement or the Non-Compete Agreement is to seek damages and other legal remedies under such agreements. There are no conditions in any of the arrangements with an Employed Selling Shareholder that would result in a forfeiture of the equity interest held in the Seller Entity or of the Seller Entity Interest.

For the three and six months ended June 30, 2021 and 2020, the following table details the changes in the carrying amount (fair value) of the redeemable non-controlling interests (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Beginning balance	$ 138,924	$ 140,498	$ 132,340	$ 137,750
Operating results allocated to redeemable non-controlling interest partners	3,611	2,996	6,064	4,792
Distributions to redeemable non-controlling interest partners	(2,622)	(2,054)	(6,216)	(3,665)
Changes in the fair value of redeemable non-controlling interest	2,549	(3,344)	9,819	(5,473)
Purchases of redeemable non-controlling interest	(4,707)	(1,372)	(9,536)	(3,224)
Acquired interest	5,556	-	10,719	6,471
Sales of redeemable non-controlling interest - temporary equity	-	564	319	564
Notes receivable related to sales of redeemable non-controlling interest - temporary equity	-	(545)	(287)	(545)
Adjustments in notes receivable related to the the sales of redeemable non-controlling interest - temporary equity	26	(15)	115	58
Ending balance	$ 143,337	$ 136,728	$ 143,337	$ 136,728

The following table categorizes the carrying amount (fair value) of the redeemable non-controlling interests (in thousands):

	June 30, 2021	June 30, 2020
Contractual time period has lapsed but holder's employment has not been terminated	$ 73,915	$ 72,815
Contractual time period has not lapsed and holder's employment has not been terminated	69,422	63,913
Holder's employment has terminated and contractual time period has expired	-	-
Holder's employment has terminated and contractual time period has not expired	-	-
	$ 143,337	$ 136,728

6. GOODWILL

The changes in the carrying amount of goodwill consisted of the following (in thousands):

	Six Months Ended June 30, 2021	Year Ended December 31, 2020
Beginning balance	$ 345,646	$ 317,676
Goodwill acquired	27,814	28,540
Goodwill derecognition (write-off) related to closed clinics	-	(1,859)
Goodwill adjustments for purchase price allocation of businesses acquired in prior year	427	1,289
Ending balance	$ 373,887	$ 345,646

The derecognition (write-off) of goodwill in the amount of $1.9 million was related to certain clinics that have been permanently closed.

7. INTANGIBLE ASSETS, NET

Intangible assets, net as of June 30, 2021 and December 31, 2020 consisted of the following (in thousands):

	June 30, 2021	December 31, 2020
Tradenames	$ 32,836	$ 32,317
Referral relationships, net of accumulated amortization of $16,082 and $14,522, respectively	24,707	22,119
Non-compete agreements, net of accumulated amortization of $6,170 and $5,993, respectively	1,673	1,844
	$ 59,216	$ 56,280

Tradenames, referral relationships and non-compete agreements are related to the businesses acquired. The value assigned to tradenames has an indefinite life and is tested at least annually for impairment using the relief from royalty method in conjunction with the Company’s annual goodwill impairment test. The value assigned to referral relationships is being amortized over their respective estimated useful lives which range from six to thirteen years. Non-compete agreements are amortized over the respective term of the agreements which range from five to six years.

The following table details the amount of amortization expense recorded for intangible assets for the three and six months ended June 30, 2021 and 2020 (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Referral relationships	$ 778	$ 836	$ 1,561	$ 1,449
Non-compete agreements	138	87	177	264
	$ 916	$ 923	$ 1,738	$ 1,713

Based on the balance of referral relationships and non-compete agreements as of June 30, 2021, the expected amount to be amortized in 2021 and thereafter by year is as follows (in thousands):

Referral Relationships			Non-Compete Agreements		
Years Ending December 31,		**Annual Amount**	**Years Ending December 31,**		**Annual Amount**
2021 (excluding the six months ended June 30, 2021)	$	1,626	2021 (excluding the six months ended June 30, 2021)	$	281
2022	$	3,203	2022	$	406
2023	$	3,096	2023	$	336
2024	$	2,932	2024	$	279
2025	$	2,788	2025	$	213
Thereafter	$	11,062	Thereafter	$	158

8. ACCRUED EXPENSES

Accrued expenses as of June 30, 2021 and December 31, 2020 consisted of the following (in thousands):

	June 30, 2021		December 31, 2020	
Salaries and related costs	$	24,378	$	24,646
Credit balances due to patients and payors		5,638		5,756
Group health insurance claims		2,316		2,113
Closure costs		844		1,333
Federal income taxes payable		4,547		5,715
MAAPP funds payable		-		14,054
Deferred employer payroll taxes - CARES ACT		4,547		4,170
Other		2,450		1,959
Total	$	44,720	$	59,746

See Note – 1 Basis of Presentation and Significant Accounting Policies – Impact of COVID-19 for a discussion of CARES Act and MAAPP funds. Closure costs consist primarily of remaining lease commitments related to closed clinics.

9. NOTES PAYABLE AND AMENDED CREDIT AGREEMENT

Amounts outstanding under the Amended Credit Agreement (as defined below) and notes payable as of June 30, 2021 and December 31, 2020 consisted of the following (in thousands):

	June 30, 2021		December 31, 2020	
Credit Agreement average effective interest rate of 2.6% for both June 30, 2021 and December 31, 2020, (inclusive of unused fee)	$	38,000	$	16,000
Various notes payable with $1,017 plus accrued interest due in the next year, interest accrues in the range of 3.25% through 5.50% per annum		1,838		5,495
	$	39,838	$	21,495
Less current portion		(1,017)		(4,899)
Long term portion	$	38,821	$	16,596

Effective December 5, 2013, the Company entered into an Amended and Restated Credit Agreement with a commitment for a $125.0 million revolving credit facility. This agreement was amended and/or restated in August 2015, January 2016, March 2017, November 2017 and January 2021 (hereafter referred to as “Amended Credit Agreement”). The Amended Credit Agreement is unsecured and has loan covenants, including requirements that the Company comply with a consolidated fixed charge coverage ratio and consolidated leverage ratio. Proceeds from the Amended Credit Agreement may be used for working capital, acquisitions, purchases of the Company’s common stock, dividend payments to the Company’s common stockholders, capital expenditures and other corporate purposes. The pricing grid is based on the Company’s consolidated leverage ratio with the applicable spread over LIBOR ranging from 1.25% to 2.0% or the applicable spread over the Base Rate ranging from 0.1% to 1%. Fees under the Amended Credit Agreement include an unused commitment fee of 0.3% of the amount of funds outstanding under the Amended Credit Agreement.

The January 2021 amendment to the Amended Credit Agreement allows the cash and noncash consideration that the Company could pay with respect to acquisitions permitted under the Amended Credit Agreement to $50,000,000 for any fiscal year, and the amount the Company may pay in cash dividends to its shareholders in an aggregate amount not to exceed $50,000,000 in any fiscal year. The commitment remains at $125 million, however the accordion feature in the agreement was expanded to provide for capacity up to $150 million, and has a maturity date of November 30, 2025. The Amended Credit Agreement is unsecured and includes certain financial covenants which include a consolidated fixed charge coverage ratio and a consolidated leverage ratio, as defined in the agreement.

As of June 30, 2021, $38.0 million was outstanding on the Amended Credit Agreement, resulting in $87.0 million of availability. As of June 30, 2021, the Company was in compliance with all of the covenants contained in the Amended Credit Agreement.

The Company generally enters into various notes payable as a means of financing a portion of its acquisitions and purchasing of non-controlling interests. In conjunction with these transactions in 2020 and 2021, the Company entered into notes payable in the aggregate amount of $1.6 million of which an aggregate principal payment of $0.5 million is due in 2021, $0.6 million is due in 2022 and $0.5 million is due in 2023. Interest accrues in the range of 3.25% to 5.50% per annum and is payable with each principal installment. The balance of the various notes payable entered into prior to 2020 was $0.2 million which will be paid in the last six months in 2021.

Subsequent aggregate annual payments of principal required pursuant to the Amended Credit Agreement and outstanding notes payable at June 30, 2021 are as follows (in thousands):

During the twelve months ended June 30, 2022	$	1,017
During the twelve months ended June 30, 2023		821
During the twelve months ended June 30, 2026		38,000
	$	39,838

The outstanding amounts under the Amended Credit Agreement facility (balance at June 30, 2021 of $38.0 million) mature on November 30, 2025.

10. LEASES

The Company has operating leases for its corporate offices and operating facilities. The Company determines if an arrangement is a lease at the inception of a contract. Right-of-use assets represent the Company’s right to use an underlying asset during the lease term and operating lease liabilities represent net present value of the Company’s obligation to make lease payments arising from the lease. Right-of-use assets and operating lease liabilities are recognized at commencement date based on the net present value of the fixed lease payments over the lease term. The Company’s operating lease terms are generally five years or less. The Company’s lease terms include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. As most of the Company’s operating leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. Operating fixed lease expense is recognized on a straight-line basis over the lease term.

In accordance with ASC 842, the Company records on its consolidated balance sheet leases with a term greater than 12 months. The Company has elected, in compliance with current accounting standards, not to record leases with an initial terms of 12 months or less in the consolidated balance sheet. ASC 842 requires the separation of the fixed lease components from the variable lease components. The Company has elected the practical expedient to account for separate lease components of a contract as a single lease cost thus causing all fixed payments to be capitalized. Non-lease and variable cost components are not included in the measurement of the right-of-use assets or operating lease liabilities. The Company also elected the package of practical expedients permitted within ASC 842, which among other things, allows the Company to carry forward historical lease classification. Variable lease payment amounts that cannot be determined at the commencement of the lease such as increases in lease payments based on changes in index rates or usage are not included in the right-of- use assets or operating lease liabilities. These are expensed as incurred and recorded as variable lease expense.

For the three months and six ended June 30, 2021, the components of lease expense were as follows (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Operating lease cost	$ 7,895	$ 7,815	$ 15,624	$ 15,627
Short-term lease cost	361	215	729	509
Variable lease cost	1,628	1,514	3,239	3,046
Total lease cost *	$ 9,884	$ 9,544	$ 19,592	$ 19,182

*Sublease income was immaterial

Lease cost is reflected in the consolidated statement of net income in the line item – rent, supplies, contract labor and other.

Supplemental information related to leases was as follows (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Cash paid for amounts included in the measurement of operating lease liabilities (in thousands)	$ 8,258	$ 6,555	$ 16,370	$ 14,345
Right-of-use assets obtained in exchange for new operating lease liabilities (in thousands)	$ 12,976	$ 7,535	$ 20,873	$ 19,075

The aggregate future lease payments for operating leases as of June 30, 2021 were as follows (in thousands):

Fiscal Year	Amount
2021 (excluding the six months ended June 30, 2021)	$ 15,765
2022	28,048
2023	22,301
2024	15,724
2025	9,460
2026 and therafter	9,374
Total lease payments	$ 100,672
Less: imputed interest	5,925
Total operating lease liabilities	$ 94,747

Average lease terms and discount rates were as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Weighted-average remaining lease term - Operating leases	4.11 Years	4.21 Years	4.11 Years	4.21 Years
Weighted-average discount rate - Operating leases	3.0%	3.2%	3.0%	3.2%

11. SEGMENT INFORMATION

The Company's reportable segments include the physical therapy operations segment and the industrial injury prevention services segment. Included in the physical therapy operations segment are revenues from management contract services and other services which include services the Company provides on-site, such as athletic trainers for schools.

The Company evaluates performance of the segments based on gross profit. The Company has provided additional information regarding its reportable segments which contributes to the understanding of the Company and provides useful information.

The following table summarizes selected financial data for the Company's reportable segments. Prior year results presented herein have been changed to conform to the current presentation.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net operating revenues:				
Physical therapy operations	$ 116,895	$ 74,199	$ 219,253	$ 177,040
Industrial injury prevention services	10,033	9,658	20,043	19,534
Total Company	$ 126,928	$ 83,857	$ 239,296	$ 196,574
Gross profit:				
Physical therapy operations (excluding closure costs)	$ 31,739	$ 16,199	$ 54,950	$ 33,978
Industrial injury prevention services	2,543	3,179	5,265	4,843
	$ 34,282	$ 19,378	$ 60,215	$ 38,821
Physical therapy operations - closure costs	(22)	94	15	3,846
Gross profit	$ 34,304	$ 19,284	$ 60,200	$ 34,975
Total Assets:				
Physical therapy operations			$ 578,985	$ 534,238
Industrial injury prevention services			43,973	50,780
Total Company			$ 622,958	$ 585,018

12. RELATED PARTY TRANSACTIONS

Settlement of Short Swing Profit Claim

In March 2021, the Company recorded approximately $12.8 thousand related to the short swing profit settlement remitted by a shareholder of our company under Section 16(b) of the Securities Exchange Act of 1934, as amended. The Company recognized the proceeds as an increase to additional paid-in capital in the consolidated balance sheets as of June 30, 2021 and consolidated statements of stockholders' equity, as well as in cash provided by financing activities included in Other, in the consolidated statements of cash flows, for the six months ended June 30, 2021.

13. COMMON STOCK

From September 2001 through December 31, 2008, the Board authorized the Company to purchase, in the open market or in privately negotiated transactions, up to 2,250,000 shares of the Company's common stock. In March 2009, the Board authorized the repurchase of up to 10% or approximately 1,200,000 shares of its common stock ("March 2009 Authorization"). The Amended Credit Agreement permits share repurchases of up to $15,000,000, subject to compliance with covenants. The Company is required to retire shares purchased under the March 2009 Authorization.

Under the March 2009 Authorization, the Company has purchased a total of 859,499 shares. There is no expiration date for the share repurchase program. There are currently an additional estimated 129,455 shares (based on the closing price of $115.87 on June 30, 2021) that may be purchased from time to time in the open market or private transactions depending on price, availability and the Company's cash position. The Company did not purchase any shares of its common stock during the six months ended June 30, 2021.

14. RECLASSIFICATION OF PRIOR PERIOD PRESENTATION

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following is a discussion of our historical consolidated financial condition and results of operations, and should be read in conjunction with (i) our historical consolidated financial statements and accompanying notes thereto included elsewhere in this Quarterly Report on Form 10-Q; (ii) our Annual Report on Form 10-K for the year ended December 31, 2020 filed with the Securities and Exchange Commission (the "SEC") on March 1, 2021 ("2020 Annual Report"); and (iii) our management's discussion and analysis of financial condition and results of operations included in our 2020 Annual Report. This discussion includes forward-looking statements that are subject to risk and uncertainties. Actual results may differ substantially from the statements we make in this section due to a number of factors that are discussed in "Forward-Looking Statements" herein and in Part II, Item 1A. Risk Factors of this report.

References to "we," "us," "our" and the "Company" shall mean U.S. Physical Therapy, Inc. and its subsidiaries.

EXECUTIVE SUMMARY

Our Business

We operate outpatient physical therapy clinics that provide pre- and post-operative care and treatment for a variety of orthopedic-related disorders and sports-related injuries, neurologically-related injuries and rehabilitation of injured workers. We also operate an industrial injury prevention services business which includes onsite injury prevention and rehabilitation, performance optimization and ergonomic assessments services.

Business Update Related to COVID-19

As previously disclosed in a series of filings with the SEC and further described in detail in our Quarterly Reports on Form 10-Q for the first three quarters of 2020 and the 2020 Annual Report, our results were negatively impacted by the effects of the COVID-19 pandemic in 2020. For 2021 periods as compared to 2020 periods, the increase in revenues and expenses are primarily due to the Company returning to pre-pandemic volumes.

We have put preparedness plans in place at our facilities to maintain continuity of operations, while also taking steps to keep employees and patients safe. In line with recommendations to reduce large gatherings and increase social distancing, we continue to allow a large number of office-based employees to work remotely. The Company is monitoring the situation and will adjust work environments accordingly.

In response to the COVID-19 pandemic, the federal government approved the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The CARES Act was signed into law in March 2020. The CARES Act provides numerous tax provisions and other stimulus measures, including temporary changes regarding the prior and future utilization of net operating losses, temporary changes to the prior and future limitations on interest deductions, temporary suspension of certain payment requirements for the employer portion of Social Security taxes, technical corrections from prior tax legislation for tax depreciation of certain qualified improvement property, and the creation of certain payroll tax credits associated with the retention of employees.

In 2020, we received benefits under the CARES Act including, but not limited to:

- The CARES Act allowed for qualified healthcare providers to receive advanced payments under the Medicare Accelerated and Advance Payment Program ("MAAPP Funds") during the COVID-19 pandemic. Under this program, healthcare providers could choose to receive advanced payments for future Medicare services provided. We applied for and received approval from Centers for Medicare & Medicaid Services ("CMS") in April 2020. We recorded the $14.1 million in advance payments received as a liability. During the 2021 First Quarter, we repaid the MAAPP Funds of $14.1 million rather than applying them to future services performed.

- We elected to defer depositing the employer's share of Social Security taxes for payments due from March 27, 2020 through December 31, 2020, interest-free and penalty-free. As of June 30, 2021, included in each of accrued liabilities was $4.1 million and in other long-term liabilities is $4.2 million related to these deferred payments.

- The CARES Act provided additional waivers, reimbursement, grants and other funds to assist health care providers during the COVID-19 pandemic, including $100.0 billion in appropriations for the Public Health and Social Services Emergency Fund, also referred to as the Provider Relief Fund, to be used for preventing, preparing, and responding to the coronavirus, and for reimbursing eligible health care providers for lost revenues and health care related expenses that are attributable to COVID-19. Through December 31, 2020, our consolidated subsidiaries received approximately $13.5 million of payments under the CARES Act ("Relief Funds"). Under the our accounting policy, these payments have been recorded as Other income – Relief Funds. These funds are not required to be repaid upon attestation and compliance with certain terms and conditions, which could change materially based on evolving grant compliance provisions and guidance provided by the U.S. Department of Health and Human Services. Currently, we can attest and comply with the terms and conditions. We will continue to monitor the evolving guidelines and may record adjustments as additional information is released. There were no Relief Funds received in the six months ended June 30, 2021.

Selected Operating and Financial Data

Our reportable segments include the physical therapy operations segment and the industrial injury prevention services segment. Our physical operations consist of physical therapy and occupational therapy clinics that provide pre-and post-operative care and treatment for orthopedic-related disorders, sports-related injuries, preventive care, rehabilitation of injured workers and neurological injuries. Services provided by industrial injury prevention services segment include onsite injury prevention and rehabilitation, performance optimization and ergonomic assessments.

At June 30, 2021, we operated 575 clinics in 39 states. In addition to our ownership and operation of outpatient physical therapy clinics, we also manage physical therapy facilities for third parties, such as physicians and hospitals, with 39 such third-party facilities under management as of June 30, 2021.

In March 2017, we acquired a 55% interest in an initial industrial injury prevention business. On April 30, 2018, we made a second acquisition and subsequently combined the two businesses. After the combination, we owned a 59.45% interest in the combined business, Briotix Health, Limited Partnership ("Briotix Health"). Services provided include onsite injury and ergonomic assessments. The majority of these services are contracted with and paid for directly by employers, including a number of Fortune 500 companies. Other clients include large insurers and their contractors. We perform these services through Industrial Sports Medicine Professionals, consisting of both physical therapists and specialized certified athletic trainers (ATCs). On April 11, 2019, we acquired a third company that is a provider of industrial injury prevention services. The acquired company specializes in delivering injury prevention and care, post offer employment testing, functional capacity evaluations and return-to-work services. It performs these services across a network in 45 states including onsite at eleven client locations. The acquired business was then combined with Briotix Health increasing our ownership position in the partnership to approximately 76.0%.

On June 30, 2021, we acquired a 65% interest in an eight-clinic physical therapy practice with the practice founder retaining 35%. The purchase price was approximately $10.3 million, of which $9.0 million was paid in cash, $1.0 million is payable based on the achievement of certain business criteria and $0.3 million is in the form of a note payable. The note accrues interest at 3.25% per annum and the principal and interest is payable on June 30, 2023.

On March 31, 2021, we acquired a 70% interest in a five-clinic physical therapy practice with the practice founder retaining 30%. When acquired, the practice was developing a sixth clinic which has been completed. The purchase price was approximately $12.0 million, of which $11.7 million was paid in cash and a $0.3 million note payable. The note accrues interest at 3.25% per annum and the principal and interest is payable on March 31, 2023.

On November 30, 2020, we acquired a 75% interest in a three-clinic physical therapy practice. The purchase price for the 75% interest was $8.9 million (net of cash acquired), of which $8.6 million was paid in cash and $0.3 million in the form of a note payable that is payable in two principal installments totaling $162,500 each. The first principal payment plus accrued interest is due to be paid in November 2021 with the second installment to be paid in November 2022. The note accrues interest at 3.25% per annum.

On September 30, 2020, we acquired a 70% interest in an entity which holds six-management contracts that have been in place for a number of years. Currently, these contracts have a five year term. The purchase price for the 70% interest was approximately $4.2 million, with $3.7 million payable in cash and $0.5 million in two notes payable. One of the notes payable of $0.2 million is payable, with any accrued interest at 5% per annum, on September 30, 2021. The remaining note of $0.3 million was paid in November 2020.

On February 27, 2020, we acquired interests in a four-clinic physical therapy practice. The four clinics are in four separate partnerships. Our interests in the four partnerships range from 10.0% to 83.8%, with an overall 65.0% based on the initial purchase transaction. The purchase price was $11.9 million, of which $11.6 million was paid in cash and a $0.3 million note payable. The note accrues interest at 4.75% per annum and the principal and interest is payable in February 2022.

During the six months ended June 30, 2020, we sold two clinics. The aggregate sales price was $0.1 million.

Employees

Our strategy to acquire physical therapy practices, develop outpatient physical therapy clinics as satellites within existing partnerships, acquire industrial injury prevention businesses, and to continue to support the growth of our existing businesses requires a talented workforce that can grow with us. As of June 30, 2021, we employed approximately 5,178 people nationwide, of which approximately 2,755 were full-time employees.

It is crucial that we continue to attract and retain top talent. To attract and retain talented employees, we strive to make our corporate office and all of our practices and businesses a diverse and healthy workplace, with opportunities for our employees to receive continuing education, skill development, encouragement to grow and develop their career, all supported by competitive compensation, incentives, and benefits. Our clinical professionals are all licensed and a vast majority have advanced degrees. Our operational leadership teams have long-standing relationships with local and regional universities, professional affiliations, and other applicable sources that provide our practices with a talent pipeline.

We provide competitive compensation and benefits programs to help meet our employees' needs in the practices and communities in which they serve. These programs (which can vary by practice and employment classification) include incentive compensation plans, a 401(k) plan, healthcare and insurance benefits, health savings and flexible spending accounts, paid time off, family leave, education assistance, mental health, and other employee assistance benefits.

We invest resources to develop the talent needed to support our business strategy. Resources include a multitude of training and development programs delivered internally and externally, online and instructor-led, and on-the-job learning formats.

We expect to continue adding personnel in the future as we focus on potential acquisition targets and organic growth opportunities.

RESULTS OF OPERATIONS

Summary of 2021 Second Quarter and Six Months Results

For the three months ended June 30, 2021 (“2021 Second Quarter”), our net income attributable to diluted shareholders was $12.4 million, as compared to $10.2 million for the three months ended June 30, 2020 (“2020 Second Quarter”) and $14.6 million for the three months ended June 30, 2019 (“2019 Second Quarter”), which includes a $5.8 million gain on the sale of the Company’s interest in a physical therapy partnership on June 30, 2019. For the six months ended June 30, 2021 (“2021 Six Months”), our net income attributable to diluted shareholders was $20.6 million, as compared to $11.2 million for the six months ended June 30, 2020 (“2020 Six Months”) and $23.1 million for the six months ended June 30, 2019 (“2019 Six Months”). Inclusive of the charge or credit for revaluation of non-controlling interest, net of taxes, used to compute diluted earnings per diluted share in accordance with GAAP, the amount is $10.5 million, or $0.82 per diluted share, for the 2021 Second Quarter as compared to $12.7 million, or $0.99 per diluted share, for the 2020 Second Quarter, and $10.8 million, or $0.85 per diluted share, for the 2019 Second Quarter. Inclusive of the charge or credit for revaluation of redeemable non-controlling interest, net of taxes, used to compute diluted earnings per diluted share in accordance with GAAP, the amount is $13.3 million, or $1.03 per diluted share, for the 2021 Six Months as compared to $15.3 million, or $1.19 per diluted share, for the 2020 Six Months, and $15.8 million, or $1.24 per diluted share, for the 2019 Six Months. In accordance with current accounting guidance, the revaluation of redeemable non-controlling interest, net of taxes, is not included in net income but charged directly to retained earnings; however, the charge or credit for this change is included in the earnings per basic and diluted share calculation. See the table below for the computation of diluted earnings per diluted share. In 2020, the valuation of redeemable non-controlling interests decreased due to the results associated with the pandemic, therefore resulting in a credit to retained earnings. In 2021 and 2019, the valuations increased therefore there was a charge to retained earnings.

For the 2021 Second Quarter, our Operating Results was $12.4 million, or $0.96 per diluted diluted share, as compared to $9.5 million (inclusive of Relief Funds), or $0.74 per diluted diluted share, for the 2020 Second Quarter, and $10.3 million, or $0.81 per diluted share for the 2019 Second Quarter. For the 2021 Six Months, our Operating Results was $20.6 million, or $1.60 per diluted diluted share, as compared to $13.4 million, or $1.04 per diluted diluted share, for the 2020 Six Months, and $18.8 million, or $1.47 per diluted share, for the 2019 Six Months. Operating Results, a non-Generally Accepted Accounting Principles (“GAAP”) measure, equals net income attributable to our diluted shareholders per the consolidated statements of income less gain on sale of partnership interests and clinics plus charges incurred for clinic closure costs and expenses related to CFO transition, all net of taxes. Earnings per diluted share from Operating Results also excludes the impact of the revaluation of redeemable non-controlling interest and the associated tax impact.

The table below provides a calculation of diluted earnings per share and Operating Results (in thousands, except per share data):

U. S. PHYSICAL THERAPY, INC. AND SUBSIDIARIES
EARNINGS PER SHARES AND OPERATING RESULTS
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(unaudited)

	Three Months Ended June 30,		
	2021	2020	2019
Computation of earnings per share - USPH shareholders:			
Net income attributable to USPH shareholders	$ 12,436	$ 10,232	$ 14,620
Credit (charges) to retained earnings:			
Revaluation of redeemable non-controlling interest	(2,549)	3,344	(5,169)
Tax effect at statutory rate (federal and state) of 25.55% and 26.25%, respectively	651	(878)	1,356
	$ 10,538	$ 12,698	$ 10,807
Earnings per share (basic and diluted)	$ 0.82	$ 0.99	$ 0.85
Adjustments:			
Closure costs	(22)	94	-
Expenses related to CFO transition	-	-	-
Gain on sale of partnership interest and clinics	-	(1,073)	(5,823)
Relief Funds	-	(7,958)	-
Allocation to non-controlling interest	-	1,900	-
Revaluation of redeemable non-controlling interest	2,549	(3,344)	5,169
Tax effect at statutory rate (federal and state) of 25.55%, 26.25% and 26.25%, respectively	(651)	2,725	172
Operating Results (excluding Relief Funds)	$ 12,414	$ 5,042	$ 10,325
Relief Funds	-	7,958	-
Allocation to non-controlling interest	-	(1,900)	-
Tax effect at statutory rate (federal and state) of 25.55%, 26.25% and 26.25%, respectively	-	(1,590)	-
Operating Results (including Relief Funds)	$ 12,414	$ 9,510	$ 10,325
Basic and diluted Operating Results (without Relief Funds) per share	$ 0.96	$ 0.39	$ 0.81
Basic and diluted Operating Results (including Relief Funds) per share	$ 0.96	$ 0.74	$ 0.81
Shares used in computation - basic and diluted	12,902	12,843	12,767

	Six Months Ended June 30,		
	2021	2020	2019
Computation of earnings per share - USPH shareholders:			
Net income attributable to USPH shareholders	$ 20,609	$ 11,248	$ 23,063
Credit (charges) to retained earnings:			
Revaluation of redeemable non-controlling interest	(9,819)	5,473	(9,830)
Tax effect at statutory rate (federal and state) of 25.55%, 26.25% and 26.25%, respectively	2,508	(1,437)	2,580
	$ 13,298	$ 15,284	$ 15,813
Earnings per share (basic and diluted)	$ 1.03	$ 1.19	$ 1.24
Adjustments:			
Closure costs	15	3,846	-
Expenses related to CFO transition	-	133	-
Gain on sale of partnership interest and clinics	-	(1,073)	(5,823)
Relief Funds	-	(7,958)	-
Allocation to non-controlling interest	-	1,900	-
Revaluation of redeemable non-controlling interest	9,819	(5,473)	9,830
Tax effect at statutory rate (federal and state) of 25.55%, 26.25% and 26.25%, respectively	(2,508)	2,264	(1,052)
Operating Results (excluding Relief Funds)	$ 20,624	$ 8,923	$ 18,768
Relief Funds	-	7,958	-
Allocation to non-controlling interest	-	(1,900)	-
Tax effect at statutory rate (federal and state) of 25.55%, 26.25% and 26.25%, respectively	-	(1,590)	-
Operating Results (including Relief Funds)	$ 20,624	$ 13,391	$ 18,768
Basic and diluted Operating Results (without Relief Funds) per share	$ 1.60	$ 0.70	$ 1.47
Basic and diluted Operating Results (including Relief Funds) per share	$ 1.60	$ 1.04	$ 1.47
Shares used in computation - basic and diluted	12,886	12,820	12,738

Three Months Ended June 30, 2021 Compared to the Three Months Ended June 30, 2020

The following table summarizes financial data by segment for the periods indicated and reconciles the data to our consolidated financial statements (in thousands):

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020
Net operating revenues:		
Physical therapy operations	$ 116,895	$ 74,199
Industrial injury prevention services	10,033	9,658
Total Company	$ 126,928	$ 83,857
Gross profit:		
Physical therapy operations (excluding closure costs)	$ 31,739	$ 16,199
Industrial injury prevention services	2,543	3,179
	$ 34,282	$ 19,378
Physical therapy operations - closure costs	(22)	94
Gross profit	$ 34,304	$ 19,284
Total Assets:		
Physical therapy operations	$ 578,888	$ 534,238
Industrial injury prevention services	44,070	50,780
Total Company	$ 622,958	$ 585,018

Revenues

Reported net revenues for the 2021 Second Quarter was $126.9 million, an increase of 51.4% as compared to $83.9 million for the 2020 Second Quarter.See table below for a detail of reported net revenues (in thousands):

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020
Revenue related to Mature Clinics	$ 105,223	$ 69,567
Revenue related to 2021 Clinic Additions	2,458	-
Revenue related to 2020 Clinic Additions	5,531	1,952
Revenue from clinics sold or closed in 2021	24	102
Revenue from clinics sold or closed in 2020	2	658
Net patient revenue from physical therapy operations.	113,238	72,279
Other revenue	918	328
Physical therapy operations	$ 114,156	$ 72,607
Management contract revenue	2,739	1,592
Industrial injury prevention services	10,033	9,658
Total Revenue	$ 126,928	$ 83,857

Net patient revenues from physical therapy operations increased $41.0 million, or 56.7%, to $113.2 million for the 2021 Second Quarter from $72.3 million for the 2020 Second Quarter. Included in net patient revenues are revenues related to clinics sold or closed in 2021 and 2020 of $26,000 for 2021 Second Quarter and $0.8 million for the 2020 Second Quarter. During the full year of 2020, the Company sold its interest in 14 clinics and closed 34 clinics. For comparison purposes, adjusted for revenue from the clinics sold or closed, net patient revenues from physical therapy operations was approximately $113.2 million for Second Quarter 2021, inclusive of $8.0 million related to clinics opened or acquired in the 2021 Second Quarter ("2021 Clinic Additions") and 2020 year ("2020 Clinic Additions"), together referred to as ("Clinic Additions"), and $71.5 million for the Second Quarter 2020, inclusive of $2.0 million for 2020 Clinic Additions. Net patient revenues related to clinics opened or acquired prior to 2020 and still in operations at June 30, 2021 ("Mature Clinics") increased $35.7 million for the 2021 Second Quarter compared to the 2020 Second Quarter.

The average net patient revenue per visit was $104.46 for the 2021 Second Quarter as compared to $106.97 for the 2020 Second Quarter, including all clinics operational during such periods. Total patient visits increased 60.4% to 1,084,070 for the 2021 Second Quarter from 675,701 for the 2020 Second Quarter. Net patient revenues are based on established billing rates less allowances for patients covered by contractual programs and workers' compensation. Net patient revenues are determined after contractual and other adjustments relating to patient discounts from certain payors. Payments received under contractual programs and workers' compensation are based on predetermined rates and are generally less than the established billing rates.

Revenue from physical therapy management contracts increased 72.0% to $2.7 million for the 2021 Second Quarter as compared to $1.6 million for the 2020 Second Quarter. Other miscellaneous revenue was $0.9 million in the 2021 Second Quarter and $0.3 million in the 2020 Second Quarter. Other miscellaneous revenue includes a variety of services, including athletic trainers provided for schools and athletic events.

Revenue from the industrial injury prevention business increased 3.9% to $10.0 million for the 2021 Second Quarter as compared to $9.7 million for the 2020 Second Quarter.

Operating Costs

Total operating costs, excluding closure costs, were $92.6 million for the 2021 Second Quarter, or 73.0% of net revenues, an improvement of 390 basis points as compared to $64.5 million for the 2020 Second Quarter, or 76.9% of net revenues. Included in operating costs for the 2021 Second Quarter was $7.0 million related to Clinic Additions. Operating costs for Mature Clinics increased by $22.2 million for the 2021 Second Quarter compared to the 2020 Second Quarter. In addition, operating costs related to the industrial injury prevention business increased by $1.0 million. See table below for a detail of operating costs, excluding closure costs (in thousands):

	Three Months Ended	
	June 30, 2021	June 30, 2020
Operating costs related to Mature Clinics	$ 75,988	$ 53,767
Operating costs related to 2021 Clinic Additions	2,019	-
Operating costs related to 2020 Clinic Additions	4,934	1,513
Operating costs related to clinics sold or closed in 2021	(2)	132
Operating costs related to clinics sold or closed in 2020	14	1,425
Physical therapy operations	$ 82,953	$ 56,837
Physical therapy management contracts	2,202	1,163
Industrial injury prevention services	7,491	6,479
	$ 92,646	$ 64,479

Each component of operating costs is discussed below:

Operating Costs—Salaries and Related Costs

Salaries and related costs, including physical therapy operations and the industrial injury prevention business, were 54.3% of net revenues for the 2021 Second Quarter versus 51.8% for the 2020 Second Quarter. Salaries and related costs for the physical therapy operations were $60.6 million in the 2021 Second Quarter, or 53.1% of physical therapy operations revenues, as compared to $36.9 million in the 2020 Second Quarter, or 50.9% of physical therapy operations revenues. Included in salaries and related costs for the physical therapy operations for the 2021 Second Quarter was $4.9 million related to 2021 and 2020 Clinic Additions. Adjusted for the salaries and related costs for clinics closed or sold in 2021 and 2020, salaries and related costs for Mature Clinics increased by $20.1 million in the 2021 Second Quarter compared to the 2020 Second Quarter. Salaries and related costs related to management contracts increased by $0.9 million for the 2021 Second Quarter.

Salaries and related costs for the industrial injury prevention services business were $6.2 million in the 2021 Second Quarter, or 62.2% of industrial injury prevention services revenues, as compared to $5.5 million in the 2020 Second Quarter, or 56.9% of net industrial injury prevention services revenues.

Operating Costs—Rent, Supplies, Contract Labor and Other

Rent, supplies, contract labor and other costs, including physical therapy operations and the industrial injury prevention services business, were 17.7% of net revenues in the 2021 Second Quarter versus 24.2% in the 2020 Second Quarter. Rent, supplies, contract labor and other costs for the physical therapy operations were $20.9 million in the 2021 Second Quarter, or 16.8% of physical therapy operations revenues, as compared to $19.2 million in the 2020 Second Quarter, or 26.4% of physical therapy operations revenues. Included in rent, supplies, contract labor and other costs related to physical therapy operations for the 2021 Second Quarter was $2.0 million related to 2021 and 2020 Clinic Additions. Adjusted for the rent, supplies, contract labor and other costs for clinics related to the clinics closed or sold in 2021 and 2020 of $0.1 million in the 2021 Second Quarter and $1.0 million in the 2020 Second Quarter, rent, supplies, contract labor and other costs for Mature Clinics increased by $1.3 million in the 2021 Second Quarter compared to the 2020 Second Quarter. Rent, supplies, contract labor and other costs, related to management contracts decreased $0.9 million in the 2021 Second Quarter.

Rent, supplies, contract labor and other costs for the industrial injury prevention services business were $1.2 million in the 2021 Second Quarter, or 12.5% of industrial injury prevention services revenues, as compared to $0.9 million in the 2020 Second Quarter, or 10.2% of net industrial injury prevention services revenues.

Operating Costs—Provision for Credit Losses

The provision for credit losses as a percentage of net revenue was 1.1% in the 2021 Second Quarter and 0.9% for the comparable period in 2020.

Our provision for credit losses for patient accounts receivable as a percentage of total patient accounts receivable was 5.1% at June 30, 2021, as compared to 4.5% at December 31, 2020. Our days' sales outstanding were 32 days at both June 30, 2021 and December 31, 2020.

Gross Profit

Gross profit for the 2021 Second Quarter, excluding closure costs, was $34.3 million, an increase of $14.9 million, or approximately 76.9%, as compared to $19.4 million for the 2020 Second Quarter. The gross profit percentage, excluding closure costs, was 27.0% of net revenue for the 2021 Second Quarter, an increase of 390 basis points as compared to 23.1% for the 2020 Second Quarter. The gross profit percentage for the Company's physical therapy clinics, excluding closure costs, was 27.3% for the 2021 Second Quarter, an improvement of 560 basis points as compared to 21.7% for the 2020 Second Quarter. The gross profit percentage on physical therapy management contracts was 19.6% for the 2021 Second Quarter, a decrease of 730 basis points as compared to 26.9% for the 2020 Second Quarter.

The gross profit percentage for the industrial injury prevention business was 25.3% for the 2021 Second Quarter, a decrease of 760 basis points as compared to 32.9% for the 2020 Second Quarter.

The table below details the gross profit, excluding closure costs (in thousands):

	Three Months Ended	
	June 30, 2021	June 30, 2020
Gross profit, excluding closure costs:		
Physical therapy operations	$ 31,203	$ 15,770
Management contracts	536	429
Industrial injury prevention services	2,543	3,179
Gross profit, excluding closure costs	$ 34,282	$ 19,378
Physical therapy operations - closure costs	(22)	94
Gross profit	$ 34,304	$ 19,284

Corporate Office Costs

Corporate office costs were $12.1 million for the 2021 Second Quarter compared to $9.0 million for the 2020 Second Quarter. Corporate office costs were 9.5% of net revenues for the 2021 Second Quarter as compared to 10.8% for the 2020 Second Quarter. The increase in costs was primarily due to higher salaries and benefits for the 2021 Second Quarter compared to the 2020 Second Quarter. The 2020 Second Quarter included salary reductions and furloughs related to the pandemic.

Operating Income

Operating income for the 2021 Second Quarter was $22.2 million, an increase of $12.0 million, or 116.6%, as compared to $10.3 million for the 2020 Second Quarter. Operating income as a percentage of net revenue increased by 530 basis points from 12.2% for the 2020 period to 17.5% for the 2021 period.

Interest Expense

Interest expense was $237,000 for the 2021 Second Quarter and $653,000 for the 2020 Second Quarter due to reduced borrowings under the Company's revolving credit line. At June 30, 2021, $38.0 million was outstanding under our Amended Credit Agreement (as defined below). See "—Liquidity and Capital Resources" below for a discussion of the terms of our Amended Credit Agreement.

Provision for Income Taxes

The provision for income tax was $4.6 million for the 2021 Second Quarter and $3.9 million for the 2020 Second Quarter. The provision for income tax as a percentage of income before taxes less net income attributable to non-controlling interest (effective tax rate) was 26.9% for the 2021 Second Quarter and 27.5% for the 2020 Second Quarter.

See table below detailing calculation of the provision for income taxes as a percentage of income before taxes less net income attributable to non-controlling interest ($ in thousands):

	Three Months Ended	
	June 30, 2021	June 30, 2020
Income before taxes	$ 22,039	$ 18,645
Less: net income attributable to non-controlling interests:		
Redeemable non-controlling interests - temporary equity	(3,611)	(2,996)
Non-controlling interests - permanent equity	(1,425)	(1,535)
	$ (5,036)	$ (4,531)
Income before taxes less net income attributable to non-controlling interests	$ 17,003	$ 14,114
Provision for income taxes	$ 4,567	$ 3,882
Effective tax rate	26.9%	27.5%

Net Income Attributable to Non-controlling Interests

Net income attributable to redeemable non-controlling interests (temporary equity) was $3.6 million for the 2021 Second Quarter and $3.0 million for the 2020 Second Quarter. Net income attributable to non-controlling interests (permanent equity) was $1.4 million for the 2021 Second Quarter and $1.5 million for the 2020 Second Quarter.

Six Months Ended June 30, 2021 Compared to the Six Months Ended June 30, 2020

The following table summarizes financial data by segment for the periods indicated and reconciles the data to our consolidated financial statements (in thousands):

	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Net operating revenues:		
Physical therapy operations	$ 219,253	$ 177,040
Industrial injury prevention services	20,043	19,534
Total Company	$ 239,296	$ 196,574
Gross profit:		
Physical therapy operations (excluding closure costs)	$ 54,950	$ 33,978
Industrial injury prevention services	5,265	4,843
	$ 60,215	$ 38,821
Physical therapy operations - closure costs	15	3,846
Gross profit	$ 60,200	$ 34,975
Total Assets:		
Physical therapy operations	$ 578,985	$ 534,238
Industrial injury prevention services	43,973	50,780
Total Company	$ 622,958	$ 585,018

Revenues

Reported net revenues for the 2021 Six Months increased $42.7 million or 21.7% to $239.3 million as compared to $196.6 million for the 2020 Six Months. See table below for a detail of reported net revenues (in thousands):

	For the Six Months Ended June 30, 2021	For the Six Months Ended June 30, 2020
Revenue related to Mature Clinics	$ 199,068	$ 165,277
Revenue related to 2021 Clinic Additions	2,549	-
Revenue related to 2020 Clinic Additions	10,732	2,930
Revenue from clinics sold or closed in 2021	141	333
Revenue from clinics sold or closed in 2020	2	3,865
Net patient revenue from physical therapy operations.	$ 212,492	$ 172,405
Other revenue	1,464	895
Physical therapy operations	$ 213,956	$ 173,300
Management contract revenue	5,297	3,740
Industrial injury prevention services	20,043	19,534
Total Revenue	$ 239,296	$ 196,574

Net patient revenues from physical therapy operations increased $40.1 million, or 23.3%, to $212.5 million for the 2021 Six Months from $172.4 million for the 2020 Six Months. Included in net patient revenues are revenues related to clinics sold or closed in 2021 and 2020 of $13.3 million for the 2021 Six Months and $2.9 million for the 2020 Six Months. During the 2021 Six Months, the Company sold its interest in 2 clinics and closed 1 clinic. During the full year of 2020, the Company sold its interest in 14 clinics and closed 34 clinics. For comparison purposes, adjusted for revenue from the clinics sold or closed, net patient revenues from physical therapy operations was approximately $212.3 million for the Six Months 2021, inclusive of $13.3 million related Clinic Additions and $168.2 million for the 2021 Six Months, inclusive of $3.0 million for 2020 Clinic Additions. Net patient revenues related to Mature Clinics increased $33.8 million for the 2021 Six Months compared to the 2020 Six Months.

The average net patient revenue per visit was $104.58 for the 2021 Six Months as compared to $104.70 for the 2020 Six Months, including all clinics operational during such periods. Total patient visits were 2,031,858 for the 2021 Six Months and 1,646,724 for the 2020 Six Months, an increase of 23.4%. Net patient revenues are based on established billing rates less allowances for patients covered by contractual programs and workers' compensation. Net patient revenues are determined after contractual and other adjustments relating to patient discounts from certain payors. Payments received under contractual programs and workers' compensation are based on predetermined rates and are generally less than the established billing rates.

Revenue from physical therapy management contracts was $5.3 million for the 2021 Six Months, an increase of 41.6%, as compared to $3.7 million for the 2020 Six Months.

Revenue from the industrial injury prevention business increased 2.6% to $20.0 million for the 2021 Six Months as compared to $19.5 million for the 2020 Six Months.

Other miscellaneous revenue was $1.5 million for the 2021 Six Months and $0.9 million for the 2020 Six Months. Other miscellaneous revenue includes a variety of services, including athletic trainers provided for schools and athletic events.

Operating Costs

Total operating costs, excluding closure costs, were $179.1 million for the 2021 Six Months, or 74.8% of net revenues, an improvement of 550 basis points as compared to $157.8 million for the 2020 Six Months, or 80.3% of net revenues. Included in operating costs for the 2021 Six Months was $11.7 million related to Clinic Additions, of which $9.6 million is associated with 2020 Clinic Additions. Operating costs for Mature Clinics decreased by $15.4 million for the 2021 Six Months compared to the 2020 Six Months. In addition, operating costs related to the industrial injury prevention business decreased by $0.1 million. See table below for a detail of operating costs, excluding closure costs (in thousands):

	For the Six Months Ended	
	June 30, 2021	June 30, 2020
Operating costs related to Mature Clinics	$ 147,975	$ 132,591
Operating costs related to 2021 Clinic Additions	2,161	-
Operating costs related to 2020 Clinic Additions	9,569	2,272
Operating costs related to clinics sold or closed in 2021	154	395
Operating costs related to clinics sold or closed in 2020	(4)	4,829
Physical therapy operations	$ 159,855	$ 140,087
Physical therapy management contracts	4,448	2,975
Industrial injury prevention services	14,778	14,691
	$ 179,081	$ 157,753

Each component of operating costs is discussed below:

Operating Costs—Salaries and Related Costs

Salaries and related costs, including physical therapy operations and the industrial injury prevention business, were 55.4% of net revenues for the 2021 Six Months versus 57.2% for the 2020 Six Months. Salaries and related costs for the physical therapy operations were $116.3 million in the 2021 Six Months, or 54.3% of physical therapy operations revenues, as compared to $97.5 million in the 2020 Six Months, or 56.3% of physical therapy operations revenues. Included in salaries and related costs for the physical therapy operations for the 2021 Six Months was $8.2 million related to Clinic Additions. Adjusted for the salaries and related costs for clinics closed or sold in 2021 and 2020, salaries and related costs for Mature Clinics increased by $14.6 million in the 2021 Six Months compared to the 2020 Six Months. Salaries and related costs related to management contracts increased by $1.4 million for the 2021 Six Months.

Salaries and related costs for the industrial injury prevention services business were $12.5 million in the 2021 Six Months,or 62.3% of industrial injury prevention services revenues, as compared to $12.4 million in the 2020 Six Months, or 63.6% of net industrial injury prevention services revenues.

Operating Costs—Rent, Supplies, Contract Labor and Other

Rent, supplies, contract labor and other costs, including physical therapy operations and the industrial injury prevention services business, were 18.3% of net revenues in the 2021 Six Months versus 22.0% in the 2020 Six Months. Rent, supplies, contract labor and other costs for the physical therapy operations were $41.0 million in the 2021 Six Months, or 19.2% of physical therapy operations revenues, as compared to $40.5 million in the 2020 Six Months, or 23.4% of physical therapy operations revenues. Included in rent, supplies, contract labor and other costs related to physical therapy operations for the 2021 Six Months was $3.4 million related to Clinic Additions. Adjusted for the rent, supplies, contract labor and other costs for clinics related to the clinics closed or sold in 2021 and 2020, rent, supplies, contract labor and other costs for Mature Clinics increased by $0.3 million in the 2021 Six Months compared to the 2020 Six Months. Rent, supplies, contract labor and other costs, related to management contracts increased $48,000 in the 2021 Six Months.

Rent, supplies, contract labor and other costs for the industrial injury prevention services business were $2.3 million in the 2021 Six Months and the 2020 Six Months, or 11.4% and 11.6%, respectively, of industrial injury prevention services revenues.

Operating Costs—Provision for Credit Losses

The provision for credit losses as a percentage of net revenue was 1.1% in both the 2021 Six Months and 2020 Six Months.

Our provision for credit losses for patient accounts receivable as a percentage of total patient accounts receivable was 5.1% at June 30, 2021, as compared to 4.5% at December 31, 2020. Our days' sales outstanding were 32 days at June 30, 2021 and December 31, 2020.

Gross Profit

Gross profit for the 2021 Six Months, excluding closure costs, was $60.2 million, an increase of $21.4 million, or approximately 55.1%, as compared to $38.8 million for the 2020 Six Months. The gross profit percentage, excluding closure costs, was 25.2% of net revenue for the 2021 Six Months, an increase of 550 basis points as compared to 19.7% for the 2020 Six Months. The gross profit percentage for the Company's physical therapy clinics, excluding closure costs, was 25.3% for the 2021 Six Months, an improvement of 610 basis points as compared to 19.2% for the 2020 Six Months. The gross profit percentage on physical therapy management contracts was 16.0% for the 2021 Six Months, a decrease of 450 basis points as compared to 20.5% for the 2020 Six Months.

The gross profit percentage for the industrial injury prevention business was 26.3% for the 2021 Six Months, an improvement of 150 basis points as compared to 24.8% for the 2020 Six Months.

The table below details the gross profit, excluding closure costs (in thousands):

	For the Six Months Ended	
	June 30, 2021	June 30, 2020
Gross profit, excluding closure costs:		
Physical therapy operations	$ 54,101	$ 33,213
Management contracts	849	765
Industrial injury prevention services	5,265	4,843
Gross profit, excluding closure costs	$ 60,215	$ 38,821
Physical therapy operations - closure costs	15	3,846
Gross profit	$ 60,200	$ 34,975

Corporate Office Costs

Corporate office costs were $22.9 million for the 2021 Six Months compared to $20.7 million for the 2020 Six Months. Corporate office costs were 9.6% of net revenues for the 2021 Six Months as compared to 10.5% for the 2020 Six Months. The increase in costs was primarily due to higher salaries and benefits for the 2021 Six Months compared to the 2020 Six Months. The 2020 Six Months included salary reductions and furloughs related to the COVID-19 pandemic.

Operating Income

Operating income for the 2021 Six Months was $37.3 million, an increase of $23.0 million, or 160.9%, as compared to $14.3 million for the 2020 Six Months. Operating income as a percentage of net revenue increased by 830 basis points from 7.3% for the 2020 period to 15.6% for the 2021 period.

Interest Expense

Interest expense was $483,000 for the 2021 Six Months and $1.1 million for the 2020 Six Months due to reduced borrowings under the Company's revolving credit line. At June 30, 2021, $38.0 million was outstanding under our Amended Credit Agreement (as defined below). See "—Liquidity and Capital Resources" below for a discussion of the terms of our Amended Credit Agreement.

Provision for Income Taxes

The provision for income tax was $7.5 million for the 2021 Six Months and $4.2 million for the 2020 Six Months. The provision for income tax as a percentage of income before taxes less net income attributable to non-controlling interest (effective tax rate) was 26.7% for the 2021 Six Months and 27.1% for the 2020 Six Months.

See table below detailing calculation of the provision for income taxes as a percentage of income before taxes less net income attributable to non-controlling interest ($ in thousands):

	Six Months Ended	
	June 30, 2021	**June 30, 2020**
Income before taxes	$ 36,869	$ 22,275
Less: net income attributable to non-controlling interests:		
Redeemable non-controlling interests - temporary equity	(6,064)	(4,792)
Non-controlling interests - permanent equity	(2,685)	(2,061)
	$ (8,749)	$ (6,853)
Income before taxes less net income attributable to non-controlling interests	$ 28,120	$ 15,422
Provision for income taxes	$ 7,511	$ 4,174
Effective tax rate	26.7%	27.1%

Net Income Attributable to Non-controlling Interests

Net income attributable to redeemable non-controlling interests (temporary equity) was $6.6 million for the 2021 Six Months and $4.8 million for the 2020 Six Months. Net income attributable to non-controlling interests (permanent equity) was $2.7 million for the 2021 Six Months and $2.1 million for the 2020 Six Months.

LIQUIDITY AND CAPITAL RESOURCES

We believe that our business has sufficient cash to allow us to meet our short-term cash requirements. At June 30, 2021 and December 31, 2020, we had $20.4 million and $32.9 million, respectively, in cash. We believe that our cash and cash equivalents and availability under our revolving credit facility are sufficient to fund the working capital needs of our operating subsidiaries through at least June 30, 2022.

Cash and cash equivalents decreased by $12.5 million from December 31, 2020 to June 30, 2021. During the 2021 Six Months, $35.6 million was provided by operations and $22.0 million from proceeds on our Amended Credit Agreement (described below). The major uses of cash for investing and financing activities included: repayment of MAAPP funds ($14.1 million), distributions to non-controlling interests inclusive of those classified as redeemable non-controlling interests ($9.4 million), cash dividends to our shareholders ($9.0 million), purchase of business and non-controlling interests ($29.9 million), principal payments on notes payable ($4.2 million) and purchase of fixed assets ($3.3 million).

Effective December 5, 2013, we entered into an Amended and Restated Credit Agreement with a commitment for a $125.0 million revolving credit facility. This agreement was amended and/or restated in August 2015, January 2016, March 2017, November 2017 and January 2021 (hereafter referred to as "Amended Credit Agreement"). The Amended Credit Agreement is unsecured and has loan covenants, including requirements that we comply with a consolidated fixed charge coverage ratio and consolidated leverage ratio. Proceeds from the Amended Credit Agreement may be used for working capital, acquisitions, purchases of our common stock, dividend payments to our common stockholders, capital expenditures and other corporate purposes. The pricing grid is based on our consolidated leverage ratio with the applicable spread over LIBOR ranging from 1.25% to 2.0% or the applicable spread over the Base Rate ranging from 0.1% to 1%. Fees under the Amended Credit Agreement include an unused commitment fee of 0.3% of the amount of funds outstanding under the Amended Credit Agreement.

The 2021 amendment to the Amended Credit Agreement allows for cash and noncash consideration for acquisitions permitted under the Amended Credit Agreement of up to $50,000,000 for any fiscal year, and allows for payments in cash dividends to shareholders in an aggregate amount not to exceed $50,000,000 in any fiscal year. The commitment remains at $125 million, however the accordion feature in the agreement was expanded to provide for capacity up to $150 million, and has a maturity date of November 30, 2025. The Amended Credit Agreement is unsecured and includes certain financial covenants which include a consolidated fixed charge coverage ratio and a consolidated leverage ratio, as defined in the agreement.

On June 30, 2021, $38.0 million was outstanding on the Amended Credit Agreement resulting in $87.0 million of availability. As of June 30, 2021, we were in compliance with all of the covenants thereunder.

On June 30, 2021, we acquired a 65% interest in an eight-clinic physical therapy practice with the practice founder retaining 35%. The purchase price was approximately $10.3 million, of which $9.0 million was paid in cash, $1.0 million is payable based on the achievement of certain business criteria and $0.3 million is in the form of a note payable. The note accrues interest at 3.25% per annum and the principal and interest is payable on June 30, 2023.

On March 31, 2021, the Company acquired a 70% interest in a five-clinic physical therapy practice with the practice founder retaining 30%. When acquired, the practice was developing a sixth clinic which has been completed. The purchase price for the 70% interest was approximately $12.0 million, of which $11.7 million was paid in cash and $0.3 million in the form of a note payable. The note accrues interest at 3.25% per annum and the principal and interest is payable on March 31, 2023.

On November 30, 2020, we acquired a 75% interest in a three-clinic physical therapy practice. The purchase price for the 75% interest was $8.9 million (net of cash acquired), of which $8.6 million was paid in cash and $0.3 million in the form of a note payable that is payable in two principal installments totaling $162,500 each. The first principal payment plus accrued interest is due to be paid on November 2021 with the second installment to be paid in November 2022. The note accrues interest at 3.25% per annum.

On September 30, 2020, we acquired a 70% interest in an entity which holds six-management contracts that have been in place for a number of years. Currently, these contracts have a five year term. The purchase price for the 70% interest was approximately $4.2 million, with $3.7 million payable in cash and $0.5 million in two notes payable. One of the notes payable of $0.2 million is payable, with any accrued interest at 5% per annum, on September 30, 2021. The remaining note of $0.3 million was paid in November 2020.

On February 27, 2020, we acquired interests in a four-clinic physical therapy practice. The four clinics are in four separate partnerships. Our interests in the four partnerships range from 10.0% to 83.8%, with an overall 65.0% based on the initial purchase transaction. The aggregate purchase price was $11.9 million, of which $11.6 million was paid in cash and $0.3 million in a note payable. The note accrues interest at 4.75% per annum and the principal and interest is payable on February 2022.

We make reasonable and appropriate efforts to collect accounts receivable, including applicable deductible and co-payment amounts, in a consistent manner for all payor types. Claims are submitted to payors daily, weekly or monthly in accordance with our policy or payor's requirements. When possible, we submit our claims electronically. The collection process is time consuming and typically involves the submission of claims to multiple payors whose payment of claims may be dependent upon the payment of another payor. Claims under litigation and vehicular incidents can take a year or longer to collect. Medicare and other payor claims relating to new clinics awaiting Medicare Rehab Agency status approval initially may be delayed for a relatively short transition period. When all reasonable internal collection efforts have been exhausted, accounts are written off prior to sending them to outside collection firms. With managed care, commercial health plans and self-pay payor type receivables, the write-off generally occurs after the accounts receivable has been outstanding for at least 120 days.

We generally enter into various notes payable as a means of financing our acquisitions. Our outstanding notes payable as of June 30, 2021 relate to certain of the acquisitions of businesses and purchases of redeemable non-controlling interests that occurred in 2018 through June 2021. Typically, the notes are payable over two years plus any accrued and unpaid interest. Interest accrues at various interest rates ranging from 3.25% to 5.5% per annum, subject to adjustment. At June 30, 2021, the balance on these notes payable was $1.8 million. In addition, we assumed leases with remaining terms of 1 month to 6 years for the operating facilities.

In conjunction with the above mentioned acquisitions, in the event that a limited minority partner's employment ceases at any time after a specified date that is typically between three and five years from the acquisition date, we have agreed to certain contractual provisions which enable such minority partners to exercise their right to trigger our repurchase of that partner's non-controlling interest at a predetermined multiple of earnings before interest and taxes.

As of June 30, 2021, we have accrued $5.6 million related to credit balances due to patients and payors. This amount is expected to be paid in the next twelve months.

From September 2001 through December 31, 2008, our Board of Directors ("Board") authorized us to purchase, in the open market or in privately negotiated transactions, up to 2,250,000 shares of our common stock. In March 2009, the Board authorized the repurchase of up to 10% or approximately 1,200,000 shares of our common stock ("March 2009 Authorization"). Our Amended Credit Agreement permits share repurchases of up to $15,000,000, subject to compliance with covenants. We are required to retire shares purchased under the March 2009 Authorization.

There is no expiration date for the share repurchase program. As of June 30, 2021, there are currently an additional estimated 129,455 shares (based on the closing price of $115.87 on June 30, 2021) that may be purchased from time to time in the open market or private transactions depending on price, availability and our cash position. We did not purchase any shares of our common stock during the three months ended June 30, 2021.

FACTORS AFFECTING FUTURE RESULTS

The risks related to our business and operations include:

- the multiple effects of the impact of public health crises and epidemics/pandemics, such as the novel strain of COVID-19, for which the financial magnitude cannot be currently estimated;
- changes as the result of government enacted national healthcare reform;
- changes in Medicare rules and guidelines and reimbursement or failure of our clinics to maintain their Medicare certification and/or enrollment status;
- revenue we receive from Medicare and Medicaid being subject to potential retroactive reduction;
- business and regulatory conditions including federal and state regulations;

- governmental and other third party payor inspections, reviews, investigations and audits, which may result in sanctions or reputational harm and increased costs;
- compliance with federal and state laws and regulations relating to the privacy of individually identifiable patient information, and associated fines and penalties for failure to comply;
- changes in reimbursement rates or payment methods from third party payors including government agencies, and changes in the deductibles and co-pays owed by patients;
- revenue and earnings expectations;
- legal actions, which could subject us to increased operating costs and uninsured liabilities;
- general economic conditions;
- availability and cost of qualified physical therapists;
- personnel productivity and retaining key personnel;
- competitive, economic or reimbursement conditions in our markets which may require us to reorganize or close certain clinics and thereby incur losses and/or closure costs including the possible write-down or write-off of goodwill and other intangible assets;
- competitive environment in the industrial injury prevention business, which could result in the termination or non-renewal of contractual service arrangements and other adverse financial consequences for that service line;
- acquisitions, and the successful integration of the operations of the acquired businesses;
- impact on the business and cash reserves resulting from retirement or resignation of key partners and resulting purchase of their non controlling interests (minority interests);
- maintaining our information technology systems with adequate safeguards to protect against cyber-attacks;
- a security breach of our or our third party vendors' information technology systems may subject us to potential legal action and reputational harm and may result in a violation of the Health Insurance Portability and Accountability Act of 1996 of the Health Information Technology for Economic and Clinical Health Act;
- maintaining adequate internal controls;
- maintaining necessary insurance coverage;
- availability, terms, and use of capital; and
- weather and other seasonal factors.

See also Risk Factors in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2020.

Forward-Looking Statements

We make statements in this report that are considered to be forward-looking statements within the meaning given such term under Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements contain forward-looking information relating to the financial condition, results of operations, plans, objectives, future performance and business of our Company. These statements (often using words such as "believes", "expects", "intends", "plans", "appear", "should" and similar words) involve risks and uncertainties that could cause actual results to differ materially from those we project. Included among such statements are those relating to opening new clinics, availability of personnel and the reimbursement environment. The forward-looking statements are based on our current views and assumptions and actual results could differ materially from those anticipated in such forward-looking statements as a result of certain risks, uncertainties, and factors, which include, but are not limited to the risks listed above.

Many factors are beyond our control. Given these uncertainties, you should not place undue reliance on our forward-looking statements. Please see the other sections of this report and our other periodic reports filed with the Securities and Exchange Commission (the "SEC") for more information on these factors. Our forward-looking statements represent our estimates and assumptions only as of the date of this report. Except as required by law, we are under no obligation to update any forward-looking statement, regardless of the reason the statement may no longer be accurate.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We do not maintain any derivative instruments, interest rate swap arrangements, hedging contracts, futures contracts or the like. Our primary market risk exposure is the changes in interest rates obtainable on our Amended Credit Agreement. The interest on our Amended Credit Agreement is based on a variable rate. At June 30, 2021, $38.0 million was outstanding under our Amended Credit Agreement. Based on the balance of the Amended Credit Agreement at June 30, 2021, any change in the interest rate of 1% would yield a decrease or increase in annual interest expense of $380,000.

ITEM 4. CONTROLS AND PROCEDURES.

(a) Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, the Company's management completed an evaluation, under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures. Based on this evaluation, our principal executive officer and principal financial officer concluded (i) that our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure and (ii) that our disclosure controls and procedures are effective.

(b) Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

We are a party to various legal actions, proceedings, and claims (some of which are not insured), and regulatory and other governmental audits and investigations in the ordinary course of our business. We cannot predict the ultimate outcome of pending litigation, proceedings, and regulatory and other governmental audits and investigations. These matters could potentially subject us to sanctions, damages, recoupments, fines, and other penalties. The Department of Justice, CMS, or other federal and state enforcement and regulatory agencies may conduct additional investigations related to our businesses in the future that may, either individually or in the aggregate, have a material adverse effect on our business, financial position, results of operations, and liquidity.

Healthcare providers are subject to lawsuits under the qui tam provisions of the federal False Claims Act. Qui tam lawsuits typically remain under seal for some time while the government decides whether or not to intervene on behalf of a private qui tam plaintiff (known as a relator) and take the lead in the litigation. These lawsuits can involve significant monetary damages and penalties and award bounties to private plaintiffs who successfully bring the suits. We are and have been a defendant in these cases in the past, and may be named as a defendant in similar cases from time to time in the future.

Florida Litigation

On August 19, 2019, we received notice of a qui tam lawsuit filed by a relator on behalf of the United States, titled U.S. ex rel. Bonnie Elsdon, v. U.S. Physical Therapy, Inc., U.S. Physical Therapy, Ltd., Rehab Partners #2, Inc., The Hale Hand Center, Limited Partnership (the “Hale Partnership”), and Suzanne Hale. This whistleblower lawsuit was filed in the U.S. District Court for the Southern District of Texas, seeking damages and civil penalties under the federal False Claim Act. This lawsuit was originally filed under seal by a former employee of The Hale Hand Center, Limited Partnership (“Hale Partnership”), a majority-owned subsidiary of the Company, on May 25, 2018. The U.S Government declined to intervene in the case and unsealed the Complaint on July 17, 2019. The plaintiff - relator served the Complaint on us and the other named defendants on August 19, 2019.

The Complaint alleges that the Hale Partnership engaged in conduct to purposely “upcode” its billings for services provided to Medicare patients. The plaintiff - relator points to three dates of service and provides examples of what it alleges are inflated billings by the Hale Partnership; the relator then claims that similar false claims must have occurred on other days and at other Company-owned partnerships.

On October 3, 2019, we filed Motions to Dismiss based on numerous grounds on behalf of each of the named defendants. On October 29, 2019, the plaintiff-relator dismissed three of the named defendants, Rehab Partners #2, Inc., U.S. Physical Therapy, Ltd., and Suzanne Hale. The Motions to Dismiss were denied on November 30, 2020.

We have engaged counsel and fully investigated the matter, and believe that the allegations in the Complaint have no merit. We intend to vigorously defend this action, but at this time we are unable to predict the timing and outcome of the matter.

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ITEM 6. EXHIBITS.

Exhibit Number	Description
10.1	First Amendment to Second Amended and Restated Credit Agreemely dated as of January 9, 2021 among the Company, as the borrower and Bank of America, N.A., as Adminstrative Agent [incorporated by reference to Exhibit 10.1 to the Company Current Report on Form 8-K filed with the SEC on February 4, 2021.]
10.2+	U.S. Physical Therapy, Inc. Objective Long-Term Incentive Plan for Senior Management for 2021, effective March 17, 2021. [incorporated by reference to Exhibit 99.1 to the Company Current Report on Form 8-K filed with the SEC on March 16, 2021.]
10.3+	U.S. Physical Therapy, Inc. Discretionary Long-Term Incentive Plan for Senior Management for 2021, effective March 17, 2021. [incorporated by reference to Exhibit 99.2 to the Company Current Report on Form 8-K filed with the SEC on March 16, 2021.]
10.4+	U.S. Physical Therapy, Inc. Objective Cash/RSA Bonus Plan for Senior Management for 2021, effective March 17, 2021. [incorporated by reference to Exhibit 99.3 to the Company Current Report on Form 8-K filed with the SEC on March 16, 2021.]
10.5+	U.S. Physical Therapy, Inc. Objective Cash/RSA Bonus Plan for Senior Management for 2021, effective March 17, 2021. [incorporated by reference to Exhibit 99.4 to the Company Current Report on Form 8-K filed with the SEC on March 16, 2021.]
99.1	2021 Letter to Shareholders [incorporated by reference to Exhibit 99.1 to the Company Current Report on Form 8-K filed with the SEC on April 5, 2021.]
31.1*	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.
31.2*	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.
31.3*	Rule 13a-14(a)/15d-14(a) Certification of Corporate Controller.
32*	Certification Pursuant to 18 U.S.C 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on our behalf by the undersigned thereunto duly authorized.

U.S. PHYSICAL THERAPY, INC.

Date: August 9, 2021	By:	/s/ CAREY HENDRICKSON
		Carey Hendrickson Chief Financial Officer (principal financial and accounting officer)
	By:	/s/ JON C. BATES
		Jon C. Bates Vice President/Corporate Controller

EXHIBIT 31.1
CERTIFICATION

I, Christopher Reading, certify that:

1. I have reviewed this quarterly report on Form 10-Q of U.S. Physical Therapy, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ CHRISTOPHER READING
Christopher Reading
President and Chief Executive Officer
(principal executive officer)

Date: August 9, 2021

EXHIBIT 31.2
CERTIFICATION

I, Carey Hendrickson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of U.S. Physical Therapy, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ CAREY HENDRICKSON
Carey Hendrickson
Chief Financial Officer
(principal financial and accounting officer)

Date: August 9, 2021

EXHIBIT 31.3
CERTIFICATION

I, Jon C. Bates, certify that:

1. I have reviewed this quarterly report on Form 10-Q of U.S. Physical Therapy, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ JON C. BATES
Jon C. Bates
Vice President/Corporate Controller

Date: August 9, 2021

EXHIBIT 32
CERTIFICATION OF PERIODIC REPORT

In connection with the Quarterly Report of U.S. Physical Therapy, Inc. (the “Company”) on Form 10-Q for the quarterly period ended June 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Christopher J. Reading, President and Chief Executive Officer of the Company, Carey Hendrickson, Chief Financial Officer of the Company, and Jon C. Bates, Vice President and Corporate Controller of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 9, 2021

/s/ CHRISTOPHER J. READING
Christopher J. Reading
Chief Executive Officer

/s/ CAREY HENDRICKSON
Carey Hendrickson
Chief Financial Officer

/s/ JON C. BATES
Jon C. Bates
Vice President/Corporate Controller

This certification is made solely pursuant to the requirement of Section 1350 of 18 U.S.C., and is not for any other purpose. A signed original of this written statement required by Section 906 has been provided to U. S. Physical Therapy, Inc. and will be retained by U. S. Physical Therapy, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.