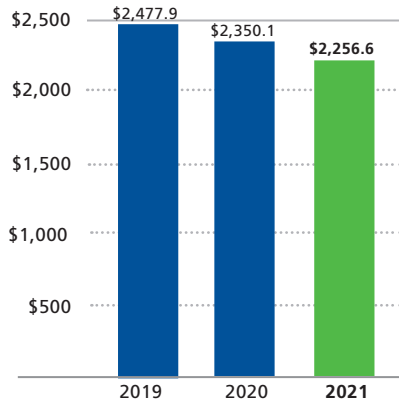




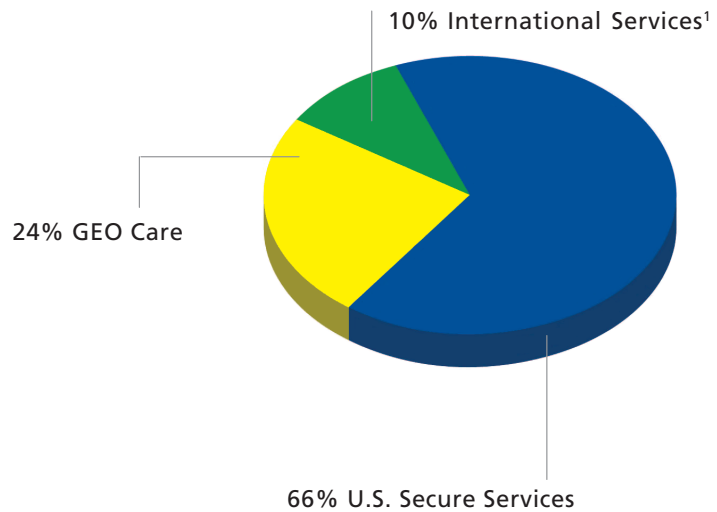
2021 ANNUAL REPORT

FINANCIAL HIGHLIGHTS

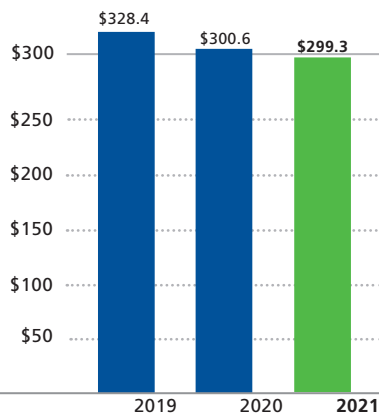
Total Revenues
\$ In Millions



Business Unit
% of Revenues

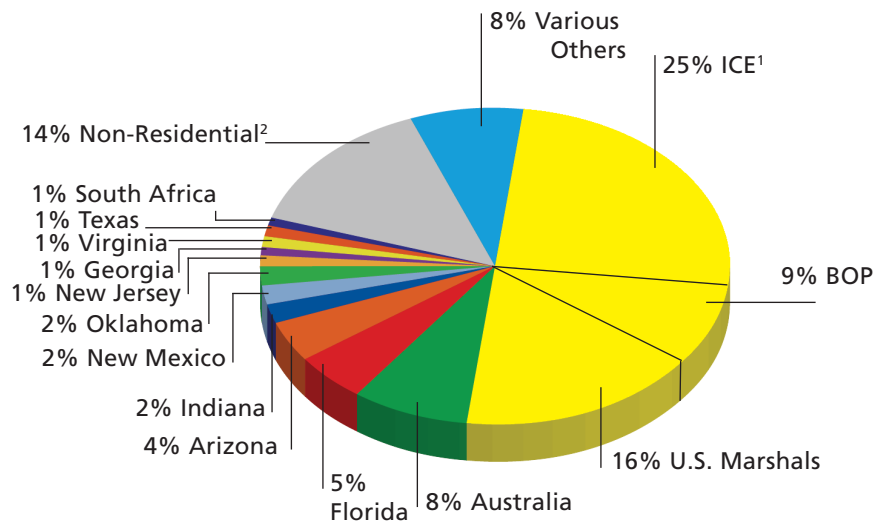


Adjusted Funds From Operations (AFFO)*
\$ In Millions

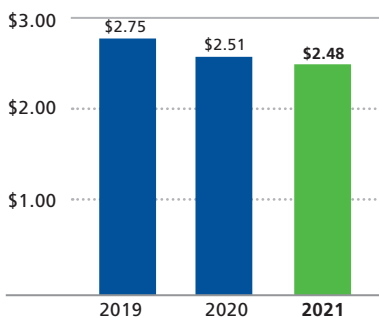


¹ Includes Facility Construction and Design Revenue

Customer
% of Revenues



AFFO Per Share*



¹ Not including ICE Alternatives to Detention program

² Includes ICE Alternatives to Detention program and other federal, state and local contracts

*This annual report contains certain Non-GAAP measures. Please refer to GEO's Fourth Quarter and Full Year 2021 Earnings Announcement and Supplemental Disclosure issued on February 17, 2022 for a description of such Non-GAAP measures and a reconciliation of such Non-GAAP measures to their most comparable GAAP measure.



LETTER TO THE SHAREHOLDERS

George C. Zoley

Executive Chairman of
the Board

We are pleased with the strong operational and financial performance of our diversified business units during 2021. Despite facing unprecedented challenges associated with the COVID-19 pandemic and changes in policy that impacted several of our federal contracts, our company delivered better-than-expected performance throughout the entire year.

Our employees continued to make daily sacrifices to care for all those in our facilities and programs, consistently delivering high quality support services on behalf of our government agency partners.

COVID-19 RESPONSE

From the beginning of the pandemic, we have been focused on implementing mitigation initiatives and best practices, consistent with the guidance issued by the Centers for Disease Control and Prevention (CDC).

Our mitigation initiatives have included:

- Focusing on testing capabilities, including investing approximately \$2 million in Abbott Rapid COVID-19 ID NOW devices. By the end of December of 2021, we had administered more than 206,000 COVID-19 tests to those in our care since the beginning of the pandemic.
- Investing \$3.7 million in Bipolar Ionization Air Purification systems at select secure services facilities to reduce the spread of airborne viruses and bacteria.
- Implementing engineering controls and social distancing measures in coordination with our government agency partners.
- Continually distributing facemasks and cleaning and sanitation supplies and ensuring continued access to soap and water for handwashing.
- Working closely with our government agency partners and state and local Health Departments to coordinate COVID-19 vaccination efforts. At the end of December of 2021, we had administered vaccinations to more than 48,000 individuals in our secure services facilities.

POLICY DEVELOPMENTS AND OPERATIONAL MILESTONES

In addition to the impact of the COVID-19 pandemic, in January of 2021, the President of the United States issued an Executive Order directing the U.S. Attorney General not to renew U.S. Department of Justice (DOJ) contracts with privately operated criminal detention facilities. This Executive Order resulted in the non-renewal of seven of our DOJ direct contracts during 2021.

Despite the challenging operational environment, our employees, facilities, and programs achieved several important milestones. Our GEO Secure Services business unit served over 260,000 individuals, while managing an average daily population of approximately 40,000 in our facilities in the United States. Our GEO Transport, Inc. division safely transported more than half a million passengers while driving more than 13.5 million miles in the U.S. and internationally.

During 2021, GEO Secure Services also successfully renewed 13 contracts, including six contracts with the federal government. At the state level, we successfully renewed contracts for correctional and rehabilitation facilities in Arizona, Florida, Georgia, Indiana, and Oklahoma. We also entered into a new 20-year lease agreement with the State of New Mexico for our company-owned Guadalupe County Correctional Facility, while transitioning the operation of the facility to the New Mexico Corrections Department.

Our GEO Care business unit served more than 930,000 individuals during the year, while managing an average daily census of over 225,000 participants. Our GEO Reentry Services segment successfully renewed 31 residential reentry contracts, including 15 contracts with the Federal Bureau of Prisons, and opened a new 118-bed federal residential reentry center in Tampa, Florida.

Additionally, we opened 12 new non-residential day reporting centers in Idaho, Tennessee, Louisiana, and California with capacity to provide services for up to approximately 1,000 individuals. Our BI Electronic Monitoring and Supervision segment, which offers a full suite of electronic monitoring and supervision solutions, products, and technologies, also continued to grow during 2021, with annual revenues increasing by 15 percent.

HUMAN RIGHTS AND ESG REPORT - GEO CONTINUUM OF CARE HIGHLIGHTS

During the year, we also furthered our commitment to Environmental, Social, and Governance (ESG) best practices. In December of 2021, we published our third annual Human Rights and ESG report.

This important report incorporates updated disclosures and metrics related to our Board of Directors' oversight of Human Rights and ESG matters; the development of our employees, our diversity and inclusion initiatives, and our training programs; our adherence to ethical governance practices; and our efforts to advance environmental sustainability at our facilities.

Our ESG report also highlights our continued commitment to respecting the human rights and improving the lives of those entrusted to our care, including our enhanced rehabilitation programs and post-release support services through our award-winning GEO Continuum of Care® program. Despite the continued challenges associated with the COVID-19 pandemic, our GEO Continuum of Care® programs completed approximately 2.8 million hours of enhanced rehabilitation programming in 2021.

Our academic programs awarded more than 2,100 high school equivalency degrees, and our vocational courses awarded over 6,800 vocational training certifications. Our substance abuse treatment programs awarded more than 5,500 program completions, and we achieved over 38,000 behavioral program completions and more than 33,000 individual cognitive behavioral sessions. We also provided post-release support services to more than 4,500 individuals returning to their communities.

We continue to be committed to advancing our ESG goals throughout our organization. Toward that objective, our Board of Directors committee structure has been expanded to include a committee on Criminal Justice Rehabilitation and Human Rights. We look forward to continued engagement with our shareholders and other stakeholders as we evaluate additional Human Rights and ESG initiatives.

FINANCIAL PERFORMANCE

Our operational and financial performance for 2021 continued to be impacted by the COVID-19 pandemic, as well as the non-renewal of seven of our DOJ direct contracts. Despite these significant challenges, we achieved better-than-expected results throughout the entire year.

For the full year 2021, we reported revenues of \$2.26 billion, Net Income Attributable to GEO of \$0.58 per diluted share, Adjusted Net Income of \$1.32 per diluted share, Adjusted Funds from Operations of \$2.48 per diluted share, and Adjusted EBITDA of \$467 million.

Our strong financial results have allowed us to make significant progress towards reducing our net recourse debt. Over the last two years, we have reduced our net recourse debt by approximately \$250 million, and we have laid out a multi-faceted approach to address our future debt maturities, including:

- a continued focus on debt reduction and deleveraging;
- the decision by our Board of Directors in December of 2021 to change our corporate tax structure from a Real Estate Investment Trust to a taxable C corporation in order to allocate free cash flow towards reducing net recourse debt;
- an ongoing review of potential sales of company-owned assets and businesses, which have included the sale of five residential reentry centers, two secure services facilities, and the divestiture of our youth services management contracts, for combined proceeds of approximately \$64 million between January 2021 and March 2022;
- an ongoing engagement with our banks and with the advisors of our lender and bondholder groups, with the goal of reaching agreement on and executing a potential transaction or series of transactions to reduce our net recourse debt and extend the maturities of our outstanding senior unsecured notes, revolving credit facility, and term loan on reasonable terms; and
- the evaluation of other capital structure alternatives with the assistance of our financial and legal advisors.

After attaining our objective of net recourse debt reduction, we plan to evaluate the allocation of a portion of free cash flow to fund quality growth opportunities and potentially return capital to shareholders in the future. We believe that our company remains resilient with strong cash flows that are supported by valuable real estate assets and diversified contracts entailing essential government services.

BOARD OF DIRECTORS



GEORGE C. ZOLEY | EXECUTIVE CHAIRMAN OF THE BOARD

Mr. Zoley is GEO's Executive Chairman of the Board. He served as Chairman, CEO and Founder until July 1, 2021. Mr. Zoley founded GEO in 1984 and continues to be a major factor in GEO's development of new business opportunities in the areas of correctional and detention support services, community reentry, offender rehabilitation, and other diversified government services.

Areas of Expertise: • Company Founder • Strategic Leadership
• Business Development • Government Contracting



JOSE GORDO | CHIEF EXECUTIVE OFFICER

Mr. Gordo is GEO's Chief Executive Officer and a member of GEO's Board of Directors. Mr. Gordo was appointed Chief Executive Officer effective as of July 1, 2021. Mr. Gordo has over 20 years of experience in business management, private equity, corporate finance, and business law. Prior to joining GEO, Mr. Gordo had been serving as the Managing Partner of a general partnership that invests in and actively oversees small and medium-sized privately held companies. Mr. Gordo was previously a partner at the national law firm of Akerman LLP.

Areas of Expertise: • Business Management • Corporate Finance
• Corporate Law



RICHARD H. GLANTON | LEAD INDEPENDENT DIRECTOR*, CHAIR, AUDIT AND FINANCE; COMPENSATION; AND NOMINATING AND GOVERNANCE COMMITTEES

Mr. Glanton is the Founder, Chairman, and Chief Executive Officer of Electedface, Inc. Mr. Glanton has extensive experience in corporate governance, having served as a director of other publicly-traded companies. His leadership roles in other business activities are important qualifications for GEO's Board of Directors.

Areas of Expertise: • Corporate Law • Corporate Governance
• Securities and Exchange Commission (SEC) Standards

* Applying NYSE independence standards



THOMAS C. BARTZOKIS, MD, FACC | INDEPENDENT DIRECTOR*

Dr. Thomas Bartzokis has over 30 years of experience in the medical field, specializing in cardiology. In 2011, Dr. Bartzokis established, and currently serves as Managing Partner of Bartzokis, Rubenstein & Servoss, MD, PL, which offers services in Consultative and Interventional Cardiology. He is also a Clinical Affiliate Assistant Professor of Cardiology at the Charles Schmidt College of Medicine at Florida Atlantic University and has held several leadership positions at the Boca Raton Regional Hospital. Dr. Bartzokis has been nationally recognized as a Castle Connelly Top Doctor consistently from 1998 to 2021.

Areas of Expertise: • Medical Management and Research • Leadership
• Clinical Medicine



JACK BREWER | CHAIR, CRIMINAL JUSTICE REHABILITATION AND HUMAN RIGHTS COMMITTEE, INDEPENDENT DIRECTOR*

Mr. Brewer founded The Serving Institute, his Liberty University affiliated faith sports-based academy for at-risk youth. He is an adjunct professor at Fordham Gabelli School of Business, where he teaches his business leadership and transition curriculum to athletes, as well as inmates in custody. In 2020, Mr. Brewer was appointed to the U.S. Commission on the Social Status of Black Men and Boys. He also leads efforts delivering emergency aid to thousands of people in Africa and the Caribbean.

Areas of Expertise: • Offender Rehabilitation • GEO Continuum of Care® • Leadership Development for At-Risk Youth • Civil Rights Advocacy • International Aid and Humanitarian Work



ANNE N. FOREMAN | INDEPENDENT DIRECTOR*

Mrs. Foreman was the U.S. Air Force former Under Secretary with responsibility for over 600,000 service members and civilian employees, a \$115 billion budget, and all acquisition, financial, environmental, manpower, audit, and international affairs. She previously served as U.S. Air Force General Counsel and Chief Ethics Officer; Operations Officer for the Central Intelligence Agency; and member of the career Foreign Service in the Middle East, North Africa, and at the U.S. Mission to the United Nations. She has extensive experience serving on corporate boards in the U.S. and U.K. and as Chair of governance, audit, compensation, and security committees for over 20 years.

Areas of Expertise: • Extensive Domestic and International Leadership
• High Level Government Contracting • Ethics, Compliance, and Security



SCOTT M. KERNAN | CHAIR, OPERATIONS AND OVERSIGHT COMMITTEE, INDEPENDENT DIRECTOR*

Mr. Kernan served as Secretary of the California Department of Corrections and Rehabilitation (“CDCR”) from January 2016 until August 2018. Prior to that time, Mr. Kernan was appointed the Undersecretary of Operations of the CDCR beginning in September 2008 and served in that position until October 2011.

Areas of Expertise: • American Correctional Association (ACA) Standards
• Core Correctional Practices

* Applying NYSE independence standards



TERRY MAYOTTE | CHAIR, CORPORATE PLANNING COMMITTEE
INDEPENDENT DIRECTOR*

Mr. Mayotte held the position of Executive Vice President and Chief Financial Officer at Oasis Outsourcing, where he founded the organization in 1996 and was a principal architect of the company's business model and strategic direction.

Areas of Expertise: • Insurance • Finance • Business Management
• Mergers and Acquisitions



ANDREW N. SHAPIRO | INDEPENDENT DIRECTOR*

Mr. Shapiro has over thirty years' experience in the banking industry. He is the founder and Chief Executive Officer of Applied Risk Capital LLC, a company dedicated to indemnifying banks against the non-payment of loans and derivatives. Mr. Shapiro served in a variety of capacities at BNP Paribas from 1995 through August 2018, including as Head of Loan Capital Markets for the Americas, Head of the Value Preservation Group for the Americas, Global Head of Loan Syndications, and Head of Corporate Debt Origination for the Americas.

Areas of Expertise: • Business Management • Debt and Finance
• Capital Restructuring



CHRISTOPHER C. WHEELER | INDEPENDENT DIRECTOR*

Mr. Wheeler retired from Proskauer Rose LLP in January 2010, where he served as a member of the Corporate Department and a partner in the firm's Florida office for nearly 20 years. He has had extensive experience in real estate and corporate law, institutional lending, administrative law and industrial revenue bond financing.

Areas of Expertise: • Institutional Lending
• Corporate and Real Estate Law



JULIE M. WOOD | INDEPENDENT DIRECTOR*

Mrs. Wood is currently the Chief Executive Officer of Guidepost Solutions LLC, a company specializing in monitoring, compliance, international investigations and risk management solutions. Prior to joining the private sector, she served as the Head of U.S. Immigration and Customs Enforcement for the U.S. Department of Homeland Security from January 2006 until November 2008.

Areas of Expertise: • U.S. Department of Homeland Security (DHS)
• U.S. Immigration and Customs Enforcement (ICE)
• Performance-Based National Detention Standards (PBNDS)



SENIOR OFFICERS



George C. Zoley
Executive Chairman of the Board



Jose Gordo
Chief Executive
Officer



Brian R. Evans
Senior Vice President
and Chief Financial
Officer



James H. Black
Senior Vice President,
and President,
GEO Secure Services



Ann M. Schlarb
Senior Vice President
and President,
GEO Care



Wayne H. Calabrese
Senior Vice President,
Legal Services



David J. Venturella
Senior Vice President,
Client Relations



Richard K. Long
Senior Vice President,
Project Development



Joe Negron
General Counsel and
Corporate Secretary

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)



GEO'S COMMITMENT TO CORPORATE SOCIAL RESPONSIBILITY

Since our founding more than 30 years ago, GEO has become a leader in the delivery of high-quality secure facility support services, community reentry programs, and evidence-based rehabilitation.

GEO has always maintained a strong commitment to respecting human rights. To protect human rights, our commitment is informed by external standards including the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights, and the International Covenant on Economic, Social and Cultural Rights, as well as the International Labor Organization's eight core conventions.

As such, we are committed to continuous improvement in the areas of human rights, environmental, social, and governance activities. Everywhere we operate, we comply with strict standards established by our government agency partners, including the U.S. federal government, state governments, and local jurisdictions.

We provide extensive training for our employees in compliance with the requirements of our government agency partners, along with standards set by regulators and reinforced by accrediting organizations, to prepare them to meet the rigorous performance objectives of the positions they hold within our organization.

GEO'S ESG ASPIRATIONS

- To implement best practices that follow recognized global Human Rights standards and respect the dignity and basic human rights of all individuals in our care.
- To be a leading provider of enhanced in-custody rehabilitation programs and post-release support services through our award-winning GEO Continuum of Care®.
- To provide quality support services that foster a safe and humane environment, deliver high quality medical care, and adhere to independent accreditation standards.
- To provide development opportunities to our workforce and to instill an organizational culture rooted in diversity, inclusion, and respect.
- To advance environmental sustainability in our facilities by investing in energy conservation measures and following independent Green Building certification standards.

IN 2021, GEO'S WORLDWIDE OPERATIONS INCLUDED THE OWNERSHIP AND/OR PROVISION OF SUPPORT SERVICES FOR:

86,000 Beds

106 Secure facilities, immigration processing centers and community reentry centers

18,000 Employees Worldwide



HUMAN RIGHTS FOCUSED

GEO acknowledges its unique status as a service provider to governmental agencies, encompassing support services for secure correctional and rehabilitation facilities, immigration processing centers, community reentry centers and programs, and electronic and location monitoring services. We recognize the significant role that respect for human rights plays in our services in the United States and around the world.

Over the years, GEO has been committed to respecting the human rights of all individuals in our care, including ongoing efforts to drive continuous improvement in the following areas, which are discussed in this section:

- Safe and Humane Environment
- Access to Healthcare
- Access to Legal Services
- Access to Family/Friends Communications
- Access to Religious Opportunities
- Access to Safe and Nutritious Meals
- Access to Recreational Amenities
- Access to Rehabilitation Programs for State Inmates

SAFE AND HUMANE ENVIRONMENT

Our goal of ensuring a safe and humane environment for everyone in our care calls for us to follow many sets of standards and laws that define and prescribe the daily support services at our facilities and programs.

GEO facilities, compared to the majority of public sector facilities, are newer, air-conditioned, and provide better living conditions and enhanced rehabilitation programs:

- 95% of GEO's facilities are less than 25 years old, compared with approximately 33% of all state correctional facilities in the United States that are less than 25 years old.
- 100% of GEO's facilities are air-conditioned.
- 100% of the 800 academic and vocational classrooms in GEO's facilities have electronic SMARTboards for interactive computer assisted curriculum.



Furthermore, GEO has a zero-tolerance policy for all forms of sexual abuse and sexual harassment in our facilities and programs and strictly follows the Prison Rape Elimination Act (PREA).

ACCESS TO HEALTHCARE

The healthcare needs of the individuals in our care are often significant. Those needs can include acute or chronic healthcare conditions, and/or mental health issues, including despair, anxiety, depression, fear, thoughts of self-harm and suicidal ideation.

GEO-provided health services are under the oversight of the GEO Healthcare Division in our Corporate Headquarters. The division is led by an Executive Vice President of Health Services and a Chief Medical Officer with four decades of experience in clinical medicine and is supported by subject matter experts in correctional healthcare, dental services, mental health services, quality control, administration, and off-site health claims management.

ACCESS TO LEGAL SERVICES

All individuals under our care have access to attorneys through a variety of opportunities, including telephonic contact, onsite contact visits, onsite non-contact visits, onsite private visits in one of GEO's designated legal rooms or via marked confidential legal mail.

With notice and as practical, GEO will also accommodate attorney requests to meet with their clients outside of normal hours. Despite in-person, social visitation being suspended over the course of the COVID-19 pandemic, our facilities have continued to allow attorney visits via in-person meetings, phone calls, and videoconferencing.

ACCESS TO FAMILY/FRIENDS COMMUNICATIONS

We recognize the importance of communication in the lives of all individuals in our care, and subject to appropriate safety and security safeguards, we go to great lengths to ensure that they are able to communicate in a meaningful and timely way with their family members, friends, and legal representatives without undue time or privacy constraints.

Our housing areas are equipped with banks of telephones, most of which have attached privacy panels or full privacy enclosures. We also provide access to telephones during normal operational hours and ensure private rooms are available for those who request unmonitored legal calls in a confidential setting.

ACCESS TO RELIGIOUS OPPORTUNITIES

We respect the right of everyone in our care to practice and follow the teachings of their faith preferences. Within GEO facilities at any given time, there are approximately 47 different faith preferences, including but not limited to Judaism, Christianity, Islam, Hinduism, Buddhism, Sikh, as well as other faith groups such as Wicca, Santeria, and Odinism.

All Chaplains at GEO facilities are professionally accredited and recognized by an ecclesiastical authority of their faith, but remain faith-neutral in the facilitation of a wide variety of services. This ensures every individual in our care has the freedom to exercise his/her faith without fear of discrimination.

ACCESS TO SAFE AND NUTRITIOUS MEALS

The nutritional needs of the individuals in our care are diverse due to differences in age, activity, physical condition, gender, religious preference, and medical considerations. Meals, regardless of type (i.e., regular, medical, holiday or religious meals), are provided at no cost to everyone in our care.

Our menus also undergo a complete nutritional analysis annually to ensure they meet U.S. Recommended Daily Allowances/Dietary Reference Intake guidelines. These guidelines are set by the Food and Nutrition Board of the Institute of Medicine of the National Academies.

ACCESS TO RECREATIONAL AMENITIES

We respect the right of everyone in our care to maintain good health through participation in suitable recreational activities.

We provide gender and age responsive outdoor and indoor activities that promote life balance and recognize cultural diversity. Hobby craft programs provide opportunities to pursue artistic interests. Outdoor recreation activities include soccer on artificial turf fields, softball, basketball, and flag football. Housing units in our facilities are equipped with large, flat-screen televisions to provide entertainment.



ACCESS TO REHABILITATION PROGRAMS FOR STATE INMATES

Our GEO Continuum of Care® provides enhanced in-custody rehabilitation programs including cognitive behavioral treatment, integrated with post-release support services. Our treatment begins with individualized risks and needs assessments and offers several unique and evidence-based programs, including:

- Enhanced academic programming with the use of SMARTboard technology for interactive learning in every classroom.
- Enhanced vocational training through nationally certified programs focused on future job and career opportunities.
- Industry-leading Cognitive Behavioral and Substance Abuse treatment based on nationally recognized curricula.
- Post-release support services, which involve post-release case managers and 24-hour support to assist released individuals with the most crucial community needs, including clothing, food, housing, employment, and transportation assistance.

ENVIRONMENTALLY RESPONSIBLE

GEO is committed to creating sustainable environments in our facilities throughout the U.S. and worldwide. GEO will strive to procure renewable energy as the availability of sources of renewable energy increases over time.

IMPACT OF COVID-19 PANDEMIC ON SUSTAINABILITY INITIATIVES

Due to the COVID-19 pandemic, several sustainability initiatives at select GEO Secure Services facilities, focused on LED lighting upgrades and water conservation, that were scheduled to be completed in 2020 were postponed. These LED lighting and water conservation upgrades total approximately \$10 million and are expected to be completed by 2022.

Despite these challenges, as part of our COVID-19 mitigation efforts, we invested \$3.7 million to install Bi-Polar Ionization Air Purification Systems at select U.S. Secure Services facilities to reduce the spread of airborne bacteria and viruses. Bi-Polar Ionization Air Purification Systems are specially designed electronic devices that create bi-polar - negative and positive - ions that can effectively break down a wide variety of harmful bacterial and viral contaminations into a less complex and safe form.

Additional details regarding GEO's environmental activities, including at our BI Incorporated division, LEED certifications, and more examples of energy conservation activities are available on our website at: <https://www.geogroup.com/Sustainability>.

ENVIRONMENTAL SUSTAINABILITY POLICY STATEMENT

Mindful of energy, water, and waste management, we have adopted an integrated approach focusing on environmental protection and awareness, waste and energy reduction, and risks and opportunities related to climate change. We are committed to maintaining the environment and reducing the footprint of our business operations by:

- Identifying, measuring, and offsetting the environmental footprint of our global operations;
- Reducing our environmental impact through local operations initiatives;
- Preventing pollution by conserving energy and resources, recycling, minimizing waste and pursuing other resource reduction strategies;
- Maintaining full compliance with applicable environmental laws, regulations, and company policies and procedures; and
- Working with our stakeholders on activities that promote environmental protection and stewardship.

Using our environmental management system, which monitors our energy and water usage, as well as waste and carbon emissions, we are pursuing a sustainable and environmentally sound future. We are committed to creating sustainable environments in our facilities worldwide, and we believe that our adoption of a greener operational philosophy lowers operating costs and emissions to the benefit of all. We regularly strive to identify sustainable initiatives and innovations that deliver energy and natural resource efficiency across new and existing facilities. For more information on GEO's environmental sustainability policy statement, please visit [geogroup.com/Environmental-Policy.pdf](https://www.geogroup.com/Environmental-Policy.pdf).



Bi-Polar Ionization units being installed at the Mesa Verde Processing Center



ASSESSING GEO'S ENVIRONMENTAL PERFORMANCE

In 2020, GEO undertook the initiative of determining the Company's carbon footprint, including greenhouse gas (GHG) emissions and energy consumption data. Our corporate office worked directly with the field to gather data from each facility regarding energy use, including natural gas, diesel, fuel, propane, and electricity; and water use, as well as Scope 1 and Scope 2 emissions and intensity ratios.

Our baseline year was 2019 and the GHG Protocol Corporate Accounting and Reporting Standard was used in the calculation of energy use and GHG emissions. Electricity emission factors are obtained from the International Energy Agency's CO2 Emissions from Fuel Combustion 2020 report, and the U.S. Environmental Protection Agency's Emissions & Generation Resource Integrated Database (eGRID) publication. All energy sources are included in intensity calculations. Gases covered in GHG emissions calculations include CO2, CH4, N2O, and HFCs. Global warming potentials are obtained from the Intergovernmental Panel on Climate Change (IPCC) Fifth Assessment Report. The chosen consolidation approach for emissions is facilities under GEO operational control. GEO has no emissions from biogenic sources. The data shows reporting of a location-based Scope 2 emissions figure.

GEO GROUP ENVIRONMENTAL PERFORMANCE METRICS		
Energy Consumption	2020	Unit
Total Energy Usage	2,112,078	GJ**
Electricity	1,096,873	GJ**
Natural Gas	902,713	GJ**
Diesel	26,000	GJ**
Fuel Oil	36,398	GJ**
Propane	50,093	GJ**
Energy Intensity Unit	0.11	energy/sq ft
Water Consumption		
Water Usage	1,654,153,197	gallons
Greenhouse Gas Emissions		
Scope 1 Emissions	55,095	tCO2e
Scope 2 Emissions*	132,591	tCO2e
Scope 1 Intensity	0.0029	tCO2e/sq ft
Scope 2 Intensity	0.0069	tCO2e/sq ft

* Location based

** In 2020, all energy consumption data has been converted to gigajoules (GJ) for consistency

Source: GEO 2020 Human Rights and ESG Report

DIVERSIFIED EMPLOYER

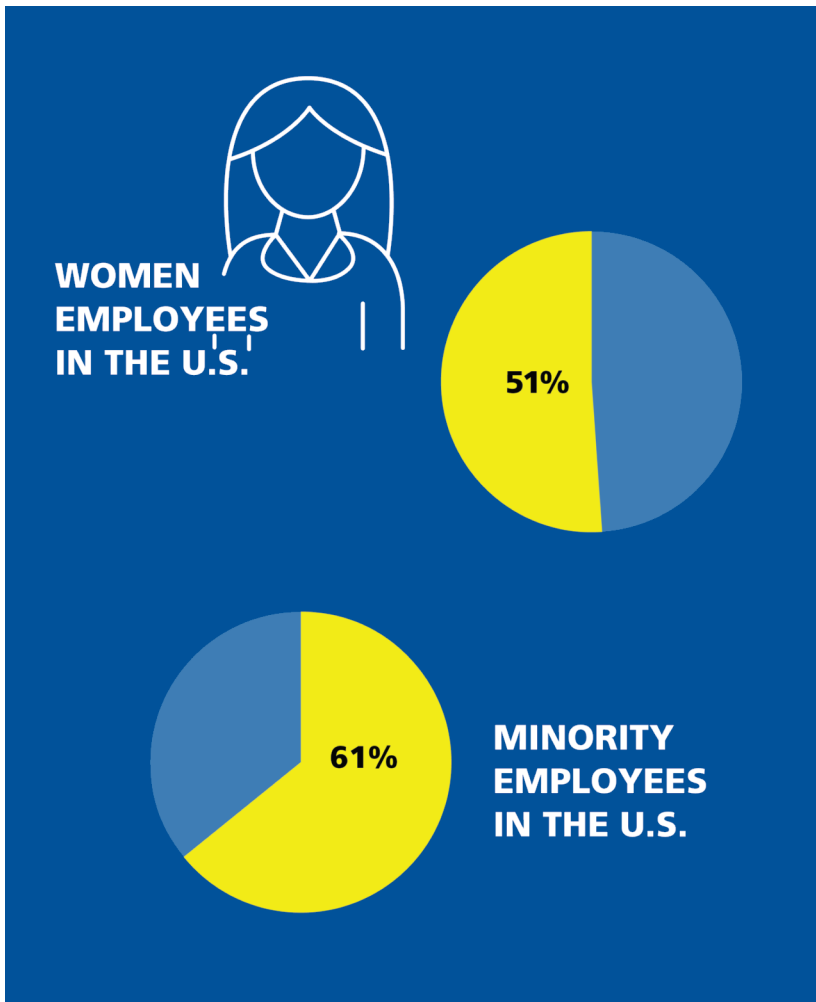
GEO is an equal opportunity employer focused on the rich diversity of our workforce with zero tolerance for all forms of workplace discrimination and sexual harassment.

Today, women comprise an equal portion of GEO’s U.S. workforce and play a significant role in our leadership and management. **Of GEO’s 17,500 U.S. employees, 51% are female.** Women account for 57% of our corporate employees, 41% of our facility security staff, and 29% of those serving in management positions as directors and above. We also continue to recruit women to our workforce, with women comprising 53% of GEO’s new hires.

In all areas of our business, GEO strives to achieve wider racial and ethnic diversity. Across our organization, under-represented minorities of the United States – including African Americans, Hispanic and Latino, Asian, Pacific Islander, Native Hawaiian and Native American/Alaskan – currently account for 61% of our U.S. employees.

Minorities comprise 39% of GEO’s corporate workforce in the U.S., 69% of our facility security staff, and 27% of those serving in management positions as directors or above. GEO’s employee population is also diverse by age. Of new hires, 47% were under age 30, 38% were between ages 30 and 50, and 14% were age 50 and older.

GEO is proud to support our local communities, and we recruit more than 90% of our workforce from these communities.



EMPLOYEE TRAINING AND DEVELOPMENT

The GEO Secure Services Training Division develops, implements, modifies and updates nationally recognized curricula through needs analysis. GEO incorporates feedback from employee and participant surveys, Quarterly Facility Training Advisory meetings, GEO Quality Control Division’s feedback and customer feedback, as well as researched trends from other training providers. The information is used to develop or update training curricula and training delivery methods.

The GEO Continuum of Care training institute incorporates individualized learning programs into each training plan. Staff are empowered to be a part of their development. GEO works with staff to develop a skills gap analysis to assist in identifying the skills a position requires and compares them to current skill level. Education and Treatment staff can earn professional credits towards certification or licensure. All staff work with trainers to develop professional development tracks.

Source: GEO 2020 Human Rights and ESG Report

ENGAGING WITH OUR STAKEHOLDERS: COMMUNITY ENGAGEMENT AND PHILANTHROPY



The GEO Group is committed to making a difference in the communities in which we operate. Every year, through The GEO Group Foundation, we support charities, schools, community organizations, and higher education scholarships for students across the country.

Since 2011, The GEO Group Foundation has donated more than \$17.5 million to various charitable causes throughout the country, including approximately \$6 million in student scholarships.

2021 GEO Group Foundation Highlights

- Approximately \$1.5 million in charitable donations
- Approximately \$500,000 donated to college and university scholarships
- Approximately \$1 million donated to a diverse group of organizations focused on health, disabilities, at-risk children and youth, and education

\$17.5 Million

to various charitable causes since 2011

~\$500,000

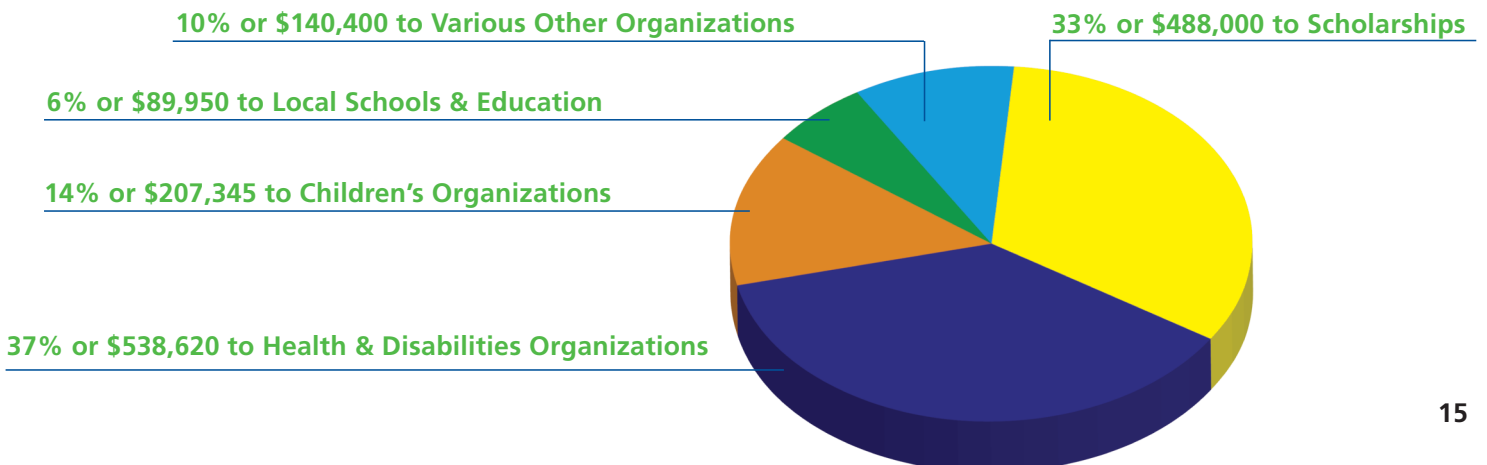
or 33% of total charitable donations in 2021 were allocated to college and university scholarships

~\$1 Million

donated to diverse charitable causes in 2021

Total GEO Foundation Donations in 2021

\$1,464,315



GEO CONTINUUM OF CARE: REHABILITATOR OF LIVES



The GEO Continuum of Care® – an innovative and award-winning initiative we began in 2015 – provides enhanced in-custody rehabilitation programming, including cognitive behavioral treatment, integrated with post-release support services. This evidence-based treatment model begins with individualized risks and needs assessments and offers programs designed to address the specific needs of each participant based on their assessments.

FACILITATING TRANSITION: GEO'S POST-RELEASE SUPPORT SERVICES

Approximately 95 percent of all individuals released from prison return to their communities. GEO's Post-Release Support Services provide case management, develop and maintain community partnerships, and coordinate and distribute transitional resources based on individual need.

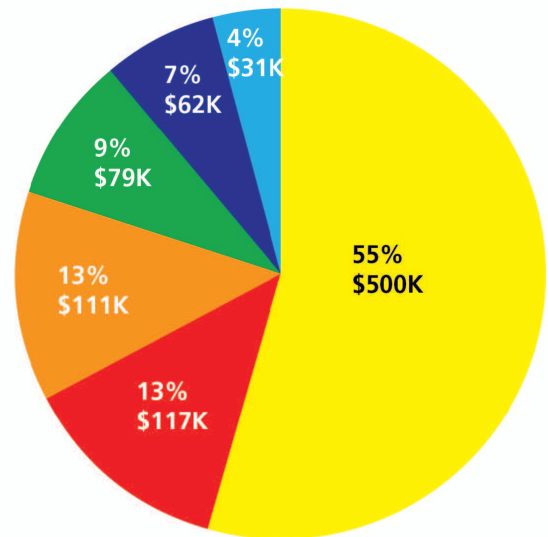
These measures are aimed at reducing recidivism rates, as well as increasing public safety, reducing victimization, and improving the quality of life for released individuals upon returning to their communities.

In addition to extended case management, education, training, and related services, GEO allocated approximately \$900,000 in company funding during 2021 to assist those released from custody in obtaining such necessities as: housing (55%); clothing (13%); food (13%); transportation (9%); employment/education (7%); and treatment services (4%).

2021 POST-RELEASE SUPPORT FUNDING



GEO allocated approximately \$900K in annual funding in 2021 to assist those released from custody



OUR TREATMENT BEGINS WITH INDIVIDUALIZED RISKS AND NEEDS ASSESSMENTS AND OFFERS SEVERAL UNIQUE AND EVIDENCE-BASED PROGRAMS, INCLUDING:

- Enhanced academic programming with the use of Smart-Board technology for interactive learning in every classroom.
- Enhanced vocational training through national, state, and industry certified programs focused on future job and career opportunities.
- Industry-leading Cognitive Behavioral and Substance Abuse treatment based on nationally recognized curricula.
- Post-release support services, which involve post-release case managers and 24-hour support to assist released individuals with the most crucial needs upon their release back into the community, including clothing, food, housing, employment, and transportation assistance.

2019-2021 GEO CONTINUUM OF CARE (COC) HIGHLIGHTS



POPULATION

	2021	2020	2019
Total Eligible Population	45,728	37,774	69,548
Total Program Participants	27,731	20,294	33,309



PARTICIPATION

Total Programming Hours Completed	2,777,252	2,564,275	6,789,417
Total Programming Completions	86,262	83,521	102,316
Behavioral Program Completions	38,601	34,606	44,715
Individual Cognitive Behavioral Treatment Sessions Completed	33,219	31,260	36,539
Average Daily Vocational Attendance	4,895	4,074	33,033
Average Daily Academics Attendance	3,791	1,395	13,244
Average Daily Substance Abuse Attendance	6,947	8,212	18,038
Total Substance Abuse Completions	5,520	8,767	8,767
Total Vocational Completions	6,815	7,649	9,413
Total High School Equivalencies Issued	2,107	1,239	2,882
Average Program Participation Hours per Participant	167	126	204

POST-RELEASE SUPPORT SERVICES



SUMMARY

Total Post-Release Participants	4,504	3,656	4,317
Community-Based Participants	1,868	5,343	3,840
Participants Pending Release	2,636	1,687	477
Employed/Students	808	1,320	1,638

STAFF DEVELOPMENT



Total Annual Trainings	8,987	7,362	342
Total Staff Training Hours	67,119	206,136	82,080

Despite the significant challenges associated with the COVID-19 global pandemic, our GEO Continuum of Care® staff continued to deliver enhanced rehabilitation to those in our care during 2021, often in innovative ways through virtual technologies.

COVID-19 SENSITIVE/ RESPONSIVE

Over the course of 2021, the determination and commitment of our frontline employees has been tested like never before, as our facilities and programs have met the unprecedented challenges of the global COVID-19 pandemic. We are incredibly proud of our employees, who have continued to make daily sacrifices and have remained committed to providing high-quality services and humane and compassionate care to all those entrusted to our facilities and programs.



GEO's COVID-19 Mitigation Initiatives

- We issued guidance to all our facilities, consistent with the guidance issued for correctional and detention facilities by the CDC.

Testing

- We increased testing capabilities at our U.S. Secure Services facilities and entered into contracts with multiple commercial labs to provide adequate testing supplies and services.
- We invested approximately \$2 million to acquire 45 Abbott Rapid COVID-19 ID NOW devices and testing kits capable of diagnosing not only COVID-19, but also influenza and strep throat.
- As of the end of December 2021, we had administered more than 206,000 COVID-19 tests to those in our care at our U.S. Secure Services facilities.

Bi-Polar Ionization

- We invested \$3.7 million to install bi-polar ionization air purification systems at select U.S. Secure Services facilities to reduce the spread of airborne bacteria and viruses.

Facemasks and Personal Hygiene Products

- We have provided continuing access to facemasks to all inmates and detainees, with a minimum of three facemasks per week or more often upon request.
- We increased the frequency of distribution of personal hygiene products, including soap,

shampoo and body wash, and tissue paper, and we are ensuring the daily availability of bars of soap or soap dispensers at each sink for hand washing in all of our facilities.

Social Distancing

- We have implemented social distancing pursuant to directives from our government agency partners and communicated these obligations and requirements via meetings, memos, and postings.
- We deployed floor markers throughout our facilities to inform and encourage social distancing and modified facility movements to accommodate social distancing.

Engineering Controls

- We temporarily suspended onsite social visitation.
- We established requirements for staff to complete a medical questionnaire and pass a daily temperature check.
- We modified intake procedures to screen new inmates/detainees and established isolation and quarantine procedures for COVID-19 positive and symptomatic cases, consistent with CDC guidelines.

Administrative/Work Practice Controls

- We posted reminders regarding coughing and sneezing etiquette, the importance of frequent handwashing, and the use of facemasks.

- We increased cleaning and disinfection of facilities, including high-touch areas (e.g., doorknobs/handles, light switches, handheld radios), housing unit dayrooms, dining areas, and other areas where individuals assemble.
- We advised our employees to remain home if they exhibit flu-like symptoms, and we have exercised flexible paid leave and paid time off policies to allow employees to remain home if they exhibit flu-like symptoms or to care for a family member.
- We enacted quarantine and testing policies for any employees who may have come into contact with an individual who has tested positive for COVID-19.

Vaccination

- We are working closely with our government partners and State and Local Health Departments to coordinate vaccination efforts for staff, inmates, detainees, and residents at our secure facilities, reentry centers and programs across the country; these measures align with recommendations from the CDC's Advisory Committee on Immunization Practices

(ACIP) and criteria established through the FDA's approval process.

- The timing of vaccine distribution to staff, inmates, detainees, and residents is being directed by the Local and State Health Departments in jurisdictions where we operate through the guidance and prioritization recommendations offered by the CDC and ACIP.
- As of December 2021, GEO has worked with our government agency partners and State and Local Health Departments to administer more than 48,000 doses of the vaccine to inmates, detainees, and residents in our facilities.

GEO is continuing to coordinate closely with our government agency partners and local health agencies to ensure the health and safety of all those in our care and our employees. We are grateful for our frontline employees, who are making sacrifices daily to provide care for all those in our facilities, during this unprecedented global pandemic.

GEO's full statement on COVID-19 is available on our website at geogroup.com/COVID19.



GEO SECURE SERVICES

99.71%

AVERAGE ACA ACCREDITATION SCORE IN 2021

68,279

U.S. SECURE SERVICES BEDS

53

U.S. SECURE SERVICES FACILITIES



Established in 1984, GEO Secure Services oversees the delivery of support services for secure facilities and processing centers in the United States, Australia, and South Africa.

GEO's U.S. Secure Services division oversees approximately 68,000 beds in 53 secure facilities providing support services on behalf of the Federal Bureau of Prisons, U.S. Marshals Service, U.S. Immigration and Customs Enforcement as well as seven state correctional agencies and various local jurisdictions.

The daily oversight of GEO's U.S. Secure Services facilities is coordinated from three regional offices located in Charlotte, North Carolina; San Antonio, Texas; and Los Angeles, California. Each regional operating structure is headed by a Regional Vice President who oversees approximately two dozen experts in security, medical, financial, contract compliance, human resources, and other support services.

This regional operating structure enables GEO to implement superior quality controls, develop personalized professional relationships, and ensure the delivery of a full complement of high-quality services, including:

- Secure custody services
- Facility management
- Food services
- Physical plant maintenance



EASTERN REGIONAL OFFICE, CHARLOTTE, NC



CENTRAL REGIONAL OFFICE, SAN ANTONIO, TX



WESTERN REGIONAL OFFICE, LOS ANGELES, CA



700-BED BROWARD TRANSITIONAL CENTER



1,536-BED LAWRENCEVILLE CORRECTIONAL CENTER



985-BED MOORE HAVEN CORRECTIONAL AND REHABILITATION FACILITY



1,314-BED MONTGOMERY PROCESSING CENTER



1,904-BED SOUTH TEXAS ICE PROCESSING CENTER



3,400-BED KINGMAN CORRECTIONAL AND REHABILITATION FACILITY

INTERNATIONAL SERVICES

6,525
INTERNATIONAL BEDS

4
INTERNATIONAL FACILITIES

GEO's International Services division provides support services for secure facilities on behalf of government agencies in Australia and South Africa, managing four secure facilities encompassing approximately 6,500 beds. In the United Kingdom, GEO provides secure transportation services through a joint-venture. Through a wholly-owned subsidiary and joint-venture companies, GEO's International Services division provides solutions that are fully customizable and tailored to each government agency's requirements and standards.



1,300-BED RAVENHALL CORRECTIONAL CENTRE



THE GEO GROUP AUSTRALIA

Located in Sydney, Australia, The GEO Group Australia plays a key role in helping meet the need for correctional services in Australia. The GEO Group Australia provides support services at three secure facilities with approximately 3,500 beds in the states of New South Wales and Victoria.

SOUTH AFRICAN CUSTODIAL MANAGEMENT



Located in Johannesburg, South Africa, South African Custodial Management provides secure facility support services for the Department of Correctional Services. South African Custodial Management operates the 3,024-bed Kutama Sinthumule Correctional Centre.



SOUTH AFRICAN CUSTODIAL MANAGEMENT, JOHANNESBURG, SOUTH AFRICA



GEOAMEY

Headquartered in Manchester, GEO's U.K. joint venture, GEOamey, provides prisoner escort and custody services in England, Wales, and Scotland.

GEOAMEY, UNITED KINGDOM



GEO TRANSPORT, INC. (GTI)

450+

SPECIAL SECURE USDOT
COMPLIANT VEHICLES
*GPS Satellite Tracking on all
vehicles*

13.5 Million+
MILES DRIVEN INCIDENT-
FREE WORLDWIDE
IN 2021



GTI Transporters

GEO’s in-house transportation division, GEO Transport, Inc. (GTI) provides secure transportation services to federal, state, and local government agencies in the United States and internationally. With the flexibility and resources to provide both ground and air transfer services, GTI helps government agencies meet their needs for secure transportation.

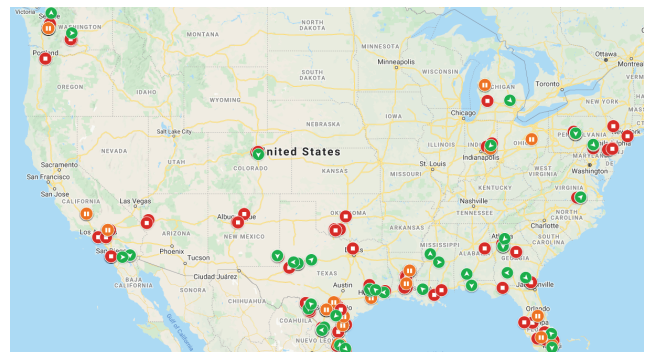
GTI employs approximately 550 licensed transportation officers and operates a fleet of approximately 450 customized and U.S. Department of Transportation-compliant vehicles.

GTI provides unmatched support services, including:

- **Strategically located transportation centers nationwide**
- **Proprietary GPS satellite tracking software (GEOTrack)**
- **Two-way communications, in-vehicle recording**
- **Continuous vehicle monitoring**
- **Constant communication link with all service vehicles**
- **Ground support to book and re-route vehicles**



GEOAmeey Van



GEO CARE

10,207

RESIDENTIAL REENTRY BEDS

42

RESIDENTIAL REENTRY CENTERS

87

NON-RESIDENTIAL CENTERS

25

IN-PRISON TREATMENT SITES

260,000

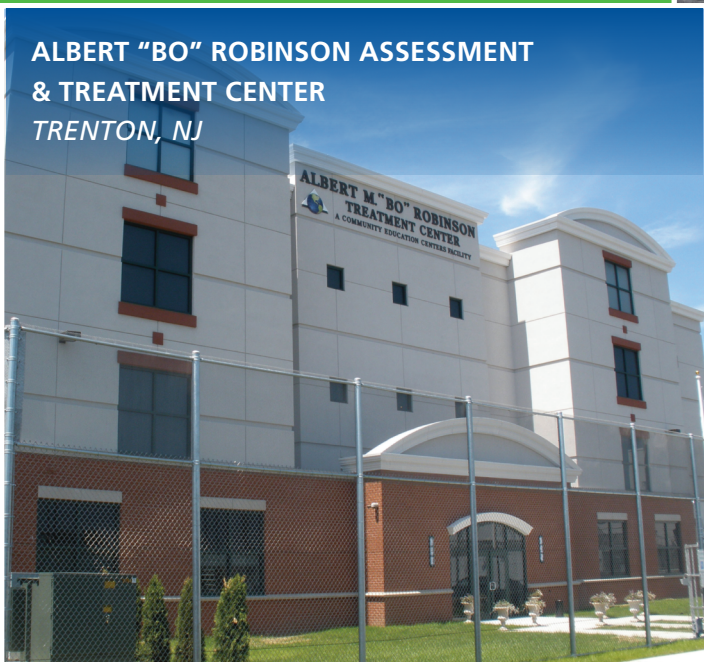
INDIVIDUALS UNDER COMMUNITY SUPERVISION

GEO Care consists of the GEO Continuum of Care® division, community-based residential and non-residential reentry centers, in-prison treatment programs, electronic monitoring technology, and immigration support services.

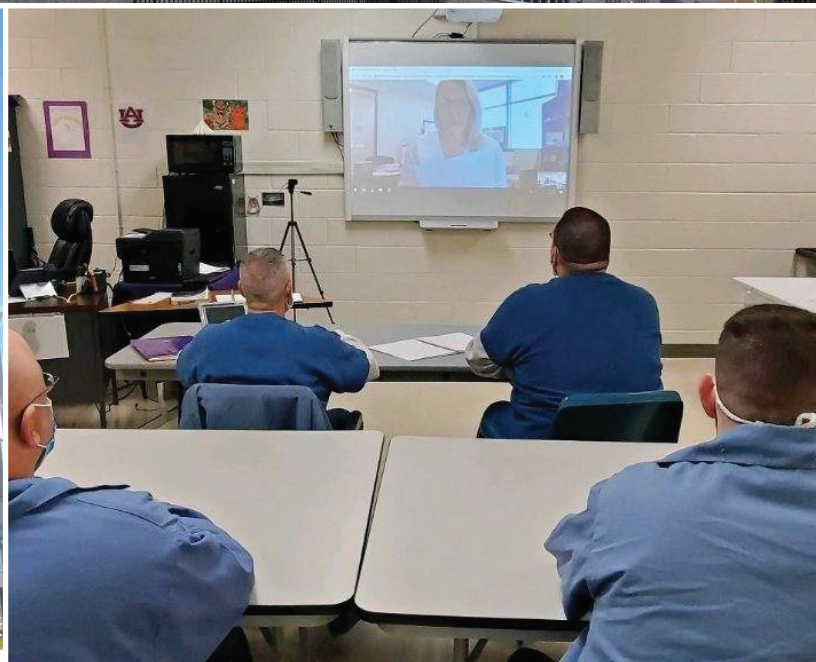
Through the delivery of high-quality, innovative, and effective programs, GEO Care has established itself as a trusted community reentry and rehabilitation service provider. GEO Care's diversified business divisions have leading market positions serving thousands of government agencies across the United States.



DELANEY HALL,
NEWARK, NJ



ALBERT "BO" ROBINSON ASSESSMENT
& TREATMENT CENTER
TRENTON, NJ





Changing Behavior, Changing Lives



GEO Reentry Services provides individuals with the resources necessary to productively transition back into the community. Through residential centers, GEO Reentry provides temporary housing, employment assistance, substance abuse counseling, and vocational and education programs. At our non-residential reentry centers, GEO Reentry offers multi-phase, evidence-based programs and services. In addition, our in-prison treatment programs prepare individuals at state prisons and county jails for successful reentry prior to release. Our structured and comprehensive programs promote successful reentry through a combination of treatment services, accountability, and links to community resources.

ELECTRONIC MONITORING & SUPERVISION SERVICES



STRENGTHENING COMMUNITIES THROUGH INNOVATION

Through its wholly owned subsidiary, BI Incorporated, GEO Care offers community alternatives for federal, state, and local corrections agencies supervising parolees, probationers, pretrial defendants, and individuals involved in the immigration process. Founded in 1978, BI has a presence across all 50 states and monitors approximately 260,000 individuals through electronic monitoring technologies and case management services. BI products include a wide range of electronic monitoring systems, enabling agencies to apply the appropriate option to support compliance.

Through the Intensive Supervision and Appearance Program (ISAP), an Alternatives to Detention (ATD) program for the U.S. Department of Homeland Security (DHS), BI provides community-based and culturally sensitive case management services tailored to the unique needs of the individuals and families the program serves. These holistic services focus on participant wellbeing and program engagement as they navigate the immigration court process.





BI SmartLINK®
Client Mobile App



BI HomeGuard® 20|20



BI Total Access®
Monitoring
Software



BI offers government agencies more than a dozen compliance technologies, including:

- Global Positioning Satellite (GPS) technology to enhance compliance
- Court admissible, transdermal and breath alcohol monitoring devices to accurately test and drive sobriety
- Accurate radio frequency solutions, ideal for monitoring compliance with curfews and other defined locations
- Electronic monitoring software solutions that provide agencies with effective tools to enhance supervision

Made in the USA

- BI proudly designs, engineers, and manufactures 200,000+ GPS tracking, alcohol detection, and RF monitoring units annually in Colorado. BI employs more than 1,200 professionals, including technicians, software engineers, assembly professionals, and call center representatives, and our supply chain includes thousands of additional U.S. workers.

FINANCIAL OVERVIEW

2021 FINANCIAL HIGHLIGHTS

\$2.26 Billion

2021 Total Revenue

\$467 Million

2021 Adjusted EBITDAre

\$234.2 Million

2021 Normalized Funds From Operations

\$299.3 Million

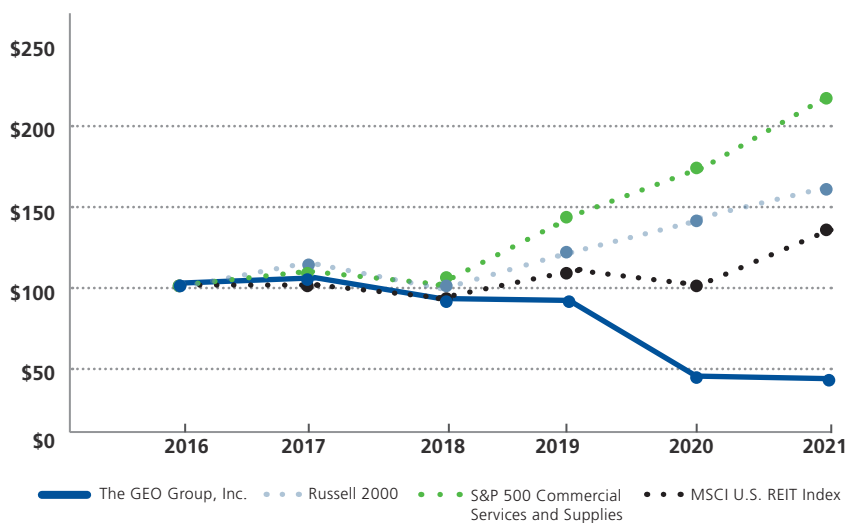
2021 Adjusted Funds From Operations

\$159.2 Million

2021 Adjusted Net Income

Comparison Of Five-Year Cumulative Total Return

Comparison of Five-Year Cumulative Total Return* The GEO Group, Inc., the Russell 2000, the S&P 500 Commercial Services and Supplies, and the MSCI U.S. REIT Indexes*. (Performance through December 31, 2021) *Total return assumes reinvestment of dividends.



Date	The GEO Group, Inc.	Russell 2000	S&P 500 Commercial Services and Supplies	MSCI U.S. REIT Index
Dec-31-16	\$100.00	\$100.00	\$100.00	\$100.00
Dec-31-17	\$105.08	\$113.14	\$109.44	\$100.86
Dec-31-18	\$95.25	\$99.37	\$106.05	\$92.14
Dec-31-19	\$88.77	\$112.94	\$145.49	\$111.44
Dec-31-20	\$45.98	\$145.52	\$177.44	\$99.06
Dec-31-21	\$41.42	\$165.45	\$229.06	\$137.46

Assumes \$100 invested on December 31, 2016, in The GEO Group, Inc. common stock and the Index companies.

(In thousands, except per share data)	2021	2020	2019
Total Revenues	\$2,256,612	\$2,350,098	\$2,477,922
Net Operating Income	\$641,213	\$601,787	\$654,670
Net Income Attributable to The GEO Group	\$77,418	\$113,032	\$166,603
Net Income Attributable To GEO per Diluted Share	\$0.58	\$0.94	\$1.40
Adjusted Funds From Operations per Diluted Share	\$2.48	\$2.51	\$2.75
Total Assets	\$4,537,408	\$4,460,126	\$4,317,534
Shareholders' Equity	\$975,016	\$912,082	\$996,048
Diluted Weighted Average Common Shares Outstanding	120,732	119,991	119,311

*This annual report contains certain Non-GAAP measures. Please refer to GEO's Fourth Quarter and Full Year 2021 Earnings Announcement and Supplemental Disclosure issued on February 17, 2022 for a description of such Non-GAAP measures and a reconciliation of such Non-GAAP measures to their most comparable GAAP measure.

PART II

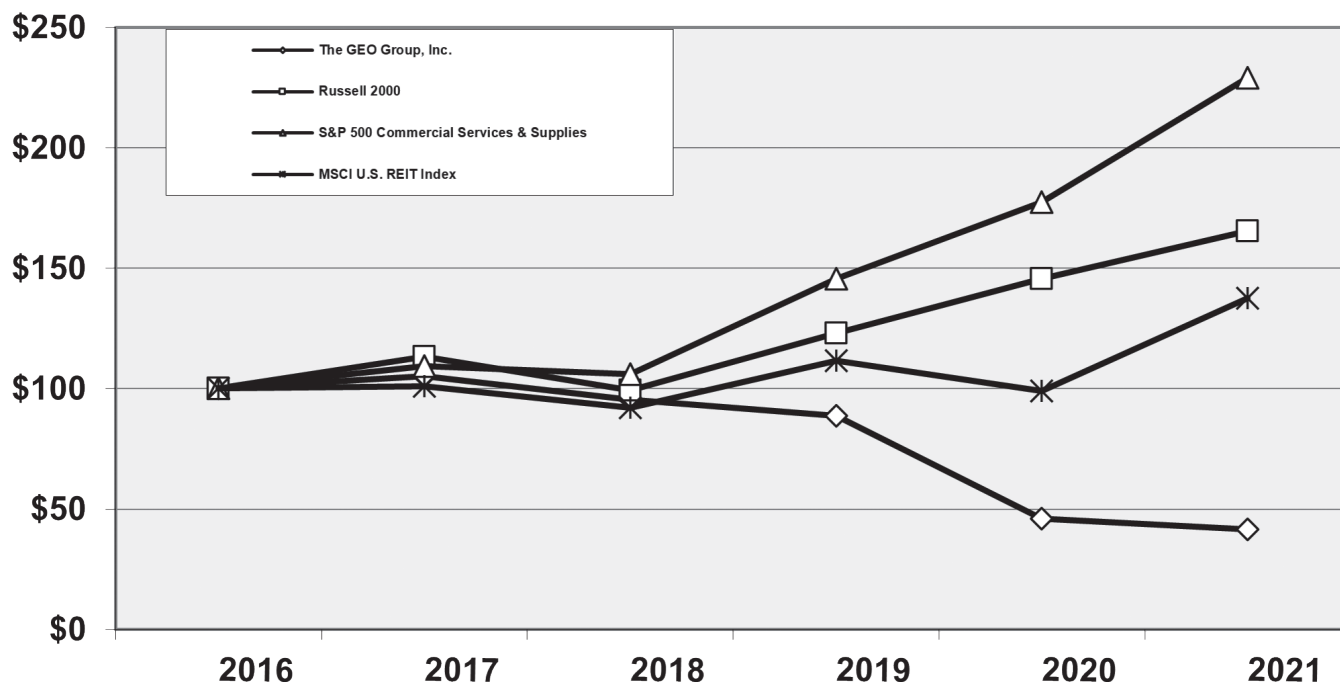
Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock trades on the New York Stock Exchange under the symbol “GEO.” As of February 21, 2022, we had 497 shareholders of record. Shareholders of record does not include shareholders who own shares held in “street name.”

Performance Graph

The following performance graph compares the performance of our common stock to the Russell 2000, the S&P 500 Commercial Services and Supplies Index, and the MSCI U.S. REIT Index and is provided in accordance with Item 201(e) of Regulation S-K.

Comparison of Five-Year Cumulative Total Return*
The GEO Group, Inc., Russell 2000,
S&P 500 Commercial Services and Supplies Index
and MSCI U.S. REIT Index
(Performance through December 31, 2021)



Date	The GEO Group, Inc.	Russell 2000	S&P 500 Commercial Services and Supplies	MSCI U.S. REIT Index
December 31, 2016	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00
December 31, 2017	\$ 105.08	\$ 113.14	\$ 109.44	\$ 100.86
December 31, 2018	\$ 95.25	\$ 99.37	\$ 106.05	\$ 92.14
December 31, 2019	\$ 88.77	\$ 122.94	\$ 145.49	\$ 111.44
December 31, 2020	\$ 45.98	\$ 145.52	\$ 177.44	\$ 99.06
December 31, 2021	\$ 41.42	\$ 165.45	\$ 229.06	\$ 137.46

Assumes \$100 invested on December 31, 2016 in our common stock and the respective Index.

* Total return assumes reinvestment of dividends.

Item 6. Reserved

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction

The following discussion and analysis provides information which management believes is relevant to an assessment and understanding of our consolidated results of operations and financial condition. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of numerous factors including, but not limited to, those described above under "Item 1A. Risk Factors," and "Forward-Looking Statements - Safe Harbor" below. The discussion should be read in conjunction with the consolidated financial statements and notes thereto.

We specialize in the ownership, leasing and management of secure, reentry facilities and processing centers and the provision of community-based services in the United States, Australia and South Africa. We own, lease and operate a broad range of secure facilities including maximum, medium and minimum-security facilities, processing centers, and community-based reentry facilities. We offer counseling, education and/or treatment for alcohol and drug abuse problems at most of the domestic facilities we manage. We are also a provider of innovative compliance technologies, industry-leading monitoring services, and evidence-based supervision and treatment programs for community-based parolees, probationers and pretrial defendants. Additionally, we have a contract with ICE to provide supervision and reporting services designed to improve the participation of non-detained aliens in the immigration court system. We develop new facilities based on contract awards, using our project development expertise and experience to design, construct and finance what we believe are state-of-the-art facilities that maximize security and efficiency. We also provide secure transportation services for offender and detainee populations as contracted domestically and in the United Kingdom through our joint venture GEOAmey.

As of December 31, 2021, our worldwide operations included the management and/or ownership of approximately 86,000 beds at 106 correctional, detention and reentry facilities, including idle facilities, and also included the provision of servicing more than 210,000 individuals in a community-based environment on behalf of federal, state and local correctional agencies located in all 50 states.

For the years ended December 31, 2021 and 2020, we had consolidated revenues of \$2.3 billion and \$2.4 billion, respectively, and we maintained an average company-wide facility occupancy rate of 85.4% including 74,834 active beds and excluding 11,200 idle beds for the year ended December 31, 2021, and 86.1% including 89,499 active beds and excluding 3,334 idle beds and beds under development for the year ended December 31, 2020.

REIT Election

On December 2, 2021, we announced that our Board unanimously approved a plan to terminate our REIT election and become a taxable C Corporation, effective for the year ended December 31, 2020. As a result, we are no longer required to operate under REIT rules, including the requirement to distribute at least 90% of REIT taxable income to its stockholders, which provides us with greater flexibility to use our free cash flow. Effective January 1, 2021, we are subject to federal and state income taxes on our taxable income at applicable tax rates, and are no longer entitled to a tax deduction for dividends paid. We operated as a REIT for the 2020 tax year, and existing REIT requirements and limitations, including those established by our organizational documents, remained in place until December 31, 2020. Refer to Note 16 – Income Taxes of the Notes to the audited consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K. The Board also voted unanimously to discontinue our quarterly dividend payment and prioritize allocating our free cash flow to reduce debt.

Critical Accounting Policies

We believe that the accounting policies described below are critical to understanding our business, results of operations and financial condition because they involve the more significant judgments and estimates used in the preparation of our consolidated financial statements. We have discussed the development, selection and application of our critical accounting policies with the audit committee of our Board of Directors, and our audit committee has reviewed our disclosure relating to our critical accounting policies in this "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Our consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States. As such, we are required to make certain estimates, judgments and assumptions that we believe are reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We routinely evaluate our estimates based on historical experience and on various other assumptions that our management believes are reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. If actual results significantly differ from our estimates, our financial condition and results of operations could be materially impacted.

Other significant accounting policies, primarily those with lower levels of uncertainty than those discussed below, are also critical to understanding our consolidated financial statements. The notes to our consolidated financial statements contain additional information related to our accounting policies and should be read in conjunction with this discussion.

Revenue Recognition

Revenue is recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. Sales, value added and other taxes that we collect concurrent with revenue producing activities and that are subsequently remitted to governmental authorities are excluded from revenues. The guidance distinguishes between goods and services. The definition of services under the guidance includes everything other than goods. As such, in our case, this guidance views the provision of housing as a service.

When a contract includes variable consideration, we determine an estimate of the variable consideration and evaluate whether the estimate needs to be constrained; therefore, we include the variable consideration in the transaction price only to the extent that it is probable that a significant reversal of the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Variable consideration estimates are updated at each reporting date. A limited number of our domestic contracts have provisions upon which a small portion of the revenue for the contract is based on the performance of certain targets. Domestically, revenue based on the performance of certain targets is less than 1% of our consolidated domestic revenues and was not significant during the periods presented. One of our international contracts, related to our Ravenhall correctional facility project (discussed further below), contains a provision where a significant portion of the revenue for the contract is based on the performance of certain targets. These performance targets are based on specific criteria to be met over specific periods of time. Such criteria includes our ability to achieve certain contractual benchmarks relative to the quality of service we provide, non-occurrence of certain disruptive events, effectiveness of our quality control programs and our responsiveness to customer requirements. The performance of these targets are measured quarterly and there was no significant constraint on the estimate of such variable consideration for this contract during the years ended December 31, 2021, 2020 or 2019.

We do not disclose the value of unsatisfied performance obligations for (i) contracts with an expected length of one year or less and (ii) contracts for which revenue is recognized at the amount to which we have the right to invoice for services performed, which is generally the case for all of our contracts. Incidental items that are immaterial in the context of the contract are recognized as expense. We generally do not incur incremental costs related to obtaining a contract with our customers that would meet the requirement for capitalization. There were no assets recognized from costs to obtain a contract with a customer at December 31, 2021 or 2020.

The timing of revenue recognition may differ from the timing of invoicing to customers. We record a receivable when services are performed which are due from our customers based on the passage of time. We record a contract liability if consideration is received in advance of the performance of services. Generally, our customers do not provide payment in advance of the performance of services. Therefore, any contract liability is not significant at December 31, 2021 or December 31, 2020 and revenue recognized during the years ended December 31, 2021 and 2020 that was included in the opening balance of unearned revenue was not significant. There have been no significant amounts of revenue recorded in the periods presented from performance obligations either wholly or partially satisfied in prior periods.

The right to consideration under our contracts is only dependent on the passage of time and is therefore considered to be unconditional. Payment terms and conditions vary by contract type, although, with the exception of the contract receivable related to our Ravenhall correctional facility (further discussed below), terms generally include a requirement of payment within 30 days after performance obligations are satisfied and generally do not include a significant financing component. There have been no significant changes in receivable or unearned revenue balances during the period other than regular invoicing and collection activity.

Owned and Leased - Secure Services

We recognize revenue for secure services where we own or lease the facility as services are performed. We provide for the safe and secure housing and care of incarcerated individuals under public-private partnerships with federal, state and local government agencies. This includes providing 24-hour care and supervision, including but not limited to, such services as medical, transportation, food service, laundry services and various programming activities. These tasks are considered to be activities to fulfill the safe and secure housing performance obligation and are not considered to be individually separate promises in the contract. Each of these activities is highly interrelated and we perform a significant level of integration of these activities. We have identified these activities as a bundle of services and determined that each day of the promised service is distinct. The services provided are part of a series of distinct services that are substantially the same and are measured using the same measure of progress (time-based output method). We have determined that revenue for these services are recognized over time as our customers simultaneously receive and consume the benefits as the services are performed, which is on a continual daily basis, and we have a right to payment for performance completed to date. Time-based output methods of revenue recognition are considered to be a faithful depiction of our efforts to fulfill our obligations under our contracts and therefore reflect the transfer of services to our customers. Our customers generally pay for these services based on a net rate per day per individual or on a fixed monthly rate.

Owned and Leased - Community-based

We recognize revenue for community-based reentry services where we own or lease the facility in a manner similar to our secure services discussed above. We provide individuals nearing the end of their sentence with the resources necessary to productively transition

back into society. Through our residential reentry centers, we provide federal and state parolees and probationers with temporary housing, rehabilitation, substance abuse counseling and vocational and educational programs. These activities are considered to be a bundle of services which are a part of a series of distinct services recognized over time based on the same criteria as discussed above for secure services revenues. Our customers also generally pay for these services based on a net rate per day per individual or on a fixed monthly rate.

Owned and Leased - Community-based

We recognize revenue for community-based reentry services where we own or lease the facility in a manner similar to our secure services discussed above. We provide individuals nearing the end of their sentence with the resources necessary to productively transition back into society. Through our residential reentry centers, we provide federal and state parolees and probationers with temporary housing, rehabilitation, substance abuse counseling and vocational and educational programs. These activities are considered to be a bundle of services which are a part of a series of distinct services recognized over time based on the same criteria as discussed above for secure services revenues. Our customers also generally pay for these services based on a net rate per day per individual or on a fixed monthly rate.

Owned and Leased - Youth Services

We recognized revenues for youth services where we own or lease the facility in the same manner as discussed above for the housing, supervision, care and rehabilitation of troubled youth residents. The activities to house and care for troubled youth residents are also considered to be a bundle of services which are part of a series of distinct services recognized over time based on the same criteria discussed for the previous two revenue streams. Our customers generally pay for these services based on a net rate per day per individual. On July 1, 2021, the Company completed a divestiture of its youth division. Refer to Note 17 - Commitments, Contingencies and Other Matters of the Notes to the audited consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Managed Only

We recognize revenue for our managed only contracts in the same manner as our Owned and Leased Secure Services and Owned and Leased Community-based contracts as discussed above. The primary exception is that we do not own or lease the facility. The facility is owned by the customer. In certain circumstances, our customers may request that we make certain capital improvements to the facility or make other payments related to the facility. These payments are amortized as a reduction of revenues over the life of the contract. Our customers generally pay for these services based on a net rate per day per individual or a fixed monthly rate.

Non-residential Services and Other

Non-residential Services and Other revenue consist of our contracts with federal and various state and local governments to provide location, alcohol and drug detecting electronic monitoring and case management services to individuals on an as needed or as requested basis. This category also includes our day reporting centers.

We recognize revenues for electronic monitoring and case management services as the services are performed. Services provided consist of community-based supervision (home visits), in-person reporting, telephonic reporting and GPS and other electronic monitoring as well as overall contract management services. The rates for the various services are considered to be stated at their individual stand-alone selling prices. We have determined that the services to be provided are recognized over time based on the unit of occurrence of the various services as our customer simultaneously receives and consumes the benefits as the services are performed and we have a right to payment for performance completed to date. Generally, these services are paid based on a net rate per occurrence and a monthly fee for management services.

Certain of our electronic monitoring contracts include providing monitoring equipment and related monitoring services activities (using internal proprietary software platforms) to our customers. These tasks are considered to be activities to fulfill the promise to provide electronic monitoring services to individuals and are not considered to be individually separate promises in the contract. In the context of the contract, the equipment and monitoring service is not considered to be capable of being distinct as the customer typically cannot benefit from the equipment or monitoring service on its own or with other readily available resources. We have identified these activities as a bundle of services and determined that each day or unit of the promised service is distinct. These services are part of a series of distinct services that are substantially the same and are measured using the same measure of progress (time-based output method) and are therefore accounted for as a single performance obligation. We have determined that services are recognized over time as the customer simultaneously receives and consumes the benefits as the services are performed and we have a right to payment for performance completed to date.

Services provided for our day reporting centers are similar to our Owned and Leased Community-based services discussed above with the exception of temporary housing.

Reserves for Insurance Losses

The nature of our business exposes us to various types of third-party legal claims, including, but not limited to, civil rights claims relating

to conditions of confinement and/or mistreatment, sexual misconduct claims brought by individuals within our care, medical malpractice claims, product liability claims, intellectual property infringement claims, claims relating to employment matters (including, but not limited to, employment discrimination claims, union grievances and wage and hour claims), property loss claims, environmental claims, automobile liability claims, contractual claims and claims for personal injury or other damages resulting from contact with our facilities, programs, electronic monitoring products, personnel or individuals within our care, including damages arising from the escape of an individual in our care or from a disturbance or riot at a facility. In addition, our management contracts generally require us to indemnify the governmental agency against any damages to which the governmental agency may be subject in connection with such claims or litigation. We maintain a broad program of insurance coverage for these general types of claims, except for claims relating to employment matters, for which we carry no insurance. There can be no assurance that our insurance coverage will be adequate to cover all claims to which we may be exposed. It is our general practice to bring merged or acquired companies into our corporate master policies in order to take advantage of certain economies of scale.

On October 1, 2021, GEO formed a wholly owned captive insurance subsidiary, Florina Insurance Company, Inc. (“Florina”), to enhance our risk financing strategies. Florina is incorporated in the state of Vermont and is licensed and regulated by the state of Vermont, including with respect to its insurance programs, levels of liquidity and other requirements. GEO began procuring insurance policies to cover deductibles for workers’ compensation, general liability, automobile liability, medical professional liability and directors & officers’ liability as well as procuring insurance policies for its directors’ and officers’ excess liability and excess medical professional liability through Florina effective October 1, 2021. Florina holds cash and investments in order to meet solvency requirements and meet financial obligations as presented, including an investment portfolio of marketable fixed income and equity securities.

We currently maintain a general liability policy and excess liability policies with total limits of \$70.0 million per occurrence and \$90.0 million total general liability annual aggregate limits covering the operations of U.S. Secure Services, Reentry services and Electronic Monitoring and Supervision Services. We have a claims-made liability insurance program with a specific loss limit of \$40.0 million per occurrence and in the aggregate related to medical professional liability claims arising out of correctional healthcare services. We are uninsured for any claims in excess of these limits. We also maintain insurance to cover property and other casualty risks including, workers’ compensation, environmental liability, cybersecurity liability and automobile liability.

For most casualty insurance policies, we carry substantial deductibles or self-insured retentions of \$4.0 million per occurrence for general liability and \$5 million per occurrence for medical professional liability, \$2.0 million per occurrence for workers’ compensation, \$2.5 million per occurrence for directors & officers’ liability and \$1.0 million per occurrence for automobile liability. In addition, certain of our facilities located in Florida and other high-risk hurricane areas carry substantial windstorm deductibles. Since hurricanes are considered unpredictable future events, no reserves have been established to pre-fund for potential windstorm damage. Limited commercial availability of certain types of insurance relating to windstorm exposure in coastal areas and earthquake exposure mainly in California and the Pacific Northwest may prevent us from insuring some of its facilities to full replacement value.

With respect to operations in South Africa and Australia, we utilize a combination of locally-procured insurance and global policies to meet contractual insurance requirements and protect us. In addition to these policies, our Australian subsidiary carries tail insurance on a general liability policy related to a discontinued contract.

Of the insurance policies discussed above, our most significant insurance reserves relate to workers’ compensation, general liability and auto claims. These reserves, which include Florina’s reserves and GEO’s legacy reserves, are undiscounted and were \$73.3 million and \$78.9 million as of December 31, 2021 and 2020, respectively, and are included in Accrued Expenses in the accompanying Consolidated Balance Sheets. We use statistical and actuarial methods to estimate amounts for claims that have been reported but not paid and claims incurred but not reported. In applying these methods and assessing their results, we consider such factors as historical frequency and severity of claims at each of our facilities, claim development, payment patterns and changes in the nature of our business, among other factors. Such factors are analyzed for each of our business segments. Our estimates may be impacted by such factors as increases in the market price for medical services and unpredictability of the size of jury awards. We also may experience variability between our estimates and the actual settlement due to limitations inherent in the estimation process, including our ability to estimate costs of processing and settling claims in a timely manner as well as our ability to accurately estimate our exposure at the onset of a claim. Because we have high deductible insurance policies, the amount of our insurance expense is dependent on our ability to control our claims experience. If actual losses related to insurance claims significantly differ from our estimates, our financial condition, results of operations and cash flows could be materially adversely impacted.

Income Taxes

The consolidated financial statements reflect provisions for federal, state, local and foreign income taxes. The Company recognizes deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, as well as operating loss and tax credit carryforwards. The Company measures deferred tax assets and liabilities using enacted tax rates expected to apply to taxable income in the years in which those temporary differences and carryforwards are expected to be recovered or settled. The effect on deferred tax assets and liabilities as a result of a change in tax rates is recognized as income in the period that includes the enactment date. Refer to Note 16 - Income Taxes. For years prior to 2021, the Company was taxed as a REIT and did not expect to pay federal income taxes at the REIT level (including its qualified REIT subsidiaries). However, our wholly owned taxable REIT subsidiaries were fully subject to federal, state and foreign income taxes, as applicable. While a REIT, the Company was required to distribute at least 90% of its REIT level taxable income to shareholders, and the resulting dividends paid deduction

offset its REIT taxable income. Consequently, while a REIT, since the Company did not expect to pay taxes on its REIT taxable income, it was not able to recognize deferred tax assets and liabilities.

Deferred income taxes are determined based on the estimated future tax effects of differences between the financial statement and tax basis of assets and liabilities given the provisions of enacted tax laws. Significant judgments are required to determine the consolidated provision for income taxes. Deferred income tax provisions and benefits are based on changes to the assets or liabilities from year to year. Realization of the Company's deferred tax assets is dependent upon many factors such as tax regulations applicable to the jurisdictions in which the Company operates, estimates of future taxable income and the character of such taxable income.

Additionally, the Company must use significant judgment in addressing uncertainties in the application of complex tax laws and regulations. If actual circumstances differ from the Company's assumptions, adjustments to the carrying value of deferred tax assets or liabilities may be required, which may result in an adverse impact on the results of its operations and its effective tax rate. Valuation allowances are recorded related to deferred tax assets based on the "more likely than not" criteria. The Company has not made any significant changes to the way it accounts for its deferred tax assets and liabilities in any year presented in the consolidated financial statements. Based on its estimate of future earnings and its favorable earnings history, the Company currently expects full realization of the deferred tax assets net of any recorded valuation allowances. Furthermore, tax positions taken by the Company may not be fully sustained upon examination by the taxing authorities. In determining the adequacy of our provision (benefit) for income taxes, potential settlement outcomes resulting from income tax examinations are regularly assessed. As such, the final outcome of tax examinations, including the total amount payable or the timing of any such payments upon resolution of these issues, cannot be estimated with certainty.

Asset Impairments

The following table summarizes the Company's idled facilities as of December 31, 2021 and their respective carrying values, excluding equipment and other assets that can be easily transferred to other facilities.

Facility	Segment	Design Capacity	Date Idled	Net Carrying Value December 31, 2021
Great Plains Correctional Facility	Secure Services	1,940	2021	\$ 68,479
D. Ray James Correctional Facility	Secure Services	1,900	2021	\$ 52,724
Rivers Correctional Facility	Secure Services	1,450	2021	\$ 39,644
Big Spring Correctional Facility	Secure Services	1,732	2021	\$ 35,828
Flightline Correctional Facility	Secure Services	1,800	2021	\$ 37,090
McFarland Female Community Reentry Facility	Secure Services	300	2020	\$ 11,498
Perry County Correctional Facility [1]	Secure Services	690	2015	\$ 11,186
Cheyenne Mountain Recovery Center	Reentry Services	750	2020	\$ 17,145
Coleman Hall	Reentry Services	350	2017	8,139
Total		10,912		\$ 281,733

Refer to Note 1 – Summary of Business Organization, Operations and Significant Accounting Policies - Risks and Uncertainties – Executive Order of the Notes to the audited consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K for a discussion of recent developments. There was no indication of impairment related to the Company's idle facilities during the year ended December 31, 2021.

We review long-lived assets to be held and used for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. Events that would trigger an impairment assessment include deterioration of profits for a business segment that has long-lived assets, or when other changes occur that might impair recovery of long-lived assets such as the termination of a management contract or a prolonged decrease in population. If impairment indicators are present, we perform a recoverability test to determine whether or not an impairment loss should be measured.

We test idle facilities for impairment upon notification that the facilities will no longer be utilized by the customer. If a long-lived asset is part of a group that includes other assets, the unit of accounting for the long-lived asset is its group. Generally, we group assets by facility for the purpose of considering whether any impairment exists. The estimates of recoverability are based on projected undiscounted cash flows associated with actual marketing efforts where available or, in other instances, projected undiscounted cash flows that are comparable to historical cash flows from management contracts at similar facilities and sensitivity analyses that consider reductions to such cash flows. Our sensitivity analyses include adjustments to projected cash flows compared to the historical cash flows due to current business conditions which impact per diem rates as well as labor and other operating costs, changes related to facility mission due to changes in prospective clients, and changes in projected capacity and occupancy rates. We also factor in prolonged periods of vacancies as well as the time and costs required to ramp up facility population once a contract is obtained. We perform the impairment analysis on an annual basis for each of the idle facilities and take into consideration updates each quarter for market developments affecting the potential utilization of each of the facilities in order to identify events that may cause the Company to reconsider the most recent assumptions. Such events could include negotiations with a prospective customer for the utilization of an idle facility at terms significantly less favorable than the terms used in our most recent impairment analysis, or changes in legislation surrounding a particular facility that could impact our ability to house certain types of individuals at such facility. Further, a substantial increase in the number of available beds at other facilities we own, or in the marketplace, could lead to deterioration in market conditions and projected cash flows. Although they are not frequently received, an unsolicited offer to purchase any of our idle facilities, at amounts that are less than their carrying value could also cause us to reconsider the assumptions used in the most recent impairment analysis. We have identified marketing prospects to utilize each of the remaining currently idled facilities and have determined that no current impairment exists. However, we can provide no assurance that we will be able to secure management contracts to utilize our idle facilities, or that it will not incur impairment charges in the future. In all cases, the projected undiscounted cash flows in our analysis as of December 31, 2021 substantially exceeded the carrying amounts of each facility. During the year ended December 31, 2020, the Company recorded an impairment charge of approximately \$5.7 million related to one leased facility where the projected undiscounted cash flows of the facility did not exceed the carrying amount.

Our evaluations also take into consideration historical experience in securing new facility management contracts to utilize facilities that had been previously idled for periods comparable to or in excess of the periods our currently idle facilities have been idle. Such previously idled facilities are currently being operated under contracts that generate cash flows resulting in the recoverability of the net book value of the previously idled facilities by substantial amounts. Due to a variety of factors, the lead time to negotiate contracts with federal and state agencies to utilize idle bed capacity is generally lengthy which has historically resulted in periods of idleness similar to the ones we are currently experiencing.

By their nature, these estimates contain uncertainties with respect to the extent and timing of the respective cash flows due to potential delays or material changes to forecasted terms and conditions in contracts with prospective customers that could impact the estimate of projected cash flows. Notwithstanding the effects the current economy has had on our customers for available beds in the short term which has led to its decision to idle certain facilities, we believe the long-term trends favor an increase in the utilization of our idle facilities. This belief is also based on our experience in working with governmental agencies faced with significant budgetary challenges which is a primary contributing factor to the lack of appropriated funding to build new bed capacity by federal and state agencies.

Goodwill and Other Intangible Assets, Net

Goodwill

We have recorded goodwill as a result of our business combinations. Goodwill is recorded as the difference, if any, between the aggregate consideration paid for an acquisition and the fair value of the net tangible assets and other intangible assets acquired. Our goodwill is not amortized and is tested for impairment annually on the first day of the fourth quarter, and whenever events or circumstances arise that indicate impairment may have occurred. Impairment testing is performed for all reporting units that contain goodwill. The reporting units are the same as the reportable segments for U.S. Secure Services, Electronic Monitoring and Supervision Services and Reentry Services.

On the annual measurement date of October 1, 2021, GEO's management elected to qualitatively assess our goodwill for impairment for all of its reporting units. Under provisions of the qualitative analysis, when testing goodwill for impairment, we first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, we determine it is more likely than not that the fair value of a reporting unit is less than its carrying amount, we perform a quantitative impairment test to identify goodwill impairment and measures the amount of goodwill impairment loss to be recognized, if any. The qualitative factors used by GEO's management to determine the likelihood that the fair value of the reporting unit is less than the carrying amount include, among other things, a review of overall economic conditions and their current and future impact on our existing business, our financial performance and stock price, industry outlook and market competition. With respect to the qualitative assessments, management determined that, as of October 1, 2021, it was more likely than not that the fair values of the reporting units exceeded their carrying values. During the year ended December 31, 2020, in connection with our annual impairment test, we performed a quantitative analysis for our Reentry Services Segment using a third-party valuation firm to determine the estimated fair value of the reporting unit using a discounted cash flow model. A discount rate of 10% was utilized to adjust the cash flow forecasts based on management's estimate of a market participant's weighted-average cost of

capital. Growth rates for sales and profits were determined using inputs from our long-term planning process. We also made estimates for discount rates and other factors based on market conditions, historical experience and other economic factors. Changes in these factors could significantly impact the fair value of the reporting unit. With respect to the Reentry Services reporting unit that was assessed quantitatively, management determined that the carrying value exceeded its fair value due to future declines in cash flow projections primarily due to the negative impact of the COVID-19 pandemic on our reentry facilities. As such, we recorded a goodwill impairment charge of \$21.1 million during the year ended December 31, 2020. A change in one or combination of the assumptions discussed above could have impacted the estimated fair value of the reporting unit. If our expectations

Other Intangible Assets. Net

We have also recorded other finite and indefinite lived intangible assets as a result of previously completed business combinations. Other acquired finite and indefinite lived intangible assets are recognized separately if the benefit of the intangible asset is obtained through contractual or other legal rights, or if the intangible asset can be sold, transferred, licensed, rented or exchanged, regardless of our intent to do so. Our intangible assets include facility management contracts, trade names and technology. The facility management contracts represent customer relationships in the form of management contracts acquired at the time of each business combination; the value of BI's and Protocol Criminal Justice, Inc.'s ("Protocol") trade names represent, among other intangible benefits, name recognition to its customers and intellectual property rights; and the acquired technology represents BI's innovation with respect to its GPS tracking, monitoring, radio frequency monitoring, voice verification monitoring and alcohol compliance systems, Protocol's innovation with respect to its customer relationship management software and Soberlink, Inc.'s innovation with respect to its alcohol monitoring devices. When establishing useful lives, we consider the period and the pattern in which the economic benefits of the intangible asset are consumed or otherwise used up; or, if that pattern cannot be reliably determined, using a straight-line amortization method over a period that may be shorter than the ultimate life of such intangible asset. We also consider the impact of renewal terms when establishing useful lives. We currently amortize our acquired facility management contracts over periods ranging from three to twenty-one years and its acquired technology over seven years to eight years. There is no residual value associated with our finite-lived intangible assets. We review our trade name assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. We do not amortize its indefinite lived intangible assets. We review its indefinite lived intangible assets annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. These reviews resulted in no impairment to the carrying value of the indefinite lived intangible assets for all periods presented. We record the costs associated with renewal and extension of facility management contracts as expenses in the period they are incurred.

Recent Accounting Pronouncements

The Company implemented the following accounting standards during the year ended December 31, 2021:

In November 2020, the SEC issued a final rule, Management's Discussion and Analysis, Selected Financial Data, and Supplementary Financial Information, that amended certain SEC disclosure requirements to primarily modernize, enhance and simplify financial statement disclosures required by Regulation S-K. We have adopted provisions in the rule in the fourth quarter of fiscal 2021, which primarily resulted in the removal of the selected financial data previously required by Item 301 and the removal of the quarterly financial data previously required by Item 302.

In August 2020, the FASB issued ASU 2020-06, "Debt – Debt with Conversion and Other Options". The guidance in this update simplifies the accounting for convertible debt and convertible preferred stock by removing the requirements to separately present certain conversion features in equity. In addition, the amendments in the ASU also simplify the guidance in ASC 815-40, "Derivatives and Hedging: Contracts in an Entity's Own Equity" by removing certain criteria that must be satisfied in order to classify a contract as equity, which is expected to decrease the number of freestanding instruments and embedded derivatives accounted for as assets or liabilities. Finally, the amendments revise the guidance on calculating earnings per share, requiring use of the if-converted method for all convertible instruments and rescinding an entity's ability to rebut the presumption of share settlement for instruments that may be settled in cash or shares. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. We elected to early adopt this standard effective January 1, 2021. The adoption of this standard did not have a material impact on our financial position, results of operations or cash flows.

In August 2018, the FASB issued ASU No. 2018-14, "Compensation-Retirement Benefits-Defined Benefit Plans-General (Topic 715.20)" as a part of its disclosure framework project. The amendments in this update remove, modify and add certain disclosures primarily related to amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost over the next fiscal year, explanations for reasons for significant gains and losses related to changes in the benefit obligation for the period, and projected and accumulated benefit obligations. The new standard was effective for us beginning January 1, 2021. The adoption of this standard did not have a material impact on our financial position, results of operations or cash flows.

The following accounting standards will be adopted in future periods:

In March 2020, the FASB issued ASU 2020-04, “Reference Reform Rate (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting,” to provide temporary optional expedients and exceptions to the contract modifications, hedge relationships and other transactions affected by reference rate reform if certain criteria are met. This ASU, which was effective upon issuance and may be applied through December 31, 2022, is applicable to all contracts and hedging relationships that reference the London Interbank Offered Rate or any other reference rate expected to be discontinued. We are currently evaluating the impact of reference rate reform and the potential application of this guidance.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the American Institute of Certified Public Accountants and the SEC did not, or are not expected to, have a material effect on the Company’s results of operations or financial position.

Results of Operations

We have determined that our previously reportable business segment, Facility Construction and Design, no longer qualifies as a reportable segment as it no longer meets certain quantitative thresholds and has been aggregated with our International Services reportable business segment below. In addition, we appointed a new Chief Executive Officer, the chief operating decision maker, during fiscal 2021. Based on changes to the way our chief operating decision maker views the business and financial results used to allocate resources to our electronic monitoring & supervision services operations, along with the growth of the business, we will report the electronic monitoring and supervision services operation as a separate reportable segment. This new segment will be presented as Electronic Monitoring and Supervision Services. Previously, the electronic monitoring and supervision services operations were included in our GEO Care reportable segment. In addition, our GEO Care reportable segment was renamed to Reentry Services and will include services provided to adults for residential and non-residential treatment, educational and community-based programs, pre-release and half-way house programs. We have retroactively restated our segment presentation for the years ended December 31, 2021, 2020 and 2019 to reflect this change. Refer to Note 17 – Business Segments and Geographic Information of the Notes to the audited consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.

The following discussion should be read in conjunction with our consolidated financial statements and the notes to the consolidated financial statements accompanying this report. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in the forward-looking statements as a result of certain factors, including, but not limited to, those described under “Item 1A. Risk Factors” and those included in other portions of this report.

2021 versus 2020

Revenues

	2021	% of Revenue		2020	% of Revenue	\$ Change	% Change		
	(Dollars in thousands)								
U.S. Secure Services	\$ 1,488,936	66.0	%	1,571,216	66.9	%	\$ (82,280)	(5.2)	%
Electronic Monitoring and Supervision Services	278,934	12.4	%	241,944	10.3	%	36,990	15.3	%
Reentry Services	274,893	12.2	%	309,398	13.2	%	(34,505)	(11.2)	%
International Services	213,849	9.5	%	227,540	9.7	%	(13,691)	(6.0)	%
Total	\$ 2,256,612	100.0	%	2,350,098	100.0	%	\$ (93,486)	(4.0)	%

U.S. Secure Services

Revenues decreased by \$82.3 million in 2021 compared to 2020 due to aggregate net decreases of \$194.7 million primarily due to the ramp-down/deactivations of our company-owned D. Ray James, Rivers, Moshannon Valley, Flightline, Big Springs, Reeves I & II and Great Plains Correctional Facilities as well as our Queens Detention Facility and McFarland Female Community Reentry Facility. We also experienced the ramp-down/deactivations of our managed-only Bay and Graceville Correctional Facilities. These decreases were partially offset by aggregate net increases of \$72.5 million resulting from the activations in late 2020 and early 2021 of our company-owned Golden State, Desert View and Central Valley Annexes and our company-owned Eagle Pass Detention Center and our managed-only contract for the El Centro Detention Center in California which was effective in December 2020. In addition, we experienced aggregate net increases in populations, transportation services and/or rates of \$39.9 million primarily due to increased occupancy at our USMS facilities.

The number of compensated mandays in GEO Secure Services facilities was approximately 18.7 million in 2021 and 21.4 million in 2020. We experienced an aggregate net decrease of approximately 2,700,000 mandays as a result of net decreases in population as a result of the impact of the COVID-19 pandemic as well as contract terminations, partially offset by contract activations discussed above. We look at the average occupancy in our facilities to determine how we are managing our available beds. The average occupancy is calculated by taking compensated mandays as a percentage of capacity. The average occupancy in our GEO Secure Services facilities was 88.2% and 88.3% of capacity in 2021 and 2020, respectively, excluding idle facilities.

Electronic Monitoring and Supervision Services

Revenues increased by \$37.0 million in 2021 compared to 2020 primarily due to increased client and participant counts.

Reentry Services

Revenues decreased by \$34.5 million in 2021 compared to 2020 primarily related to decreases of \$10.9 million due to contract terminations/closures of underutilized facilities which have been impacted by the COVID-19 pandemic and other economic factors. Additionally, we experienced a decrease of \$38.3 million as a result of the sale of our youth business which was effective July 1, 2021. We also experienced net decreases of \$1.6 million due to decreases in census levels at certain of our community-based and reentry centers due to declines in programs as a result of lower levels of referrals by federal, state and local agencies primarily due to the impact of the COVID-19 pandemic. These decreases were partially offset by increases of \$16.3 million due to new/reactivated contracts and programs.

International Services

Revenues for International Services decreased by \$13.7 million in 2021 compared to 2020. We experienced was a net decrease in revenues of \$27.6 million which was primarily due to the transition of the Arthur Gorrie Correctional Centre to government operation in State of Queensland, Australia at the end of June 2020. Partially offsetting this decrease was an increase due to foreign exchange rate fluctuations of \$14.0 million.

Operating Expenses

	2021	% of Segment Revenues		2020	% of Segment Revenues	\$ Change	% Change
	(Dollars in thousands)						
U.S. Secure Services	\$ 1,191,562	74.7 %		1,200,199	75.8 %	\$ (79,272)	(6.7) %
GEO Care	121,442	43.5 %		112,844	46.6 %	8,598	7.6 %
International Services	205,992	74.9 %		261,359	84.5 %	(55,367)	(21.2) %
Facility Construction & Design	189,322	88.5 %		205,730	90.4 %	(16,408)	(8.0) %
Total	<u>\$ 1,629,046</u>			<u>1,771,495</u>		<u>\$ (142,449)</u>	<u>(8.0) %</u>

Operating expenses consist of those expenses incurred in the operation and management of our Secure Services, Electronic Monitoring and Supervision Services, Reentry Services and International Services segments.

U.S. Secure Services

Operating expenses for U.S. Secure Services decreased by \$79.3 million in 2021 compared to 2020 primarily due to decreases of \$130.0 million related to the ramp-down/deactivations of our company-owned D. Ray James, Rivers, Moshannon Valley, Big Springs, Flightline, Reeves I & II and Great Plains Correctional Facilities as well as our Queens Detention Facility and McFarland Female Community Reentry Facility. We also experienced the ramp-down/deactivations of our managed-only Bay and Graceville Correctional Facilities. These decreases were partially offset by increases of \$45.1 million resulting from the activations in late 2020 and early 2021 of our company-owned Golden State, Desert View and Central Valley Annexes, our company-owned Eagle Pass Detention Center and our managed-only contract for the El Centro Detention Center in California which was effective in December 2020. Additionally, we experienced aggregate net increases of \$8.8 million primarily due to increased occupancy at our USMS facilities mainly due to the large increase in the number of crossings at the Southern border during 2021 partially offset by decreased occupancy at our ICE facilities and the associated decrease in related variable costs.

Electronic Monitoring and Supervision Services

Operating expenses increased by \$8.6 million in 2021 compared to 2020 primarily due to increased client and participant counts.

Reentry Services

Operating expenses decreased by \$55.4 million during 2021 compared to 2020 primarily due to aggregate decreases of \$28.0 million related to contract terminations/closures of underutilized facilities as a result of the COVID-19 pandemic and other economic factors. We also experienced a decrease of \$36.3 million as a result of the sale of our youth business which was effective July 1, 2021. These decreases were partially offset by increases of \$4.2 million due to new/reactivated contracts and programs and day reporting center openings and increases of \$4.7 million in census levels at certain of our community-based and reentry centers. Operating expenses as a percentage of revenue decreased in 2021 compared to 2020 primarily due to the closure of underperforming/underutilized facilities as discussed above.

International Services

Operating expenses for International Services decreased by \$16.4 million in 2021 compared to 2020. We experienced a net decrease in operating expenses of \$31.4 million which was primarily due to the transition of the Arthur Gorrie Correctional Centre to government operation in State of Queensland, Australia at the end of June 2020. This decrease was partially offset by an increase due to foreign exchange rate fluctuations of \$15.0 million.

Depreciation and Amortization

	2021	% of Segment Revenue	2020	% of Segment Revenue	\$ Change	% Change
	(Dollars in thousands)					
U.S. Secure Services	\$ 83,721	5.6 %	\$ 80,702	5.1 %	\$ 3,019	3.7 %
Electronic Monitoring and Supervision Services	30,422	10.9 %	31,678	13.1 %	(1,256)	(4.0) %
Reentry Services	18,773	6.8	20,154	6.5	(1,381)	(6.9)
International Services	2,261	1.1 %	2,146	0.9 %	115	5.4 %
Total	\$ 135,177	6.0 %	\$ 134,680	5.7 %	\$ 497	0.4 %

U.S. Secure Services

U.S. Secure Services depreciation and amortization expense increased in 2021 compared to 2020 primarily due to renovations in connection with our contract activations at certain of our company-owned facilities as previously discussed.

Electronic Monitoring and Supervision Services

Depreciation and amortization expense decreased in 2021 compared to 2020 due to certain assets becoming fully depreciated and/or amortized.

Reentry Services

Depreciation and amortization expense decreased in 2021 compared to 2020 primarily due to certain asset dispositions.

International Services

Depreciation and amortization expense increased slightly in 2021 compared to 2020 primarily due to foreign exchange rate fluctuations.

Other Unallocated Operating Expenses

	2021	% of Revenue		2020	% of Revenue	\$ Change	% Change
	(Dollars in thousands)						
General and Administrative Expenses	\$ 204,306	9.1 %		\$ 193,372	8.2 %	\$ 10,934	5.7 %

General and administrative expenses comprise substantially all of our other unallocated operating expenses which primarily includes corporate management salaries and benefits, professional fees and other administrative expenses. General and administrative expenses increased in 2021 compared to 2020 by \$10.9 million primarily due to one-time employee restructuring expenses of \$9.0 million. We also experienced an increase of \$6.6 million in professional fees for financial and legal advisors assisting us in reviewing capital structure alternatives. Partially offsetting this increase was a decrease in stock-based compensation of \$4.7 million along with less travel, marketing, business development and other corporate administrative expenses primarily due to the impacts of the COVID-19 pandemic.

Goodwill Impairment Charges

	2021	% of Revenue		2020	% of Revenue	\$ Change	% Change
	(Dollars in thousands)						
Goodwill Impairment Charges	\$ —	0.0 %		\$ 21,146	0.9 %	\$ (21,146)	100 %

In connection with our annual goodwill testing, in 2020 we determined that the carrying value of our reentry services reporting unit exceeded its fair value as a result of future declines in cash flow projections primarily due to the impact of the COVID-19 pandemic. As such, we recorded a goodwill impairment charge of \$21.1 million during the year ended December 31, 2020. Refer to Note 1 – Summary of Business Organization, Operations and Significant Accounting Policies – Goodwill and Other Intangible Assets of the Notes to the audited consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Non-Operating Income and Expense

Interest Income and Interest Expense

	2021	% of Revenue		2020	% of Revenue	\$ Change	% Change
	(Dollars in thousands)						
Interest Income	\$ 24,007	1.1 %		\$ 23,072	1.0 %	\$ 935	4.1 %
Interest Expense	\$ 129,460	5.7 %		\$ 126,837	5.4 %	\$ 2,623	2.1 %

Interest income increased in 2020 compared to 2019 primarily due to higher cash balances at our international subsidiaries along with the effect of foreign exchange rate fluctuations related to our contract receivable balance for our facility in Ravenhall, Australia.

Interest expense increased in 2021 compared to 2020 primarily due to higher balances on the revolver component of our credit facility. During 2021, we drew down significant amounts on our revolver as a conservative precautionary step to preserve liquidity, maintain financial flexibility, and obtain additional funds for general corporate purposes. Partially offsetting the increase was the effect of decreases in the LIBOR rate. Refer to Note 12- Debt of the Notes to the audited consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Gain on Extinguishment of Debt

	2021	% of Revenue		2020	% of Revenue	\$ Change	% Change
	(Dollars in thousands)						
Gain on Extinguishment of Debt	\$ 4,693	0.2 %		\$ 5,319	0.2 %	\$ (626)	-210.9 %

During 2021, we repurchased \$22.5 million in aggregate principal amount of our 5.125% Senior Notes at a weighted average price of 90.68% for a total cost of \$ 20.4 million. Additionally, we repurchased \$17.2 million in aggregate principal amount of our 5.875% Senior Notes at a weighted average price of 79.51% for a total cost of \$13.7 million. As a result of these repurchases, we recognized a net gain on extinguishment of debt of \$4.7 million, net of the write-off of associated unamortized deferred loan costs.

During 2020, we repurchased approximately \$7.5 million in aggregate principal amount of our 5.875% Senior Notes at a weighted average price of 77.28% for a total cost of \$5.8 million. Additionally, during 2020, we repurchased approximately \$18.2 million in aggregate principal amount of our 5.125% Senior Notes at a weighted average price of 78.99% for a total cost of \$14.3 million. As a result of these repurchases, we recognized a net gain on extinguishment of debt of \$5.3 million during the year ended December 31, 2020.

Refer to Note 12- Debt of the Notes to the audited consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Net Gain (Loss) on Disposition of Assets

	2021	% of Revenue	2020	% of Revenue	\$ Change	% Change
	(Dollars in thousands)					
Net Gain (Loss) on Disposition of Assets	\$ 5,499	0.2 %	\$ (6,831)	(0.3) %	\$ 12,330	(180.5) %

The net gain on disposition of assets in 2021 was primarily due to the sale of our interest in Talbot Hall, located in New Jersey, and the sale of our company-owned McCabe Center, located in Texas. The gain was partially offset by a loss on the divestiture of our youth division on July 1, 2021. Refer to Note 17- Commitments, Contingencies and Other Matters of the Notes to the audited consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K. The net loss on disposition of assets in 2020 was primarily due to the impairment of our leased Logan and Toler Hall facilities, located in New Jersey.

Provision for Income Taxes

	2021	Effective Rate	2020	Effective Rate	\$ Change	% Change
	(Dollars in thousands)					
Provision for Income Taxes	\$ 122,730	63.6 %	\$ 20,463	16.5 %	\$ 102,267	5.0 %

The provision for income taxes in 2021 increased compared to 2020 along with the effective tax rate principally due to the Company electing to terminate its REIT status and to become a taxable C corporation. In 2021, there was a \$74.6 million discrete tax expense, inclusive of a one-time, non-cash deferred tax charge of \$70.8 million related to the termination of the REIT status and a \$3.6 million discrete tax expense related to stock compensation that vested during the period which is similar to the related amount incurred in 2020. In contrast, in 2020, there was a \$4.2 million discrete tax expense, inclusive of a \$3.6 million discrete tax expense related to stock compensation that vested during the period. Furthermore, the effective tax rate increased as a result of the goodwill impairment, which is not deductible for tax purposes. For years prior to 2021, we were a REIT and as such were required to distribute at least 90% of our REIT taxable income to shareholders and in turn were allowed a deduction for the distribution at the REIT level. Our wholly owned taxable REIT subsidiaries were fully subject to federal, state and foreign income taxes, as applicable. We estimate our 2022 annual effective tax rate to be in the range of approximately 27% to 29% exclusive of any discrete items.

Equity in Earnings of Affiliates

	2021	% of Revenue	2020	% of Revenue	\$ Change	% Change
	(Dollars in thousands)					
Equity in Earnings of Affiliates	\$ 7,141	0.3 %	\$ 9,166	0.4 %	\$ (2,025)	-0.2 %

Equity in earnings of affiliates, presented net of income taxes, represents the earnings of SACS and GEOAmeY in the aggregate. Equity in earnings of affiliates in 2020 compared to 2019 decreased primarily due to unfavorable performance at GEOAmeY.

2020 versus 2019

Revenues

	2020	% of Revenue		2019	% of Revenue	\$ Change	% Change		
	(Dollars in thousands)								
U.S. Secure Services	\$ 1,571,216	66.9 %	\$	1,601,679	64.6 %	\$ 30,463	1.9 %		
Electronic Monitoring and Supervision Services	241,944	10.3 %		256,954	10.4 %	(15,010)	(5.8) %		
Reentry Services	309,398	13.2 %		357,295	14.4 %	(47,897)	(13.4) %		
International Services	227,540	9.7 %		261,994	10.6 %	(34,454)	(13.2) %		
Total	\$ 2,350,098	100.0 %	\$	2,477,922	100.0 %	\$(127,824)	(5.2) %		

U.S. Secure Services

Revenues decreased in 2020 by \$30.5 million compared to 2019 primarily due to net decreases in populations of \$36.5 million at our ICE processing centers and USMS facilities due to the COVID-19 pandemic, which resulted in declines in crossings and apprehensions along the Southwest border, as well as decreases in court sentencing at the federal levels. Additionally, revenues decreased by \$66.1 million due to the discontinuation of our California Modified Community Correctional Facility contracts along with other contract discontinuations. Various governmental agencies have also taken steps to decrease the number of those in custody to adhere to social distancing protocols. We also experienced net decreases in population, transportation services and/or rates of \$3.7 million at our BOP and state facilities. These decreases were partially offset by increases of \$75.8 million resulting from the activation of our contracts at our company-owned and previously idled South Louisiana Processing Center in Basile, Louisiana during the third quarter of 2019, our company-owned and previously idled North Lake Correctional Facility in Baldwin, Michigan which was activated on October 1, 2019, our managed-only contract for the El Centro Detention Center in California which was effective in December 2019, the activation of our company-owned Golden State Annex facility in California which was effective in September 2020 as well as the activation of the county-owned Reeves County Detention Center I & II in the third quarter of 2019.

The number of compensated mandays in GEO Secure Services facilities was approximately 21.7 million in 2020 and 23.5 million in 2019. We experienced an aggregate net decrease of approximately 1,800,000 mandays as a result of net decreases in population as a result of the impact of the COVID-19 pandemic as well as contract terminations, partially offset by contract activations discussed above. We look at the average occupancy in our facilities to determine how we are managing our available beds. The average occupancy is calculated by taking compensated mandays as a percentage of capacity. The average occupancy in our GEO Secure Services facilities was 89.3% and 94.9% of capacity in 2020 and 2019, respectively, excluding idle facilities.

Electronic Monitoring and Supervision Services

Revenues decreased in 2020 by \$15.0 million compared to 2019 primarily due to decreases in blended rates and average client and participant counts.

Reentry Services

Revenues decreased in 2020 by \$47.9 million compared to 2019 primarily due to aggregate decreases of \$42.4 million related to contract discontinuations/closures of underutilized facilities which have been impacted by the COVID-19 pandemic and other factors. In addition, we experienced decreases of \$11.4 million related to net decreases in census levels at certain of our community-based and reentry centers due to declines in programs as a result of lower levels of referrals by federal, state and local agencies primarily due to the impact of the COVID-19 pandemic. These decreases were partially offset by increases of \$5.9 million due to new/reactivated contracts and programs.

International Services

Revenues for International Services decreased by \$34.5 million in 2020 compared to 2019 which was primarily due to the transition of the Arthur Gorrie Correctional Centre to government operation in State of Queensland, Australia at the end of June 2020 along with the effects of foreign exchange rate fluctuations.

Operating Expenses

	2020	% of Segment Revenue		2019	% of Segment Revenue	\$ Change	% Change
	(Dollars in thousands)						
U.S. Secure Services	\$ 1,191,562	75.8 %	\$	1,999,314	74.9 %	\$ (7,752)	(0.6) %
Electronic Monitoring and Supervision Services	112,844	46.6 %		122,588	47.7 %	(9,744)	(7.9) %
Reentry Services	261,359	84.5 %		293,036	82.0 %	(31,677)	(10.8)
International Services	205,730	90.4 %		243,127	92.8 %	(37,397)	(15.4) %
Total	<u>\$ 1,771,495</u>			<u>\$ 1,858,065</u>		<u>\$ (86,570)</u>	<u>(4.7) %</u>

U.S. Secure Services

Operating expenses for U.S. Secure Services decreased by \$7.8 million in 2020 compared to 2019. We experienced decreases of \$31.5 million at certain of our facilities primarily due to contract discontinuations. Additionally, we experienced aggregate net decreases of \$26.8 million related to decreases in population, transportation services and the variable costs associated with those services primarily as a result of the impacts of the COVID-19 pandemic as described above. These decreases were partially offset by increases of \$50.5 million from the activation of our contracts at our company-owned and previously idled South Louisiana Processing Center in Basile, Louisiana during the third quarter of 2019, our company-owned and previously idled North Lake Correctional Facility in Baldwin, Michigan which was activated on October 1, 2019, our managed-only contract for the El Centro Detention Center in California which was effective in December 2019 as well as activation of our company-owned Golden State Annex facility in California which was effective in September 2020.

Electronic Monitoring and Supervision Services

Operating expenses decreased by \$9.7 million in 2020 compared to 2019 primarily due to decreases in average client and participant counts.

Reentry Services

Operating expenses for Reentry Services decreased by \$31.7 million during 2020 compared to 2019 primarily due to net decreases of \$30.2 million from contract discontinuations/closures of underutilized facilities. Additionally, we experienced \$7.3 million of net decreases related to census levels at certain of our community-based reentry centers and day reporting centers due to the impact of the COVID-19 pandemic. These decreases were partially offset by increases of \$5.8 million due to new/reactivated contracts and programs and day reporting center openings.

International Services

Operating expenses for International Services decreased by \$37.4 million in 2020 compared to 2019 which was primarily due to the transition of the Arthur Gorrie Correctional Centre to government operation in State of Queensland, Australia at the end of June 2020 along with the effects of foreign exchange rate fluctuations.

Depreciation and Amortization

	2020	% of Segment Revenue		2019	% of Segment Revenue	\$ Change	% Change	
	(Dollars in thousands)							
U.S. Secure Services	\$ 80,702	5.1 %	\$	78,974	4.9 %	\$ 1,728	2.2 %	
Electronic Monitoring and Supervision Services	31,678	13.1 %		29,828	11.6 %	1,850	6.2 %	
Reentry Services	20,154	6.5 %		19,953	5.6 %	201	1.0 %	
International Services	2,146	0.9 %		2,070	0.8 %	76	3.7 %	
Total	\$ 134,680	6.0 %	\$	1,858,065	5.6 %	\$ (86,570)	2.9 %	

U.S. Secure Services

U.S. Secure Services depreciation and amortization expense increased in 2020 compared to 2019 primarily due to renovations in connection with our contract activations at certain of our company-owned facilities as previously discussed.

Electronic Monitoring and Supervision Services

Electronic Monitoring and Supervisions Services depreciation and amortization expense increased in 2020 compared to 2019 due to certain leasehold improvement and equipment additions.

Reentry Services

Reentry Services depreciation and amortization expense increased in 2020 compared to 2019 primarily due to renovations at certain of our centers.

International Services

Depreciation and amortization expense increased slightly in 2020 compared to 2019 as a result of renovations during 2019 and 2020 at several of our international facilities.

Other Unallocated Operating Expenses

General and Administrative Expenses

	2020	% of Revenue		2019	% of Revenue	\$ Change	% Change	
	(Dollars in thousands)							
General and Administrative Expenses	\$ 193,372	8.2 %	\$	185,926	7.5 %	\$ 7,446	4.0 %	

General and administrative expenses comprise substantially all of our other unallocated operating expenses which primarily includes corporate management salaries and benefits, professional fees and other administrative expenses. General and administrative expenses increased in 2020 compared to 2019 primarily due to higher stock-based compensation expense of \$1.6 million, \$2.5 million in insurance expense associated with policy renewals as well as normal personnel and compensation adjustments, professional, consulting, business development and other administrative expenses including COVID-19 related expenses. These increases were partially offset by less travel, marketing and other corporate administrative expenses primarily due to the impacts of the COVID-19 pandemic.

Goodwill Impairment Charges

	2020	% of Revenue		2019	% of Revenue	\$ Change	% Change
	(Dollars in thousands)						
Goodwill Impairment Charges	\$ 21,146	0.9 %	\$	—	0.0 %	\$ 21,146	100.0 %

In connection with our annual goodwill testing, we determined that the carrying value of our reentry services reporting unit exceeded its fair value as a result of future declines in cash flow projections primarily due to the impact of the COVID-19 pandemic. As such, we recorded a goodwill impairment charge of \$21.1 million during the year ended December 31, 2020.

Non-Operating Income and Expense

Interest Income and Interest Expense

	2020	% of Revenue		2019	% of Revenue	\$ Change	% Change
	(Dollars in thousands)						
Interest Income	\$ 23,072	1.0 %	\$	28,934	1.2 %	\$ (5,862)	(20.3) %
Interest Expense	\$ 126,837	5.4 %	\$	151,024	6.1 %	(24,187)	(16.0) %

Interest income decreased in 2020 compared to 2019 primarily due to the effect of foreign exchange rate fluctuations related to our contract receivable balance for our facility in Ravenhall, Australia.

Interest expense decreased in 2020 compared to 2019 primarily due to lower interest rates on our variable rate debt. Also contributing to the decrease was a reduction in higher interest rate debt balances. During 2019, we repurchased approximately \$56.0 million in aggregate principal amount of its 5.875% Senior Notes due 2022. During 2020, we repurchased approximately \$7.5 million in aggregate principal amount of its 5.875% Senior Notes due 2024. Additionally, during 2020, we repurchased approximately \$18.2 million in aggregate principal amount of its 5.125% Senior Notes due 2023.

Gain (Loss) on Extinguishment of Debt

	2020	% of Revenue		2019	% of Revenue	\$ Change	% Change
	(Dollars in thousands)						
Gain (Loss) on Extinguishment of Debt	\$ 5,319	0.2 %	\$	(4,795)	-0.2 %	\$ 10,114	-210.9 %

During 2020, we repurchased approximately \$7.5 million in aggregate principal amount of our 5.875% Senior Notes due 2024 at a weighted average price of \$78.99 for a total cost of \$5.8 million. Additionally, during 2020, we repurchased approximately \$18.2 million in aggregate principal amount of our 5.125% Senior Notes due 2023 at a weighted average price of \$77.28 for a total cost of \$14.4 million. As a result of these repurchase, we incurred a net gain on extinguishment of debt of \$5.3 million.

On May 22, 2019, we completed an offering of non-recourse notes related to our Ravenhall facility in Australia. The net proceeds from this offering were used to refinance our outstanding construction facility. As a result of the transaction, we incurred a \$4.5 million loss on extinguishment of debt related to swap termination fees and unamortized deferred loan costs associated with the Construction Facility. Additionally, on June 12, 2019, GEO entered into Amendment No. 2 to our credit agreement. Under the amendment, the maturity date of our Revolver has been extended to May 17, 2024. As a result of the amendment, we incurred a loss on extinguishment of debt of \$1.2 million related to certain unamortized deferred loan costs.

Additionally, during 2019, we repurchased approximately \$56 million in aggregate principal amount of our 5.875% Senior Notes due 2022 at a weighted average price of 97.55% for a total cost of \$54.7 million. As the result of the repurchases, we recognized a net gain on extinguishment of debt of \$0.9 million which partially offset the loss discussed above.

Net Loss on Disposition of Assets

	2020	% of Revenue		2019	% of Revenue	\$ Change	% Change
	(Dollars in thousands)						
Loss on Disposition of Assets	\$ 6,831	0.3 %	\$	2,693	0.1 %	\$ 4,138	153.7 %

The net loss on disposition of assets in 2020 was primarily due to the impairment of our leased Logan and Toler Hall facilities, located in New Jersey. The net loss on disposition of assets in 2019 was primarily due to the impairment of our Penn Pavillion regional office in New Jersey and our JB Evans Correctional Center in Louisiana.

Provision for Income Taxes

	2020	% of Revenue		2019	% of Revenue	\$ Change	% Change
	(Dollars in thousands)						
Provision for Income Taxes	\$ 20,463	16.5 %	\$	16,648	9.6 %	\$ 3,815	0.2 %

The provision for income taxes in 2020 increased compared to 2019 along with the effective tax rate which is due to a change in the composition of our income between our REIT and TRS subsidiaries and certain non-recurring items. In 2020, there was a \$4.2 million discrete tax expense, inclusive of a \$3.6 million discrete tax expense related to stock compensation that vested during the period. In contrast, in 2019, there was a \$0.5 million discrete tax benefit, net of a \$0.2 million discrete tax expense related to stock compensation that vested during the period. Furthermore, the effective tax rate increased as a result of the impairment, which is not deductible for tax purposes. As a REIT, we were required to distribute at least 90% of our taxable income to shareholders and in turn are allowed a deduction for the distribution at the REIT level. Our wholly owned taxable REIT subsidiaries continued to be fully subject to federal, state and foreign income taxes, as applicable.

Equity in Earnings of Affiliates

	2020	% of Revenue		2019	% of Revenue	\$ Change	% Change
	(Dollars in thousands)						
Equity in Earnings of Affiliates	\$ 9,166	0.4 %	\$	9,532	0.4 %	\$ (366)	0.0 %

Equity in earnings of affiliates, presented net of income taxes, represents the earnings of SACS and GEOAmeY in the aggregate. Equity in earnings of affiliates in 2020 compared to 2019 decreased slightly primarily due to the effects of foreign exchange rate fluctuations.

Financial Condition

Capital Requirements

Our current cash requirements consist of amounts needed for working capital, debt service, supply purchases, investments in joint ventures, and capital expenditures related to either the development of new secure, processing and reentry facilities, or the maintenance of existing facilities. In addition, some of our management contracts require us to make substantial initial expenditures of cash in connection with opening or renovating a facility. Generally, these initial expenditures are subsequently fully or partially recoverable as pass-through costs or are billable as a component of the per diem rates or monthly fixed fees to the contracting agency over the original term of the contract. Additional capital needs may also arise in the future with respect to possible acquisitions, other corporate transactions or other corporate purposes.

As of December 31, 2021, we were developing a number of projects that we estimate will cost approximately \$20.9 million, of which \$8.3 million was spent through December 31, 2021. We estimate our remaining capital requirements to be approximately \$12.6 million. These projects are expected to be completed through 2022.

Liquidity and Capital Resources

6.50% Exchangeable Senior Notes due 2026

On February 24, 2021, our wholly-owned subsidiary, GEO Corrections Holdings, Inc. (“GEOCH”), completed a private offering of \$230 million aggregate principal amount of 6.50% exchangeable senior unsecured notes due 2026 (the “Convertible Notes”), which included the full exercise of the initial purchasers’ over-allotment option to purchase an additional \$30 million aggregate principal amount of Convertible Notes. The Convertible Notes will mature on February 23, 2026, unless earlier repurchased or exchanged. The Convertible Notes bear interest at the rate of 6.50% per year plus an additional amount based on the dividends paid by GEO on its common stock. Interest on the notes is payable semi-annually in arrears on March 1 and September 1 of each year, beginning on September 1, 2021.

Subject to certain restrictions on share ownership and transfer, holders may exchange the notes at their option prior to the close of business on the business day immediately preceding November 25, 2025, but only under the following circumstances: (1) during the five consecutive business day period after any five consecutive trading day period, or the measurement period, in which the trading price per \$1,000 principal amount of notes for each trading day of such measurement period was less than 98% of the product of the last reported sale price of our common stock and the exchange rate for the notes on each such trading day; or (2) upon the occurrence of certain specified corporate events. On or after November 25, 2025, until the close of business on the second scheduled trading day immediately preceding the maturity date of the notes, holders may exchange their notes at any time, regardless of the foregoing circumstances. Upon exchange of a note, we will pay or deliver, as the case may be, cash or a combination of cash and shares of our common stock. As of December 31, 2021, conditions had not been met to exchange the notes.

Upon conversion, we will pay or deliver, as the case may be, cash or a combination of cash and shares of common stock. The initial conversion rate is 108.4011 shares of common stock per \$1,000 principal amount of Convertible Notes (equivalent to an initial conversion price of approximately \$9.225 per share of common stock). The conversion rate will be subject to adjustment in certain events. If GEO or GEOCH undergoes a fundamental change, holders may require GEOCH to purchase the notes in whole or in part for cash at a fundamental change purchase price equal to 100% of the principal amount of the notes to be purchased, plus accrued and unpaid interest, if any, to, but excluding, the fundamental change purchase date.

We used the net proceeds from this offering, including the exercise in full of the initial purchasers’ over-allotment option to fund the redemption of the then outstanding amount of approximately \$194.0 million of our existing 5.875% senior notes due 2022, to re-purchase additional senior notes and we used the remaining net proceeds to pay related transaction fees and expenses, and for general corporate purposes of the Company. As a result of the redemption, deferred loan costs in the amount of approximately \$0.7 million were written off to loss on extinguishment of debt during the year ended December 31, 2021.

The notes were offered in the United States only to persons reasonably believed to be “qualified institutional buyers” pursuant to Rule 144A under the Securities Act, and outside of the United States to non-U.S. persons in compliance with Regulation S under the Securities Act. Neither the notes nor any of the shares of the Company’s common stock issuable upon exchange of the notes, if any, have been, or will be, registered under the Securities Act and, unless so registered, may not be offered or sold in the United States, except pursuant to an applicable exemption from the registration requirements under the Securities Act.

Credit Agreement

On June 12, 2019, we entered into Amendment No. 2 to Third Amended and Restated Credit Agreement (the “Credit Agreement”) by and among the refinancing lenders party thereto, the other lenders party thereto, GEO and GEO Corrections Holdings, Inc. and the administrative agent. Under the amendment, the maturity date of the revolver component of the Credit Agreement has been extended to May 17, 2024. The borrowing capacity under the amended revolver will remain at \$900 million, and its pricing will remain unchanged, currently bearing interest at LIBOR plus 2.25%. As a result of the transaction, we incurred a loss on extinguishment of debt of \$1.2 million related to certain unamortized deferred loan costs. Additionally, loan costs of \$4.7 million were incurred and capitalized in connection with the transaction.

A syndicate of approximately 65 lenders participate in our Credit Agreement, six of which have indicated that they do not intend to provide new financing to GEO but will honor their existing obligations. Refer to Item 1A - Risk Factors included in Part I of this Annual Report on Form 10-K for further discussion. The banks that have withdrawn participation remain contractually committed for approximately three years. Additionally, these six banks represent less than 25% of our overall borrowing capacity under our Credit Agreement. We are in frequent communication with potential new lenders as well as the credit rating agencies. In March 2021, Moody’s Investors Service downgraded GEO’s issuer rating to B2 and in May 2021, Standard & Poor’s S&P Global downgraded GEO’s issuer rating to CCC+.

As of December 31, 2021, we had \$762.0 million in aggregate borrowings outstanding under the Term Loan, \$784.9 million in borrowings under the Revolver, and approximately \$95.8 million in letters of credit which left \$19.3 million in additional borrowing capacity under the Revolver. In addition, we have the ability to increase the Senior Credit Facility by an additional \$450.0 million, subject to lender demand and prevailing market conditions and satisfying the relevant borrowing conditions thereunder. Refer to Note 12 - Debt in the notes to our audited consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Debt Repurchases

On August 16, 2019, our Board authorized us to repurchase and/or retire a portion of the 6.00% Senior Notes due 2026, the 5.875% Senior Notes due 2024, the 5.125% Senior Notes due 2023, the 5.875% Senior Notes due 2022 (collectively the “GEO Senior Notes”) and our term loan under our Amended Credit Agreement through cash purchases, in open market, privately negotiated transactions, or otherwise, up to an aggregate maximum of \$100.0 million, subject to certain limitations through December 31, 2020. On February 11, 2021, our Board authorized a new repurchase program for repurchases/retirements of the above referenced Senior Notes and term loan, subject to certain limitations up to an aggregate maximum of \$100.0 through December 31, 2022.

During 2021, we repurchased \$22.5 million in aggregate principal amount of our 5.125% Senior Notes due 2023 at a weighted average price of 90.68% for a total cost of \$20.4 million. Additionally, we repurchased \$17.2 million in aggregate principal amount of our 5.875% Senior Notes due 2024 at a weighted average price of 79.51% for a total cost of \$13.7 million. As a result of these repurchases, we recognized a net gain on extinguishment of debt of \$4.7 million, net of the write-off of associated unamortized deferred loan costs.

During 2020, we repurchased approximately \$7.5 million in aggregate principal amount of our 5.875% Senior Notes due 2024 at a weighted average price of 77.28% for a total cost of \$5.8 million. Additionally, during 2020, we repurchased approximately \$18.2 million in aggregate principal amount of our 5.125% Senior Notes due 2023 at a weighted average price of 78.99% for a total cost of \$14.3 million. As a result of these repurchases, we recognized a net gain on extinguishment of debt of \$5.3 million during the year ended December 31, 2020.

We consider opportunities for future business and/or asset acquisitions as we deem appropriate when market conditions present opportunities. If we are successful in our pursuit of any new projects, our cash on hand, cash flows from operations and borrowings under the existing Credit Facility may not provide sufficient liquidity to meet our capital needs and we could be forced to seek additional financing or refinance our existing indebtedness. There can be no assurance that any such financing or refinancing would be available to us on terms equal to or more favorable than our current financing terms, or at all. Additionally, the magnitude, severity and duration of the COVID-19 pandemic may negatively impact the availability of opportunities for future business and/or asset acquisitions and market conditions generally. In the future, our access to capital and ability to compete for future capital intensive projects will also be dependent upon, among other things, our ability to meet certain financial covenants in the indenture governing the 5.125% Senior Notes, the indenture governing the 5.875% Senior Notes due 2024, the indenture governing the 6.00% Senior Notes, the indenture governing our Convertible Notes and our Credit Agreement. A substantial decline in our financial performance could limit our access to capital pursuant to these covenants and have a material adverse effect on our liquidity and capital resources and, as a result, on our financial condition and results of operations. In addition to these foregoing potential constraints on our capital, a number of state government agencies have been suffering from budget deficits and liquidity issues. While we were in compliance with our debt covenants as of December 31, 2021 and we expect to continue to be in compliance with our debt covenants, if these constraints were to intensify, our liquidity could be materially adversely impacted as could our ability to remain in compliance with these debt covenants.

We may from time to time seek to purchase or retire our outstanding senior notes through repurchases, redemptions and/or exchanges for equity securities, in open market purchases, privately negotiated transactions or otherwise. Such repurchases, redemptions or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

Senior Credit Facility

In 2021, we elected to draw down significant amounts in borrowings under the revolver component of our credit facility as a conservative precautionary step to preserve liquidity, maintain financial flexibility and obtain funds for general business purposes.

Quarterly Dividends

As previously discussed above, on December 2, 2021, GEO’s Board unanimously approved a plan to terminate our REIT status and become a taxable C Corporation, effective for the year ended December 31, 2021. In connection with terminating the GEO’s REIT status, the Board also voted unanimously to discontinue our quarterly dividend payments and prioritize allocating GEO’s free cash flow to reduce debt.

Stock Buyback Program

On February 14, 2018, we announced that our Board authorized a stock buyback program authorizing us to repurchase up to a maximum of \$200 million of our shares of common stock. The stock buyback program was funded primarily with cash on hand, free cash flow and borrowings under our \$900 million revolving credit facility. The program expired on October 20, 2020. The stock buyback program was intended to be implemented through purchases made from time to time in the open market or in privately negotiated transactions, in accordance with applicable Securities and Exchange Commission (“SEC”) requirements. The stock buyback program did not obligate us to purchase any specific amount of our common stock and could have been suspended or extended at any time at the discretion of our Board. During the year ended December 31, 2020, we purchased 553,665 shares of our common stock at a cost of \$9.0 million primarily purchased with proceeds from our Revolver. There were no purchases of our common stock during the year ended December 31, 2019. During the year ended December 31, 2018, we purchased 4,210,254 shares of our common stock at a cost of \$95.2 million primarily purchased with proceeds from our Revolver.

Automatic Shelf Registration on Form S-3

On October 30, 2020, we filed an automatic shelf registration on Form S-3 with the SEC that enables us to offer for sale, from time to time and as the capital markets permit, an unspecified amount of common stock, preferred stock, debt securities, guarantees of debt securities, warrants and units. The shelf registration statement is automatically effective and is valid for three years.

Prospectus Supplement

On June 28, 2021, in connection with the shelf registration, we filed with the SEC a prospectus supplement related to the offer and sale from time to time of our common stock at an aggregate offering price of up to \$300 million through sales agents. Sales of shares of our common stock under the prospectus supplement and equity distribution agreements entered into with the sales agents, if any, will be made in negotiated transactions or transactions that are deemed to be “at the market” offerings as defined in Rule 415 under the Securities Act of 1933. There were no shares of common stock sold under this prospectus supplement during the year ended December 31, 2021.

Non-Recourse Debt

Northwest ICE Processing Center

On December 9, 2011, the Washington Economic Development Finance Authority issued \$54.4 million of its Washington Economic Development Finance Authority Taxable Economic Development Revenue Bonds, series 2011 (“2011 Revenue Bonds”). The 2011 Revenue Bonds were issued to provide funds to make a loan to CSC for purposes of reimbursing GEO for costs incurred by GEO for the 2009 expansion of the Northwest ICE Processing Center and paying the costs of issuing the 2011 Revenue Bonds. The payment of principal and interest on the bonds was non-recourse to GEO. None of the bonds nor CSC’s obligations under the loan were obligations of GEO nor were they guaranteed by GEO. The 2011 Revenue Bonds matured in October 2021 and were satisfied in full.

Australia - Ravenhall

In connection with a design and build facility project agreement with the State of Victoria, in September 2014 we entered into a syndicated facility agreement (the “Construction Facility”) to provide debt financing for construction of the project. Refer to Note 6 - Contract Receivable in the notes to our consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K. The Construction Facility provided for non-recourse funding up to AUD 791 million, or \$609.8 million, based on exchange rates as of December 31, 2020. Construction draws were funded throughout the project according to a fixed utilization schedule as defined in the syndicated facility agreement. The term of the Construction Facility was through September 2019 and bore interest at a variable rate quoted by certain Australian banks plus 200 basis points. On May 22, 2019, we completed an offering of AUD 461.6 million, or \$355.2 million, based on exchange rates as of December 31, 2021, aggregate principal amount of non-recourse senior secured notes due 2042 (the “Non-Recourse Notes”). The amortizing Non-Recourse Notes were issued by Ravenhall Finance Co Pty Limited in a private placement pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended. The Non-Recourse Notes were issued with a coupon and yield to maturity of 4.23% with a maturity date of March 31, 2042. The net proceeds from this offering were used to refinance the outstanding Construction Facility and to pay all related fees, costs and expenses associated with the transaction. As a result of the transaction, we incurred a \$4.5 million loss on extinguishment of debt related to swap termination fees and unamortized deferred loan costs associated with the Construction Facility. Additionally, loan costs of approximately \$7.5 million were incurred and capitalized in connection with the offering.

Other

In August 2019, we entered into two identical Notes (as defined below) in the aggregate amount of \$44.3 million which are secured by loan agreements and mortgage and security agreements on certain real property and improvements. The terms of the Notes are through September 1, 2034 and bear interest at LIBOR plus 200 basis points and are payable in monthly installments plus interest. We have entered into interest rate swap agreements to fix the interest rate to 4.22%. Included in the balance at December 31, 2021 is \$0.6 million of deferred loan costs incurred in the transaction. Refer to Note 7 – Derivative Financial Instruments in the notes to our consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Guarantees

The Company has entered into certain guarantees in connection with the design, financing and construction of certain facilities as well as loan, working capital and other obligation guarantees for our subsidiaries in Australia, South Africa and our joint ventures. Refer to Note 12 - Debt in the notes to our consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Executive Retirement Agreements

We had a non-qualified deferred compensation agreement with our former Chief Executive Officer (“former CEO”). The agreement provides for a lump sum payment upon retirement, no sooner than age 55. As of December 31, 2020, the former CEO had reached age 55 and was eligible to receive the payment upon retirement. If the Company’s former CEO had retired as of December 31, 2020, we would have had to pay him lump sum of \$8.9 million in cash.

On February 26, 2020 (the “Effective Date”), we and our CEO entered into an amended and restated executive retirement agreement that amends the former CEO’s executive retirement agreement discussed above.

The amended and restated executive retirement agreement provided that upon the former CEO’s retirement from GEO, we would have had to pay a lump sum amount equal to \$8,925,065 (determined as of February 26, 2020) (the “Grandfathered Payment”) which would have been paid in the form of a fixed number of shares of our common stock. The Grandfathered Payment will be delayed for six months and a day following the effective date of our former CEO’s termination of employment in compliance with Section 409A of the Internal Revenue Code of 1986, as amended.

On the Effective Date, an amount equal to the Grandfathered Payment was invested in our common stock (“GEO Shares”). The number of our shares of common stock as of the Effective Date was equal to the Grandfathered Payment divided by the closing price of our common stock on the Effective Date (rounded up to the nearest whole number of shares), which equaled 553,665 shares of our common stock. Additional shares of our common stock were credited with a value equal to any dividends declared and paid on our shares of common stock, calculated by reference to the closing price of our common stock on the payment date for such dividends (rounded up to the nearest whole number of shares).

We had established several trusts for the purpose of paying the retirement benefit pursuant to the amended and restated executive retirement agreement. The trusts were revocable “rabbi trusts” and the assets of the trusts are subject to the claims of our creditors in the event of our insolvency.

GEO and our former CEO, subsequently entered into on May 27, 2021, and effective July 1, 2021, an Amended and Restated Executive Retirement Agreement which replaced the February 26, 2020 agreement discussed above. Pursuant to the terms of the Amended and Restated Executive Retirement Agreement, upon the date that the former CEO ceases to provide services to GEO, we will pay to the former CEO an amount equal to \$3,600,000 million which shall be paid in cash. As the former CEO’s retirement payment will no longer be settled with a fixed number of shares of GEO’s common stock, \$3,600,000 million has been reclassified from equity to other non-current liabilities in 2021. Refer to Note 17 – Commitments, Contingencies and Other Matters of the notes to our consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K for further information.

Guarantor Financial Information

GEO’s 6.50% Exchangeable Senior Notes, 6.00% Senior Notes, 5.125% Senior Notes and the 5.875% Senior Notes are fully and unconditionally guaranteed on a joint and several senior unsecured basis by certain of our wholly-owned domestic subsidiaries (the “Subsidiary Guarantors”).

Summarized financial information is provided for The GEO Group, Inc. (“Parent”) and the Subsidiary Guarantors on a combined basis in accordance with SEC Regulation S-X Rules 3-10 and 13-01. The accounting policies used in the preparation of this summarized financial information are consistent with those elsewhere in the condensed consolidated financial statements of the Company, except that intercompany transactions and balances of the Parent and Subsidiary Guarantor entities with non-guarantor entities have not been eliminated. Intercompany transactions between the Parent and Subsidiary Guarantors have been eliminated and equity in earnings from and investments in non-guarantor subsidiaries have not been presented.

Summarized statement of operations (in thousands):

	Year Ended December 31, 2021	
Net operating revenues	\$	2,032,884
Income from operations		267,413
Net Income		45,312
Net income attributable to The GEO Group, Inc.		45,312

Summarized statement of operations (in thousands):

	December 31, 2021	December 31, 2020
Current assets	\$ 707,457	607,044
Noncurrent assets (a)	3,115,622	3,268,260
Current liabilities	314,233	350,041
Noncurrent liabilities (b)	2,820,252	2,737,673

(a) Includes amounts due from non-guarantor subsidiaries of \$22.5 million and \$26.7 million as of December 31, 2021 and 2020, respectively.

(b) Includes amounts due to non-guarantor subsidiaries of \$14.8 million and \$17.4 million as of December 31, 2021 and 2020, respectively.

Off-Balance Sheet Arrangements

Except as discussed above, and in the notes to our consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K, we do not have any off-balance sheet arrangements.

We are also exposed to various commitments and contingencies which may have a material adverse effect on our liquidity. See Note 17 – Commitments, Contingencies and Other Matters in the notes to our consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Derivatives

In August 2019, we entered into two interest rate swap agreements in the aggregate notional amount of \$44.3 million to fix the interest rate on certain of our variable rate debt to 4.22%. We have designated these interest rate swaps as hedges against changes in the cash flows of two identical promissory notes (the “Notes”) which are secured by loan agreements and mortgage and security agreements on certain real property and improvements. We have determined that the swaps have payment, expiration dates, and provisions that coincide with the terms of the Notes and are therefore considered to be effective cash flow hedges. Accordingly, we record the change in fair value of the interest rate swaps as accumulated other comprehensive income (loss), net of applicable taxes. Total unrealized gains recorded in total other comprehensive income (loss), net of tax, related to these cash flow hedges was \$2.2 million during the year ended December 31, 2021. The total fair value of the swap liabilities as of December 31, 2021 was \$3.2 million and is recorded as a component of Other Non-Current liabilities within the accompanying balance sheet. There was no material ineffectiveness for the period presented. We do not expect to enter into any transactions during the next twelve months which would result in reclassification into earnings or losses associated with these swaps currently reported in accumulated other comprehensive income (loss). Refer to Note 12 - Debt and Note 7 - Derivative Financial Instruments in the notes to our audited consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K for further information.

Our Australian subsidiary entered into interest rate swap agreements to fix the interest rate on our variable rate non-recourse debt related to a project in Ravenhall, a locality near Melbourne, Australia to 4.2%. We determined that the swaps had payment, expiration dates, and provisions that coincided with the terms of the non-recourse debt and were therefore considered to be effective cash flow hedges. Accordingly, we recorded the change in the fair value of the interest rate swaps in accumulated other comprehensive income (loss), net of applicable income taxes. On May 22, 2019, we refinanced the associated debt and terminated the swap agreements which resulted in the reclassification of \$3.9 million into losses that were previously reported in accumulated other comprehensive income (loss). Refer to Note 12 - Debt and Note 7 - Derivative Financial Instruments in the notes to our audited consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K for further information.

Cash Flow

Cash, cash equivalents, restricted cash and cash equivalents as of December 31, 2021 was \$548.3 million, compared to \$311.9 million as of December 31, 2020 and was impacted by the following:

Net cash provided by operating activities in 2021 and 2020 was \$274.6 million and \$441.7 million, respectively. Net cash provided by operating activities in 2021 was positively impacted by non-cash expenses such as depreciation and amortization, deferred tax provision, amortization of debt issuance costs, discount and/or premium and other non-cash interest, stock-based compensation expense, loss on sale/disposal of property and equipment and dividends received from our unconsolidated joint venture. Equity in earnings of affiliates negatively impacted cash along with gain on extinguishment of debt and net gain on disposition of assets. Changes in accounts receivable, prepaid expenses and other assets decreased in total by a net of \$4.8 million, representing a positive impact on cash. The decrease was primarily driven by the timing of billings and collections. Changes in accounts payable, accrued expenses and other liabilities increased by \$53.4 million which positively impacted cash. The increase was primarily due to the timing of payments.

Additionally, cash provided by operating activities in 2021 was positively impacted by a decrease in contract receivable of \$6.2 million. The decrease relates to the timing of payments received and interest accrued, along with the effect of foreign exchange rates, related to the Ravenhall Project. Refer to Note 6 - Contract Receivable included in the notes to our audited consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Net cash provided by operating activities in 2020 was positively impacted by non-cash expenses such as depreciation and amortization, deferred tax provision, amortization of debt issuance costs, discount and/or premium and other non-cash interest, stock-based compensation expense, loss on extinguishment of debt, goodwill impairment charges and dividends received from our unconsolidated joint venture. Equity in earnings of affiliates negatively impacted cash. Changes in accounts receivable, prepaid expenses and other assets decreased in total by a net of \$68.2 million, representing a positive impact on cash. The decrease was primarily driven by the timing of billings and collections. Changes in accounts payable, accrued expenses and other liabilities increased by \$57.3 million which positively impacted cash. The increase was primarily due to the timing of payments and also due to accruals for the deferral of the employer’s share of Social Security taxes of \$42 million under the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”). Refer to Note 17 – Commitments and Contingencies included in the notes to our audited consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Additionally, cash provided by operating activities in 2020 was positively impacted by a decrease in contract receivable of \$5.2 million. The decrease relates to the timing of payments received and interest accrued, along with the effect of foreign exchange rates, related to the Ravenhall Project. Refer to Note 6 - Contract Receivable included in the notes to our audited consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Net cash used in investing activities of \$53.7 million in 2021 was primarily the result of capital expenditures of \$69.4 million and changes in restricted investments of \$18.7 million, offset by proceeds from sale of real estate assets of \$21.2 million, proceeds from the sale of property and equipment of \$4.1 million and payments received on note receivable of \$8.0 million. Net cash used in investing activities of \$104.2 million in 2020 was primarily the result of capital expenditures of \$108.8 million and changes in restricted investments of \$7.4 million, offset by insurance proceeds from damaged property primarily related to hurricanes of \$9.5 million and proceeds from sale of real estate of \$2.4 million.

Net cash used in financing activities in 2021 reflects payments of \$366.6 million on long term debt offset by \$435.0 million of proceeds from long term debt and payments on non-recourse debt of \$7.2 million. We also paid cash dividends of \$30.5 million and paid \$9.6 million of debt issuance costs in connection with the issuance of our 6.50% Exchangeable Senior Notes. Refer to Note 12 - Debt included in the notes to our audited consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Net cash used in financing activities in 2020 reflects payments of \$816.2 million on long term debt offset by \$960.6 million of proceeds from long term debt and payments on non-recourse debt of \$13.8 million. We also paid cash dividends of \$216.1 million and purchased \$9.0 million of shares of our common stock.

Inflation

We believe that inflation, in general, did have a negative impact but did not have a material effect on our results of operations during 2021 and 2020. While some of our contracts include provisions for inflationary indexing, inflation could have a substantial adverse effect on our results of operations in the future to the extent that wages and salaries, which represent our largest recurring/fixed expense, increase at a faster rate than the per diem or fixed rates received by us for our management services.

Funds from Operations

Funds from Operations (“FFO”) is a widely accepted supplemental non-GAAP measure utilized to evaluate the operating performance of real estate companies. It is defined in accordance with the standards established by the National Association of Real Estate Investment Trusts, or NAREIT, which defines FFO as net income (loss) attributable to common shareholders (computed in accordance with United States Generally Accepted Accounting Principles), excluding real estate related depreciation and amortization, excluding gains and losses from the cumulative effects of accounting changes, extraordinary items and sales of properties, and including adjustments for unconsolidated partnerships and joint ventures.

We also present Normalized Funds From Operations, or Normalized FFO, and Adjusted Funds from Operations, or AFFO, as supplemental non-GAAP financial measures of real estate companies’ operating performances.

Normalized FFO is defined as FFO adjusted for certain items which by their nature are not comparable from period to period or that tend to obscure the Company’s actual operating performance, including for the periods presented net goodwill impairment charges, pre-tax, gain on extinguishment of debt, pre-tax, start-up expenses, pre-tax, one-time employee restructuring expenses, pre-tax, loss & settlement on asset divestiture, pre-tax, M&A related expenses, pre-tax, changes in tax structure to C Corp, close-out expenses, pre-tax, COVID-19 expenses, pre-tax and the tax effect of adjustments to funds from operations.

AFFO is defined as Normalized FFO adjusted by adding non-cash expenses such as non-real estate related depreciation and amortization, stock-based compensation expense, the amortization of debt issuance costs, other non-cash revenue & expense, pre-tax, discount and/or premium and other non-cash interest, and by subtracting recurring consolidated maintenance capital expenditures.

Because of the unique design, structure and use of our secure facilities, processing centers and reentry centers we believe that assessing the performance of our secure facilities, processing centers and reentry centers without the impact of depreciation or amortization is useful and meaningful to investors. Although NAREIT has published its definition of FFO, companies often modify this definition as they seek to provide financial measures that meaningfully reflect their distinctive operations. We have modified FFO to derive Normalized FFO and AFFO that meaningfully reflect our operations.

Our assessment of our operations is focused on long-term sustainability. The adjustments we make to derive the non-GAAP measures of Normalized FFO and AFFO exclude items which may cause short-term fluctuations in net income attributable to GEO but have no impact on our cash flows, or we do not consider them to be fundamental attributes or the primary drivers of our business plan and they do not affect our overall long-term operating performance. We may make adjustments to FFO from time to time for certain other income and expenses that do not reflect a necessary component of our operational performance on the basis discussed above, even though such items may require cash settlement. Because FFO, Normalized FFO and AFFO exclude depreciation and amortization unique to real estate as well as non-operational items and certain other charges that are highly variable from year to year, they provide our investors with performance measures that reflect the impact to operations from trends in occupancy rates, per diem rates, operating costs and interest costs, providing a perspective not immediately apparent from income from net income attributable to GEO.

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We believe the presentation of FFO, Normalized FFO and AFFO provide useful information to investors as they provide an indication of our ability to fund capital expenditures and expand our business. FFO, Normalized FFO and AFFO provide disclosure on the same basis as that used by our management and provide consistency in our financial reporting, facilitate internal and external comparisons of our historical operating performance and our business units and provide continuity to investors for comparability purposes. Additionally, FFO, Normalized FFO and AFFO are widely recognized measures in our industry as a real estate investment trust.

Our reconciliation of net income attributable to GEO to FFO, Normalized FFO and AFFO for the years ended December 31, 2021 and 2020, respectively, is as follows (in thousands):

	December 31, 2021	December 31, 2020
Funds From Operations		
Net income attributable to The GEO Group, Inc.	\$ 77,418	\$ 113,032
Real estate related depreciation and amortization	75,622	73,659
(Gain) loss real estate assets, net of tax	(10,056)	6,831
NAREIT Defined FFO	\$ 142,984	\$ 193,522
Goodwill impairment charge, pre-tax	—	21,146
Start-up expenses, pre-tax	1,723	4,401
M&A related expenses, pre-tax	8,118	—
One-time employee restructuring expenses, pre-tax	7,459	—
Loss & settlement on asset divestiture, pre-tax	6,333	—
Gain on extinguishment of debt	(4,693)	(5,319)
COVID-19 expenses, pre-tax	—	9,883
Close-out expenses, pre-tax	1,475	5,935
Change in tax structure to C Corp	70,813	—
Tax effect of adjustments to funds from operations *	(26)	(300)
Normalized Funds from Operations	\$ 234,186	\$ 229,268
Non-real estate related depreciation and amortization	59,555	61,021
Consolidated maintenance capital expenditures	(16,769)	(19,729)
Stock-based compensation expenses	19,199	23,896
Other non-cash revenue & expense, pre-tax	(4,408)	(735)
Amortization of debt issuance costs, discount and/or premium and other non-cash interest	7,498	6,892
Adjusted Funds from Operations	\$ 299,261	\$ 300,613

- * Tax adjustments relate to (gain) loss on real estate assets, goodwill impairment charges, gain on debt extinguishment, start-up expenses, M&A related expenses, one-time employee restructuring expenses, loss & settlement on asset divestiture, COVID-19 expenses and close-out expenses.

Outlook

The following discussion of our future performance contains statements that are not historical statements and, therefore, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Our forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those stated or implied in the forward-looking statement. Please refer to “Item 1A. Risk Factors” in this Annual Report on Form 10-K, the “Forward-Looking Statements — Safe Harbor,” as well as the other disclosures contained in this Annual Report on Form 10-K, for further discussion on forward-looking statements and the risks and other factors that could prevent us from achieving our goals and cause the assumptions underlying the forward-looking statements and the actual results to differ materially from those expressed in or implied by those forward-looking statements.

Coronavirus Disease (COVID-19) Pandemic

In December 2019, a novel strain of coronavirus, now known as COVID-19 (“COVID-19”), was reported in Wuhan, China and has since extensively impacted the global health and economic environment. In January 2020, the World Health Organization (“WHO”) declared it a Public Health Emergency of International Concern. On February 28, 2020, the WHO raised its assessment of the COVID-19 threat from high to very high at a global level due to the continued increase in the number of cases and affected countries, and on March 11, 2020, the WHO characterized COVID-19 as a pandemic.

Health and Safety

As the COVID-19 pandemic has impacted communities across the United States and around the world, our employees and facilities have also been impacted by the spread of COVID-19. Ensuring the health and safety of our employees and all those in our care has always been our number one priority. As a longstanding provider of essential government services, we have experience with the implementation of best practices for the prevention, assessment, and management of infectious diseases.

- All of our secure services facilities provide 24/7 access to healthcare;
- Our ICE Processing Centers typically have approximately double the number of healthcare staff, compared to state correctional facilities;
- Many of our facilities are equipped with Airborne Infection Isolation Rooms;
- All of our facilities operate safely and without any overcrowded conditions; and
- All of our facilities have access to regular handwashing with clean water and soap.
- From the outset of the COVID-19 global pandemic, our corporate, regional and field staff have implemented and we continue to implement comprehensive steps to address and mitigate the risks of COVID-19 to all those in our care and our employees.
- We issued guidance to all of our facilities, consistent with the guidance issued for correctional and detention facilities by the Centers for Disease Control and Prevention Interim Guidance on Management of Coronavirus Disease 2019 (COVID-19) in Correctional and Detention Facilities and we will update this guidance as necessary;
- We updated our policies and procedures to include best practices for the prevention, assessment, and management of COVID-19, including the implementation of quarantine and cohorting procedures to isolate confirmed and presumptive cases of COVID-19, including medical isolation and the use of Airborne Infection Isolation Rooms, and we will continue to update our policies and procedures as necessary;
- We ordered and received and continue to order and receive swab test kits for COVID-19 from a national supplier, we enacted quarantine and testing procedures for any employees who may have come into contact with any individual who has tested positive for COVID-19 and we will update these quarantine and testing procedures as necessary;
- In March 2020, we started procuring additional Personal Protective Equipment and began issuing it as clinically needed at facilities impacted by COVID-19. These efforts continued throughout 2020 and continue to date;

- Over the course of April 2020, we coordinated with our government partners to distribute Personal Protective Equipment and to date we continue distributing Personal Protective Equipment, including face masks to all staff, inmates, detainees and residents as a precautionary measure at all of our Federal Bureau of Prisons facilities, ICE Processing Centers, U.S. Marshals facilities, state correctional facilities, local correctional facilities and jails, residential reentry centers, and youth services residential facilities;
- We provided and continue to provide educational guidance to our employees and individuals in our care on the best preventative measures to avoid the spread of COVID-19 such as frequent and careful handwashing, avoiding touching areas of the face, including facial hair, avoiding individuals exhibiting flu-like symptoms, proper cough and sneeze etiquette, social distancing requirements and adjustments to laundry and meal schedules;
- We increased the frequency of distribution of personal hygiene products, including soap, shampoo and body wash and tissue paper, and we are ensuring the daily availability of bars of soap or soap dispensers at each sink for hand washing in all of our facilities;
- We advised and continue to advise our employees to remain home if they exhibit flu-like symptoms, and we have exercised and continue to exercise flexible paid leave and paid time off policies to allow for employees to remain home if they exhibit flu-like symptoms or to care for a family member;
- We procured and continue to procure additional cleaning equipment and sanitation products that are proven healthcare grade disinfectants;
- We deployed and continue to deploy specialized sanitation teams to sterilize high-contact areas at our facilities and have developed intensive schedules and procedures for the cleaning and disinfecting of facility spaces above and beyond normal cleaning activities;
- As a service provider, GEO has fully disclosed and will continue to fully disclose all information related to COVID-19 testing, cases and fatalities to the appropriate federal, state and local government partners, as well as state and local health officials throughout the course of the pandemic;
- At every one of our facilities, we have worked closely with our government agency partners and local health officials to develop COVID-19 emergency plans and testing policies for the individuals in our care and we will continue to work closely with our government agency partners and local health officials to update those plans and policies as necessary; and
- We engaged with our government agency partners to promptly suspend non-essential visitation at all of our facilities, and we have employed additional measures during the intake and entry process at all of our facilities to include screening specific to COVID-19, including temperature checks for all staff and any legally required visitors before entering our facilities, as well as, verbal medical screening questionnaires and we will continue to engage our government agency partners on such measures.

We will continue to coordinate closely with our government agency partners and local health agencies to ensure the health and safety of all those in our care and our employees. We are grateful for our frontline employees who are making sacrifices daily to provide care for all those in our facilities during this unprecedented global pandemic. Information on the steps we have taken to address and mitigate the risks of COVID-19 can be found at www.geogroup.com/COVID19. The information on or accessible through our website is not incorporated by reference in this Annual Report on Form 10-K.

Economic Impact

The COVID-19 pandemic and related government-imposed mandatory closures, shelter in-place restrictions and social distancing protocols and increased expenditures on engineering controls, personal protective equipment, diagnostic testing, medical expenses, temperature scanners, protective plexiglass barriers and increased sanitation have had, and will continue to have, a severe impact on global economic conditions and the environment in which we operate. In early 2020, we began to observe negative impacts from the pandemic on our performance in our secure services business as a result of declines in crossings and apprehensions along the Southwest border, a decrease in court sentencing at the federal level and reduced operational capacity to promote social distancing protocols. In addition to court mandates related to COVID-19 that limit capacity utilization at certain facilities, a driver of low utilization across ICE facilities have been the Title 42 COVID-19 related restrictions that have been in place at the Southwest border since March 2020. Additionally, our reentry services business conducted through our Reentry Services business segment has also been negatively impacted, specifically our residential reentry centers were impacted due to lower levels of referrals by federal, state and local agencies. Throughout the pandemic, new intake at residential reentry centers have significantly slowed down as governmental agencies across the county have opted for non-residential alternatives, including furloughs, home confinement and day reporting. We expect that the COVID-19 pandemic will continue to have an impact on our populations for at least part of 2022, depending on various factors. While we experienced a significant increase in COVID-19 cases in the early part of 2022, consistent with the spread of the Omicron variant across the country, we are currently seeing a significant decline in cases among our staff and the individuals in our care. If we are unable to mitigate the transmission of COVID-19 at our facilities, we could experience a material adverse effect on our financial position, results of operations and cash flows. Although we are unable to predict the duration or scope of the COVID-19 pandemic or estimate the extent of the overall future negative financial impact to our operating results,

an extended period of depressed economic activity necessitated to combating the disease, and the severity and duration of the related global economic crisis may adversely impact our future financial performance.

Revenue

Due to the uncertainty surrounding the COVID-19 pandemic, we are unable to determine the future landscape of growth opportunities in the near term; however, any positive trends may, to some extent, be adversely impacted by government budgetary constraints in light of the pandemic or any changes to a government's willingness to maintain or grow public-private partnerships in the future. While state finances overall were stable prior to the COVID-19 pandemic, future budgetary pressures may cause state agencies to pursue a number of cost savings initiatives which may include reductions in per diem rates and/or the scope of services provided by private operators or the decision to not re-bid a contract after expiration of the contract term. These potential cost savings initiatives could have a material adverse impact on our current operations and/or our ability to pursue new business opportunities. Additionally, if state budgetary constraints, as discussed above, persist or intensify, our state customers' ability to pay us may be impaired and/or we may be forced to renegotiate our management contracts on less favorable terms and our financial condition, results of operations or cash flows could be materially adversely impacted. We plan to actively bid on any new projects that fit our target profile for profitability and operational risk. Any positive trends in the industry may be offset by several factors, including budgetary constraints, contract modifications, contract terminations, contract non-renewals, contract re-bids and/or the decision to not re-bid a contract after expiration of the contract term and the impact of any other potential changes to the willingness or ability to maintain or grow public-private partnerships on the part of other government agencies. We believe we have a strong relationship with our government agency partners and we believe that we operate facilities that maximize security, safety and efficiency while offering our suite of GEO Continuum of Care services and resources.

On January 26, 2021, President Biden signed an executive order directing the United States Attorney General not to renew Department of Justice ("DOJ") contracts with privately operated criminal detention facilities, as consistent with applicable law. Two agencies of the DOJ, the Federal Bureau of Prisons ("BOP") and the U.S. Marshals Service ("USMS"), utilize GEO's support services. The BOP houses inmates who have been convicted of federal crimes, and the USMS is generally responsible for detainees who are awaiting trial or sentencing in U.S. federal courts. As of December 31, 2021, GEO has one company-owned facility under direct contract with the BOP, which has a current contract option period that expires on September 30, 2022, and three company-owned/company-leased facilities under direct contracts with USMS, which have current contract option periods that expire between March 31, 2022 and September 30, 2023. These facilities combined represented approximately 8% of our revenues for the year ended December 31, 2021.

President Biden's administration may implement additional executive orders or directives relating to federal criminal justice policies and/or immigration policies, which may impact the federal government's use of public-private partnerships with respect to secure correctional and detention facilities and immigration processing centers, including with respect to our contracts, and/or may impact the budget and spending priorities of federal agencies, including the BOP, USMS, and U.S. Immigration and Customs Enforcement, which is an agency of the U.S. Department of Homeland Security.

Prior to the Executive Order, we have historically had a relatively high contract renewal rate, however, there can be no assurance that we will be able to renew our expiring management contracts on favorable terms, or at all. Also, while we are pleased with our track record in re-bid situations, we cannot assure that we will prevail in any such future situations.

California enacted legislation that became effective on January 1, 2020 aimed at phasing out public-private partnership contracts for the operation of secure correctional facilities and detention facilities within California and facilities outside of the State of California housing State of California inmates. Currently, we have public-private partnership contracts in place with ICE and the USMS relating to secure services facilities located in California. GEO and the U.S. Department of Justice have filed separate legal actions challenging the constitutionality of the attempted ban on new federal contracts entered into after the effective date of the California law. On October 5, 2021, the Ninth Circuit Court of Appeals reversed a prior U.S. District Court decision dismissing the requests by GEO and the United States for declaratory and injunctive relief and ruled that AB32 conflicts with federal law in violation of the Supremacy Clause of the U.S. Constitution and discriminates against the federal government in violation of the intergovernmental immunity doctrine.

Recently the State of Washington approved a similar measure banning the use of public-private partnership contracts for the operation of detention facilities in the state., that GEO is also challenging in federal court. GEO's contract for the company-owned 1,575-bed Northwest ICE Processing Center in Washington has a renewal option period that expires in 2025. The facility generates approximately \$64 million in annualized revenues for GEO. In Delaware County, Pennsylvania, we received notice that the County intends to take over management of the managed-only George W. Hill Correctional Facility effective April 2022. The George W. Hill Correctional Facility generates approximately \$46 million in annualized revenue for GEO.

Internationally, we are exploring opportunities in our current markets and will continue to actively bid on any opportunities that fit our target profile for profitability and operational risk. We are pleased to have been awarded a ten-year contract renewal for the continued delivery of secure transportation under our GEOAmev joint venture in the United Kingdom. Total revenue over the ten-year period is expected to be approximately \$760 million. In New South Wales, Australia, we have developed a 489-bed expansion at the Junee Correctional

Centre which was substantially completed during the third quarter of 2020. We have also constructed a 137-bed expansion at the Fulham Correctional Centre in Victoria, Australia. With respect to our Dungavel House Immigration Removal Centre in the United Kingdom, we were unfortunately unsuccessful in the current competitive rebid process and transitioned the management contract in October 2021. In addition, we transitioned the Arthur Gorrie Correctional Centre to government operation in the State of Queensland, Australia at the end of June 2020.

With respect to our reentry services, electronic monitoring services, and community-based services business we are currently pursuing a number of business development opportunities. Related to opportunities for community-based reentry services, we are working with our existing federal, state, and local clients to leverage new opportunities for both residential reentry facilities as well as non-residential day reporting centers. However, in light of the uncertainty surrounding the COVID-19 pandemic, we may not be successful. We continue to expend resources on informing federal, state and local governments about the benefits of public-private partnerships, and we anticipate that there will be new opportunities in the future as those efforts continue to yield results. We believe we are well positioned to capitalize on any suitable opportunities that become available in this area.

Operating Expenses

Operating expenses consist of those expenses incurred in the operation and management of our contracts to provide services to our governmental clients. Labor and related costs represented approximately 65% of our operating expenses in both 2021 and 2020. Additional significant operating expenses include food, utilities and inmate medical costs. In 2021 and 2020, operating expenses totaled approximately 72% and 75% of our consolidated revenues, respectively. Our operating expenses as a percentage of revenue in 2022 will be impacted by the opening of any new or existing facilities as a result of the cost of transitioning and/or start-up operations related to a facility opening. During 2022, we will incur carrying costs for facilities that were vacant in 2021. As of December 31, 2021, our worldwide operations include the management and/or ownership of approximately 86,000 beds at 106 secure, processing and community services facilities, including idle facilities, and also included the provision of monitoring of more than 210,000 individuals in a community-based environment on behalf of federal, state and local correctional agencies located in all 50 states.

General and Administrative Expenses

General and administrative expenses consist primarily of corporate management salaries and benefits, professional fees and other administrative expenses. In 2021 and 2020, general and administrative expenses totaled approximately 9% and 8%, respectively, of our consolidated revenues. We expect general and administrative expenses as a percentage of revenue in 2022 to remain consistent or decrease as a result of cost savings initiatives as well as less travel, marketing and other corporate administrative expenses primarily due to the impacts of the COVID-19 pandemic.

Idle Facilities

In our Secure Services segment, we are currently marketing 9,812 vacant beds with a net book value of approximately \$256 million at seven of our idle facilities to potential customers. In our Reentry Services segment, we are currently marketing 1,100 vacant beds with a net book value of approximately \$25.3 million at two of our idle facilities to potential customers. The combined annual carrying cost of these idle facilities in 2022 is estimated to be \$22.0 million, including depreciation expense of \$12.7 million. We currently do not have any firm commitments or agreements in place to activate these facilities but have ongoing contact with several potential customers. Historically, some facilities have been idle for multiple years before they received a new contract award. The per diem rates that we charge our clients often vary by contract across our portfolio. However, if the nine idle facilities in our Secure Services and Reentry Services segments were to be activated using our Secure Services and Reentry Services average per diem rate in 2021, (calculated as revenue divided by the number of mandays) and based on the average occupancy rate in our facilities for 2021, we would expect to receive annual incremental revenue of approximately \$290 million and an increase in annual earnings per share of approximately \$.30 to \$.35 per share based on our average operating margin. Refer to discussion in Item I, Part I – Business under *Executive Order* and *Contract Developments* above for discussion of recent developments.

Forward-Looking Statements — Safe Harbor

This Annual Report on Form 10-K and the documents incorporated by reference herein contain “forward-looking” statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. “Forward-looking” statements are any statements that are not based on historical information. Statements other than statements of historical facts included in this report, including, without limitation, statements regarding our future financial position, business strategy, budgets, projected costs and plans and objectives of management for future operations, are “forward-looking” statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as “may,” “will,” “expect,” “anticipate,” “intend,” “plan,” “believe,” “seek,” “estimate” or “continue” or the negative of such words or variations of such words and similar expressions. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions, which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements and

we can give no assurance that such forward-looking statements will prove to be correct. Important factors that could cause actual results to differ materially from those expressed or implied by the forward-looking statements, or “cautionary statements,” include, but are not limited to:

- our ability to mitigate the transmission of the current pandemic of the novel coronavirus, or COVID-19, at our secure facilities, processing centers and reentry centers;
- the magnitude, severity and duration of the COVID-19 pandemic and its impact on our business, financial condition, results of operations and cash flows;
- our ability to timely build and/or open facilities as planned, successfully manage such facilities and successfully integrate such facilities into our operations without substantial additional costs;
- our ability to estimate the government’s level of utilization of public-private partnerships for secure services and the impact of any modifications or reductions by our government customers of their utilization of public-private partnerships;
- our ability to accurately project the size and growth of public-private partnerships for secure services in the U.S. and internationally and our ability to capitalize on opportunities for public-private partnerships;
- our ability to successfully respond to any challenges or concerns that our government customers may raise regarding their use of public-private partnerships for secure services, including finding other government customers or alternative uses for facilities where a government customer has discontinued or announced that a contract with us will be discontinued;
- the impact of adopted or proposed executive action or legislation aimed at limiting public-private partnerships for secure facilities, processing centers and community reentry centers or limiting or restricting the business and operations of financial institutions or others who do business with us;
- our ability to successfully respond to delays encountered by states pursuing public-private partnerships for secure services and cost savings initiatives implemented by a number of states;
- our ability to activate the inactive beds at our idle facilities;
- our ability to maintain or increase occupancy rates at our facilities;
- our ability to expand, diversify and grow our secure services, reentry, community-based services, youth services, monitoring services, evidence-based supervision and treatment programs and secure transportation services businesses;
- our ability to win management contracts for which we have submitted proposals, retain existing management contracts, prevail in any challenge or protest involving the award of a management contract and meet any performance standards required by such management contracts;
- our ability to raise new project development capital given the often short-term nature of the customers’ commitment to use newly developed facilities;
- our ability to develop long-term earnings visibility;
- our ability to successfully conduct our operations in the United Kingdom, South Africa and Australia through joint ventures or a consortium;
- the impact of the anticipated LIBOR transition in 2021;
- the instability of foreign exchange rates, exposing us to currency risks in Australia, the United Kingdom, and South Africa, or other countries in which we may choose to conduct our business;
- an increase in unreimbursed labor rates;
- our exposure to rising medical costs;
- our ability to manage costs and expenses relating to ongoing litigation arising from our operations;
- our ability to accurately estimate on an annual basis, loss reserves related to general liability, workers’ compensation and automobile liability claims;
- if we fail to remain qualified as a REIT, we will be subject to U.S. federal income tax as a regular corporation and could face a substantial tax liability, which would reduce the amount of cash available for distribution to our shareholders;

- qualifying as a REIT involves highly technical and complex provisions of the Internal Revenue Code of 1986, as amended (the “Code”);
- complying with the REIT requirements may cause us to liquidate or forgo otherwise attractive opportunities;
- dividends payable by REITs do not qualify for the reduced tax rates available for some dividends;
- REIT distribution requirements could adversely affect our ability to execute our business plan;
- our cash distributions are not guaranteed and may fluctuate;
- certain of our business activities may be subject to corporate level income tax and foreign taxes, which would reduce our cash flows, and may have potential deferred and contingent tax liabilities;
- REIT ownership limitations may restrict or prevent you from engaging in certain transfers of our common stock;
- our use of taxable REIT subsidiaries (“TRSs”) may cause us to fail to qualify as a REIT;
- new legislation or administrative or judicial action, in each instance potentially with retroactive effect, could make it more difficult or impossible for us to maintain our qualification as a REIT;
- our ability to fulfill our debt service obligations and its impact on our liquidity;
- our ability to refinance our indebtedness;
- we are incurring significant indebtedness in connection with substantial ongoing capital expenditures. Capital expenditures for existing and future projects may materially strain our liquidity;
- despite current indebtedness levels, we may still incur more indebtedness, which could further exacerbate the risks relating to our indebtedness;
- the covenants in the indentures governing the 6.00% Senior Notes, the 5.125% Senior Notes, the 5.875% Senior Notes due 2022 and the 5.875% Senior Notes due 2024 and the covenants in our senior credit facility impose significant operating and financial restrictions which may adversely affect our ability to operate our business;
- servicing our indebtedness will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control and we may not be able to generate the cash required to service our indebtedness;
- because portions of our senior indebtedness have floating interest rates, a general increase in interest rates would adversely affect cash flows;
- we depend on distributions from our subsidiaries to make payments on our indebtedness. These distributions may not be made;
- we may not be able to satisfy our repurchase obligations in the event of a change of control because the terms of our indebtedness or lack of funds may prevent us from doing so;
- from time to time, we may not have a management contract with a client to operate existing beds at a facility or new beds at a facility that we are expanding, and we cannot assure you that such a contract will be obtained. Failure to obtain a management contract for these beds will subject us to carrying costs with no corresponding management revenue;
- negative conditions in the capital markets could prevent us from obtaining financing on desirable terms, which could materially harm our business;
- we are subject to the loss of our facility management contracts, due to terminations, non-renewals or competitive re-bids, which could adversely affect our results of operations and liquidity, including our ability to secure new facility management contracts from other government customers;
- our growth depends on our ability to secure contracts to develop and manage new secure facilities, processing centers and community based facilities and to secure contracts to provide electronic monitoring services, community-based reentry services and monitoring and supervision services, the demand for which is outside our control;
- we may not be able to meet state requirements for capital investment or locate land for the development of new facilities, which could adversely affect our results of operations and future growth;

- we partner with a limited number of governmental customers who account for a significant portion of our revenues. The loss of, or a significant decrease in revenues from, these customers could seriously harm our financial condition and results of operations;
- State budgetary constraints may have a material adverse impact on us;
- competition for contracts may adversely affect the profitability of our business;
- we are dependent on government appropriations, which may not be made on a timely basis or at all and may be adversely impacted by budgetary constraints at the federal, state, local and foreign government levels;
- public resistance to the use of public-private partnerships for secure facilities, processing centers and community reentry centers could result in our inability to obtain new contracts or the loss of existing contracts, impact our ability to obtain or refinance debt financing or enter into commercial arrangements, which could have a material adverse effect on our business, financial condition, results of operations and the market price of our securities;
- operating youth services facilities poses certain unique or increased risks and difficulties compared to operating other facilities;
- adverse publicity may negatively impact our ability to retain existing contracts and obtain new contracts;
- we may incur significant start-up and operating costs on new contracts before receiving related revenues, which may impact our cash flows and not be recouped;
- failure to comply with extensive government regulation and applicable contractual requirements could have a material adverse effect on our business, financial condition or results of operations;
- we may face community opposition to facility locations, which may adversely affect our ability to obtain new contracts;
- our business operations expose us to various liabilities for which we may not have adequate insurance and may have a material adverse effect on our business, financial condition or results of operations;
- we may not be able to obtain or maintain the insurance levels required by our government contracts;
- our exposure to rising general insurance costs;
- natural disasters, pandemic outbreaks, global political events and other serious catastrophic events could disrupt operations and otherwise materially adversely affect our business and financial condition;
- our international operations expose us to risks that could materially adversely affect our financial condition and results of operations;
- we conduct certain of our operations through joint ventures or consortiums, which may lead to disagreements with our joint venture partners or business partners and adversely affect our interest in the joint ventures or consortiums;
- we are dependent upon our senior management and our ability to attract and retain sufficient qualified personnel;
- our profitability may be materially adversely affected by inflation;
- various risks associated with the ownership of real estate may increase costs, expose us to uninsured losses and adversely affect our financial condition and results of operations;
- risks related to facility construction and development activities may increase our costs related to such activities;
- the rising cost and increasing difficulty of obtaining adequate levels of surety credit on favorable terms could adversely affect our operating results;
- adverse developments in our relationship with our employees could adversely affect our business, financial condition or results of operations;
- technological changes could cause our electronic monitoring products and technology to become obsolete or require the redesign of our electronic monitoring products, which could have a material adverse effect on our business;
- any negative changes in the level of acceptance of or resistance to the use of electronic monitoring products and services by governmental customers could have a material adverse effect on our business, financial condition and results of operations;

- we depend on a limited number of third parties to manufacture and supply quality infrastructure components for our electronic monitoring products. If our suppliers cannot provide the components or services we require and with such quality as we expect, our ability to market and sell our electronic monitoring products and services could be harmed;
- the interruption, delay or failure of the provision of our services or information systems could adversely affect our business;
- an inability to acquire, protect or maintain our intellectual property and patents in the electronic monitoring space could harm our ability to compete or grow;
- our electronic monitoring products could infringe on the intellectual property rights of others, which may lead to litigation that could itself be costly, could result in the payment of substantial damages or royalties, and/or prevent us from using technology that is essential to our products;
- we license intellectual property rights in the electronic monitoring space, including patents, from third party owners. If such owners do not properly maintain or enforce the intellectual property underlying such licenses, our competitive position and business prospects could be harmed. Our licensors may also seek to terminate our license;
- we may be subject to costly product liability claims from the use of our electronic monitoring products, which could damage our reputation, impair the marketability of our products and services and force us to pay costs and damages that may not be covered by adequate insurance;
- our ability to identify suitable acquisitions, and to successfully complete and integrate such acquisitions on satisfactory terms, to enhance occupancy levels and the financial performance of assets acquired and estimate the synergies to be achieved as a result of such acquisitions;
- as a result of our acquisitions, we have recorded and will continue to record a significant amount of goodwill and other intangible assets. In the future, our goodwill or other intangible assets may become impaired, which could result in material non-cash charges to our results of operations;
- we are subject to risks related to corporate social responsibility;
- the market price of our common stock may vary substantially;
- future sales of shares of our common stock or securities convertible into common stock could adversely affect the market price of our common stock and may be dilutive to current shareholders;
- various anti-takeover protections applicable to us may make an acquisition of us more difficult and reduce the market value of our common stock;
- failure to maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 could have an adverse effect on our business and the trading price of our common stock; and
- we may issue additional debt securities that could limit our operating flexibility and negatively affect the value of our common stock; and
- other factors contained in our filings with the Securities and Exchange Commission, or the SEC, including, but not limited to, those detailed in this Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K filed with the SEC.

We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements included in this report.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

We are exposed to market risks related to changes in interest rates with respect to our senior credit facility. Payments under the Senior Credit Facility are indexed to a variable interest rate. Based on borrowings outstanding as of December 31, 2021 under the Senior Credit Facility of \$1,546.9 million, for every one percent increase in the interest rate applicable to the Senior Credit Facility, our total annual interest expense would increase by approximately \$15.0 million.

We have entered into certain interest rate swap arrangements for hedging purposes, fixing the interest rate on our Australian non-recourse debt. The difference between the floating rate and the swap rate on these instruments is recognized in interest expense within the respective entity. Because the interest rates with respect to these instruments are fixed, a hypothetical 100 basis point change in the current interest rate would not have a material impact on our financial condition or results of operations.

Additionally, we invest our cash in a variety of short-term financial instruments to provide a return. These instruments generally consist of highly liquid investments with original maturities at the date of purchase of three months or less. While these instruments are subject to interest rate risk, a hypothetical 100 basis point increase or decrease in market interest rates would not have a material impact on our financial condition or results of operations.

Foreign Currency Exchange Rate Risk

We are exposed to market risks related to fluctuations in foreign currency exchange rates between the U.S. Dollar, the Australian Dollar, the South African Rand and the British Pound currency exchange rates. Based upon our foreign currency exchange rate exposure as of December 31, 2021 with respect to our international operations, every 10 percent change in historical currency rates would have a \$9.0 million effect on our financial position and a \$1.2 million impact on our results of operations over the next fiscal year.

Item 8. Financial Statements and Supplementary Data

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

To the Shareholders of
The GEO Group, Inc.:

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States. They include amounts based on judgments and estimates.

Representations in the consolidated financial statements and the fairness and integrity of such statements are the responsibility of management. In order to meet management's responsibility, the Company maintains a system of internal controls and procedures and a program of internal audits designed to provide reasonable assurance that our assets are controlled and safeguarded, that transactions are executed in accordance with management's authorization and properly recorded, and that accounting records may be relied upon in the preparation of financial statements.

The consolidated financial statements have been audited by Grant Thornton LLP, independent registered public accountants, whose appointment by our Audit Committee was ratified by our shareholders. Their report, which is included in this Form 10-K, expresses an opinion as to whether management's consolidated financial statements present fairly in all material respects, the Company's financial position, results of operations and cash flows for each of the three years in the period ended December 31, 2021 in conformity with accounting principles generally accepted in the United States of America. The effectiveness of our internal control over financial reporting as of December 31, 2021 has also been audited by Grant Thornton LLP, independent registered public accountants, as stated in their report which is included in this Form 10-K. Their audits were conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States).

The Audit Committee of the Board of Directors meets periodically with representatives of management, the independent registered public accountants and our internal auditors to review matters relating to financial reporting, internal accounting controls and auditing. Both the internal auditors and the independent registered public accountants have unrestricted access to the Audit Committee to discuss the results of their examinations.

George C. Zoley
Chairman and Chief Executive Officer

Brian R. Evans
Senior Vice President and Chief Financial Officer

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is a process designed under the supervision of the Company's Chief Executive Officer and Chief Financial Officer that: (i) pertains to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets; (ii) provides reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements for external reporting in accordance with accounting principles generally accepted in the United States, and that receipts and expenditures are being made only in accordance with authorization of the Company's management and directors; and (iii) provides reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Management has assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2021. In making its assessment of internal control over financial reporting, management used the criteria set forth in the Internal Control - Integrated Framework issued by the 2013 Committee of Sponsoring Organizations of the Treadway Commission ("COSO") (the "2013 Internal Control - Integrated Framework").

The Company evaluated, with the participation of its Chief Executive Officer and Chief Financial Officer, its internal control over financial reporting as of December 31, 2021, based on the 2013 Internal Control — Integrated Framework. Based on this evaluation, the Company's management concluded that as of December 31, 2021, its internal control over financial reporting is effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Grant Thornton LLP, the independent registered public accounting firm that audited the financial statements included in this Annual Report on Form 10-K, has issued an attestation report on our internal control over financial reporting as of December 31, 2021.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
The GEO Group, Inc.

Opinion on internal control over financial reporting

We have audited the internal control over financial reporting of The GEO Group, Inc. (a Florida corporation) and subsidiaries (the “Company”) as of December 31, 2021, based on criteria established in the 2013 Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in the 2013 Internal Control—Integrated Framework issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the consolidated financial statements of the Company as of and for the year ended December 31, 2021, and our report dated February 28, 2022 expressed an unqualified opinion on those financial statements.

Basis for opinion

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

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and limitations of internal control over financial reporting

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

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

/s/ GRANT THORNTON LLP

Miami, Florida
February 28, 2022

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
The GEO Group, Inc.

Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of The GEO Group, Inc. (a Florida corporation) and subsidiaries (the “Company”) as of December 31, 2021 and 2020, the related consolidated statements of operations, comprehensive income (loss), shareholders’ equity, and cash flows for each of the three years in the period ended December 31, 2021, and the related notes and financial statement schedule included under Item 15(a) (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2021, based on criteria established in the 2013 Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), and our report dated February 28, 2022 expressed an unqualified opinion.

Basis for opinion

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

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

Critical audit matters

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

Self-Insurance Reserves and Related Expenses

As described further in Note 1 in the consolidated financial statements, the Company self-insures, up to certain policy-specified limits, certain risks related to general and workers’ compensation liability costs. The estimated cost of claims under these self-insurance programs is estimated and accrued as the claims are incurred (although actual settlement of the claims may not be made until future periods) and may subsequently be revised based on developments relating to such claims. We identified self-insurance reserves and related expenses (“self-insurance”) as a critical audit matter.

The principal considerations for our determination that self-insurance reserves and related expenses is a critical audit matter are that the accrual for self-insurance has higher risk of estimation uncertainty due to the loss development factors and inherent assumptions in actuarial methods used in determining the required reserves. The estimation uncertainty and complexity of the actuarial methods utilized involved especially subjective auditor judgment and an increased extent of effort, including the need to involve an auditor-engaged actuarial specialist.

Our audit procedures related to the annual goodwill impairment assessment of the reporting unit included the following, among others.

- Obtained an understanding, evaluated the design and tested the operating effectiveness of key internal controls over financial reporting relating to self-insurance, including, but not limited to controls that (i) validate that claims were reported and submitted accurately and timely, and (ii) validate that internal claims data was reconciled to claims data maintained by the third-party administrator and submitted to the Company’s actuary.

- Utilized an auditor-engaged actuarial specialist in evaluating management’s methods and assumptions, including the reasonableness of the selected loss development factors utilized by management.
- Performed a retrospective review of prior projections to current projections to evaluate the reasonableness of changes in estimated ultimate losses.
- Reconciled claims data maintained by the third-party administrator to the claims data submitted to the Company’s actuary used in the development of the loss triangles and selecting loss development factors
- Selected a sample of underlying claims and reviewed the information utilized by management such as accident reports, insurance claims and legal records to (i) test management’s estimation process to determine if the reserve was reasonable and (ii) test the accuracy of the significant claim data attributes

Evaluation of idle facilities for impairment

As described further in Note 1 in the consolidated financial statements, the Company had property and equipment, net of \$2 billion as of December 31, 2021, including approximately \$282 million related to nine idle facilities. The Company tests idle facilities for impairment upon notification that the facilities will no longer be utilized by the customer. In addition, the Company performs the impairment analysis on an annual basis for each of the idle facilities. The estimates of recoverability are based on projected undiscounted cash flows associated with actual marketing efforts, where available, third-party appraisals or, in other instances, projected undiscounted cash flows that are comparable to historical cash flows from management contracts at similar facilities and sensitivity analyses that consider reductions to such cash flows. When the estimated undiscounted cash flows associated with the asset or group of assets are less than their carrying value, an impairment is recognized as the difference between the carrying value of the asset and its fair value. We identified management’s evaluation of idle facilities for impairment as a critical audit matter.

The principal considerations for our determination that management’s evaluation of idle facilities for impairment is a critical audit matter is the higher risk of estimation uncertainty due to the subjective nature of management’s estimates used in the projected undiscounted cash flows. These estimates are particularly sensitive to the assumption as to whether the Company will obtain contracts to utilize idle facilities or be able to sell the facilities in the future, which can be affected by expectations about market developments and public policy as well as management’s intent to hold and operate each facility over the term and in the manner assumed in the analysis.

Our audit procedures related to self-insurance included the following, among others:

- Obtained an understanding, evaluated the design and tested the operating effectiveness of key internal controls over financial reporting relating to management’s evaluation of idle facilities for impairment, including controls over management’s review of the key inputs into the projected undiscounted cash flows, including management’s review of evidence supporting projected utilization of idle facilities and the recoverability of net book values based on estimated cash flows.
- We evaluated the reasonableness of management’s projected undiscounted cash flow by evaluating evidence to support the projected utilization of the facilities, including actual marketing efforts, comparing the projections to historical cash flows from management contracts at similar facilities, or third-party appraisals and performed sensitivity analyses to evaluate the impact of potential changes in the projected undiscounted cash flows.
- Performed a retrospective review of prior projections to current projections by idle facility to evaluate the reasonableness of changes in the projected undiscounted cash flows.
- Performed a retrospective review of the Company’s historical experience in securing new facility management contracts to utilize facilities that had been previously idled for periods comparable to or in excess of the periods the Company’s currently idle facilities have been idle, including assessing the recoverability of the net book value of the previously idled facilities.

/s/ GRANT THORNTON LLP

We have served as the Company’s auditor since 2006.

Miami, Florida

February 28, 2022

THE GEO GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended December 31, 2021, 2020 and 2019

	2021	2020	2019
	(In thousands, except per share data)		
Revenues	\$ 2,256,612	\$ 2,350,098	\$ 2,477,922
Operating Expenses (excluding depreciation and amortization)	1,629,046	1,778,326	1,860,758
Depreciation and Amortization	135,177	134,680	130,825
General and Administrative Expenses	204,306	193,372	185,926
Goodwill Impairment Charge	—	21,146	—
Operating Income	288,083	229,405	303,106
Interest Income	24,007	23,072	28,934
Interest Expense	(129,460)	(126,837)	(151,024)
Gain (Loss) on Extinguishment of Debt	4,693	5,319	(4,795)
Net gain (loss) on dispositions of assets	5,499	(6,831)	(2,693)
Income Before Income Taxes and Equity in Earnings of Affiliates	192,822	124,128	173,528
Provision for Income Taxes	122,730	20,463	16,648
Equity in Earnings of Affiliates, net of income tax provision of \$1,035, \$1,784 and \$1,769	7,141	9,166	9,532
Net Income	77,233	112,831	166,412
Loss Attributable to Noncontrolling Interests	185	201	191
Net Income Attributable to The GEO Group, Inc.	<u>\$ 77,418</u>	<u>\$ 113,032</u>	<u>\$ 166,603</u>
Weighted Average Common Shares Outstanding:			
Basic			
Diluted	<u>120,384</u>	<u>119,719</u>	<u>119,097</u>
Income per Common Share Attributable to The GEO Group, Inc.:			
Basic:			
Net income per share — basic	<u>\$ 0.59</u>	<u>\$ 0.94</u>	<u>\$ 1.40</u>
Diluted:			
<i>Net income per share — diluted</i>	<u>\$ 0.58</u>	<u>\$ 0.94</u>	<u>\$ 1.40</u>
Dividends declared per share	<u>\$ 0.25</u>	<u>\$ 1.78</u>	<u>\$ 1.92</u>

The accompanying notes are an integral part of these consolidated financial statements.

THE GEO GROUP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
Years Ended December 31, 2021, 2020 and 2019

	2021	2020	2019
	(In thousands)		
Net Income	\$ 77,233	\$ 112,831	\$ 166,412
Other comprehensive income (loss):			
Change in marketable securities, net of income tax provision of \$2, \$0 and \$0	\$ 7	\$ —	\$ —
Foreign currency translation adjustments	(3,244)	3,070	2,267
Pension liability adjustment, net of income tax provision (benefit) of \$902, \$(554) and \$(681), respectively	3,392	(2,085)	(3,247)
Change in fair value of derivative instrument classified as cash flow hedge, net of income tax provision (benefit) of \$592, \$(871) and \$622, respectively	2,228	(3,276)	4,271
Total other comprehensive income (loss), net of tax	2,383	(2,291)	3,291
Total comprehensive income	79,616	110,540	169,703
Comprehensive loss attributable to noncontrolling interests	175	238	183
Comprehensive income attributable to The GEO Group, Inc.	<u>\$ 79,791</u>	<u>\$ 110,778</u>	<u>\$ 169,886</u>

THE GEO GROUP, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2021 and 2020

	2021	2020
	(In thousands, except share data)	
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 506,491	\$ 283,524
Restricted cash and investments	20,161	26,740
Accounts receivable, less allowance for doubtful accounts of \$1,155 and \$2,674, respectively	365,573	362,668
Contract receivable, current portion	6,507	6,283
Prepaid expenses and other current assets	45,176	32,108
Total current assets	943,908	711,323
Restricted Cash and Investments	76,158	37,338
Property and Equipment, Net	2,037,845	2,122,195
Contract Receivable	367,071	396,647
Operating Lease Right-of-Use Assets, Net	112,187	124,727
Assets Held for Sale	7,877	9,108
Deferred Income Tax Assets	—	36,604
Goodwill	755,225	755,250
Intangible Assets, Net	166,124	187,747
Other Non-Current Assets	71,013	79,187
Total Assets	<u>\$ 4,537,408</u>	<u>\$ 4,460,126</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 64,073	\$ 85,861
Accrued payroll and related taxes	67,210	67,797
Accrued expenses and other current liabilities	200,712	202,378
Operating lease liabilities, current portion	28,279	29,080
Current portion of finance lease liabilities, long-term debt and non-recourse debt	18,568	26,180
Total current liabilities	378,842	411,296
Deferred Income Tax Liabilities	80,768	30,726
Other Non-Current Liabilities	87,073	115,555
Operating Lease Liabilities	89,917	101,375
Finance Lease Obligations	1,977	2,988
Long-Term Debt	2,625,959	2,561,881
Non-Recourse Debt	297,856	324,223
Commitments and Contingencies (Note 17)		
Shareholders' Equity		
Preferred stock, \$0.01 par value, 30,000,000 shares authorized, none issued or outstanding	—	—
Common stock, \$0.01 par value, 187,500,000 shares authorized, 127,323,762 and 126,153,173 issued and 122,471,390 and 121,318,175 outstanding, respectively	1,273	1,262
Additional paid-in capital	1,276,213	1,262,267
Distributions in excess of earnings	(175,960)	(222,892)
Accumulated other comprehensive loss	(20,216)	(22,589)

Treasury stock, 4,852,372 and 4,834,998 shares, at cost, respectively	(105,099)	(104,946)
Total shareholders' equity attributable to The GEO Group, Inc.	976,211	913,102
Noncontrolling interests	(1,195)	(1,020)
Total shareholders' equity	975,016	912,082
Total Liabilities and Shareholders' Equity	\$ 4,537,408	\$ 4,460,126

The accompanying notes are an integral part of these consolidated financial statements.

THE GEO GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended December 31, 2021, 2020 and 2019

	2021	2020	2019
	(In thousands)		
Cash Flow from Operating Activities:			
Net Income	\$ 77,233	\$ 112,831	\$ 166,412
Net loss attributable to noncontrolling interests	185	201	191
Net income attributable to The GEO Group, Inc.	77,418	113,032	166,603
Adjustments to reconcile net income attributable to The GEO Group, Inc. to net cash provided by operating activities:			
Depreciation and amortization expense	135,177	134,680	130,825
Deferred tax provision (benefit)	86,380	11,221	(588)
Amortization of debt issuance costs, discount and/or premium and other non-cash interest	7,498	6,892	8,609
Goodwill impairment charge	—	21,146	—
Stock-based compensation	19,199	23,896	22,344
(Gain) loss on extinguishment of debt	(4,693)	(5,319)	4,795
Provision for doubtful accounts	—	263	190
Equity in earnings of affiliates, net of tax	(7,141)	(9,166)	(9,532)
Loss on sale/disposal of property and equipment	8,447	1,720	3,966
Net (gain) loss on disposition of assets	(5,499)	6,831	2,693
Dividends received from unconsolidated joint ventures	8,263	5,934	10,312
Changes in assets and liabilities, net of acquisition:			
Changes in accounts receivable, prepaid expenses and other assets	4,770	68,181	(8,391)
Changes in contract receivable	6,231	5,156	(4,355)
Changes in accounts payable, accrued expenses and other liabilities	(61,483)	57,266	10,672
Net cash provided by operating activities	274,567	441,733	338,143
Cash Flow from Investing Activities:			
Proceeds from sale of property and equipment	4,130	140	414
Insurance proceeds - damaged property	1,027	9,497	19,310
Proceeds from sale of real estate	21,239	2,406	823
Payment received on note receivable	8,000	—	—
Change in restricted investments	(18,739)	(7,417)	(7,440)
Capital expenditures	(69,394)	(108,800)	(117,244)
Net cash used in investing activities	(53,737)	(104,174)	(104,137)
Cash Flow from Financing Activities:			
Payments on long-term debt	(366,610)	(816,191)	(513,219)
Proceeds from long term debt	435,000	960,579	521,370
Payments on non-recourse debt	(7,193)	(13,805)	(335,116)
Proceeds from non-recourse debt	—	—	321,102
Taxes paid related to net share settlements of equity awards	(2,090)	(2,789)	(4,179)
Debt issuance costs	(9,587)	—	(9,856)
Payments for purchase of treasury shares	—	(9,009)	—
Proceeds from stock options exercised	15	—	1,258
Proceeds from issuance of common stock in connection with ESPP	282	616	532
Dividends paid	(30,486)	(216,145)	(232,546)
Net cash provided by (used in) financing activities	19,331	(96,744)	(250,654)
Effect of Exchange Rate Changes on Cash, Cash Equivalents and Restricted Cash and Cash Equivalents	(3,692)	3,566)	(352)

Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash and Cash Equivalents	236,469	244,381	(17,000)
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, beginning of period	311,853	67,472	84,472
Cash, Cash Equivalents and Restricted Cash and Cash Equivalents, end of period	548,322	311,853	67,472
Supplemental Disclosures			
Cash paid during the year for:			
Income taxes	49,483	5,358	11,160
Interest	122,162	135,579	133,56
Non-cash investing and financing activities:			
Right-of-use assets obtained from operating lease liabilities upon adoption of new lease standard - Refer to 13 - Leases	—	—	147,000
Assets obtained from finance lease liabilities	1,198	2,260	—
Conversion of pension liability to shares of common stock	—	8,925	—
Conversion of shares of common stock to pension liability	3,600	—	—
Right-of-use assets obtained from operating lease liabilities (subsequent to initial adoption)	10,786	23,940	—
Capital expenditures in accounts payable and accrued expenses	7,340	1,445	15,253

The accompanying notes are an integral part of these consolidated financial statements.

THE GEO GROUP, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years Ended December 31, 2021, 2020 and 2019

	GEO Group Inc. Shareholders								
	Common Stock			(Distributions in Excess of Earnings/ Earnings in Excess of Distributions	Accumulated Other Comprehensive Income (Loss) (In thousands)	Treasury Stock		Noncontrolling Interest	Total Shareholders' Equity
	Number of Shares	Amount	Additional Paid-In Capital			Number of Shares	Amount		
Balance, January 1, 2019	120,585	\$ 1,248	\$ 1,210,916	\$ (52,868)	\$ (23,618)	4,210	\$ (95,175)	\$ (599)	\$ 1,039,904
Proceeds from stock options exercised	78	—	1,258	—	—	—	—	—	1,258
Stock based compensation expense	—	—	22,344	—	—	—	—	—	22,344
Shares withheld for net settlements of share-based awards [1]	(198)	(2)	(4,177)	—	—	—	—	—	(4,179)
Restricted stock granted	788	8	(8)	—	—	—	—	—	—
Restricted stock canceled	(58)	—	—	—	—	—	—	—	—
Dividends - paid	—	—	—	(232,546)	—	—	—	—	(232,546)
Purchase of treasury shares	—	—	—	—	—	—	—	—	—
Issuance of common stock (ESPP)	30	—	532	—	—	—	—	—	532
Transition adjustment for accounting standard adoption [2]	—	—	—	(968)	968	—	—	—	—
Net income (loss)	—	—	—	166,603	—	—	—	(191)	166,412
Other comprehensive income	—	—	—	—	2,315	—	—	8	2,323

Balance, December 31, 2019	121,225	\$ 1,254	\$ 1,230,865	\$ (119,779)	(20,335)	4,210	(95,175)	\$ (782)	\$ 996,048
Proceeds from stock options exercised	0	—	—	—	—	—	—	—	—
Stock based compensation expense	—	—	23,896	—	—	—	—	—	23,896
Shares withheld for net settlements of share-based awards [1]	(174)	(1)	(2,788)	—	—	—	—	—	(2,789)
Restricted stock granted	900	9	(9)	—	—	—	—	—	—
Restricted stock canceled	(58)	—	—	—	—	—	—	—	—
Dividends paid	—	—	—	(216,145)	—	—	—	—	(216,145)
Issuance of common stock (ESPP)	50	—	616	—	—	—	—	—	616
Purchase of treasury shares	(625)	—	—	—	—	625	(9,771)	—	(9,771)
Other adjustments to Additional Paid-In-Capital [3]	—	—	9,687	—	—	—	—	—	9,687
Net income (loss)	—	—	—	113,032	—	—	—	(201)	112,831
Other comprehensive income (loss)	—	—	—	—	(2,254)	—	—	(37)	(2,291)
Balance, December 31, 2020	121,318	\$ 1,262	\$ 1,262,267	\$ (222,892)	\$ (22,589)	4,835	\$ (104,946)	\$ (1,020)	\$ 912,082
Proceeds from stock options exercised	2	—	15	—	—	—	—	—	15
Stock based compensation expense	—	—	19,199	—	—	—	—	—	19,199
Shares withheld for net settlements of share-based awards [1]	(268)	(3)	(2,087)	—	—	—	—	—	(2,090)
Restricted stock granted	1,551	16	(16)	—	—	—	—	—	—
Restricted stock canceled	(157)	(2)	—	—	—	—	—	—	(2)
Dividends paid	—	—	—	(30,486)	—	—	—	—	(30,486)
Purchase of treasury shares	(17)	—	—	—	—	17	(153)	—	(153)
Issuance of common stock (ESPP)	43	—	282	—	—	—	—	—	282
Other adjustments to Additional Paid-In-Capital [3]	—	—	(3,447)	—	—	—	—	—	(3,447)
Net income (loss)	—	—	—	77,418	—	—	—	(185)	77,233
Other comprehensive income (loss)	—	—	—	—	2,373	—	—	10	2,383
Balance, December 31, 2021	122,472	1,273	1,276,213	(175,960)	(20,216)	4,852	(105,099)	(1,195)	975,016

[1] During the years ended December 31, 2021, 2020 and 2019, the Company withheld shares through net share settlements to satisfy statutory tax withholding requirements upon vesting of shares of restricted stock held by employees.

[2] On January 1, 2019, the Company adopted Accounting Standard Update (“ASU”) No. 2018-02 “Income Statement-Reporting Comprehensive Income-Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income”. Refer to Note 1 - Summary of Business Organization, Operations and Significant Accounting Policies - *Recent Accounting Pronouncements* for further information.

[3] On February 26, 2020 (the “Effective Date”), the Company and its Chief Executive Officer (“CEO”) entered into an amended and restated executive retirement agreement that amends the CEO’s executive retirement agreement. The amended and restated executive retirement agreement provided that upon the CEO’s retirement from the Company, the Company would pay a lump sum equal to \$8,925,065 which would have been paid in the form of a fixed number of shares of the Company’s common stock. The fair value of the Grandfathered Payment was reclassified to stockholders’ equity. Additional shares of the Company’s common stock were credited with a value equal to any dividends declared and paid on the Company’s shares of common stock. The Company and its former CEO entered into on May 27, 2021, and effective as of July 1, 2021, an Amended and Restated Executive Retirement Agreement which replaced the February 26, 2020 agreement discussed above. Pursuant to the terms of the Amended and Restated Executive Retirement Agreement, upon the date that the former CEO ceases to provide services to the Company, the Company will pay to the former CEO an amount equal to \$3,600,000 which shall be paid in cash. As the former CEO’s retirement payment will no longer be settled with a fixed number of shares of GEO’s common stock, that amount has been reclassified from equity to other non-current liabilities. The amount above reflects this reclassification net of a credit for dividends paid prior to the amendment. Refer to Note 14 – Benefit Plans for further information.

The accompanying notes are an integral part of these consolidated financial statements.

THE GEO GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 For the Years Ended December 31, 2021, 2020 and 2019

1. Summary of Business Organization, Operations and Significant Accounting Policies

The GEO Group, Inc., a Florida corporation, and subsidiaries (the “Company” or “GEO”) specializes in the ownership, leasing and management of secure facilities, processing centers and reentry centers in the United States, Australia, South Africa and the United Kingdom. The Company owns, leases and operates a broad range of facilities including maximum, medium and minimum-security facilities, processing centers, as well as community-based reentry facilities and offers an expanded delivery of rehabilitation services under its ‘GEO Continuum of Care’ platform. The ‘GEO Continuum of Care’ platform integrates enhanced rehabilitative programs, which are evidence-based and include cognitive behavioral treatment and post-release services and provides academic and vocational classes in life skills and treatment programs while helping individuals reintegrate into their communities. The Company develops new facilities based on contract awards, using its project development expertise and experience to design, construct and finance what it believes are state-of-the-art facilities that maximize security and efficiency. The Company provides innovative compliance technologies, industry-leading monitoring services, and evidence-based supervision and treatment programs for community-based parolees, probationers and pretrial defendants. The Company also provides secure transportation services for offender and detainee populations as contracted domestically and in the United Kingdom through its joint venture GEOAmev PECS Ltd. (“GEOAmev”). As of December 31, 2021, GEO’s worldwide operations included the ownership and/or management of approximately 86,000 beds at 106 secure and community services facilities, including idle facilities and projects under development, and also includes the provision of reentry and electronic monitoring and supervision services for more than 250,000 offenders and pretrial defendants, including more than 150,000 individuals through an array of technology products including radio frequency, GPS, and alcohol monitoring devices.

GEO operated as a real estate investment trust (“REIT”) from January 1, 2013 through December 31, 2020. As a REIT, the Company provided services and conducted other business activities through taxable REIT subsidiaries (“TRSs”). A TRS is a subsidiary of a REIT that is subject to applicable corporate income tax rates and certain qualification requirements. The Company’s use of TRSs permitted GEO to engage in certain business activities in which the REIT could not engage directly, so long as those activities were conducted in entities that elected to be treated as TRSs under the Internal Revenue Code of 1986, as amended, and enabled GEO to, among other things, provide correctional services at facilities it owns and at facilities owned by its government partners. A TRS is not subject to the distribution requirements applicable to REITs so it may retain income generated by its operations for reinvestment.

On December 2, 2021, the Company announced that its Board unanimously approved a plan to terminate the Company’s REIT status and become a taxable C Corporation, effective for the year ended December 31, 2021. As a result, the Company is no longer required to operate under REIT rules, including the requirement to distribute at least 90% of REIT taxable income to its stockholders, which provides the Company with greater flexibility to use its free cash flow. Effective January 1, 2021, the Company is subject to federal and state income taxes on its taxable income at applicable tax rates and is no longer entitled to a tax deduction for dividends paid. The Company operated as a REIT for the 2020 tax year, and existing REIT requirements and limitations, including those established by the Company’s organizational documents, remained in place until December 31, 2020. The Board also voted unanimously to discontinue the Company’s quarterly dividend.

As a result of GEO’s Board announcing the change in corporate structure to a taxable C Corporation in fiscal year 2021, the Company incurred a one-time, non-cash deferred tax charge of approximately \$70.8 million during the fourth quarter. GEO also incurred approximately \$29.3 million in incremental income tax expense in the fourth quarter of 2021 due to the resulting higher corporate tax rate for 2021, including a catch-up tax expense of approximately \$16.8 million in connection with the first three quarters of 2021.

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The significant accounting policies of the Company are described below.

Risks and uncertainties

Executive Order

On January 26, 2021, President Biden signed an executive order directing the United States Attorney General not to renew Department of Justice (“DOJ”) contracts with privately operated criminal detention facilities, as consistent with applicable law. Two agencies of the DOJ, the Federal Bureau of Prisons (“BOP”) and the U.S. Marshals Service (“USMS”), utilize GEO’s support services. The BOP houses inmates who have been convicted of federal crimes, and the USMS is generally responsible for detainees who are awaiting trial or sentencing in U.S. federal courts. As of December 31, 2021, GEO has one company-owned facility under direct contract with the BOP,

which has a current contract option period that expires on September 30, 2022, and three company-owned/company leased facilities under direct contracts with USMS, which have current contract option periods that expire between March 31, 2022 and September 30, 2023.

COVID-19

In December 2019, a novel strain of coronavirus, now known as COVID-19 (“COVID-19”), was reported in Wuhan, China and has since extensively impacted the global health and economic environment. In January 2020, the World Health Organization (“WHO”) declared it a Public Health Emergency of International Concern. On February 28, 2020, the WHO raised its assessment of the COVID-19 threat from high to very high at a global level due to the continued increase in the number of cases and affected countries, and on March 11, 2020, the WHO characterized COVID-19 as a pandemic.

The Company has been closely monitoring the impact of the COVID-19 pandemic on all aspects of its business and geographies, including how it will impact those entrusted to its care and governmental partners. During the year ended December 31, 2021 and into 2022, the Company did incur disruptions from the COVID-19 pandemic but, it is unable to predict the overall future impact that the COVID-19 pandemic will have on its financial condition, results of operations and cash flows due to numerous uncertainties related to the pandemic. The COVID-19 pandemic and related government-imposed mandatory closures, the efficacy and distribution of COVID-19 vaccines and boosters, shelter in-place restrictions and social distancing protocols and increased expenditures on engineering controls, personal protective equipment, diagnostic testing, medical expenses, temperature scanners, protective plexiglass barriers and increased sanitation have had, and will continue to have, a severe impact on global economic conditions and the environment in which the Company operates. Additionally, the Company has experienced the transmission of COVID-19 among detainees and staff at most of its facilities during 2021 and continuing into 2022. If the Company is unable to mitigate the transmission of COVID-19 at its facilities it could experience a material adverse effect on its financial position, results of operations and cash flows. Although the Company is unable to predict the duration or scope of the COVID-19 pandemic or estimate the extent of the negative financial impact to its operating results, an extended period of depressed economic activity necessitated to combating the disease, and the severity and duration of the related global economic crisis may adversely impact its future financial performance.

Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. The equity method of accounting is used for investments in non-controlled affiliates in which the Company’s ownership ranges from 20 to 50 percent, or in instances in which the Company is able to exercise significant influence but not control. The Company reports South Africa Custodial Services (“SACS”) and its 50% owned joint venture in the United Kingdom, GEOAmey, under the equity method of accounting. Noncontrolling interests in consolidated entities represent equity that other investors have contributed to South Africa Custodial Management (“SACM”). Non-controlling interests are adjusted for income and losses allocable to the other shareholders in these entities. All significant intercompany balances and transactions have been eliminated.

Reclassifications

Certain amounts in the prior period financial statements have been reclassified to conform to the presentation of the current period financial statements primarily related to a change in our reportable operating segments. Refer to Note 15 – Business Segments and Geographic Information. These reclassifications had no effect on the previously reported results of operations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company’s significant estimates include reserves for self-insured retention related to general liability and workers’ compensation insurance, projected cash flows used to evaluate asset impairment, pension assumptions, useful lives of its property, equipment and intangible assets and stock-based compensation. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. While the Company believes that such estimates are reasonable when considered in conjunction with the consolidated financial statements taken as a whole, the actual amounts of such estimates, when known, will vary from these estimates. If actual results significantly differ from the Company’s estimates, the Company’s financial condition and results of operations could be materially impacted.

Dividends

As discussed above, on December 2, 2021, GEO’s Board unanimously approved a plan to terminate the Company’s REIT status and become a taxable C Corporation, effective for the year ended December 31, 2021. In connection with terminating the Company’s REIT status, the Board also voted unanimously to discontinue the Company’s quarterly dividend.

Cash and Cash Equivalents

Cash and cash equivalents include all interest-bearing deposits or investments with original maturities of three months or less when purchased. The Company maintains cash and cash equivalents with various financial institutions. These financial institutions are located throughout the United States, Australia, South Africa and the United Kingdom. As of December 31, 2021 and 2020, the Company had \$33.0 million and \$24.3 million in cash and cash equivalents held by its international subsidiaries, respectively.

Concentration of Credit Risk

The Company maintains deposits of cash in excess of federally insured limits with certain financial institutions and accordingly the Company is subject to credit risk. Other than cash, financial instruments that potentially subject the Company to concentrations of credit risk consist principally of trade accounts receivable, contract receivable, long-term debt and financial instruments used in hedging activities. The Company's cash management and investment policies restrict investments to low-risk, highly liquid securities, and the Company performs periodic evaluations of the credit standing of the financial institutions with which it deals.

Accounts Receivable

Accounts receivable consists primarily of trade accounts receivable due from federal, state, local and international government agencies for operating and managing secure facilities, providing youth and community-based services, providing electronic monitoring and supervision services, providing construction and design services and providing residential and transportation services. The Company generates receivables with its governmental clients and with other parties in the normal course of business as a result of billing and receiving payment. The Company regularly reviews outstanding receivables and provides for estimated losses through an allowance for doubtful accounts. In evaluating the level of established loss reserves, the Company makes judgments regarding its customers' ability to make required payments, economic events and other factors. As the financial condition of these parties change, circumstances develop or additional information becomes available, adjustments to the allowance for doubtful accounts may be required. The Company also performs ongoing credit evaluations for some of its customers' financial conditions and generally does not require collateral. Generally, the Company receives payment for these services thirty to sixty days in arrears. However, certain of the Company's accounts receivable are paid by customers after the completion of their program year and therefore can be aged in excess of one year. The Company maintains reserves for potential credit losses, and such losses traditionally have been within its expectations. Actual write-offs are charged against the allowance when collection efforts have been unsuccessful. As of December 31, 2021 and 2020, the Company's trade receivables that were considered to be long-term were not significant.

Contract Receivable

The Company's Australian subsidiary has recorded a contract receivable in connection with the construction of a 1,300-bed detention facility in Ravenhall, Australia for the State of Victoria. The contract receivable represents costs incurred and estimated earnings in excess of billings and is recorded at net present value based on the timing of expected future settlement. Refer to Note 6 - Contract Receivable for further information.

Restricted Cash and Cash Equivalents

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

	December 31, 2021	December 31, 2020	December 31, 2019
Cash and Cash Equivalents	\$ 506,491	\$ 283,524	\$ 32,463
Restricted cash and cash equivalents - current	20,161	26,740	32,418
Restricted cash and investments - non-current	76,158	37,338	30,923
Less Restricted investments - non-current	(54,488)	(35,749)	(28,332)
Total cash, cash equivalents and restricted cash and cash equivalents shown in the statement of cash flows	\$ 548,322	\$ 311,853	\$ 67,472

Amounts included in restricted cash and cash equivalents are attributable to certain contractual cash restriction requirements at the Company's wholly owned Australian subsidiary related to non-recourse debt and asset replacement funds contractually required to be maintained and other guarantees. Restricted investments - non-current (included in Restricted Cash and Investments in the accompanying consolidated balance sheets) consists of the Company's rabbi trust established for employee and employer contributions to The GEO Group, Inc. Non-Qualified Deferred Compensation Plan, investments in equity and fixed income mutual funds held in the Company's captive insurance subsidiary, Florina and certain contractual cash requirements at the Company's wholly owned Australian subsidiary related to certain performance guarantees at its Ravenhall facility. The rabbi trust and the investments held in Florina are not considered to be restricted cash equivalents. Refer to Note 9 - Financial Instruments.

Prepaid expenses and Other Current Assets

Prepaid expenses and other current assets include assets that are expected to be realized within the next fiscal year. Included in the balance at December 31, 2021 is approximately \$10.8 million of federal, state and international tax overpayments that will be applied against tax payments in 2022. There were no significant federal, state or international tax overpayments included in the balance at December 31, 2020.

Property and Equipment

Property and equipment are stated at cost, less accumulated amortization and depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Buildings and improvements are depreciated over 2 to 50 years. Equipment and furniture and fixtures are depreciated over 3 to 10 years. Leasehold improvements are amortized on a straight-line basis over the shorter of the useful life of the improvement or the term of the lease. The Company performs ongoing evaluations of the estimated useful lives of the property and equipment for depreciation purposes. The estimated useful lives are determined and continually evaluated based on the period over which services are expected to be rendered by the asset. If the assessment indicates that assets will be used for a longer or shorter period than previously anticipated, the useful lives of the assets are revised, resulting in a change in estimate. The Company has not made any such changes in estimates during the years ended December 31, 2021, 2020 and 2019. Maintenance and repairs are expensed as incurred. Interest is capitalized in connection with the construction of company-owned secure facilities. Cost for self-constructed secure facilities includes direct materials and labor, capitalized interest and certain other indirect costs associated with construction of the facility, such as property taxes, other indirect labor and related benefits and payroll taxes. The Company begins the capitalization of costs during the pre-construction phase, which is the period during which costs are incurred to evaluate the site and continues until the facility is substantially complete and ready for occupancy. Labor costs capitalized for the years ended December 31, 2021, 2020 and 2019 were not significant. Capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. Refer to Note 5 - Property and Equipment.

Assets Held for Sale

As of December 31, 2021, the Company had three properties classified as held for sale included in its U.S. Secure Services and Reentry segments in the accompanying consolidated balance sheet. The Company classifies a long-lived asset (disposal group) as held for sale in the period in which all of the following criteria are met (i) Management, having the authority to approve the action, commits to a plan to sell the asset (disposal group), (ii) the asset (disposal group) is available for immediate sale in its present condition subject only to the terms that are usual and customary for sales of such assets (disposal groups), (iii) an active program to locate a buyer and other actions required to complete the plan to sell the asset (disposal group) have been initiated, (iv) the sale of the asset (disposal group) is probable, and transfer of the asset (disposal group) is expected to qualify for recognition as a completed sale, within one year, except as permitted, (v) the asset (disposal group) is being actively marketed for sale at a price that is reasonable in relation to its current fair value, and (vi) actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. The Company records assets held for sale at the lower of cost or estimated fair value and estimates fair value by using third party appraisers or other valuation techniques. The Company does not record depreciation for assets held for sale. Any gain or loss on the sale of operating assets is included in the operating income of the reportable segment to which it relates.

The properties that are classified as held for sale at December 31, 2021 are a parcel of undeveloped land in Hobart, Indiana and two idle reentry facilities. At December 31, 2021, the aggregate carrying values of these properties was approximately \$7.9 million. At December 31, 2020, the Company had four properties that were classified as held for sale which consisted of a parcel of undeveloped land in Hobart, Indiana two idle reentry facilities and one idle youth facility. At December 31, 2020, the aggregate carrying value of the properties was approximately \$9.1 million.

Asset Impairments

The following table summarizes the Company's idled facilities as of December 31, 2021 and their respective carrying values, excluding equipment and other assets that can be easily transferred to other facilities.

Facility	Segment	Design Capacity	Date Idled	Net Carrying Value December 31, 2021
Great Plains Correctional Facility	Secure Services	1,940	2021	\$ 68,479
D. Ray James Correctional Facility	Secure Services	1,900	2021	\$ 52,724
Rivers Correctional Facility	Secure Services	1,450	2021	\$ 39,644
Big Spring Correctional Facility	Secure Services	1,732	2021	\$ 35,828
Flightline Correctional Facility	Secure Services	1,800	2021	\$ 37,090
McFarland Female Community Reentry Facility	Secure Services	300	2020	\$ 11,498
Perry County Correctional Facility [1]	Secure Services	690	2015	\$ 11,186
Cheyenne Mountain Recovery Center	Reentry Services	750	2020	\$ 17,145
Coleman Hall	Reentry Services	350	2017	8,139
Total		10,912		\$ 281,733

[1] The Company received a letter of intent for the purchase of this facility at an amount greater than its net carrying value. The sale closed during the first quarter of 2022.

Refer to *Risks and Uncertainties – Executive Order* above for a discussion of recent developments. There was no indication of impairment related to the Company’s idle facilities during the year ended December 31, 2021.

The Company reviews long-lived assets to be held and used for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. Events that would trigger an impairment assessment include deterioration of profits for a business segment that has long-lived assets, or when other changes occur that might impair recovery of long-lived assets such as the termination of a management contract or a prolonged decrease in population. If impairment indicators are present, the Company performs a recoverability test to determine whether or not an impairment loss should be measured.

The Company tests idle facilities for impairment upon notification that the facilities will no longer be utilized by the customer. If a long-lived asset is part of a group that includes other assets, the unit of accounting for the long-lived asset is its group. Generally, the Company groups assets by facility for the purpose of considering whether any impairment exists. The estimates of recoverability are based on projected undiscounted cash flows associated with actual marketing efforts where available or, in other instances, projected undiscounted cash flows that are comparable to historical cash flows from management contracts at similar facilities and sensitivity analyses that consider reductions to such cash flows. The Company’s sensitivity analyses include adjustments to projected cash flows compared to the historical cash flows due to current business conditions which impact per diem rates as well as labor and other operating costs, changes related to facility mission due to changes in prospective clients, and changes in projected capacity and occupancy rates. The Company also factors in prolonged periods of vacancies as well as the time and costs required to ramp up facility population once a contract is obtained. The Company performs the impairment analysis on an annual basis for each of the idle facilities and takes into consideration updates each quarter for market developments affecting the potential utilization of each of the facilities in order to identify events that may cause the Company to reconsider the most recent assumptions. Such events could include negotiations with a prospective customer for the utilization of an idle facility at terms significantly less favorable than the terms used in the Company’s most recent impairment analysis, or changes in legislation surrounding a particular facility that could impact the Company’s ability to house certain types of individuals at such facility. Further, a substantial increase in the number of available beds at other facilities the Company owns, or in the marketplace, could lead to deterioration in market conditions and projected cash flows. Although they are not frequently received, an unsolicited offer to purchase any of the Company’s idle facilities, at amounts that are less than their carrying value could also cause the Company to reconsider the assumptions used in the most recent impairment analysis. The Company has identified marketing prospects to utilize each of the remaining currently idled facilities and has determined that no current impairment exists. However, the Company can provide no assurance that it will be able to secure management contracts to utilize its idle facilities, or that it will not incur impairment charges in the future. In all cases, the projected undiscounted cash flows in the Company’s analysis as of December 31, 2021, substantially exceeded the carrying amounts of each facility. During the year ended December 31, 2020, the Company recorded an impairment charge of approximately \$5.7 million related to one leased facility where the projected undiscounted cash flows of the facility did not exceed the carrying amount.

The Company's evaluations also take into consideration historical experience in securing new facility management contracts to utilize facilities that had been previously idled for periods comparable to or in excess of the periods the Company's currently idle facilities have been idle. Such previously idled facilities are currently being operated under contracts that generate cash flows resulting in the recoverability of the net book value of the previously idled facilities by substantial amounts. Due to a variety of factors, the lead time to negotiate contracts with federal and state agencies to utilize idle bed capacity is generally lengthy which has historically resulted in periods of idleness similar to the ones the Company is currently experiencing.

By their nature, these estimates contain uncertainties with respect to the extent and timing of the respective cash flows due to potential delays or material changes to forecasted terms and conditions in contracts with prospective customers that could impact the estimate of projected cash flows. Notwithstanding the effects the current economy has had on the Company's customers for available beds in the short term which has led to its decision to idle certain facilities, the Company believes the long-term trends favor an increase in the utilization of its idle facilities. This belief is also based on the Company's experience in working with governmental agencies faced with significant budgetary challenges which is a primary contributing factor to the lack of appropriated funding to build new bed capacity by federal and state agencies.

Assets Held under Finance Leases

Assets held under finance leases are recorded at the lower of the net present value of the minimum lease payments or the fair value of the leased asset at the inception of the lease. Amortization expense is recognized using the straight-line method over the shorter of the estimated useful life of the asset or the term of the related lease and is included in depreciation expense.

Goodwill and Other Intangible Assets, Net

Goodwill

The Company has recorded goodwill as a result of its business combinations. Goodwill is recorded as the difference, if any, between the aggregate consideration paid for an acquisition and the fair value of the net tangible assets and other intangible assets acquired. The Company's goodwill is not amortized and is tested for impairment annually on the first day of the fourth quarter, and whenever events or circumstances arise that indicate impairment may have occurred. Impairment testing is performed for all reporting units that contain goodwill. The reporting units are the same as the reportable segments for U.S. Secure Services, Electronic Monitoring Services and Reentry Services.

On the annual measurement date of October 1, 2021, the Company's management elected to qualitatively assess the Company's goodwill for impairment for all of its reporting units. Under provisions of the qualitative analysis, when testing goodwill for impairment, the Company first assesses qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, the Company determines it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the Company performs a quantitative impairment test to identify goodwill impairment and measures the amount of goodwill impairment loss to be recognized, if any. The qualitative factors used by the Company's management to determine the likelihood that the fair value of the reporting unit is less than the carrying amount include, among other things, a review of overall economic conditions and their current and future impact on the Company's existing business, the Company's financial performance and stock price, industry outlook and market competition. With respect to the qualitative assessments, management determined that, as of October 1, 2021, it was more likely than not that the fair values of the reporting units exceeded their carrying values. During the year ended December 31, 2020, in connection with the Company's annual impairment test, the Company performed a quantitative analysis for its Reentry Services Segment using a third-party valuation firm to determine the estimated fair value of the reporting unit using a discounted cash flow model. A discount rate of 10% was utilized to adjust the cash flow forecasts based on the Company's estimate of a market participant's weighted-average cost of capital. Growth rates for sales and profits were determined using inputs from the Company's long-term planning process. The Company also made estimates for discount rates and other factors based on market conditions, historical experience and other economic factors. Changes in these factors could significantly impact the fair value of the reporting unit. With respect to the Reentry Services reporting unit that was assessed quantitatively, management determined that the carrying value exceeded its fair value due to future declines in cash flow projections primarily due to the negative impact of the COVID-19 pandemic on the Company's reentry facilities. As such, the Company recorded a goodwill impairment charge of \$21.1 million during the year ended December 31, 2020. A change in one or combination of the assumptions discussed above could have impacted the estimated fair value of the reporting unit. If the Company's expectations of future results and cash flows decrease significantly or other economic conditions deteriorate, goodwill may be further impaired.

Other Intangible Assets, Net

The Company has also recorded other finite and indefinite lived intangible assets as a result of previously completed business combinations. Other acquired finite and indefinite lived intangible assets are recognized separately if the benefit of the intangible asset is obtained through contractual or other legal rights, or if the intangible asset can be sold, transferred, licensed, rented or exchanged, regardless of the Company's intent to do so. The Company's intangible assets include facility management contracts, trade names and technology. The facility management contracts represent customer relationships in the form of management contracts acquired at the time of each business combination; the value of BI's and Protocol Criminal Justice, Inc.'s ("Protocol") trade names represent, among other intangible benefits, name recognition to its customers and intellectual property rights; and the acquired technology represents BI's innovation with respect to its GPS tracking, monitoring, radio frequency monitoring, voice verification monitoring and alcohol compliance systems, Protocol's innovation with respect to its customer relationship management software and Soberlink, Inc.'s innovation with respect to its alcohol monitoring devices. When establishing useful lives, the Company considers the period and the pattern in which the economic benefits of the intangible asset are consumed or otherwise used up; or, if that pattern cannot be reliably determined, using a straight-line amortization method over a period that may be shorter than the ultimate life of such intangible asset. The Company also considers the impact of renewal terms when establishing useful lives. The Company currently amortizes its acquired facility management contracts over periods ranging from three to twenty-one years and its acquired technology over seven years to eight years. There is no residual value associated with the Company's finite-lived intangible assets. The Company reviews its trade name assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. The Company does not amortize its indefinite lived intangible assets. The Company reviews its indefinite lived intangible assets annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. These reviews resulted in no impairment to the carrying value of the indefinite lived intangible assets for all periods presented. The Company records the costs associated with renewal and extension of facility management contracts as expenses in the period they are incurred.

Internal-Use Software

Costs incurred to develop software for internal use are capitalized and amortized over the estimated useful lives of the software. Costs related to design or maintenance of internal-use software are expensed as incurred. As of December 31, 2021 and 2020, included in Property and Equipment, Net is approximately \$10.9 million and \$12.2 million of capitalized internal-use software costs, respectively.

Debt Issuance Costs

Debt issuance costs, net of accumulated amortization of \$18.6 million and \$17.7 million, totaling \$26.7 million and \$25.2 million at December 31, 2021 and 2020, respectively, are included in Long-Term Debt, Non-Recourse Debt and Other Non-Current Assets in the accompanying Consolidated Balance Sheets and are amortized to interest expense using the effective interest method over the term of the related debt.

Lease Revenue

The Company leases eight of its owned facilities to unrelated parties. Six of which have a term of two years and expire in June 2023 with options to extend for one additional one-year term. The carrying value of these leased facilities as of December 31, 2021 is \$42.3 million, net of accumulated depreciation of \$17.8 million. One facility has a term that expires in February 2023. The carrying value of this leased facility as of December 31, 2021 was \$2.1 million, net of accumulated depreciation of \$0.5 million. The remaining facility has a term of twenty years and expires in October 2041. The carrying value of this leased facility as of December 31, 2021 was \$17.9 million, net of accumulated depreciation of \$15.0 million. Rental income, included in Revenues, for these leases for the year ended December 31, 2021 was approximately \$1.8 million. The majority of these leases began during and towards the end of 2021, as such, rental income was not significant for the years ended December 31, 2020 and 2019. As of December 31, 2021, future minimum rentals to be received on these leases are as follows:

Year	Annual Rental (in thousands)
2022	\$ 5,324
2023	\$ 4,676
2024	\$ 4,080
2025	\$ 4,094

2026	\$	4,162
Thereafter	\$	<u>66,583</u>
Total	\$	<u><u>88,919</u></u>

Variable Interest Entities

The Company evaluates its joint ventures and other entities in which it has a variable interest (a “VIE”), generally in the form of investments, loans, guarantees, or equity in order to determine if it has a controlling financial interest and is required to consolidate the entity as a result. The reporting entity with a variable interest that provides the entity with a controlling financial interest in the VIE will have both of the following characteristics: (i) the power to direct the activities of a VIE that most significantly impact the VIE’s economic performance and (ii) the obligation to absorb the losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

The Company does not consolidate its 50% owned South African joint venture interest in SACS, a VIE. SACS joint venture investors are GEO and Kensani Corrections, Pty. Ltd (an independent third party); each partner owns a 50% share. The Company has determined it is not the primary beneficiary of SACS since it does not have the power to direct the activities of SACS that most significantly impact its performance. As such, the Company’s investment in this entity is accounted for under the equity method of accounting. SACS was established and subsequently, in 2001, was awarded a 25-year contract to design, finance and build the Kutama Sinthumule Correctional Centre in Louis Trichardt, South Africa. To fund the construction of the prison, SACS obtained long-term financing from its equity partners and lenders, the repayment of which is fully guaranteed by the South African government, except in the event of default, in which case the government guarantee is reduced to 80%. The Company’s maximum exposure for loss under this contract is limited to its investment in the joint venture of approximately \$10.3 million at December 31, 2021.

The Company does not consolidate its 50% owned joint venture in the United Kingdom. In February 2011, GEO UK, executed a Shareholders Agreement (the “Shareholders Agreement”) with Amey Community Limited (“Amey”) and Amey UK PLC (“Amey Guarantor”) to form GEOAmey, a private company limited by shares incorporated in England and Wales. GEOAmey was formed by GEO UK and Amey (an independent third party) for the purpose of performing prisoner escort and related custody services in England, Wales and Scotland. In order to form this private company, GEOAmey issued share capital of £100 divided into 100 shares of £1 each and allocated the shares 50/50 to GEO UK and Amey. GEO UK and Amey each have three directors appointed to the Board of Directors and neither party has the power to direct the activities that most significantly impact the performance of GEOAmey. As such, the Company’s investment in this entity is accounted for under the equity method of accounting.

Fair Value Measurements

The Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (“exit price”). The Company carries certain of its assets and liabilities at fair value, measured on a recurring basis, in the accompanying Consolidated Balance Sheets. The Company also has certain assets and liabilities which are not carried at fair value in its accompanying Consolidated Balance Sheets and discloses the fair value measurements compared to the carrying values as of each balance sheet date. The Company’s fair value measurements are disclosed in Note 9 - Financial Instruments and Note 10 - Fair Value of Assets and Liabilities. The Company establishes fair value of its assets and liabilities using a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels which distinguish between assumptions based on market data (observable inputs) and the Company’s assumptions (unobservable inputs). The level in the fair value hierarchy within which the respective fair value measurement falls is determined based on the lowest level input that is significant to the measurement in its entirety. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities. Level 2 inputs are other than quotable market prices included in Level 1 that are observable for the asset or liability either directly or indirectly through corroboration with observable market data. Level 3 inputs are unobservable inputs for the assets or liabilities that reflect management’s own assumptions about the assumptions market participants would use in pricing the asset or liability. The Company recognizes transfers between Levels 1, 2 and 3 as of the actual date of the event or change in circumstances that cause the transfer.

Revenue Recognition

Revenue is recognized when control of the promised goods or services is transferred to GEO’s customers, in an amount that reflects the consideration GEO expects to be entitled to in exchange for those goods or services. Sales, value-added and other taxes GEO collects concurrent with revenue producing activities and that are subsequently remitted to governmental authorities are excluded from revenues. The guidance distinguishes between goods and services. The definition of services under the guidance includes everything other than goods. As such, in the case of GEO, this guidance views the provision of housing as a service.

When a contract includes variable consideration, GEO determines an estimate of the variable consideration and evaluates whether the estimate needs to be constrained; therefore, GEO includes the variable consideration in the transaction price only to the extent that it is probable that a significant reversal of the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Variable consideration estimates are updated at each reporting date. A limited number of GEO's domestic contracts have provisions upon which a small portion of the revenue for the contract is based on the performance of certain targets. Domestically, revenue based on the performance of certain targets is less than 1% of the Company's consolidated domestic revenues and was not significant during the periods presented. One of GEO's international contracts, related to its Ravenhall facility (discussed further below), contains a provision where a significant portion of the revenue for the contract is based on the performance of certain targets. These performance targets are based on specific criteria to be met over specific periods of time. Such criteria include the Company's ability to achieve certain contractual benchmarks relative to the quality of service it provides, non-occurrence of certain disruptive events, effectiveness of its quality control programs and its responsiveness to customer requirements. The performance of these targets is measured quarterly and there was no significant constraint on the estimate of such variable consideration for this contract during the years ended December 31, 2021, 2020 and 2019.

GEO does not disclose the value of unsatisfied performance obligations for (i) contracts with an expected length of one year or less and (ii) contracts for which revenue is recognized at the amount to which GEO has the right to invoice for services performed, which is generally the case for all of GEO's contracts. Incidental items that are immaterial in the context of the contract are recognized as expense. GEO generally does not incur incremental costs related to obtaining a contract with its customers that would meet the requirement for capitalization. There were no assets recognized from costs to obtain a contract with a customer at December 31, 2021 or 2020.

The timing of revenue recognition may differ from the timing of invoicing to customers. GEO records a receivable when services are performed which are due from its customers based on the passage of time. GEO records a contract liability if consideration is received in advance of the performance of services. Generally, GEO's customers do not provide payment in advance of the performance of services. Therefore, any contract liability is not significant at December 31, 2021 or 2020. Revenue recognized during the years ended December 31, 2021 and 2020 that was included in the opening balance of unearned revenue was not significant. There have been no significant amounts of revenue recorded in the periods presented from performance obligations either wholly or partially satisfied in prior periods.

The right to consideration under GEO's contracts is only dependent on the passage of time and is therefore considered to be unconditional. Payment terms and conditions vary by contract type, although, with the exception of the contract receivable related to GEO's Ravenhall facility (further discussed below), terms generally include a requirement of payment within 30 days after performance obligations are satisfied and generally do not include a significant financing component. There have been no significant changes in receivables or unearned revenue balances during the periods other than regular invoicing and collection activity.

The following table disaggregates GEO's revenue by major source and also provides a reconciliation with revenue information disclosed for reportable segments in Note 15 - Business Segments and Geographic Information:

Year Ended December 31, 2021					
(in thousands)					
	U.S. Secure Services	Electronic Monitoring and Supervision Services	Reentry Services	International	Total
Owned and Leased: Secure Services	\$ 1,127,688	\$ —	\$ —	\$ —	\$ 1,127,688
Owned and Leased: Community-based	—	—	150,888	—	150,888
Owned and Leased: Youth Services	—	—	33,920	—	33,920
Managed Only	361,248	—	3,977	213,849	579,074
Non-residential Services and Other	—	278,934	86,108	—	365,042
Total Revenues	<u>\$ 1,488,936</u>	<u>\$ 278,934</u>	<u>\$ 274,893</u>	<u>\$ 213,849</u>	<u>\$ 2,256,612</u>

Year Ended December 31, 2020 (in thousands)					
	U.S. Secure Services	Electronic Monitoring and Supervision Services	Reentry Services	International	Total
Owned and Leased - Secure Services	\$ 1,198,881	\$ —	\$ —	\$ —	\$ 1,198,881
Owned and Leased - Community-based	—	—	145,491	—	145,491
Owned and Leased - Youth Services	—	—	75,792	—	75,792
Managed Only	372,335	—	5,513	227,540	605,388
Non-residential Services and Other	—	278,934	82,602	—	324,546
Total Revenues	\$ 1,571,216	\$ 241,944	\$ 309,398	\$ 227,540	\$ 2,256,612

Year Ended December 31, 2019 (in thousands)					
	U.S. Secure Services	Electronic Monitoring and Supervision Services	Reentry Services	International	Total
Owned and Leased - Secure Services	\$ 1,228,299	\$ —	\$ —	\$ —	\$ 1,228,299
Owned and Leased - Community-based	—	—	176,001	—	176,001
Owned and Leased - Youth Services	—	—	87,189	—	87,189
Managed Only	373,380	—	5,523	261,994	640,897
Non-residential services and Other	—	256,954	88,582	—	345,536
Total Revenues	\$ 1,601,679	\$ 256,954	\$ 357,295	\$ 261,994	\$ 2,477,922

Owned and Leased - Secure Services

GEO recognizes revenue for secure housing services where GEO owns or leases the facility as services are performed. GEO provides for the safe and secure housing and care of incarcerated individuals under public-private partnerships with federal, state and local government agencies. This includes providing 24-hour care and supervision, including but not limited to, such services as medical, transportation, food service, laundry services and various programming activities. These tasks are considered to be activities to fulfill the safe and secure housing performance obligation and are not considered to be individually separate promises in the contract. Each of these activities is highly interrelated and GEO performs a significant level of integration of these activities. GEO has identified these activities as a bundle of services and determined that each day of the promised service is distinct. The services provided are part of a series of distinct services that are substantially the same and are measured using the same measure of progress (time-based output method). GEO has determined that revenue for these services are recognized over time as its customers simultaneously receive and consume the benefits as the services are performed, which is on a continual daily basis, and GEO has a right to payment for performance completed to date. Time-based output methods of revenue recognition are considered to be a faithful depiction of GEO's efforts to fulfill its obligations under its contracts and therefore reflect the transfer of services to its customers. GEO's customers generally pay for these services based on a net rate per day per individual or on a fixed monthly rate.

Owned and Leased - Community-based

GEO recognizes revenue for community-based reentry services where GEO owns or leases the facility in a manner similar to its secure services discussed above. GEO provides individuals nearing the end of their sentence with the resources necessary to productively transition back into society. Through its residential reentry centers, GEO provides federal and state parolees and probationers with temporary housing, rehabilitation, substance abuse counseling and vocational and educational programs. These activities are considered to be a bundle of services which are a part of a series of distinct services recognized over time based on the same criteria as discussed above for secure services revenues. GEO's customers also generally pay for these services based on a net rate per day per individual or on a fixed monthly rate.

Owned and Leased - Youth Services

GEO recognized revenues for youth services where GEO owns or leases the facility in the same manner as discussed above for the housing, supervision, care and rehabilitation of troubled youth residents. The activities to house and care for troubled youth residents were also considered to be a bundle of services which are part of a series of distinct services recognized over time based on the same criteria discussed for the previous two revenue streams. GEO's customers generally pay for these services based on a net rate per day per individual. On July 1, 2021, the Company completed a divestiture of its youth division. Refer to Note 17 - Commitments, Contingencies and Other Matters.

Managed Only

GEO recognizes revenue for its managed only contracts in the same manner as its Owned and Leased Secure Services and Owned and Leased Community-based contracts as discussed above. The primary exception is that GEO does not own or lease the facility. The facility is owned by the customer. In certain circumstances, GEO's customers may request that GEO make certain capital improvements to the facility or make other payments related to the facility. These payments are amortized as a reduction of revenues over the life of the contract. GEO's customers generally pay for these services based on a net rate per day per individual or a fixed monthly rate.

Non-residential Services and Other

Non-residential Services and Other revenue consist of the Company's contracts with federal and various state and local governments to provide location, alcohol and drug detecting electronic monitoring and case management services to individuals on an as needed or as requested basis. This category also includes the Company's day reporting centers.

GEO recognizes revenues for electronic monitoring and case management services as the services are performed. Services provided consist of community-based supervision (home visits), in-person reporting, telephonic reporting and GPS and other electronic monitoring as well as overall contract management services. The rates for the various services are considered to be stated at their individual stand-alone selling prices. GEO has determined that the services to be provided are recognized over time based on the unit of occurrence of the various services as its customer simultaneously receives and consumes the benefits as the services are performed and GEO has a right to payment for performance completed to date. Generally, these services are paid based on a net rate per occurrence and a monthly fee for management services.

Certain of the Company's electronic monitoring contracts include providing monitoring equipment and related monitoring services activities (using internal proprietary software platforms) to its customers. These tasks are considered to be activities to fulfill the promise to provide electronic monitoring services to individuals and are not considered to be individually separate promises in the contract. In the context of the contract, the equipment and monitoring service is not considered to be capable of being distinct as the customer typically cannot benefit from the equipment or monitoring service on its own or with other readily available resources. Management has identified these activities as a bundle of services and determined that each day or unit of the promised service is distinct. These services are part of a series of distinct services that are substantially the same and are measured using the same measure of progress (time-based output method) and are therefore accounted for as a single performance obligation. GEO has determined that services are recognized over time as the customer simultaneously receives and consumes the benefits as the services are performed and GEO has a right to payment for performance completed to date.

Services provided for GEO's day reporting centers are similar to its Owned and Leased Community-based services discussed above with the exception of temporary housing.

Income Taxes

The consolidated financial statements reflect provisions for federal, state, local and foreign income taxes. The Company recognizes deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, as well as operating loss and tax credit carryforwards. The Company measures deferred tax assets and liabilities using enacted tax rates expected to apply to taxable income in the years in which those temporary differences and carryforwards are expected to be recovered or settled. The effect on deferred tax assets and liabilities as a result of a change in tax rates is recognized as income in the period that includes the enactment date. Refer to Note 16-Income Taxes. Effective January 1, 2013, as a REIT

that is required to distribute at least 90% of its taxable income to shareholders, the Company does not expect to pay federal income taxes at the REIT level (including its qualified REIT subsidiaries), as the resulting dividends paid deduction will generally offset its taxable income. Since the Company does not expect to pay taxes on its REIT taxable income, it does not expect to be able to recognize such deferred tax assets and liabilities.

Deferred income taxes related to the TRS structure are determined based on the estimated future tax effects of differences between the financial statement and tax basis of assets and liabilities given the provisions of enacted tax laws. Significant judgments are required to determine the consolidated provision for income taxes. Deferred income tax provisions and benefits are based on changes to the assets or liabilities from year to year. Realization of the Company's deferred tax assets is dependent upon many factors such as tax regulations applicable to the jurisdictions in which the Company operates, estimates of future taxable income and the character of such taxable income.

Additionally, the Company must use significant judgment in addressing uncertainties in the application of complex tax laws and regulations. If actual circumstances differ from the Company's assumptions, adjustments to the carrying value of deferred tax assets or liabilities may be required, which may result in an adverse impact on the results of its operations and its effective tax rate. Valuation allowances are recorded related to deferred tax assets based on the "more likely than not" criteria. The Company has not made any significant changes to the way it accounts for its deferred tax assets and liabilities in any year presented in the consolidated financial statements. Based on its estimate of future earnings and its favorable earnings history, the Company currently expects full realization of the deferred tax assets net of any recorded valuation allowances. Furthermore, tax positions taken by the Company may not be fully sustained upon examination by the taxing authorities. In determining the adequacy of our provision (benefit) for income taxes, potential settlement outcomes resulting from income tax examinations are regularly assessed. As such, the final outcome of tax examinations, including the total amount payable or the timing of any such payments upon resolution of these issues, cannot be estimated with certainty.

Reserves for Insurance Losses

The nature of the Company's business exposes it to various types of third-party legal claims, including, but not limited to, civil rights claims relating to conditions of confinement and/or mistreatment, sexual misconduct claims brought by individuals within our care, medical malpractice claims, product liability claims, intellectual property infringement claims, claims relating to employment matters (including, but not limited to, employment discrimination claims, union grievances and wage and hour claims), property loss claims, environmental claims, automobile liability claims, contractual claims and claims for personal injury or other damages resulting from contact with our facilities, programs, electronic monitoring products, personnel or individuals within our care, including damages arising from the escape of an individual in the Company's care or from a disturbance or riot at a facility. In addition, the Company's management contracts generally require it to indemnify the governmental agency against any damages to which the governmental agency may be subject in connection with such claims or litigation. The Company maintains a broad program of insurance coverage for these general types of claims, except for claims relating to employment matters, for which the Company carries no insurance. There can be no assurance that the Company's insurance coverage will be adequate to cover all claims to which it may be exposed. It is the Company's general practice to bring merged or acquired companies into its corporate master policies in order to take advantage of certain economies of scale.

On October 1, 2021, GEO formed a wholly owned captive insurance subsidiary, Florina Insurance Company, Inc. ("Florina"), to enhance its risk financing strategies. Florina is incorporated in the state of Vermont and is licensed and regulated by the state of Vermont, including with respect to its insurance programs, levels of liquidity and other requirements. GEO began procuring insurance policies to cover deductibles for workers' compensation, general liability, automobile liability, medical professional liability and directors & officers' liability as well as procuring insurance policies for its directors' and officers' excess liability and excess medical professional liability through Florina effective October 1, 2021. Florina holds cash and investments in order to meet solvency requirements and meet financial obligations as presented, including an investment portfolio of marketable fixed income and equity securities.

The Company currently maintains a general liability policy and excess liability policies with total limits of \$70.0 million per occurrence and \$90.0 million total general liability annual aggregate limits covering the operations of U.S. Secure Services, Reentry Services and Electronic Monitoring and Supervision Services. The Company has a claims-made liability insurance program with a specific loss limit of \$40.0 million per occurrence and in the aggregate related to medical professional liability claims arising out of correctional healthcare services. The Company is uninsured for any claims in excess of these limits. We also maintain insurance to cover property and other casualty risks including, workers' compensation, environmental liability, cybersecurity liability and automobile liability.

For most casualty insurance policies, the Company carries substantial deductibles or self-insured retentions of \$4.0 million per occurrence for general liability and \$5.0 million per occurrence for medical professional liability, \$2.0 million per occurrence for workers' compensation, \$2.5 million per occurrence for directors & officers' liability and \$1.0 million per occurrence for automobile liability. In addition, certain of the Company's facilities located in Florida and other high-risk hurricane areas carry substantial windstorm deductibles. Since hurricanes are considered unpredictable future events, no reserves have been established to pre-fund for potential windstorm damage. Limited commercial availability of certain types of insurance relating to windstorm exposure in coastal areas and earthquake exposure mainly in California and the Pacific Northwest may prevent the Company from insuring some of its facilities to full replacement value.

With respect to operations in South Africa and Australia, the Company utilizes a combination of locally-procured insurance and

global policies to meet contractual insurance requirements and protect the Company. In addition to these policies, the Company's Australian subsidiary carries tail insurance on a general liability policy related to a discontinued contract.

Of the insurance policies discussed above, the Company's most significant insurance reserves relate to workers' compensation, general liability and auto claims. These reserves, which include Florina's reserves and GEO's legacy reserves, are undiscounted and were \$73.3 million and \$78.9 million as of December 31, 2021 and 2020, respectively, and are included in Accrued Expenses in the accompanying Consolidated Balance Sheets. The Company uses statistical and actuarial methods to estimate amounts for claims that have been reported but not paid and claims incurred but not reported. In applying these methods and assessing their results, the Company considers such factors as historical frequency and severity of claims at each of its facilities, claim development, payment patterns and changes in the nature of its business, among other factors. Such factors are analyzed for each of the Company's business segments. The Company estimates may be impacted by such factors as increases in the market price for medical services and unpredictability of the size of jury awards. The Company also may experience variability between its estimates and the actual settlement due to limitations inherent in the estimation process, including its ability to estimate costs of processing and settling claims in a timely manner as well as its ability to accurately estimate the Company's exposure at the onset of a claim. Because the Company has high deductible insurance policies, the amount of its insurance expense is dependent on its ability to control its claims experience. If actual losses related to insurance claims significantly differ from the Company's estimates, its financial condition, results of operations and cash flows could be materially adversely impacted.

Comprehensive Income (Loss)

Comprehensive income (loss) represents the change in shareholders' equity from transactions and other events and circumstances arising from non-shareholder sources. The Company's total comprehensive income is comprised of net income attributable to GEO, net income attributable to noncontrolling interests, foreign currency translation adjustments that arise from consolidating foreign operations that do not impact cash flows, net unrealized gains and/or losses on derivative instruments, and pension liability adjustments in the consolidated statements of shareholders' equity.

The components of accumulated other comprehensive loss attributable to GEO included in the consolidated statement of shareholders' equity are as follows (in thousands):

	Foreign currency translation adjustments, net of tax attributable to The GEO Group, Inc. [1]	Unrealized loss on derivatives, net of tax [2]	Change Marketable Securities, net of tax	Pension adjustments, net of tax	Total
Balance, January 1, 2021	\$ (9,207)	\$ (4,752)	—	\$ (8,630)	\$ (22,589)
Current-period other comprehensive income (loss)	(3,254)	2,228	7	3,392	2,373
Balance, December 31, 2021	<u>\$ (12,461)</u>	<u>\$ (2,524)</u>	<u>7</u>	<u>\$ (5,238)</u>	<u>\$ (20,216)</u>

	Foreign currency translation adjustments, net of tax attributable to The GEO Group, Inc. [1]	Unrealized loss on derivatives, net of tax	Pension adjustments, net of tax	Total
Balance, January 1, 2020	\$ (12,314)	\$ (1,476)	\$ (6,545)	\$ (20,335)
Current-period other comprehensive income (loss)	3,107	(3,276)	(2,085)	(2,254)
Balance, December 31, 2020	<u>\$ (9,207)</u>	<u>\$ (4,752)</u>	<u>\$ (8,630)</u>	<u>\$ (22,589)</u>

[There were no reclassifications out of accumulated other comprehensive income (loss) during the years ended December 31, 2021 or 2020.

The foreign currency translation adjustment, net of tax, related to noncontrolling interests was not significant for the years ended December 31, 2021 or 2020.

Foreign Currency Translation

The Company's foreign operations use their local currencies as their functional currencies. Assets and liabilities of the operations are translated at the exchange rates in effect on the balance sheet date and shareholders' equity is translated at historical rates. Income statement items are translated at the average exchange rates for the year. Any adjustment resulting from translating the financial statements of the foreign subsidiary is reflected as other comprehensive income, net of related tax. Gains and losses on foreign currency transactions are included in the statement of operations.

Derivatives

The Company's primary objective in holding derivatives is to reduce the volatility of earnings and cash flows associated with changes in interest rates. The Company measures its derivative financial instruments at fair value and records derivatives as either assets or liabilities on the balance sheet. For derivatives that are designed as and qualify as effective cash flow hedges, the portion of gain or loss on the derivative instrument effective at offsetting changes in the hedged item is reported as a component of accumulated other comprehensive income and reclassified into earnings when the hedged transaction affects earnings. For derivative instruments that are designated as and qualify as effective fair value hedges, the gain or loss on the derivative instruments as well as the offsetting gain or loss on the hedged items attributable to the hedged risk is recognized in current earnings as interest income (expense) during the period of the change in fair values. For derivative instruments that do not meet the requirements for hedge accounting, changes in fair value are recorded in earnings.

The Company formally documents all relationships between hedging instruments and hedge items, as well as its risk-management objective and strategy for undertaking various hedge transactions. This process includes attributing all derivatives that are designated as cash flow hedges to floating rate liabilities and attributing all derivatives that are designated as fair value hedges to fixed rate liabilities. The Company also assesses whether each derivative is highly effective in offsetting changes in the cash flows of the hedged item. Fluctuations in the value of the derivative instruments are generally offset by changes in the hedged item; however, if it is determined that a derivative is not highly effective as a hedge or if a derivative ceases to be a highly effective hedge, the Company will discontinue hedge accounting prospectively for the affected derivative.

Stock-Based Compensation Expense

The Company recognizes the cost of stock-based compensation awards based upon the grant date fair value of those awards. The impact of forfeitures that may occur prior to vesting is also estimated and considered in the amount recognized. Stock-based compensation expense is recognized ratably over the requisite service period, which is typically the vesting period.

The fair value of stock-based option awards was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions for options awarded during years 2021, 2020 and 2019:

	2021	2020	2019
Risk free interest rates	0.24%	1.79%	2.44%
Expected term	4-5 years	4-5 years	4-5 years
Expected volatility	43%	41%	41%
Expected dividend rate	13.30%	13.11%	8.47%

[1] As previously discussed, the Board elected to terminate the Company's REIT election and suspend its quarterly dividend. The assumptions above were used to determine the fair value of stock-based option awards granted prior to the Board's suspension of quarterly dividends.

The Company uses historical data to estimate award exercises and employee terminations within the valuation model. The expected term of the awards represents the period of time that awards granted are expected to be outstanding and is based on historical data and expected holding periods.

For restricted stock share-based awards that contain a performance condition, the achievement of the targets must be probable before any share-based compensation is recorded. If subsequent to the initial measurement there is a change in the estimate of the probability of meeting the performance condition, the effect of the change in the estimated quantity of awards expected to vest is recognized by cumulatively adjusting compensation expense. If ultimately the performance targets are not met, for any awards where vesting was previously deemed probable, previously recognized compensation expense will be reversed in the period in which vesting is no longer deemed probable.

For restricted stock share-based awards that contain a market condition, the probability of satisfying the market condition is considered in the estimate of grant-date fair value and previously recorded compensation expense is not reversed if the market condition is never met. The fair value of restricted stock awards granted in 2021, 2020 and 2019 with market-based performance conditions was determined based on a Monte Carlo simulation, which calculates a range of possible outcomes and the probabilities that they will occur, using the following average key assumptions:

	2021		2020		2019	
Expected volatility	48.2	%	30.3	%	43.7	%
Beta	0.79		1.12		1.00	
Risk free interest rate	0.22	%	0.85	%	2.53	%

Earnings Per Share

Basic earnings per share of common stock is computed by dividing the net income attributable to The GEO Group, Inc. available to common stockholders by the weighted-average number of common shares outstanding for the period. Net income attributable to The GEO Group, Inc. available to common stockholders represents net income attributable to The GEO Group reduced by an allocation of earnings to participating securities. The 6.50% Exchangeable Notes due 2026, which contain non-forfeitable rights to dividends declared and paid on the shares of common stock, are participating securities and are included in the computation of earnings per share pursuant to the two-class method. Diluted EPS is calculated under the if-converted method and the two-class method for each class of shareholders using the weighted average number of shares attributable to each class. The calculation that results in the lowest diluted earnings per share amount for common stock is reported in the Company's financial statements.

Recent Accounting Pronouncements

The Company implemented the following accounting standards during the year ended December 31, 2021:

In November 2020, the SEC issued a final rule, Management's Discussion and Analysis, Selected Financial Data, and Supplementary Financial Information, that amended certain SEC disclosure requirements to primarily modernize, enhance and simplify financial statement disclosures required by Regulation S-K. The Company has adopted provisions in the rule in the fourth quarter of fiscal 2021, which primarily resulted in the removal of the selected financial data previously required by Item 301 and the removal of the quarterly financial data previously required by Item 302.

In August 2020, the FASB issued ASU 2020-06, "Debt – Debt with Conversion and Other Options". The guidance in this update simplifies the accounting for convertible debt and convertible preferred stock by removing the requirements to separately present certain conversion features in equity. In addition, the amendments in the ASU also simplify the guidance in ASC 815-40, "Derivatives and Hedging: Contracts in an Entity's Own Equity" by removing certain criteria that must be satisfied in order to classify a contract as equity, which is expected to decrease the number of freestanding instruments and embedded derivatives accounted for as assets or liabilities. Finally, the amendments revise the guidance on calculating earnings per share, requiring use of the if-converted method for all convertible instruments and rescinding an entity's ability to rebut the presumption of share settlement for instruments that may be settled in cash or shares. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The Company elected to early adopt this standard effective January 1, 2021. The adoption of this standard did not have a material impact on the Company's financial position, results of operations or cash flows.

In August 2018, the FASB issued ASU No. 2018-14, "Compensation-Retirement Benefits-Defined Benefit Plans-General (Topic 715.20)" as a part of its disclosure framework project. The amendments in this update remove, modify and add certain disclosures primarily related to amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost over the next fiscal year, explanations for reasons for significant gains and losses related to changes in the benefit obligation for the period, and projected and accumulated benefit obligations. The new standard was effective for us beginning January 1, 2021. The adoption of this standard did not have a material impact on our financial position, results of operations or cash flows.

The following accounting standards will be adopted in future periods:

In March 2020, the FASB issued ASU 2020-04, "Reference Reform Rate (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting," to provide temporary optional expedients and exceptions to the contract modifications, hedge relationships and other transactions affected by reference rate reform if certain criteria are met. This ASU, which was effective upon issuance and may be applied through December 31, 2022, is applicable to all contracts and hedging relationships that reference the London Interbank Offered Rate or any other reference rate expected to be discontinued. The Company is currently evaluating the impact of reference rate reform and the potential application of this guidance.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the American Institute of Certified Public Accountants and the SEC did not, or are not expected to, have a material effect on the Company's results of operations or financial position.

2. Shareholders' Equity

Common Stock

Each holder of the Company's common stock is entitled to one vote per share on all matters to be voted upon by the Company's shareholders. Upon any liquidation, dissolution or winding up of the Company, the holders of common stock are entitled to share equally in all assets available for distribution after payment of all liabilities, subject to the liquidation preference of shares of preferred stock, if any, then outstanding.

Distributions

As previously discussed, on December 2, 2021, the Company announced that its Board unanimously approved a plan to terminate the Company's REIT status and become a taxable C Corporation, effective for the year ended December 31, 2021. As a result, the Company is no longer required to operate under REIT rules, including the requirement to distribute at least 90% of its taxable income to its stockholders. The Board also voted unanimously to discontinue the Company's quarterly dividend.

Stock Buyback Program

On February 14, 2018, the Company announced that its Board authorized a stock buyback program authorizing the Company to repurchase up to a maximum of \$200 million of its shares of common stock. The stock buyback program was funded primarily with cash on hand, free cash flow and borrowings under the Company's \$900 million revolving credit facility (the "Revolver"). The program expired on October 20, 2020. The stock buyback program was intended to be implemented through purchases made from time to time in the open market or in privately negotiated transactions, in accordance with applicable Securities and Exchange Commission ("SEC") requirements. The stock buyback program did not obligate the Company to purchase any specific amount of its common stock and could have been suspended or extended at any time at the discretion of the Company's Board. During the year ended December 31, 2020, the Company purchased 553,665 shares of its common stock at a cost of \$9.0 million primarily purchased with proceeds from the Company's Revolver. There were no purchases of the Company's common stock during the years ended December 31, 2021 or 2019.

Automatic Shelf Registration on Form S-3

On October 30, 2020, the Company filed an automatic shelf registration on Form S-3 with the SEC that enables the Company to offer for sale, from time to time and as the capital markets permit, an unspecified amount of common stock, preferred stock, debt securities, guarantees of debt securities, warrants and units. The shelf registration statement is automatically effective and is valid for three years.

Prospectus Supplement

On June 28, 2021, in connection with the shelf registration, the Company filed with the SEC a prospectus supplement related to the offer and sale from time to time of the Company's common stock at an aggregate offering price of up to \$300 million through sales agents. Sales of shares of the Company's common stock under the prospectus supplement and equity distribution agreements entered into with the sales agents, if any, will be made in negotiated transactions or transactions that are deemed to be "at the market" offerings as defined in Rule 415 under the Securities Act of 1933. There were no shares of common stock sold under this prospectus supplement during the year ended December 31, 2021.

Preferred Stock

In April 1994, the Company's Board authorized 30 million shares of "blank check" preferred stock. The Board is authorized to determine the rights and privileges of any future issuance of preferred stock such as voting and dividend rights, liquidation privileges, redemption rights and conversion privileges. As of December 31, 2021 and 2020, there were no shares of preferred stock outstanding.

Noncontrolling Interests

The Company includes the results of operations and financial position of SACM or the "joint venture", its majority-owned subsidiary, in its consolidated financial statements. SACM was established in 2001 to operate correctional centers in South Africa. The joint venture currently provides security and other management services for the Kutama Sinthumule Correctional Centre in the Republic of South Africa under a 25-year management contract which commenced in February 2002. The Company's and the joint venture partner's shares in the profits of the joint venture are 88.75% and 11.25%, respectively. There were no changes in the Company's ownership percentage of the consolidated subsidiary during the years ended December 31, 2021, 2020 and 2019.

3. Equity Incentive Plans

The Board has adopted The GEO Group, Inc. Amended and Restated 2018 Stock Incentive Plan (the “2018 Amended and Restated Plan”), which was approved by the Company’s shareholders on April 28, 2021. The 2018 Amended and Restated Plan supersedes the previous 2018 Stock Incentive Plan. As of the date the 2018 Amended and Restated Plan was approved by the Company’s shareholders, it provided for a reserve of an additional 16,800,000 shares of common stock that may be issued pursuant to awards granted under the 2018 Amended and Restated Plan. The Company filed a Form S-8 registration statement related to the 2018 Amended and Restated Plan on June 15, 2021.

Under the terms of the 2018 Amended and Restated Plan, the vesting period and, in the case of stock options, the exercise price per share, are determined by the terms of each grant agreement. All stock options that have been granted under the Company plans are exercisable at the fair market value of the common stock at the date of the grant. Generally, the stock options vest and become exercisable ratably over a four-year period. All stock options awarded under the 2018 Amended and Restated Plan expire no later than ten years after the date of the grant. When options are exercised, the Company issues shares of common stock related to the exercised options.

The Company recognized compensation expense related to the Company plans for the years ended December 31, 2021, 2020 and 2019 as follows (in thousands):

	2021	2020	2019
Stock option plan expense	\$ 760	\$ 1,141	\$ 1,085
Restricted stock expense	\$ 18,439	\$ 22,755	\$ 21,260

Stock Options

A summary of the activity of the Company’s stock options plans is presented below:

	Shares	Wtd. Avg. Exercise Price	Wtd. Avg. Remaining Contractual Term (years)	Aggregate Intrinsic Value
	(In thousands)			(In thousands)
Options outstanding at January 1, 2021	1,951	\$ 22.07	6.62	\$ —
Granted	478	7.52		
Exercised	(2)	7.52		
Forfeited/Canceled	(580)	17.01		
Options outstanding at December 31, 2021	1,847	\$ 19.92	6.23	\$ 73
Options vested and expected to vest at December 31, 2020	1,782	\$ 20.24	6.14	\$ 65
Options exercisable at December 31, 2021	1,105	\$ 24.27	4.86	\$ 1

The aggregate intrinsic value in the table above represents the total pretax intrinsic value (i.e., the difference between the Company’s closing stock price on the last trading day of 2021 and the exercise price, times the number of shares that are “in the money”) that would have been received by the option holders had all option holders exercised their options on December 31, 2021. This amount changes based on the fair value of the Company’s stock.

The following table summarizes information relative to stock option activity during the years ended December 31, 2021, 2020 and 2019 (in thousands):

	2021	2020	2019
Intrinsic value of options exercised	\$ —	\$ —	\$ 433
Fair value of shares vested	\$ 925	\$ 1,061	\$ 971

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The following table summarizes information about the exercise prices and related information of stock options outstanding under the Company plans at December 31, 2021:

Exercise Prices (\$)	Options Outstanding			Options Exercisable		
	Number Outstanding	Wtd. Avg. Remaining Contractual Life	Wtd. Avg. Exercise Price	Number Exercisable	Wtd. Avg. Remaining Contractual Life	Wtd. Avg. Exercise Price
	(In thousands)					
0-18.23	694	8.11	\$ 11.39	130	5.40	\$ 14.48
18.24-22.26	486	4.97	\$ 20.97	420	4.76	\$ 20.84
22.27-29.39	402	5.32	\$ 25.26	290	4.61	\$ 26.25
29.40-50.00	265	5.04	\$ 32.27	265	5.04	\$ 32.27
Total	<u>1,847</u>	6.23	\$ 19.92	<u>1,105</u>	4.86	\$ 24.27

The weighted average grant date fair value of options granted during the year ended December 31, 2021, 2020 and 2019 was \$0.79, \$1.59 and \$3.64 per share, respectively. There were 0.5 million, 0.5 million and 0.4 million options granted during the year ended December 31, 2021, 2020 and 2019, respectively.

The following table summarizes the status of non-vested stock options as of December 31, 2021 and changes during the year ended December 31, 2021:

	Number of Shares	Wtd. Avg. Grant Date Fair Value
	(In thousands)	
Options non-vested at January 1, 2021	900	\$ 2.87
Granted	478	0.79
Vested	(266)	3.48
Forfeited	(580)	2.82
Options non-vested at December 31, 2021	<u>532</u>	\$ 1.79

As of December 31, 2021, the Company had \$0.8 million of unrecognized compensation costs related to non-vested stock option awards that are expected to be recognized over a weighted average period of 2.1 years.

Restricted Stock

During the year ended December 31, 2021, the Company granted approximately 1,551,000 shares of restricted stock to certain employees and executive officers. Of these awards, 919,000 are market and performance-based awards that will be forfeited if the Company does not achieve certain annual metrics during 2021, 2022 and 2023. The fair value of restricted stock awards, which do not contain a market-based condition, is determined using the closing price of the Company's common stock on the date of the grant and compensation expense is recognized over the vesting period. Generally, the restricted stock awards vest in equal increments over either a three or four-year period.

The vesting of market and performance-based restricted stock grants awarded in 2021 are subject to the achievement by GEO of two annual performance metrics as follows: (i) up to 50% of the shares of restricted stock ("TSR Target Award") can vest at the end of a three-year performance period if GEO meets certain total shareholder return ("TSR") performance targets, as compared to the total shareholder return of a peer group of companies, over a three year period from January 1, 2021 to December 31, 2023 and (ii) up to 50% of the shares of restricted stock ("ROCE Target Award") can vest at the end of a three-year period if GEO meets certain return on capital employed ("ROCE") performance targets over a three year period from January 1, 2021 to December 31, 2023. Certain of these performance-based restricted stock grants can vest over a one-year period if GEO meets certain performance targets, as mentioned above, over three, three-year periods from January 1, 2019 to December 31, 2021, January 1, 2020 to December 31, 2022 and January 1, 2021 to December 31, 2023. These market and performance awards can vest at between 0% and 200% of the target awards for both metrics. The number of shares shown for the market and performance-based awards is based on the target awards for both metrics.

During the year ended December 31, 2020, the Company granted approximately 900,000 shares of restricted stock to certain employees and executive officers. Of these awards, 360,000 are market and performance-based awards that will be forfeited if the Company does not achieve certain annual metrics over a three-year period from January 1, 2020 to December 31, 2022.

The vesting of the market and performance-based restricted stock grants awarded in 2020 are subject to the achievement by GEO of two annual performance metrics as follows: (i) up to 50% of the TSR Target Award can vest at the end of a three-year performance period if GEO meets certain TSR performance targets, as compared to the total shareholder return of a peer group of companies, over a three year period from January 1, 2020 to December 31, 2022; and (ii) up to 50% of the ROCE Target Award can vest at the end of a three-year performance period if GEO meets certain ROCE performance targets over a three year period from January 1, 2020 to December 31, 2022. These market and performance-based awards can vest at between 0% and 200% of the target awards for both metrics. The number of shares shown for the market and performance-based awards is based on the target awards for both metrics. During the year ended December 31, 2019, the Company granted 788,000 shares of restricted stock to its executive officers and to certain senior employees. Of these awards, 250,000 are market and performance-based awards that will be forfeited if the Company does not achieve certain annual metrics over a three-year period from January 1, 2019 to December 31, 2021.

The vesting of the market and performance-based restricted stock grants awarded in 2019 are subject to the achievement by GEO of two annual performance metrics as follows: (i) up to 50% of the TSR Target Award can vest at the end of a three-year performance period if GEO meets certain TSR performance targets, as compared to the total shareholder return of a peer group of companies, over a three year period from January 1, 2019 to December 31, 2021; and (ii) up to 50% of the ROCE Target Award can vest at the end of a three-year period if GEO meets certain ROCE performance targets over a three year period from January 1, 2019 to December 31, 2021. These performance awards can vest at the end of the three-year performance period at between 0% and 200% of the target awards for both metrics. The number of shares shown for the performance-based awards is based on the target awards for both metrics. The metric related to TSR is considered to be a market condition. For share-based awards that contain a market condition, the probability of satisfying the market condition must be considered in the estimate of grant-date fair value. Compensation expense is recognized over the vesting period and previously recorded compensation expense is not reversed if the market condition is never met. Refer to Note 1 - Summary of Business Organization, Operations and Significant Accounting Policies-Stock-Based Compensation Expense, for the assumptions and method used to value these awards.

The metric related to ROCE is considered to be a performance condition. For share-based awards that contain a performance condition, the achievement of the targets must be probable before any share-based compensation expense is recorded. The Company reviews the likelihood of which target in the range will be achieved and if deemed probable, compensation expense is recorded at that time. If subsequent to the initial measurement there is a change in the estimate of the probability of meeting the performance condition, the effect of the change in the estimated quantity of awards expected to vest is recognized by cumulatively adjusting compensation expense. If ultimately the performance targets are not met, for any awards where vesting was previously deemed probable, previously recognized compensation expense will be reversed in the period in which vesting is no longer deemed probable. During 2021, 2020 and 2019, the Company deemed the achievement of the target award to be probable and there were no changes in the estimated quantity of awards expected to vest. The fair value of these awards was determined based on the closing price of the Company's common stock on the date of grant.

The following table summarizes the status of restricted stock awards as of December 31, 2021 and changes during the year ended December 31, 2021:

	Shares	Wtd. Avg. Grant date Fair value
	(In thousands)	
Restricted stock outstanding at January 1, 2021	2,154	\$ 20.61
Granted	1,551	6.93
Vested	(929)	20.54
Forfeited/Canceled	(157)	10.64
Restricted stock outstanding at December 31, 2021	<u>2,619</u>	<u>\$ 12.53</u>

As of December 31, 2021, the Company had \$16.0 million of unrecognized compensation cost that is expected to be recognized over a weighted average period of 2.1 years.

Employee Stock Purchase Plan

The Company previously adopted The GEO Group Inc. 2011 Employee Stock Purchase Plan (the “Plan”), which was approved by the Company’s shareholders. The purpose of the Plan, which is qualified under Section 423 of the Internal Revenue Service Code of 1986, as amended, is to encourage stock ownership through payroll deductions by the employees of GEO and designated subsidiaries of GEO in order to increase their identification with the Company’s goals and secure a proprietary interest in the Company’s success. These deductions are used to purchase shares of the Company’s Common Stock at a 5% discount from the then current market price. The Company has made available up to 750,000 shares of its common stock, which were registered with the Securities and Exchange Commission on May 4, 2012, as amended on July 18, 2014, for sale to eligible employees.

The Plan is considered to be non-compensatory. As such, there is no compensation expense required to be recognized. Share purchases under the Plan are made on the last day of each month. During the years ended December 31, 2021, 2020 and 2019, 42,627, 49,896 and 30,153 shares of common stock, respectively, were issued in connection with the Plan.

4. Earnings Per Share

Basic earnings per share of common stock is computed by dividing the net income attributable to The GEO Group, Inc. available to common stockholders by the weighted-average number of common shares outstanding for the period. Net income attributable to The GEO Group, Inc. available to common stockholders represents net income attributable to The GEO Group reduced by an allocation of earnings to participating securities. The 6.50% % Exchangeable Notes due 2026, which contain non-forfeitable rights to dividends declared and paid on the shares of common stock, are participating securities and are included in the computation of earnings per share pursuant to the two-class method. Diluted EPS is calculated under the if-converted method and the two-class method for each class of shareholders using the weighted average number of shares attributable to each class. The calculation that results in the lowest diluted earnings per share amount for common stock is reported in the Company’s financial statements. The if-converted method includes the dilutive effect of potential common shares related to the 6.50% % Exchangeable Notes due 2026, if any. Basic and diluted earnings per share were calculated for the years ended December 31, 2021, 2020 and 2019 as follows (in thousands, except per share data):

Fiscal Year	2021	2020	2019
	(In thousands, except per share data)		
Net Income	\$ 77,233	\$ 112,831	\$ 166,412
Loss attributable to noncontrolling interests	185	201	191
Less: Undistributed income allocable to participating securities	\$ (6,982)	–	–
Net income attributable to The GEO Group, Inc.	\$ 70,436	\$ 113,032	\$ 166,603
Basic earnings per share attributable to The GEO Group, Inc.:			
Weighted average shares outstanding	120,384	119,719	119,097
Per share amount - basic	\$ 0.59	\$ 0.94	\$ 1.40
Diluted earnings per share attributable to The GEO Group, Inc.:			
Weighted average shares outstanding	120,384	119,719	119,097
Dilutive effect of equity incentive plans	348	272	214
Weighted average shares assuming dilution	120,732	119,991	119,311
Per share amount - diluted	\$ 0.58	\$ 0.94	\$ 1.40

For the year ended December 31, 2021, 2,047,072 weighted average shares of common stock underlying options were excluded from the computation of diluted EPS because the effect would be anti-dilutive. For the same period, 1,016,208 common stock equivalents from restricted shares were anti-dilutive and excluded from the computation of diluted EPS.

For the year ended December 31, 2020, 1,931,407 weighted average shares of common stock underlying options were excluded from the computation of diluted EPS because the effect would be anti-dilutive. For the same period, 1,652,986 common stock equivalents from restricted shares were anti-dilutive and excluded from the computation of diluted EPS.

For the year ended December 31, 2019, 1,495,210 weighted average shares of common stock underlying options were excluded from the computation of diluted EPS because the effect would be anti-dilutive. For the same period, 1,514,177 common stock equivalents from restricted shares were anti-dilutive and excluded from the computation of diluted EPS.

On February 24, 2021, the Company’s wholly owned subsidiary, GEO Corrections Holdings, Inc. (“GEOCH”), completed a private offering of \$230 million aggregate principal amount of 6.50% Exchangeable Senior Unsecured Notes due 2026. Refer to Note 12 – Debt for additional information. As of December 31, 2021, conditions had not been met to exchange the 6.50% Exchangeable Notes

due 2026 into shares of the Company's common stock. Approximately 21.0 million shares of potential common shares associated with the conversion option embedded in the convertible notes were excluded from the computation for the year ended December 31, 2021 as the Company's average stock price during the period was lower than the exchange price.

5. Property and Equipment

Property and equipment consist of the following at fiscal year end:

	Useful Life	2021	2020
	(Years)	(In thousands)	
Land	—	\$ 120,837	\$ 128,498
Buildings and improvements	2 to 50	2,277,575	2,264,910
Leasehold improvements	1 to 29	278,299	283,561
Equipment	3 to 10	220,965	225,509
Furniture, fixtures and computer software	1 to 7	68,474	66,375
Facility construction in progress	—	20,758	42,863
Total		\$ 2,986,908	\$ 3,011,716
Less accumulated depreciation and amortization		(949,063)	(889,521)
Property and equipment, net		\$ 2,037,845	\$ 2,122,195

The Company amortizes its leasehold improvements over the shorter of their estimated useful lives or the terms of the leases including renewal periods that are reasonably assured. The Company's construction in progress primarily consists of new construction and renovations to facilities that are owned by the Company. Interest capitalized in property and equipment for the years ended December 31, 2021 and 2020 was not significant.

Depreciation expense was \$109.6 million, \$112.4 million and \$107.9 million for the years ended December 31, 2021, 2020 and 2019, respectively.

At December 31, 2021 and 2020, the Company had \$20.5 million and \$19.4 million, respectively, of assets recorded under finance leases related to land, buildings and improvements. Finance leases are recorded net of accumulated amortization of \$17.1 million and \$15.4 million, at December 31, 2021 and 2020, respectively. Depreciation expense related to assets recorded under finance leases for each of the years ended December 31, 2021, 2020 and 2019 was \$1.7 million, \$1.2 million and \$1.0 million, respectively and are included in Depreciation and Amortization in the accompanying consolidated statements of operations.

6. Contract Receivable

On September 16, 2014, GEO's wholly-owned subsidiary, GEO Ravenhall Pty. Ltd., in its capacity as trustee of another wholly-owned subsidiary, GEO Ravenhall Trust ("Project Co"), signed the Ravenhall Prison Project Agreement ("Ravenhall Contract") with the State of Victoria (the "State") for the development and operation of a 1,300-bed facility in Ravenhall, a locality near Melbourne, Australia under a public-private partnership financing structure. The design and construction phase ("D&C Phase") of the agreement began in September 2014 and was completed in November 2017. Project Co was the primary developer during the D&C Phase and subcontracted with a bonded international design and build contractor to design and construct the facility. GEO's wholly owned subsidiary, the GEO Group Australasia Pty. Ltd. ("GEO Australia") is currently operating the facility under a 25-year management contract ("Operating Phase"). During the D&C Phase, GEO Australia provided construction management and consultant services to the State.

During the D&C Phase, the Company recognized revenue as earned on a percentage of completion basis measured by the percentage of costs incurred to date as compared to the estimated total costs for the design and construction of the facility. Costs incurred and estimated earnings in excess of billings are classified as Contract Receivable in the accompanying consolidated balance sheets. The total balance of the Contract Receivable at December 31, 2021 is \$366.5 million which is recorded at net present value based on the timing of expected future settlement. Interest income is recorded as earned using an effective interest rate of 8.97%. As the primary contractor, Project Co was exposed to the various risks associated with the D&C Phase. Accordingly, the Company recorded construction revenue on a gross basis and included the related costs of construction activities in operating expenses within the Facility Design & Construction segment. Reimbursable pass-through costs were excluded from revenues and expenses.

7. Derivative Financial Instruments

The Company's primary objective in holding derivatives is to reduce the volatility of earnings and cash flows associated with changes in interest rates. The Company measures its derivative financial instruments at fair value.

In August 2019, the Company entered into two interest rate swap agreements in the aggregate notional amount of \$44.3 million to fix the interest rate on certain of its variable rate debt to 4.22%. The Company has designated these interest rate swaps as hedges against changes in the cash flows of two identical promissory notes (the "Notes") which are secured by loan agreements and mortgage and security agreements on certain real property and improvements. The Company has determined that the swaps have payment, expiration dates, and provisions that coincide with the terms of the Notes and are therefore considered to be effective cash flow hedges. Accordingly, the Company records the change in fair value of the interest rate swaps as accumulated other comprehensive income (loss), net of applicable taxes. Total unrealized gains recorded in total other comprehensive income (loss), net of tax, related to these cash flow hedges was \$2.2 million during the year ended December 31, 2021. The total fair value of the swap liabilities as of December 31, 2021 was \$3.2 million and is recorded as a component of Other Non-Current liabilities within the accompanying balance sheet. There was no material ineffectiveness for the period presented. The Company does not expect to enter into any transactions during the next twelve months which would result in reclassification into earnings or losses associated with these swaps currently reported in accumulated other comprehensive income (loss). Refer to Note 12 - Debt for additional information.

8. Goodwill and Other Intangible Assets, Net

The Company has recorded goodwill as a result of its various business combinations. Goodwill is recorded as the difference, if any, between the aggregate consideration paid for an acquisition and the fair value of the tangible assets and intangible assets acquired net of liabilities assumed, including noncontrolling interests. Changes in the Company's goodwill balances recognized during the years ended December 31, 2021 and 2020 were as follows (in thousands):

	1/1/2021	Foreign currency translation	12/31/2021
U.S. Secure Services	\$ 316,366	\$ —	\$ 316,366
Electronic Monitoring and Supervision Services	289,570	—	289,570
Reentry Services	148,873	—	148,873
International Services	441	(25)	416
Total Goodwill	\$ 755,250	\$ (25)	\$ 755,225

	1/1/2020	Impairment charges [1]	Foreign currency translation	12/31/2020
U.S. Secure Services	\$ 316,366	\$ —	\$ —	\$ 316,366
Electronic Monitoring and Supervision Services	289,570	—	—	289,570
Reentry Services	170,019	(21,146)	—	148,873
International Services	401	—	40	441
Total Goodwill	\$ 776,356	\$ (21,146)	\$ 40	\$ 755,250

[1] The Company recorded an impairment charge in its Reentry Services reporting unit for the year ended December 31, 2020.

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

	December 31, 2021				December 31, 2020		
	Weighted Average Useful Life (years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Facility management contracts	16.3	\$ 308,369	\$ (189,163)	\$ 119,206	\$ 308,398	\$ (168,848)	\$ 139,550
Technology	7.3	33,700	(31,982)	1,718	33,700	(30,703)	2,997
Trade names	Indefinite	45,200	—	45,200	45,200	—	45,200
Total acquired intangible assets		<u>\$ 387,269</u>	<u>\$ (221,145)</u>	<u>\$ 166,124</u>	<u>\$ 387,298</u>	<u>\$ (199,551)</u>	<u>\$ 187,747</u>

The accounting for recognized intangible assets is based on the useful lives to the reporting entity. Intangible assets with finite useful lives are amortized over their useful lives and intangible assets with indefinite useful lives are not amortized. The Company estimates the useful lives of its intangible assets taking into consideration (i) the expected use of the asset by the Company, (ii) the expected useful lives of other related assets or groups of assets, (iii) legal or contractual limitations, (iv) the Company's historical experience in renewing or extending similar arrangements, (v) the effects of obsolescence, demand, competition and other economic factors and (vi) the level of maintenance expenditures required to obtain the expected cash flows from the asset.

Amortization expense was \$21.6 million, \$22.3 million and \$22.3 million for the years ended December 31, 2021, 2020 and 2019, respectively, and primarily related to the U.S. Secure Services and Reentry Services segments' amortization of intangible assets for acquired management contracts. The Company relies on its historical experience in determining the useful life of facility management contracts. The Company makes assumptions related to acquired facility management contracts based on the competitive environment for individual contracts, our historical success rates in retaining contracts, the supply of available beds in the market, changes in legislation, the projected profitability of the facilities and other market conditions. As of December 31, 2021, the weighted average period before the next contract renewal or extension for the facility management contracts was approximately 2.0 years. Although the facility management contracts acquired have renewal and extension terms in the near term, the Company has historically maintained these relationships beyond the contractual periods.

Estimated amortization expense related to the Company's finite-lived intangible assets for 2022 through 2026 and thereafter is as follows (in thousands):

Fiscal Year	Total Amortization Expense
2022	\$ 16,307
2023	13,484
2024	9,751
2025	9,263
2026	7,170
Thereafter	64,949
	<u>\$ 120,924</u>

9. Financial Instruments

The following table provides a summary of the Company's significant financial assets and liabilities carried at fair value and measured on a recurring basis (in thousands):

	Fair Value Measurements at December 31, 2021			
	Carrying Value at December 31, 2021	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Restricted investments:				
Rabbi Trust	\$ 42,937	\$ —	\$ 42,937	\$ —
Marketable equity and fixed income securities	11,551	—	11,551	—
Fixed income securities	1,927	—	1,927	—
Liabilities:				
Interest rate swap derivatives	\$ 3,195	\$ —	\$ 3,195	\$ —

	Fair Value Measurements at December 31, 2020			
	Carrying Value at December 31, 2020	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Restricted investments:				
Rabbi Trust	\$ 35,749	\$ —	\$ 35,749	\$ —
Fixed income securities	1,932	—	1,932	—
Liabilities:				
Interest rate swap derivatives	\$ 6,015	\$ —	\$ 6,015	\$ —

The Company's Level 2 financial instruments included in the tables above as of December 31, 2021 and 2020 consist of interest rate swap derivative liabilities held by GEO, investments in equity and fixed income mutual funds held in the Company's captive insurance subsidiary, Florina, the Company's rabbi trust established for GEO employee and employer contributions to The GEO Group, Inc. Non-qualified Deferred Compensation Plan and an investment in Canadian dollar denominated fixed income securities.

The interest rate swap derivative liabilities are valued using a discounted cash flow model based on projected borrowing rates. The Company's restricted investment in the rabbi trust is invested in Company-owned life insurance policies which are recorded at their cash surrender values. These investments in fixed income securities are valued based on the underlying investments held in the policies' separate account. The underlying assets are equity and fixed income pooled funds that are comprised of Level 1 and Level 2 securities. The equity and fixed income mutual fund securities are valued at fair value using the net asset value per share. The Canadian dollar denominated securities, not actively traded, are valued using quoted rates for these and similar securities.

10. Fair Value of Assets and Liabilities

The Company's Consolidated Balance Sheets reflect certain financial instruments at carrying value. The following table presents the carrying values of those instruments and the corresponding estimated fair values (in thousands):

	Estimated Fair Value Measurements at December 31, 2021				
	Carrying Value as of December 31, 2021	Total Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	\$ 506,491	\$ 506,491	\$ 506,491	\$ —	\$ —
Restricted cash and investments	41,831	41,831	41,831	—	—
Liabilities:					
Borrowings under Senior Credit Facility	\$ 1,546,895	\$ 1,448,280	\$ —	\$ 1,448,280	\$ —
5.125% Senior Notes due 2023	259,275	248,479	—	248,479	—
5.875% Senior Notes due 2024	225,293	199,522	—	199,522	—
6.00% Senior Notes due 2026	350,000	283,691	—	283,691	—
6.50% Exchangeable Senior Notes due 2026	230,000	248,211	—	248,211	—
Non-recourse debt	310,108	310,108	—	310,108	—

	Estimated Fair Value Measurements at December 31, 2020				
	Carrying Value as of December 31, 2020	Total Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	\$ 283,524	\$ 283,524	\$ 283,524	\$ —	\$ —
Restricted cash and investments	28,329	28,329	28,329	—	—
Liabilities:					
Borrowings under Senior Credit Facility	\$ 1,474,437	\$ 1,342,066	\$ —	\$ 1,342,066	\$ —
5.875% Senior Notes due 2022	193,958	192,736	—	192,736	—
5.125% Senior Notes	281,783	256,096	—	256,096	—
5.875% Senior Notes due 2024	242,500	202,458	—	202,458	—
6.00% Senior Notes	350,000	279,493	—	279,493	—
Non-recourse debt	344,614	344,632	—	344,632	—

The fair values of the Company's cash and cash equivalents, and restricted cash approximates the carrying values of these assets at December 31, 2021 and 2020. Restricted cash and investments consist of money market funds, commercial paper and time deposits used for payments on the Company's non-recourse debt and asset replacement funds contractually required to be maintained at the Company's Australian subsidiary. The fair value of the money market funds is based on quoted market prices (level 1) and the fair value of commercial paper and time deposits is based on market prices for similar instruments (level 2). The fair values of the Company's 6.00% senior unsecured notes due 2026 (the "6.00% Senior Notes"), 6.50% exchangeable senior unsecured notes (the 6.50% Exchangeable Senior Notes), the 5.125% Senior Notes (the "5.125% Senior Notes"), and the 5.875% Senior Notes (the "5.875% Senior Notes"), although not actively traded, are based on published financial data for these instruments. On February 24, 2021, the Company completed a private offering of \$230 million aggregate principal amount of 6.50% exchangeable senior unsecured notes due 2026. The Company used the net proceeds from this offering to fund the redemption of the then outstanding amount of the Company's 5.875% Senior Notes due 2022. Refer to Note 12 – Debt for further information. The fair value of the Company's non-recourse debt is based on estimate of trading value considering the Company's borrowing rate, the undrawn spread and similar instruments. The fair value of borrowings under the Senior Credit Facility is also based on an estimate of trading value considering the Company's borrowing rate, the undrawn spread and similar instruments.

11. Accrued Expenses and other current liabilities

Accrued expenses and other current liabilities consisted of the following (in thousands):

	2021	2020
Accrued interest	\$ 17,080	\$ 17,614
Accrued bonus	24,403	16,986
Accrued insurance	76,171	78,893
Accrued property and other taxes	43,720	38,524
Construction retainage	223	1,062
Other	39,115	49,299
Total	<u>\$ 200,712</u>	<u>\$ 202,378</u>

12. Debt

Debt consisted of the following (in thousands):

	December 31, 2021	December 31, 2020
Senior Credit Facility:		
Term loan	\$ 762,000	\$ 770,000
Unamortized debt issuance costs on term loan	(2,733)	(4,043)
Unamortized discount on term loan	(1,152)	(1,705)
Revolver	784,895	704,437
Total Senior Credit Facility	<u>\$ 1,543,010</u>	<u>\$ 1,468,689</u>
6.50% Exchangeable Senior Notes:		
Notes Due in 2026	\$ 230,000	\$ —
Unamortized debt issuance costs	(8,246)	—
Total 6.50% Exchangeable Senior Notes Due in 2026	<u>\$ 221,754</u>	<u>\$ —</u>
6.00% Senior Notes:		
Notes Due in 2026	\$ 350,000	\$ 350,000
Unamortized debt issuance costs	(3,099)	(3,709)
Total 6.00% Senior Notes Due in 2026	<u>\$ 346,901</u>	<u>\$ 346,291</u>
5.875% Senior Notes:		
Notes Due in 2024	\$ 225,293	\$ 242,500
Unamortized debt issuance costs	(1,410)	(2,000)
Total 5.875% Senior Notes Due in 2024	<u>\$ 223,883</u>	<u>\$ 240,500</u>
5.125% Senior Notes:		
Notes Due in 2023	\$ 259,275	\$ 281,783
Unamortized debt issuance costs	(1,221)	(2,033)
Total 5.125% Senior Notes Due in 2023	<u>\$ 258,054</u>	<u>\$ 279,750</u>
5.875% Senior Notes:		
Notes Due in 2022	\$ —	\$ 193,958
Unamortized debt issuance costs	—	(710)
Total 5.875% Senior Notes Due in 2022	<u>\$ —</u>	<u>\$ 193,248</u>
Non-Recourse Debt:		
Non-Recourse Debt	\$ 310,108	\$ 344,614
Unamortized debt issuance costs on non-recourse debt	(4,556)	(5,237)
Discount on Non-Recourse Debt	\$ —	\$ (25)

Total Non-Recourse Debt	305,552	339,352
Finance Lease Obligations	3,843	5,029
Other debt	41,363	42,413
Total debt	\$ 2,944,360	\$ 2,915,272
Current portion of finance lease obligations, long-term debt and non-recourse debt	(18,568)	(26,180)
Finance Lease Obligations, long-term portion	(1,977)	(2,988)
Non-Recourse Debt, long-term portion	(297,856)	(324,223)
Long-Term Debt	\$ 2,625,959	\$ 2,561,881

Amended and Restated Credit Agreement

On June 12, 2019, GEO entered into Amendment No. 2 to Third Amended and Restated Credit Agreement (the “Credit Agreement”) by and among the refinancing lenders party thereto, the other lenders party thereto, GEO and GEO Corrections Holdings, Inc. and the administrative agent. Under the amendment, the maturity date of the revolver component of the Credit Agreement has been extended to May 17, 2024. The borrowing capacity under the amended revolver will remain at \$900 million, and its pricing will remain unchanged, currently bearing interest at LIBOR plus 2.25%. Loan costs of \$4.7 million were incurred and capitalized in connection with the transaction.

The Credit Agreement evidences a credit facility (the “Credit Facility”) consisting of the \$792.0 million term loan discussed above (the “Term Loan”) bearing interest at LIBOR plus 2.00% (with a LIBOR floor of 0.75%), and a \$900 million Revolver initially bearing interest at LIBOR plus 2.25% (with no LIBOR floor) together with AUD275 million available solely for the issuance of financial letters of credit and performance letters of credit, in each case denominated in Australian Dollars under the Australian Dollar Letter of Credit Facility (the “Australian LC Facility”). As of December 31, 2021, there were no letters of credit issued under the Australian LC Facility. Amounts to be borrowed by GEO under the Credit Agreement are subject to the satisfaction of customary conditions to borrowing. The Term Loan component is scheduled to mature on March 23, 2024. The revolving credit commitment component is scheduled to mature on May 17, 2024. The Credit Agreement also has an accordion feature of \$450.0 million, subject to lender demand and prevailing market conditions and satisfying the relevant borrowing conditions.

The Credit Agreement contains certain customary representations and warranties, and certain customary covenants that restrict GEO’s ability to, among other things (i) create, incur or assume any indebtedness, (ii) create, incur, assume or permit liens, (iii) make loans and investments, (iv) engage in mergers, acquisitions and asset sales, (v) make certain restricted payments, (vi) issue, sell or otherwise dispose of capital stock, (vii) engage in transactions with affiliates, (viii) allow the total leverage ratio to exceed 6.25 to 1.00, allow the senior secured leverage ratio to exceed 3.50 to 1.00, or allow the interest coverage ratio to be less than 3.00 to 1.00, (ix) cancel, forgive, make any voluntary or optional payment or prepayment on, or redeem or acquire for value any senior notes, except as permitted, (x) alter the business GEO conducts, and (xi) materially impair GEO’s lenders’ security interests in the collateral for its loans.

Events of default under the Credit Agreement include, but are not limited to, (i) GEO’s failure to pay principal or interest when due, (ii) GEO’s material breach of any representation or warranty, (iii) covenant defaults, (iv) liquidation, reorganization or other relief relating to bankruptcy or insolvency, (v) cross default under certain other material indebtedness, (vi) unsatisfied final judgments over a specified threshold, (vii) certain material environmental liability claims asserted against GEO, and (viii) a change in control.

All of the obligations under the Credit Agreement are unconditionally guaranteed by certain domestic subsidiaries of GEO and the Credit Agreement and the related guarantees are secured by a perfected first-priority pledge of substantially all of GEO’s present and future tangible and intangible domestic assets and all present and future tangible and intangible domestic assets of each guarantor, including but not limited to a first-priority pledge of all of the outstanding capital stock owned by GEO and each guarantor in their domestic subsidiaries.

The Australian borrowers are wholly owned foreign subsidiaries of GEO. GEO has designated each of the Australian borrowers as restricted subsidiaries under the Credit Agreement. However, the Australian borrowers are not obligated to pay or perform any obligations under the Credit Agreement other than their own obligations as Australian borrowers under the Credit Agreement. The Australian borrowers do not pledge any of their assets to secure any obligations under the Credit Agreement.

On August 18, 2016, the Company executed a Letter of Offer by and among GEO and HSBC Bank Australia Limited (the “Letter of Offer”) providing for a bank guarantee line and bank guarantee/standby sub-facility in an aggregate amount of AUD100 million, or \$72.6 million, based on exchange rates in effect as of December 31, 2021 (collectively, the “Bank Guarantee Facility”). The Bank Guarantee Facility allows GEO to provide letters of credit to assure performance of certain obligations of its wholly owned subsidiary relating to its secure facility project in Ravenhall, located near Melbourne, Australia. In accordance with the Ravenhall Contract, upon the completion of a certain period of operations, the Bank Guarantee Facility was reduced during the fourth quarter of 2019 to approximately AUD59 million, or \$42.8 million, based on exchange rates in effect as of December 31, 2021. The Bank Guarantee Facility is unsecured. The issuance of letters of credit under the Bank Guarantee Facility is subject to the satisfaction of the conditions precedent specified in the Letter of Offer. Letters of credit issued under the bank guarantee lines are due on demand and letters of credit issued under the bank guarantee/standby sub-facility cannot have a

duration exceeding twelve months. The Bank Guarantee Facility may be terminated by HSBC Bank Australia Limited on 90 days written notice. As of December 31, 2021, there was approximately AUD59 million in letters of credit issued under the Bank Guarantee Facility.

As of December 31, 2021, the Company had \$762.0 million in aggregate borrowings outstanding under the Term Loan, \$784.9 million in borrowings under the Revolver, and approximately \$95.8 million in letters of credit which left \$19.3 million in additional borrowing capacity under the Revolver. In addition, the Company has the ability to increase the Senior Credit Facility by an additional \$450.0 million, subject to lender demand and prevailing market conditions and satisfying the relevant borrowing conditions thereunder. The weighted average interest rate on outstanding borrowings under the Credit Agreement as of December 31, 2021 was 2.80%.

6.50% Exchangeable Senior Notes due 2026

On February 24, 2021, the Company's wholly owned subsidiary, GEOCH, completed a private offering of \$230 million aggregate principal amount of 6.50% exchangeable senior unsecured notes due 2026 which included the full exercise of the initial purchasers' over-allotment option to purchase an additional \$30 million aggregate principal amount of Convertible Notes. The Convertible Notes will mature on February 23, 2026, unless earlier repurchased or exchanged. The Convertible Notes bear interest at the rate of 6.50% per year plus an additional amount based on the dividends paid by the Company on its common stock, \$0.01 par value per share. Interest on the notes is payable semi-annually in arrears on March 1 and September 1 of each year, beginning on September 1, 2021.

Subject to certain restrictions on share ownership and transfer, holders may exchange the notes at their option prior to the close of business on the business day immediately preceding November 25, 2025, but only under the following circumstances: (1) during the five consecutive business day period after any five consecutive trading day period, or the measurement period, in which the trading price per \$1,000 principal amount of notes for each trading day of such measurement period was less than 98% of the product of the last reported sale price of the Company's common stock and the exchange rate for the notes on each such trading day; or (2) upon the occurrence of certain specified corporate events. On or after November 25, 2025, until the close of business on the second scheduled trading day immediately preceding the maturity date of the notes, holders may exchange their notes at any time, regardless of the foregoing circumstances. Upon exchange of a note, GEO will pay or deliver, as the case may be, cash or a combination of cash and shares of the Company's common stock. As of December 31, 2021, conditions had not been met to exchange the notes.

Upon conversion, the Company will pay or deliver, as the case may be, cash or a combination of cash and shares of common stock. The initial conversion rate is 108.4011 shares of common stock per \$ 1,000 principal amount of Convertible Notes (equivalent to an initial conversion price of approximately \$9.225 per share of common stock). The conversion rate will be subject to adjustment in certain events. If the Company or GEOCH undergoes a fundamental change, holders may require GEOCH to purchase the notes in whole or in part for cash at a fundamental change purchase price equal to 100% of the principal amount of the notes to be purchased, plus accrued and unpaid interest, if any, to, but excluding, the fundamental change purchase date.

The Company used the net proceeds from this offering, including the exercise in full of the initial purchasers' over-allotment option to fund the redemption of the then outstanding amount of approximately \$194.0 million of the Company's 5.875% senior notes due 2022, to re-purchase additional senior notes and used remaining net proceeds to pay related transaction fees and expenses, and for general corporate purposes of the Company. As a result of the redemption, deferred loan costs in the amount of approximately \$0.7 million were written off to loss on extinguishment of debt during the year ended December 31, 2021.

The notes were offered in the United States only to persons reasonably believed to be "qualified institutional buyers" pursuant to Rule 144A under the Securities Act, and outside of the United States to non-U.S. persons in compliance with Regulation S under the Securities Act. Neither the notes nor any of the shares of the Company's common stock issuable upon exchange of the notes, if any, have been, or will be, registered under the Securities Act and, unless so registered, may not be offered or sold in the United States, except pursuant to an applicable exemption from the registration requirements under the Securities Act.

The Company elected to early adopt ASU 2020-06, Debt – Debt with Conversion and Other Options and Derivatives and Hedging – Contracts in Entity's Own Equity, on January 1, 2021. The new standard simplifies the accounting for convertible debt by removing the requirements to separately present certain conversion features in equity. In addition, the new standard also simplifies the guidance in ASC 815-40, Derivatives and Hedging – Contract in Entity's Own Equity, by removing certain criteria that must be satisfied to classify a contract as equity. Finally, the new standard revises the guidance on calculating earnings per share. The Company determined under the guidance of the new standard that the embedded conversion option does not require bifurcation and all proceeds were allocated to the Convertible Notes as a single instrument and is included in Long-Term Debt in the accompanying consolidated balance sheets. The costs incurred in the issuance, including the initial purchasers discount, totaling approximately \$9.6 million, are classified as a cash outflow within the financing activities section in the consolidated statement of cash flows, and are also being amortized to expense over the term of the Convertible Notes. The Company did not have any convertible instruments outstanding during 2020.

Because the Company currently intends to settle conversions by paying cash up to the principal amount of the Convertible Notes, with any excess conversion value settled in shares of common stock, the Convertible Notes are being accounted for using the net settlement

method (or treasury stock-type method) for the purposes of calculating diluted earnings per share. Using this method, the denominator will be affected when the average share price of the Company's common stock for a given period is greater than the conversion price of approximately \$ 9.225 per share. There was no dilutive impact for the year ended December 31, 2021.

6.00% Senior Notes due 2026

On April 18, 2016, the Company completed an offering of \$350.0 million aggregate principal amount of 6.00% senior notes due 2026. The 6.00% Senior Notes were offered and sold in a registered offering pursuant to an underwriting agreement, dated as of April 11, 2016 (the "Underwriting Agreement") among the Company, certain of the Company's domestic subsidiaries, as guarantors and the representative for the underwriters named therein. The 6.00% Senior Notes were issued by the Company pursuant to the Indenture, dated as of September 25, 2014 (the "Base Indenture"), by and between the Company and the trustee, as supplemented by a Second Supplemental Indenture, dated as of April 18, 2016 (the "Second Supplemental Indenture" and together with the Base Indenture, the "Indenture"), by and among the Company, the guarantors and the trustee which governs the terms of the 6.00% Senior Notes. The sale of the 6.00% Senior Notes was registered under GEO's prior shelf registration statement on Form S-3 filed on September 12, 2014, as amended (File No. 333-198729). The 6.00% Senior Notes were issued at a coupon rate and yield to maturity of 6.00%. Interest on the 6.00% Senior Notes is payable semi-annually on April 15 and October 15 of each year, commencing on October 15, 2016. The 6.00% Senior Notes mature on April 15, 2026. The Company used the net proceeds to fund the tender offer and the redemption of all of its 6.625% Senior Notes, to pay all related fees, costs and expenses and for general corporate purposes including repaying borrowings under the Company's Revolver.

Up to 35% of the aggregate principal amount of the 6.00% Senior Notes could have been redeemed on or prior to April 15, 2019, with the net cash proceeds from certain equity offerings at a redemption price equal to 106.000% of their principal amount, plus accrued and unpaid interest, if any, to the redemption date. In addition, GEO may, at its option, redeem the 6.00% Senior Notes in whole or in part before April 15, 2021 at a redemption price equal to 100% of the principal amount of the 6.00% Senior Notes being redeemed plus a "make-whole" premium, together with accrued and unpaid interest, if any, to the redemption date.

On or after April 15, 2021, GEO could, at its option, have redeemed all or part of the 6.00% Senior Notes upon not less than 30 nor more than 60 days' notice, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest, if any, on the 6.00% Senior Notes redeemed, to the applicable redemption date, if redeemed during the 12-month period beginning on April 15 of the years indicated below:

Year	Percentage
2022	102.000%
2023	101.000%
2024 and thereafter	100.000%

If there is a "change of control" (as defined in the Indenture), holders of the 6.00% Senior Notes will have the right to cause GEO to repurchase their 6.00% Senior Notes at a price equal to 101% of the principal amount of the 6.00% Senior Notes repurchased plus accrued and unpaid interest, if any, to the purchase date.

The 6.00% Senior Notes are guaranteed on a senior unsecured basis by the guarantors. The 6.00% Senior Notes and the guarantees are unsecured, unsubordinated obligations of GEO and the guarantors. The 6.00% Senior Notes rank equally in right of payment with any unsecured, unsubordinated indebtedness of GEO and the guarantors, including GEO's 5.875% Senior Notes due 2022, the 5.125% Senior Notes due 2023 and the 5.875% Senior Notes due 2024, and the guarantors' guarantees thereof, senior in right of payment to any future indebtedness of GEO and the guarantors that is expressly subordinated to the 6.00% Senior Notes and the guarantees, effectively junior to any secured indebtedness of GEO and the guarantors, including indebtedness under GEO's Senior Credit Facility, to the extent of the value of the assets securing such indebtedness, and structurally junior to all obligations of GEO's subsidiaries that are not guarantors, including trade payables.

The Indenture contains covenants which, among other things, limit the ability of GEO and its "restricted subsidiaries" (as defined in the Indenture) to incur additional indebtedness or issue preferred stock, make dividend payments or other restricted payments (other than the payment of dividends or other distributions, or any other actions necessary to maintain GEO's status as a real estate investment trust), create liens, sell assets, engage in sale and lease back transactions, create or permit restrictions on the ability of the restricted subsidiaries to pay dividends or make other distributions to GEO, enter into transactions with affiliates, and enter into mergers, consolidations or sales of all or substantially all of their assets. These covenants are subject to a number of limitations and exceptions as set forth in the Indenture. The Company was in compliance with all of the covenants of the indenture governing the 6.00% Senior Notes as of December 31, 2021.

The Indenture also contains events of default with respect to, among other things, the following: failure by GEO to pay interest on the 6.00% Senior Notes when due, which failure continues for 30 days; failure by GEO to pay the principal of, or premium, if any, on, the

6.00% Senior Notes when due; failure by GEO or any of its restricted subsidiaries to comply with their obligations to offer to repurchase the 6.00% Senior Notes at the option of the holders of the 6.00% Senior Notes upon a change of control, to offer to redeem the 6.00% Senior Notes under certain circumstances in connection with asset sales with “excess proceeds” (as defined in the Indenture) in excess of \$50.0 million or to observe certain restrictions on mergers, consolidations and sales of substantially all of their assets; the failure by GEO or any guarantor to comply with any of the other agreements in the Indenture, which failure continues for 60 days after notice; and certain events of bankruptcy or insolvency of GEO or a restricted subsidiary that is a significant subsidiary or any group of restricted subsidiaries that together would constitute a significant subsidiary.

5.875% Senior Notes due 2024

On September 25, 2014, the Company completed an offering of \$250.0 million aggregate principal amount of senior unsecured notes (the “5.875% Senior Notes due 2024”). The notes will mature on October 15, 2024 and have a coupon rate and yield to maturity of 5.875%. Interest is payable semi-annually in cash in arrears on April 15 and October 15, beginning April 15, 2015. The 5.875% Senior Notes due 2024 are guaranteed on a senior unsecured basis by all the Company’s restricted subsidiaries that guarantee obligations. The 5.875% Senior Notes due 2024 rank equally in right of payment with any unsecured, unsubordinated indebtedness of the Company and the guarantors, including the Company’s 5.875% Senior Notes due 2022, the 5.125% Senior Notes due 2023, the 6.00% Senior Notes due 2026, and the guarantors’ guarantees thereof, senior in right of payment to any future indebtedness of the Company and the guarantors that is expressly subordinated to the 5.875% Senior Notes due 2024 and the guarantees, effectively junior to any secured indebtedness of the Company and the guarantors, including indebtedness under the Company’s Senior Credit Facility, to the extent of the value of the assets securing such indebtedness, and structurally junior to all obligations of the Company’s subsidiaries that are not guarantors. The sale of the 5.875% Senior Notes due 2024 was registered under the Company’s prior shelf registration statement on Form S-3 filed on September 12, 2014, as supplemented by the Preliminary Prospectus Supplement filed on September 22, 2014 and the Prospectus Supplement filed on September 24, 2014.

The Company could have, at its option, redeemed the 5.875% Senior Notes due 2024 in whole or in part before October 15, 2019 at a redemption price equal to 100% of the principal amount of the 5.875% Senior Notes due 2024 being redeemed plus a “make-whole” premium, together with accrued and unpaid interest, if any, to the redemption date. In addition, the Company may, at its option, redeem the 5.875% Senior Notes due 2024 in whole or in part on or after October 15, 2019 through 2024 and thereafter as indicated below:

Year	Percentage
2022 and thereafter	100.000%

The indenture contains covenants which, among other things, limit the ability of the Company and its restricted subsidiaries to incur additional indebtedness or issue preferred stock, make dividend payments or other restricted payments (other than the payment of dividends or other distributions, or any other actions necessary to maintain the Company’s status as a real estate investment trust), create liens, sell assets, engage in sale and lease back transactions, create or permit restrictions on the ability of the restricted subsidiaries to pay dividends or make other distributions to the Company, enter into transactions with affiliates, and enter into mergers, consolidations or sales of all or substantially all of their assets. These covenants are subject to a number of limitations and exceptions as set forth in the indenture. The Company was in compliance with all of the covenants of the indenture governing the 5.875% Senior Notes due 2024 as of December 31, 2021.

The indenture also contains events of default with respect to, among other things, the following: failure by the Company to pay interest on the 5.875% Senior Notes due 2024 when due, which failure continues for 30 days; failure by the Company to pay the principal of, or premium, if any, on, the 5.875% Senior Notes due 2024 when due; failure by the Company or any of its restricted subsidiaries to comply with their obligations to offer to repurchase the 5.875% Senior Notes due 2024 at the option of the holders of the 5.875% Senior Notes due 2024 upon a change of control, to offer to redeem the 5.875% Senior Notes due 2024 under certain circumstances in connection with asset sales with excess proceeds in excess of \$25.0 million or to observe certain restrictions on mergers, consolidations and sales of substantially all of their assets; the failure by the Company or any guarantor to comply with any of the other agreements in the indenture, which failure continues for 60 days after notice; and certain events of bankruptcy or insolvency of GEO or a restricted subsidiary that is a significant subsidiary or any group of restricted subsidiaries that together would constitute a significant subsidiary.

5.125% Senior Notes due 2023

On March 19, 2013, the Company completed an offering of \$300.0 million aggregate principal amount of senior unsecured notes in a private offering under the Indenture dated as of March 19, 2013 among GEO, certain of its domestic subsidiaries, as guarantors, and the trustee. The 5.125% Senior Notes were offered and sold to “qualified institutional buyers” in accordance with Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”), and outside the United States to non-U.S. persons in accordance with Regulation S under the Securities Act. The notes will mature on April 1, 2023 and have a coupon rate and yield to maturity of 5.125%. Interest is payable semi-annually on April 1 and October 1 each year, beginning October 1, 2013. The 5.125% Senior Notes are guaranteed on a senior unsecured basis by all of the Company’s restricted subsidiaries that guarantee obligations under the Senior Credit Facility, the Company’s 6.00% Senior Notes, the Company’s 5.875% Senior Notes due 2022 and the 5.875% Senior Notes due 2024. The 5.125% Senior Notes and the guarantees are the Company’s general unsecured senior obligations and rank equally in right of payment with all of the Company’s and

the guarantors' existing and future unsecured senior debt, including the Company's 6.00% Senior Notes, the 5.875% Senior Notes due 2022 and the 5.875% Senior Notes due 2024. The 5.125% Senior Notes and the guarantees are effectively subordinated to any of the Company's and the guarantors' existing and future secured debt to the extent of the value of the assets securing such debt, including all anticipated borrowings under the Senior Credit Facility. The 5.125% Senior Notes are structurally subordinated to all existing and future liabilities (including trade payables) of the Company's subsidiaries that do not guarantee the 5.125% Senior Notes.

At any time prior to April 1, 2018, the Company could have, at its option, redeemed all or a part of the 5.125% Senior Notes upon not less than 30 days nor more than 60 days prior notice at a redemption price equal to the sum of (i) 100% of the principal amount thereof, plus (ii) the Applicable Premium (as defined in the indenture) as of the date of redemption, plus (iii) accrued and unpaid interest and liquidated damages, if any, to the date of redemption. On or after April 1, 2018, the Company may, at its option, redeem all or a part of the 5.125% Senior Notes upon not less than 30 days nor more than 60 days notice at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest and liquidated damages, if any, on the 5.125% Senior Notes redeemed, to the applicable redemption date, if redeemed during the period beginning on April 1 of the years indicated below:

Year	Percentage	
2021 and thereafter	100.000	%

If there is a "change of control" (as defined in the Indenture), holders of the 5.125% Senior Notes will have the right to cause GEO to repurchase their 5.125% Senior Notes at a price equal to 101% of the principal amount of the 5.125% Senior Notes repurchased plus accrued and unpaid interest and liquidated damages, if any, to the purchase date.

The indenture governing the 5.125% Senior Notes contains certain covenants, including limitations and restrictions on the Company and its restricted subsidiaries' ability to: incur additional indebtedness or issue preferred stock; make dividend payments or other restricted payments; create liens; sell assets; enter into transactions with affiliates; and enter into mergers, consolidations or sales of all or substantially all of the Company's assets. As of the date of the indenture, all of the Company's subsidiaries, other than certain dormant domestic and other subsidiaries and all foreign subsidiaries in existence on the date of the indenture, were restricted subsidiaries. The Company's failure to comply with certain of the covenants under the indenture governing the 5.125% Senior Notes could cause an event of default of any indebtedness and result in an acceleration of such indebtedness. In addition, there is a cross-default provision which becomes enforceable upon failure of payment of indebtedness at final maturity. The Company's unrestricted subsidiaries will not be subject to any of the restrictive covenants in the indenture. The Company was in compliance with all of the covenants of the indenture governing the 5.125% Senior Notes as of December 31, 2021.

The indenture also contains events of default with respect to, among other things, the following: failure by the Company to pay interest and liquidated damages, if any, on the 5.125% Senior Notes when due, which failure continues for 30 days; failure by the Company to pay the principal of, or premium, if any, on, the 5.125% Senior Notes when due; failure by the Company or any of its restricted subsidiaries to comply with their obligations to offer to repurchase the 5.125% Senior Notes at the option of the holders of the 5.125% Senior Notes upon a change of control, to offer to redeem notes under certain circumstances in connection with asset sales with "excess proceeds" (as defined in the indenture) in excess of \$25.0 million or to observe certain restrictions on mergers, consolidations and sales of substantially all of their assets; the failure by the Company or any guarantor to comply with any of the other agreements in the indenture, which failure continues for 60 days after notice; and certain events of bankruptcy or insolvency of the Company or a restricted subsidiary that is a significant subsidiary or any group of restricted subsidiaries that together would constitute a significant subsidiary.

5.875% Senior Notes due 2022

On October 3, 2013, the Company completed an offering of \$250.0 million aggregate principal amount of senior notes due 2022 (the "5.875% Senior Notes due 2022") in a private offering under the Indenture dated as of October 3, 2013 among GEO, certain of its domestic subsidiaries, as guarantors, and the trustee. The 5.875% Senior Notes due 2022 were offered and sold to "qualified institutional buyers" in accordance with Rule 144A under the Securities Act, and outside the United States to non-U.S. persons in accordance with Regulations S under the Securities Act. The 5.875% Senior Notes due 2022 were issued at a coupon rate and yield to maturity of 5.875%. Interest on the 5.875% Senior Notes due 2022 was payable semi-annually in cash in arrears on January 15 and July 15, commencing on January 15, 2014. The 5.875% Senior Notes due 2022 were to mature on January 15, 2022. The 5.875% Senior Notes due 2022 and the guarantees were the Company's general unsecured senior obligations and rank equally in right of payment with all of the Company's and the guarantors' existing and future unsecured senior debt, including the Company's 6.00% Senior Notes, the 5.125% Senior Notes and the 5.875% Senior Notes due 2024. The 5.875% Senior Notes due 2022 and the guarantees were effectively subordinated to any of the Company's and the guarantors' existing and future secured debt to the extent of the value of the assets securing such debt, including all anticipated borrowings under the Senior Credit Facility. The 5.875% Senior Notes due 2022 were structurally subordinated to all existing and future liabilities (including trade payables) of the Company's subsidiaries that do not guarantee the 5.875% Senior Notes due 2022. The Company redeemed the outstanding amount of 5.875% Senior Notes due 2022 in March 2021 as discussed above.

Debt Repurchases

On August 16, 2019, the Company's Board of Directors authorized the Company to repurchase and/or retire a portion of the 6.00% Senior Notes due 2026, the 5.875% Senior Notes due 2024, the 5.125% Senior Notes due 2023, the 5.875% Senior Notes due 2022 (collectively the "GEO Senior Notes") and the Company's term loan under its Amended Credit Agreement through cash purchases, in open market, privately negotiated transactions, or otherwise, up to an aggregate maximum of \$100.0 million, subject to certain limitations through December 31, 2020. On February 11, 2021, the Company's Board of Directors authorized a new repurchase program for repurchases/retirements of the above referenced Senior Notes and term loan, subject to certain limitations up to an aggregate maximum of \$100.0 through December 31, 2022.

During 2021, the Company repurchased \$22.5 million in aggregate principal amount of its 5.125% Senior Notes due 2023 at a weighted average price of 90.68% for a total cost of \$20.4 million. Additionally, the Company repurchased \$17.2 million in aggregate principal amount of its 5.875% Senior Notes due 2024 at a weighted average price of 79.51% for a total cost of \$13.7 million. As a result of these repurchases, the Company recognized a net gain on extinguishment of debt of \$4.7 million, net of the write-off of associated unamortized deferred loan costs.

During 2020, the Company repurchased approximately \$7.5 million in aggregate principal amount of its 5.875% Senior Notes due 2024 at a weighted average price of 77.28% for a total cost of \$5.8 million. Additionally, during 2020, the Company repurchased approximately \$18.2 million in aggregate principal amount of its 5.125% Senior Notes due 2023 at a weighted average price of 78.99% for a total cost of \$14.3 million. As a result of these repurchases, the Company recognized a net gain on extinguishment of debt of \$5.3 million during the year ended December 31, 2020.

Non-Recourse Debt

Northwest ICE Processing Center

On December 9, 2011, the Washington Economic Development Finance Authority issued \$54.4 million of its Washington Economic Development Finance Authority Taxable Economic Development Revenue Bonds, series 2011 ("2011 Revenue Bonds"). The 2011 Revenue Bonds were issued to provide funds to make a loan to CSC for purposes of reimbursing GEO for costs incurred by GEO for the 2009 expansion of the Northwest ICE Processing Center and paying the costs of issuing the 2011 Revenue Bonds. The payment of principal and interest on the bonds was non-recourse to GEO. None of the bonds nor CSC's obligations under the loan were obligations of GEO nor were they guaranteed by GEO. The 2011 Revenue Bonds matured in October 2021 and were satisfied in full.

Australia - Ravenhall

In connection with a design and build facility project agreement with the State of Victoria, in September 2014 the Company entered into a syndicated facility agreement (the "Construction Facility") to provide debt financing for construction of the project. Refer to Note 6 - Contract Receivable. The Construction Facility provided for non-recourse funding up to AUD 791.0 million, or \$574.5 million, based on exchange rates as of December 31, 2021. Construction draws were funded throughout the project according to a fixed utilization schedule as defined in the syndicated facility agreement. The term of the Construction Facility was through September 2019 and bore interest at a variable rate quoted by certain Australian banks plus 200 basis points. On May 22, 2019, the Company completed an offering of AUD 461.6 million, or \$335.2 million, based on exchange rates as of December 31, 2021, aggregate principal amount of non-recourse senior secured notes due 2042 (the "Non-Recourse Notes"). The amortizing Non-Recourse Notes were issued by Ravenhall Finance Co Pty Limited in a private placement pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended. The Non-Recourse Notes were issued with a coupon and yield to maturity of 4.23% with a maturity date of March 31, 2042. The net proceeds from this offering were used to refinance the outstanding Construction Facility and to pay all related fees, costs and expenses associated with the transaction. Loan costs of approximately \$7.5 million were incurred and capitalized in connection with the offering.

Other

In August 2019, the Company entered into two identical promissory notes in the aggregate amount of \$44.3 million which are secured by loan agreements and mortgage and security agreements on certain real property and improvements. The terms of the promissory notes are through September 1, 2034 and bear interest at LIBOR plus 200 basis points and are payable in monthly installments plus interest. The Company has entered into interest rate swap agreements to fix the interest rate at 4.22%. Included in the balance at December 31, 2021 is \$0.6 million of deferred loan costs incurred in the transaction. Refer to Note 7 - Derivative Financial Instruments for further information.

Debt Repayment

Debt repayment schedules under Finance Lease Obligations, Long-Term Debt, Non-Recourse Debt and the Senior Credit Facility are as follows:

Fiscal Year	Finance Leases	Long-Term Debt	Non-Recourse Debt	Revolver	Term Loans	Total Annual Repayment
(In thousands)						
2022	\$ 1,992	\$ 1,006	\$ 7,696	\$ —	\$ 8,000	\$ 18,694
2023	759	260,441	8,510	—	—	269,710
2024	759	226,507	8,996	784,895	754,000	1,775,157
2025	536	1,274	9,679	—	—	11,489
2026	28	581,325	10,254	—	—	591,607
Thereafter	—	36,015	264,973	—	—	300,988
	4,074	1,106,568	310,108	784,895	762,000	2,967,645
Interest imputed on finance leases	(231)	—	—	—	—	(231)
Original issue discount	—	—	0	—	(1,152)	(1,152)
Current portion	(1,866)	(1,006)	(7,696)	—	(8,000)	(18,568)
Non-current portion	\$ 1,977	\$ 1,105,562	\$ 302,412	\$ 784,895	\$ 752,848	\$ 2,947,694

Guarantees

The Company has entered into certain guarantees in connection with the performance of a facility in Australia (Refer to Note 6 - Contract Receivable). The obligations amounted to approximately AUD59 million, or \$42.8 million, based on exchange rates in effect as of December 31, 2021. These guarantees are secured by outstanding letters of credit under the Company's Revolver as of December 31, 2021. At December 31, 2021, the Company also had seven letters of guarantee outstanding under separate international facilities relating to performance guarantees of its Australian subsidiary totaling \$9.7 million.

Except as discussed above, the Company does not have any off-balance sheet arrangements.

13. Leases

The Company has operating and finance leases for facilities, ground leases, office space, computers, copier equipment and transportation vehicles that have remaining lease terms of one year to seventy-seven years, some of which include options to extend the lease for up to ten years. For leases with terms greater than 12 months, the Company records the related asset and obligation at the present value of the lease payments over the term of the lease. Many of GEO's leases include rental escalation clauses, renewal options and/or termination options that are factored into the determination of lease payments when appropriate. Only renewal or termination options that are reasonably certain to be exercised by the Company are included in the lease term which is used in the calculation of lease liabilities and right-of-use assets. GEO does not typically enter into lease agreements that contain a residual guarantee or that provide for variable lease payments.

When available, GEO uses the rate implicit in the lease to discount lease payments to present value, however, most of GEO's lease agreements do not provide a readily determinable implicit rate. Therefore, the Company must estimate its incremental borrowing rate to discount the lease payments based on information available at lease commencement.

Lease related assets and liabilities are recorded on the balance sheet as follows (in thousands):

	Classification on the Balance Sheet	December 31, 2021	December 31, 2020
Assets			
Operating lease assets	Operating Lease Right-of-Use Assets, Net	112,187	\$ 124,727
Finance lease assets	Property and Equipment, Net	3,420	3,914
Total lease assets		115,607	\$ 128,641

Liabilities				
Current				
Operating	Operating lease liabilities, current portion	\$	28,279	\$ 29,080
Finance [1]	Current portion of finance liabilities, long-term debt and non-recourse debt		1,866	2,041
Noncurrent				
Operating	Operating Lease Liabilities		89,917	101,375
Finance [1]	Finance Lease Liabilities		1,977	2,988
Total lease liabilities		\$	122,039	\$ 135,484

[1] Also refer to Note 12 - Debt.

Certain information related to the lease costs for finance and operating leases is presented as follows (in thousands):

	Year Ended December 31, 2021	Year Ended December 31, 2020
Operating lease cost	\$ 40,020	\$ 39,506
Finance lease cost:		
Amortization of right-of-use assets	1,687	1,225
Interest on lease liabilities	287	352
Total finance lease cost	1,974	1,577
Short-term lease cost	350	3,293
Total lease cost	\$ 42,344	\$ 44,376

Cash paid for amounts included in the measurement of lease liabilities

Operating cash flows for operating leases	38,874	\$ 38,847
Operating cash flows for finance leases	1,255	\$ 276
Financing activities for finance leases	1,289	\$ 1,918
Right-of-use assets obtained in exchange for new operating lease liabilities	10,786	\$ 23,940
Right-of-use assets obtained in exchange for new finance lease liabilities	1,198	\$ 2,260
Weighted average remaining lease term:		
Operating leases	6.2 years	6.8 years
Finance leases	3.8 years	2.9 years
Weighted average discount rate:		
Operating leases	4.56 %	6.47 %
Finance leases	5.26 %	6.47 %

Undiscounted Cash Flows

The table below reconciles the undiscounted cash flows for each of the first five years and total of the remaining years to the operating lease liabilities and finance lease liabilities recorded on the balance sheet as of December 31, 2021 (in thousands).

	Operating Leases	Finance Leases
2022	\$ 36,704	\$ 1,992
2023	28,388	759
2024	22,854	759

2025	14,617	536
2026	9,020	28
Thereafter	26,356	—
Total minimum lease payments	137,939	4,074
Less: amount of lease payment representing interest	(19,743)	(231)
Present value of future minimum lease payments	118,196	3,843
Less: current obligations under leases	(28,279)	(1,866)
Long-term lease obligations	\$ 89,917	\$ 1,977

14. Benefit Plans

The Company's employees participate in an Employee Retirement Savings Plan (the "Retirement Plan") under Section 401(k) of the Internal Revenue Code that covers substantially all U.S. based salaried employees. Employees may contribute a percentage of eligible compensation to the plan, subject to certain limits under the Internal Revenue Code. For the years ended December 31, 2021, 2020 and 2019, the Company provided matching contributions of \$7.3 million, \$8.3 million and \$5.3 million, respectively. The Company has two non-contributory defined benefit pension plans covering certain of the Company's executives. Retirement benefits are based on years of service, employees' average compensation for the last five years prior to retirement and social security benefits. Currently, the plans are not funded. The Company purchased and is the beneficiary of life insurance policies for certain participants enrolled in the plans. There were no significant transactions between the employer or related parties and the plans during 2021, 2020 or 2019.

The Company has a non-qualified deferred compensation agreement with its Chief Executive Officer ("CEO"). The agreement provides for a lump sum payment upon retirement, no sooner than age 55. As of December 31, 2020, the CEO had reached age 55 and was eligible to receive the payment upon retirement. If the Company's CEO had retired as of December 31, 2020, the Company would have had to pay him approximately \$8.9 million in shares of the Company's common stock (determined as of February 26, 2020) plus additional shares credited for dividends declared and paid on the shares of the Company's common stock as further discussed below.

On February 26, 2020 (the "Effective Date"), the Company and its CEO entered into an amended and restated executive retirement agreement that amends the CEO's executive retirement agreement discussed above.

The amended and restated executive retirement agreement provided that upon the CEO's retirement from the Company, the Company would pay a lump sum amount equal to \$8,925,065 (determined as of February 26, 2020) (the "Grandfathered Payment") which was to be paid in the form of a fixed number of shares of the Company's common stock.

On the Effective Date, an amount equal to the Grandfathered Payment was invested in the Company's common stock ("GEO Shares"). The number of the Company's shares of common stock as of the Effective Date was equal to the Grandfathered Payment divided by the closing price of the Company's common stock on the Effective Date (rounded up to the nearest whole number of shares), which equals 553,665 shares of the Company's common stock. Additional shares of the Company's common stock were credited with a value equal to any dividends declared and paid on the Company's shares of common stock, calculated by reference to the closing price of the Company's common stock on the payment date for such dividends (rounded up to the nearest whole number of shares).

The Company had established several trusts for the purpose of paying the retirement benefit pursuant to the amended and restated executive retirement agreement. The trusts are revocable "rabbi trusts" and the assets of the trusts are subject to the claims of the Company's creditors in the event of the Company's insolvency.

The Company repurchased shares of its outstanding common stock under its stock buyback program and contributed such shares to the trusts in order to fund the retirement benefit under the amended and restated executive retirement agreement. In accordance with Accounting Standards Codification ("ASC") 710 – Compensation-General, the shares of common stock held in the rabbi trusts are classified as treasury stock. In addition, the amended and restated executive retirement agreement qualified for equity accounting under ASC 710 and therefore, the fair value of the Grandfathered Payment was reclassified to stockholders' equity.

The Company and its former CEO, subsequently entered into on May 27, 2021, and effective July 1, 2021, an Amended and Restated Executive Retirement Agreement which replaced the February 26, 2020 agreement discussed above. Pursuant to the terms of the Amended and Restated Executive Retirement Agreement, upon the date that the former CEO ceases to provide services to the Company, the Company will pay to the former CEO an amount equal to \$3,600,000 million which shall be paid in cash. As the former CEO's retirement payment will no longer be settled with a fixed number of shares of GEO's common stock, \$3,600,000 million has been reclassified from equity to other

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non-current liabilities in 2021. The balance of the Amended and Restated Executive Retirement Agreement was approximately \$5 million at December 31, 2021. Refer to Note 17 – Commitments, Contingencies and Other Matters for further information.

The long-term portion of the pension liability related to the defined benefit plans as of December 31, 2021 and 2020 was \$31.5 million and \$33.2 million, respectively, and is included in Other Non-Current liabilities in the accompanying consolidated balance sheets. The following table summarizes key information related to the Company's pension plans and retirement agreements. The table illustrates the reconciliation of the beginning and ending balances of the benefit obligation showing the effects during the periods presented attributable to service cost, interest cost, plan amendments, termination benefits, actuarial gains and losses. The assumptions used in the Company's calculation of accrued pension costs are based on market information and the Company's historical rates for employment compensation and discount rates.

	December 31, 2021	December 31, 2020
Accumulated Benefit Obligation, End of Year	\$ 25,417	\$ 25,229
Change in Projected Benefit Obligation		
Projected Benefit Obligation, Beginning of Year	\$ 33,530	\$ 37,551
Service Cost	1,404	1,254
Interest Cost	1,274	1,306
Other reclassification [1]	—	(8,925)
Actuarial (Gain) Loss	(3,505)	3,180
Benefits Paid	(873)	(836)
Projected Benefit Obligation, End of Year	\$ 31,830	\$ 33,530
Change in Plan Assets		
Plan Assets at Fair Value, Beginning of Year	—	—
Company Contributions	873	836
Benefits Paid	\$ (873)	\$ (836)
Plan Assets at Fair Value, End of Year	\$ —	\$ —
Unfunded Status of the Plan		
Amounts Recognized in Accumulated Other Comprehensive Income		
Net Loss	\$ 6,631	\$ 10,925
Total Pension Cost	6,631	10,925
	2021	2020
Components of Net Periodic Benefit Cost		
Service Cost	\$ 1,404	\$ 1,254
Interest Cost	1,274	1,306
Amortization of:		
Net Loss	788	540
Net Periodic Pension Cost	\$ 3,466	\$ 3,100
Weighted Average Assumptions for Expense		
Discount Rate	3.05 %	2.80 %
Expected Return on Plan Assets	N/A	N/A
Rate of Compensation Increase	4.40 %	4.40 %

[1] Represents the reclassification of the fair value of the Grandfathered Payment under the amended and restated executive retirement agreement as discussed above.

The amount included in accumulated other comprehensive income as of December 31, 2021 that has not yet been recognized as a component of net periodic benefit cost is \$6.6 million. The amount included in other accumulated comprehensive income as of December 31, 2021 that is expected to be recognized as a component of net periodic benefit cost in fiscal year 2022 is \$0.4 million.

The benefit payments reflected in the table below represent the Company's obligations to employees that are eligible for retirement or have already retired and are receiving deferred compensation benefits:

Fiscal Year	Pension Benefits
	(In thousands)
2022	\$ 912
2023	904
2024	993
2025	1,059
2026	1,242
Thereafter	26,720
	<u>\$ 31,830</u>

The Company also maintains The GEO Group Inc. Deferred Compensation Plan ("Deferred Compensation Plan"), a non-qualified deferred compensation plan for employees who are ineligible to participate in its qualified 401(k) plan. Eligible employees may defer a fixed percentage of their salary and the Company matches employee contributions up to a certain amount based on the employee's years of service. Payments will be made at retirement age of 65, at termination of employment or earlier depending on the employees' elections. The Company established a rabbi trust; the purpose of which is to segregate the assets of the Deferred Compensation Plan from the Company's cash balances. The funds in the rabbi trust are included in Restricted Cash and Investments in the accompanying Consolidated Balance Sheets. These funds are not available to the Company for any purpose other than to fund the Deferred Compensation Plan; however, these funds may be available to the Company's creditors in the event the Company becomes insolvent. The rabbi trust had a balance of approximately \$42.9 million at December 31, 2021. All employee and employer contributions relative to the Deferred Compensation Plan are made directly to the rabbi trust. The Company recognized expense related to its contributions of \$0.1 million for each of the years ended December 31, 2021, 2020 and 2019. The total liability for this plan at December 31, 2021 and 2020 was approximately \$35.0 million and \$36.9 million, respectively, and is included in Other Non-Current Liabilities in the accompanying Consolidated Balance Sheets. The current portion of this liability was \$3.7 million and \$2.0 million as of December 31, 2021 and 2020, respectively.

15. Business Segments and Geographic Information

Operating and Reporting Segments

The Company conducts its business through four reportable business segments: the U.S. Secure Services segment; the Electronic Monitoring and Supervision Services segment; the Reentry Services segment; and the International Services segment. The Company has identified these four reportable segments to reflect the current view that the Company operates four distinct business lines, each of which constitutes a material part of its overall business. The Company determined that its previously reportable business segment, Facility Construction and Design, no longer qualifies as a reportable segment as it no longer meets certain quantitative thresholds and has been aggregated with the Company's International Services reportable business segment below. In addition, the Company appointed a new Chief Executive Officer, the chief operating decision maker, during fiscal 2021. Based on changes to the way the Company's chief operating decision maker views the business and financial results used to allocate resources to its electronic monitoring and supervision services operations, along with the growth of the business, the Company will report the electronic monitoring and supervision services operation as a separate reportable segment. This new segment will be presented as Electronic Monitoring and Supervision Services. Previously, the electronic monitoring and supervision services operations were included in the GEO Care reportable segment. In addition, the GEO Care reportable segment was renamed Reentry Services and will include services provided to adults for residential and non-residential treatment, educational and community-based programs, pre-release and half-way house programs. The Company has retroactively restated its segment presentation for the years ended December 31, 2021, 2020 and 2019 to reflect these changes.

The U.S. Secure Services segment primarily encompasses U.S.-based secure services business. The Electronic Monitoring and Supervision Services segment, which conducts its services in the United States, represents services provided to adults for monitoring services and evidence-based supervision and treatment programs for community-based parolees, probationers, and pretrial defendants. The Reentry Services segment, which conducts its services in the United States represents services provided to adults for residential and non-residential treatment, educational and community-based programs, pre-release and half-way house programs, The International Services segment primarily consists of secure services operations in South Africa and Australia. Segment disclosures below (in thousands) reflect the results of continuing operations. All transactions between segments are eliminated.

Fiscal Year	2021	2020	2019
Revenues:			
U.S. Secure Services	\$ 1,488,936	\$ 1,571,216	\$ 1,601,679

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Electronic Monitoring and Supervision Services	278,934	241,944	256,954
Reentry Services	274,893	309,398	357,295
International Services	213,849	227,540	261,994
Total revenues	\$ 2,256,612	\$ 2,350,098	\$ 2,477,922
Capital Expenditures:			
U.S. Secure Services	\$ 23,780	\$ 58,410	\$ 54,642
Electronic Monitoring and Supervision Services	29,504	32,972	32,467
Reentry Services	14,675	16,276	28,488
International Services	1,435	1,142	1,647
Total capital expenditures	\$ 69,394	\$ 108,800	\$ 117,244
Depreciation and amortization:			
U.S. Secure Services	\$ 83,721	\$ 80,702	\$ 78,974
Electronic Monitoring and Supervision Services	30,422	31,678	29,828
Reentry Services	18,773	20,154	19,953
International Services	2,261	2,146	2,070
Total depreciation and amortization	\$ 135,177	\$ 134,680	\$ 130,825
Operating Income:			
U.S. Secure Services	\$ 292,925	\$ 298,952	\$ 323,391
Electronic Monitoring and Supervision Services	127,070	97,421	104,538
Reentry Services [1]	50,128	6,740	44,306
International Services	22,266	19,664	16,797
Operating income from segments	\$ 492,389	\$ 422,777	\$ 489,032
General and Administrative Expenses	(204,306)	(193,372)	(185,926)
Total operating income	288,083	229,405	303,106

[1] Operating income for Reentry Services for the year ended December 31, 2020 includes a goodwill impairment charge of \$21.1

Pre-Tax Income Reconciliation of Segments

The following is a reconciliation of the Company's total operating income from its reportable segments to the Company's income before income taxes and equity in earnings of affiliates, in each case, during the years ended December 31, 2021, 2020 and 2019, respectively.

Fiscal Year Ended	2021	2020	2019
	(In thousands)		
Operating income from segments	\$ 492,389	\$ 422,777	\$ 489,032
Unallocated amounts:			
General and administrative expense	(204,306)	(193,372)	(185,926)
Net interest expense	(105,453)	(103,765)	(122,090)
Gain (loss) on extinguishment of debt	4,693	5,319	(4,795)
Net gain (loss) on disposition of assets	5,499	(6,831)	(2,693)
Income before income taxes and equity in earnings of affiliates	\$ 192,822	\$ 124,128	\$ 173,528

	2021	2020
	(In thousands)	
Segment assets:		
U.S. Secure Services	\$ 2,433,023	\$ 2,529,375
Reentry Services	566,916	657,214
Electronic Monitoring and Supervision Services	483,112	401,291
International Services	451,547	488,040
Total segment assets	\$ 3,934,598	\$ 4,075,920

Asset Reconciliation

The following is a reconciliation of the Company's reportable segment assets to the Company's total assets as of December 31, 2021 and 2020, respectively.

	2021	2020
	(In thousands)	
Reportable segment assets	\$ 3,934,598	\$ 4,075,920
Cash	506,491	283,524
Deferred income tax assets	—	36,604
Restricted cash and investments, current and non-current	96,319	64,078
Total assets	\$ 4,537,408	\$ 4,460,126

Geographic Information

During each of the years ended December 31, 2021, 2020 and 2019, the Company's international operations were conducted through (i) the Company's wholly owned Australian subsidiary, The GEO Group Australia Pty. Ltd., through which the Company has management contracts for four correctional facilities, (ii) the Company's wholly owned subsidiaries, GEO Ravenhall Finance Holdings Pty. Ltd. and GEO Ravenhall Holdings Pty. Ltd. which, together, had a design and construction contract for a facility in Ravenhall, Australia which was completed in November 2017, (iii) the Company's wholly-owned subsidiary in South Africa, SACM, through which the Company manages one correctional facility, and (iv) the Company's wholly-owned subsidiary in the United Kingdom, The GEO Group UK Ltd., through which the Company managed the Dungavel House Immigration Removal Centre (GEO transitioned the management contract for Dungavel to the government effective September 30, 2021).

Fiscal Year	2021	2020	2019
	(In thousands)		
Revenues:			
U.S. operations	\$ 2,043,157	\$ 2,123,045	\$ 2,216,401
Australia operations	186,980	201,932	235,462
South African operations	19,527	17,044	18,779
United Kingdom operations	6,948	8,077	7,280
Total revenues	\$ 2,256,612	\$ 2,350,098	\$ 2,477,922
Property and Equipment, net:			
U.S. operations	\$ 2,026,252	\$ 2,109,070	\$ 2,131,877
Australia operations	11,491	12,908	12,215
South African operations	102	127	182
United Kingdom operations	—	90	448
Total Property and Equipment, net	\$ 2,037,845	\$ 2,122,195	\$ 2,144,722

Sources of Revenue

The Company derives most of its revenue from the management of secure facilities through public-private partnerships. The Company also derives revenue from the provision of community-based and youth services, monitoring and evidence-based supervision and treatment programs in the United States, and expansion of new and existing secure facilities, processing centers and reentry centers.

Fiscal Year	2020	2019
	(In thousands)	
Revenues:		
Secure Services	\$ 1,702,785	\$ 1,798,756
Electronic Monitoring and Supervision Services	278,934	241,944
Reentry Services	274,893	309,398
Total revenues	\$ 2,256,612	\$ 2,350,098

Equity in Earnings of Affiliates

Equity in earnings of affiliates for 2021, 2020 and 2019 includes the operating results of the Company's joint ventures in SACS and GEOAmeY. These joint ventures are accounted for under the equity method and the Company's investments in SACS and GEOAmeY are presented as a component of other non-current assets in the accompanying Consolidated Balance Sheets.

The Company has recorded \$3.6 million, \$3.7 million and \$5.0 million in earnings, net of tax impact, for SACS operations during the years ended December 31, 2021, 2020 and 2019, respectively, which are included in equity in earnings of affiliates, net of income tax provision in the accompanying Consolidated Statements of Operations. As of December 31, 2021 and 2020, the Company's investment in SACS was \$10.3 million and \$11.1 million, respectively. The investment is included in other non-current assets in the accompanying Consolidated Balance Sheets. The Company received dividend distributions of \$3.1 million and \$5.9 million, in 2021 and 2020, respectively, from this unconsolidated joint venture.

The Company has recorded \$3.6 million, \$5.5 million and \$4.6 million in earnings, net of tax impact, for GEOAmeY's operations during the years ended December 31, 2021, 2020 and 2019, respectively, which are included in equity in earnings of affiliates, net of income tax provision, in the accompanying Consolidated Statements of Operations. As of December 31, 2021 and 2020, the Company's investment in GEOAmeY was \$10.1 million and \$11.8 million, respectively, and represents its share of cumulative reported earnings. The Company received dividend distributions of \$5.2 million in 2021 from this unconsolidated joint venture. There were no dividend distributions in 2020.

Business Concentration

Except for the major customer noted in the following table, no other single customer made up greater than 10% of the Company's consolidated revenues for the following fiscal years:

Customer	2021	2020	2019
Various agencies of the U.S Federal Government:	58 %	56 %	53 %

The concentrations above relate entirely to the Company's U.S. Secure Services segment.

Credit risk related to accounts receivable is reflective of the related revenues.

16. Income Taxes

The United States and foreign components of income before income taxes and equity in earnings in affiliates are as follows:

	2021	2020	2019
	(In thousands)		
Income before income taxes and equity in earnings in affiliates			
United States	\$ 161,856	\$ 96,428	\$ 155,844
Foreign	30,966	27,700	17,684
Income before income taxes and equity in earnings in affiliates	\$ 192,822	\$ 124,128	\$ 173,528

The provision for income taxes consists of the following components:

	2021	2020	2019
	(In thousands)		
Federal income taxes:			
Current	\$ 20,006	\$ 8,259	\$ 13,018
Deferred	71,202	(255)	(7,028)
	<u>91,208</u>	<u>8,004</u>	<u>5,990</u>
State income taxes:			
Current	8,564	4,146	5,093
Deferred	18,587	47	(383)
	<u>27,151</u>	<u>4,193</u>	<u>4,710</u>
Foreign income taxes:			
Current	7,780	(3,163)	(875)
Deferred	(3,409)	11,429	6,823
	<u>4,371</u>	<u>8,266</u>	<u>5,948</u>
Total U.S. and foreign provision for income taxes	\$ 122,730	\$ 20,463	\$ 16,648

A reconciliation of the statutory U.S. federal tax rate of 21% and the effective income tax rate is as follows:

	2021	2020	2019
	(In thousands)		
Provisions using statutory federal income tax rate	\$ 40,492	\$ 26,067	\$ 36,476
State income taxes, net of federal tax benefit	7,921	3,099	2,421
REIT benefit	—	(12,271)	(22,395)
Change in valuation allowance	389	(1,775)	1,456
Federal tax credits	(1,414)	(2,015)	(2,118)
Foreign income taxes	3,802	1,373	1,934
Tax impact of vested equity compensation	3,621	3,628	185
Impact of REIT termination	70,813	—	—
Change in contingent tax liability	(4,339)	143	168
Other, net	1,445	2,214	(1,479)
Total provision for income taxes	\$ 122,730	\$ 20,463	\$ 16,648

The Company's effective tax rate differs from the U.S. statutory rate of 21% in 2021 primarily due to the non-cash tax expense related to the termination of the REIT status and differs in 2020 and 2019 primarily due to a zero tax rate on earnings generated by the Company's REIT operations. State income taxes, net of federal tax benefits of \$7.9 million, \$3.1 million and \$2.4 million for 2021, 2020 and 2019, respectively, is presented exclusive of the related change in valuation allowance of state income tax deferred items. Net of the related change in valuation allowances the state income taxes, net of federal tax benefits is \$8.4 million, \$2.1 million and \$4.1 million for 2021, 2020 and 2019, respectively.

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The following table presents the breakdown between non-current net deferred tax assets as classified on the balance sheets as of December 31, 2021 and 2020:

	2021	2020
	(In thousands)	
Deferred tax assets - non current	\$ —	\$ 36,604
Deferred tax liabilities - non current	(80,768)	(30,726)
Total net deferred tax assets	<u>\$ (80,768)</u>	<u>\$ 5,878</u>

The significant components of the Company's deferred tax assets and liabilities consisted of the following as of December 31, 2021 and 2020:

	2020	2019
	(In thousands)	
Deferred tax assets:		
Net operating losses	\$ 18,022	\$ 25,260
Accrued liabilities	29,473	30,605
Deferred compensation	19,052	18,906
Accrued compensation	6,694	7,888
Deferred revenue	21,134	15,210
Tax credits	3,065	3,834
Equity awards	3,694	3,402
Depreciation	—	3,069
Operating lease liability	28,756	14,889
Other, net	1,212	777
Valuation allowance	(19,322)	(21,012)
Total deferred tax assets	<u>\$ 111,780</u>	<u>\$ 102,828</u>
Deferred tax liabilities:		
Depreciation	\$ (59,057)	\$ —
Intangible assets	(48,935)	(21,885)
Capitalized transaction costs	(15,229)	(16,165)
Accounting method change	(2,334)	(4,667)
Prepaid expenses and other	(39,739)	(39,925)
Lease right-of-use assets	(27,254)	(14,308)
	<u>\$ (192,548)</u>	<u>\$ (96,950)</u>
Total net deferred tax assets (liabilities)	<u>\$ (80,768)</u>	<u>\$ 5,878</u>

Deferred income taxes should be reduced by a valuation allowance if it is not more likely than not that some portion or all of the deferred tax assets will be realized. On a periodic basis, management evaluates and determines the amount of the valuation allowance required and adjusts such valuation allowance accordingly. At year end 2021 and 2020, the Company has a valuation allowance of \$19.3 million and \$21.0 million, respectively related to deferred tax assets for foreign net operating losses, state net operating losses and state tax credits. The valuation allowance decreased by \$1.7 million during the year ended December 31, 2021.

The Company provides income taxes on the undistributed earnings of non-U.S. subsidiaries except to the extent that such earnings are permanently invested outside the United States. At December 31, 2021, \$10.3 million of accumulated undistributed earnings of non-U.S. subsidiaries were permanently invested outside the United States. At the existing U.S. federal income and applicable foreign withholding tax rates, additional taxes (net of foreign tax credits) of \$0.5 million, consisting solely of withholding taxes, would have to be provided if such earnings were remitted currently.

At December 31, 2021, the Company had \$2.6 million of Federal net operating loss carryforwards and \$204.3 million of combined net operating loss carryforwards in various states which will begin to expire in 2022. The Company has recorded a partial valuation allowance against the deferred tax assets related to the state operating losses.

Also, as of the year ended December 31, 2021, the Company had \$16.0 million of foreign operating losses which carry forward indefinitely and \$2.9 million of state tax credits which will begin to expire in 2022. The Company has recorded a partial valuation allowance against the deferred tax assets related to the foreign operating losses and state tax credits.

The Company recognizes the cost of employee services received in exchange for awards of equity instruments based upon the grant date fair value of those awards. The exercise of non-qualified stock options and vesting of restricted stock awards which have been granted under the Company's equity award plans give rise to compensation income which is includable in the taxable income of the applicable employees and the majority of which is deductible by the Company for federal and state income tax purposes. In the case of non-qualified stock options, the compensation income results from increases in the fair market value of the Company's common stock subsequent to the date of grant. At December 31, 2021, the deferred tax asset net of a valuation allowance related to unexercised stock options and restricted stock grants for which the Company has recorded a book expense was \$3.7 million.

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 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.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	2021	2020	2019
	(In thousands)		
Balance at Beginning of Period	\$ 5,623	\$ 5,469	\$ 4,584
Additions based on tax positions related to the current year	133	44	—
Additions for tax positions of prior years	57	166	994
Reductions as a result of a lapse of applicable statutes of limitations	(4,708)	(56)	(109)
Balance at End of Period	<u>\$ 1,105</u>	<u>\$ 5,623</u>	<u>\$ 5,469</u>

All amounts in the reconciliation are reported on a gross basis and do not reflect a federal tax benefit on state income taxes. The Company has accrued \$1.0 million of accrued uncertain tax benefits as of December 31, 2021 which is inclusive of the federal tax benefit on state income taxes. The Company believes that it is reasonably possible that a decrease may be necessary in the unrecognized tax benefits within twelve months of the reporting date of approximately \$0.2 million, related to state tax exposures, due to a lapse of the statute of limitation. The accrued uncertain tax balance at December 31, 2021 includes \$1.0 million of unrecognized tax benefits which, if ultimately recognized, will reduce the Company's annual effective tax rate.

The Company is subject to income taxes in the U.S. federal jurisdiction, and various states and foreign jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for the years before 2017.

The calculation of the Company's provision (benefit) for income taxes requires the use of significant judgment and involves dealing with uncertainties in the application of complex tax laws and regulations. In determining the adequacy of the Company's provision (benefit) for income taxes, potential settlement outcomes resulting from income tax examinations are regularly assessed. As such, the final outcome of tax examinations, including the total amount payable or the timing of any such payments upon resolution of these issues, cannot be estimated with certainty.

During the years ended December 31, 2021 and 2020, the Company did not recognize any interest and penalties. The Company classifies interest and penalties as interest expense and other expense, respectively.

17. Commitments, Contingencies and Other Matters

CEO Succession Plan

On June 1, 2021, the Company announced that its Board has determined that it was in the best interests of the Company to implement a succession plan for the Chief Executive Officer position given that the Company's Founder, Chairman and Chief Executive Officer, George C. Zoley, was 71 years old and has served with the Company for approximately forty years. The primary objectives of the Board in initiating a succession plan were to secure Mr. Zoley's services on a long-term basis to ensure a proper senior management transition, and to retain a new Chief Executive Officer that would succeed Mr. Zoley in that role. This change will allow Mr. Zoley the ability to focus on planning of the Company's future.

On May 27, 2021, the Board terminated without cause Mr. Zoley's existing employment agreement, effective as of June 30, 2021, and entered into a new five-year employment agreement with Mr. Zoley as Executive Chairman, in a modified role and at reduced compensation effective July 1, 2021. The new employment agreement with Mr. Zoley will secure Mr. Zoley's continuous employment, enabling the Company to continue to benefit from Mr. Zoley's extensive knowledge and experience, and providing for an orderly transition of senior management.

In connection with Mr. Zoley's termination, the Company and Mr. Zoley entered into a Separation and General Release Agreement as of May 27, 2021 (the "Separation Agreement"). Pursuant to the terms of the Separation Agreement, Mr. Zoley will continue to serve as Chief Executive Officer of the Company through June 30, 2021 (the "Separation Date") and received all accrued wages through the Separation Date. Additionally, pursuant to the terms of Mr. Zoley's prior employment agreement, Mr. Zoley received payments in the amount of \$5,851,555, less any applicable taxes and withholdings, which represents the sum of two (2) years of Mr. Zoley's base annualized salary and two (2) times Mr. Zoley's target bonus at the time under GEO's Senior Management Performance Award Plan. Mr. Zoley's restricted stock subject to performance-based vesting at the Separation Date shall vest at such time as the performance goals are met if Mr. Zoley is still providing services to GEO under the Executive Chairman Agreement described below. Mr. Zoley also received \$579,600 for all accrued dividends on his unvested shares of restricted stock. Lastly, Mr. Zoley is entitled to receive certain fringe benefits for a ten (10) year period as set forth in the Separation Agreement, including payment of health insurance premiums under the Consolidated Omnibus Budget Reconciliation Act ("COBRA") for eighteen (18) months and reimbursement of the cost of health insurance coverage for eight and a half (8 1/2) years following the first eighteen (18) months, life insurance, the use of an executive automobile, and personal use of the Company leased aircraft for thirty (30) hours per year. In the event of Mr. Zoley's death within such ten (10) year period, the Company will continue to provide the fringe benefits to Mr. Zoley's covered dependents, and, if applicable to Mr. Zoley's estate.

In order to transition the role of Chief Executive Officer to a successor in an orderly manner, the Board determined it was in the best interests of GEO to create a new officer position for the role of Executive Chairman and appoint Mr. Zoley as Executive Chairman, effective as of July 1, 2021. As a result, the Company and Mr. Zoley on May 27, 2021 entered into an Executive Chairman Employment Agreement effective as of July 1, 2021 (the "Executive Chairman Agreement"). Pursuant to the terms of the Executive Chairman Agreement, Mr. Zoley will serve as Executive Chairman assisting the new Chief Executive Officer in his transition, among other duties and responsibilities, and report directly to the Board of Directors for a term of five years ending on June 30, 2026 and subject to automatic renewals for one-year periods unless either the Company or Mr. Zoley gives written notice at least 1 year prior to the expiration of the term. Under the terms of the Executive Chairman Agreement, Mr. Zoley will be paid an annual base salary of \$1.0 million and will be eligible to receive target annual performance awards equal to 100% of base salary in accordance with the terms of any plan governing senior management performance awards. Mr. Zoley will also be entitled to receive an annual equity incentive award with a grant date fair value equal to 100% of base salary and subject to a time-based vesting schedule of one (1) year from the date of grant. Additionally, the Company will credit Mr. Zoley's account balance under the Amended and Restated Executive Retirement Agreement on an annual basis in an amount equal to 100% of his base salary. Lastly, Mr. Zoley is entitled to participate in all benefits and perquisites available to executive officers of GEO.

The Executive Chairman Agreement provides that upon the termination of the Executive Chairman Agreement by the Company without cause, by Mr. Zoley for good reason or upon Mr. Zoley's death or disability, Mr. Zoley will be entitled to receive a termination payment equal to two times the sum of his annual base salary and the target bonus. In addition, the unvested portion of any equity award will fully vest and the Company will provide Mr. Zoley and any of his covered dependents and heirs with the executive benefits beginning on the date that they are no longer entitled to the fringe benefits (i.e. health insurance coverage, use of an executive automobile, etc.) under the Separation Agreement until the ten (10) year anniversary of the date of termination of the Executive Chairman Agreement.

Upon the termination of the Executive Chairman Agreement by GEO for cause or by Mr. Zoley without good reason, Mr. Zoley will be entitled to only the amount of compensation that is due through the effective date of the termination, including the retirement benefit due to him under his executive retirement agreement. The Executive Chairman Agreement contains restrictive covenants, including a non-competition covenant that runs through the three (3) year period following the termination of the executive's employment, and customary confidentiality and work product provisions.

Appointment of Jose Gordo as Successor Chief Executive Officer

In connection with his appointment, Mr. Gordo and the Company entered into an Executive Employment Agreement (the "Employment Agreement") on May 27, 2021 to provide that Mr. Gordo will be employed by the Company for a three-year term beginning July 1, 2021. Unless the Employment Agreement is sooner terminated, or not renewed, it will automatically extend upon the end of its initial term for a

rolling three-year term. Pursuant to the terms of the Employment Agreement, Mr. Gordo will serve as Chief Executive Officer and report directly to the Executive Chairman. Either Mr. Gordo or the Company may terminate Mr. Gordo's employment under the Employment Agreement for any reason upon not less than thirty (30) days written notice.

Under the terms of the Employment Agreement, Mr. Gordo will be paid an annual base salary of \$900,000, subject to the review and potential increase within the sole discretion of the Compensation Committee. Mr. Gordo will also be entitled to receive a target annual performance award of 85% of Mr. Gordo's base salary and will also be entitled to participate in the Company's stock incentive plan and upon the effective date, the Company granted Mr. Gordo an award of 50,000 performance-shares that will vest ratably over a three-year period.

The Employment Agreement provides that upon the termination of the agreement by Mr. Gordo for good reason, by the Company without cause or upon the death or disability of Mr. Gordo, he will be entitled to receive a termination payment equal to two (2) times the sum of his annual base salary plus target bonus for the fiscal year in which his employment is terminated or, if greater, the target bonus for the fiscal year immediately prior to such termination. The Company will also continue to provide Mr. Gordo and any covered dependents with the Executive Benefits as defined in the Employment Agreement for a period of five (5) years after the date of termination. In the event of Mr. Gordo's death within such five (5) year period, the Company will continue to provide the Executive Benefits to Mr. Gordo's covered dependents, and, if applicable to Mr. Gordo's estate. In addition, the Employment Agreement provides that upon such termination, GEO will transfer all of its interest in any automobile used by the executive pursuant to its employee automobile policy and pay the balance of any outstanding loans or leases on such automobile so that the executive owns the automobile outright. In the event such automobile is leased, the Employment Agreement provides that GEO will pay the residual cost of the lease. In the event the Company does not pay the termination payment by the due date, then any unpaid amount shall bear interest at the rate of eighteen percent (18%) per annum, compounded monthly, until paid. Lastly, all of the outstanding and unvested stock options and restricted stock granted to Mr. Gordo prior to termination will fully vest immediately upon termination; provided, however that any restricted stock that is subject to performance-based vesting shall only vest when and to the extent the Compensation Committee certifies that the performance goals are actually met.

Upon the termination of the Employment Agreement by GEO for cause or by Mr. Gordo without good reason, Mr. Gordo will be entitled to only the amount of compensation that is due through the effective date of the termination. The Employment Agreement includes a non-competition covenant that runs through the three-year period following the termination of the executive's employment, and customary confidentiality and work product provisions.

Amended and Restated Executive Retirement Agreement

The Company and Mr. Zoley entered into on May 27, 2021, and effective as of July 1, 2021, an Amended and Restated Executive Retirement Agreement (the "Amended and Restated Executive Retirement Agreement"). Pursuant to the terms of the Amended and Restated Executive Retirement Agreement, upon the date that Mr. Zoley ceases to provide services to the Company, the Company will pay to Mr. Zoley an amount equal to \$3,600,000 million which shall be paid in cash (the "Grandfathered Payment"). The payment shall be credited with interest at a rate of 5% compounded quarterly (the "Grandfathered Earnings Account"). Additionally, at the end of each calendar year provided that Mr. Zoley is still providing services to the Company pursuant to the Executive Chairman Agreement, the Company will credit an amount equal to \$1,000,000 million at the end of each calendar year (the "Employment Contributions Account"). The Employment Contributions Account will be credited with interest at the rate of 5% compounded quarterly. Upon the date that Mr. Zoley ceases to provide services to the Company, the Company will pay Mr. Zoley in one lump sum cash payment each of the Grandfathered Payment, the Grandfathered Earnings Account and the Employment Contributions Account subject to the six-month delay provided in the Amended and Restated Executive Retirement Agreement.

Collective Bargaining Agreements

The Company had approximately 42% of its workforce covered by collective bargaining agreements at December 31, 2021. Collective bargaining agreements with 14% of employees are set to expire in less than one year.

Contract Developments

On November 1, 2021, we transitioned the operation of our company-owned 600-bed Guadalupe County Correctional Facility to the New Mexico Corrections Department and began a new lease agreement with the State of New Mexico, with a two-year base period and successive two-year renewals through October 2041.

In August 2021 and October 2021, we entered into 5-year contract renewals for our company-owned Broward Transitional Center and our company-owned Aurora ICE Processing Center, respectively.

Effective October 1, 2021, we entered into a six-month contract extension with the USMS for the 770-bed Western Region Detention Facility in California. The contract with the USMS was operating under a two-year option period which was scheduled to end on September 30, 2021.

On September 30, 2021, we announced that we have entered into a new five-year contract with Clearfield County, Pennsylvania to utilize our company-owned 1876-bed Moshannon Valley Facility in Decatur Township, Pennsylvania. Clearfield County is responsible for detainees under a five-year contract with ICE and expects to use the Moshannon Valley Facility to address its capacity needs.

In Delaware County, Pennsylvania, we received notice that the County intends to take over management of the managed-only George W. Hill Correctional Facility effective April 2022.

On August 18, 2021, we were notified by the BOP that it has decided to not exercise the contract renewal option for our company-owned, 1,732-bed Big Springs and the company-owned 1,800-bed Flightline Correctional Facilities in Texas, when the contract base periods expire on November 30, 2022.

On March 5, 2021, we were notified by the BOP that it has decided to not exercise the contract renewal option for the company-owned, 1,940-bed Great Plains Correctional Facility in Oklahoma, when the contract base period expired on May 31, 2021.

On March 15, 2021, we announced that the USMS has decided to not exercise the contract renewal option for our company-owned, 222-bed Queens Detention Facility in New York, when the contract base period ended on March 31, 2021. The contract for the facility generated approximately \$19 million in annualized revenues.

On March 25, 2021, we were notified by the BOP that it has decided to terminate the contract for the county-owned and managed, 1,800-bed Reeves County Detention Center I & II in Texas effective May 10, 2021, which was earlier than the contract base period was scheduled to expire on September 30, 2022.

We were also not awarded the managed-only contracts for the Bay, Graceville and Moore Haven Correctional and Rehabilitation Facilities in Florida during the recent re-bid solicitation process by the State of Florida. We subsequently filed a protest challenging the award of the contracts, and as a result of the protest, we were able to retain the management contract for the Moore Haven Correctional and Rehabilitation Facility. Our contracts for the Bay and Graceville Correctional and Rehabilitation Facilities have been transitioned to a different operator.

Commitments

As of December 31, 2021, the Company had contractual commitments for a number of projects using existing Company financing facilities. The Company's management estimates that these existing capital projects will cost approximately \$20.9 million, of which \$8.3 million was spent through 2021. The Company estimates the remaining capital requirements related to these capital projects to be approximately \$12.6 million. These projects are expected to be completed through 2022.

In addition to these current estimated capital requirements, the Company is currently in the process of bidding on, or evaluating potential bids for the design, construction and management of a number of new projects. In the event that the Company wins bids for these projects and decides to self-finance their construction, its capital requirements could materially increase.

Litigation, Claims and Assessments

On July 7, 2020, a purported shareholder class action lawsuit was filed against the Company, its then Chief Executive Officer, George C. Zoley ("Mr. Zoley"), and its Chief Financial Officer, Brian R. Evans ("Mr. Evans"), in the U.S. District Court for the Southern District of Florida. On October 1, 2020, the court entered an unopposed order appointing lead plaintiffs, approving the selection of counsel, dismissing the initial complaint, and setting a deadline for the filing of an amended complaint. On November 18, 2020, the lead plaintiffs filed a consolidated class action amended complaint. The amended complaint alleged that the Company and Messrs. Zoley and Evans—as well as J. David Donahue ("Mr. Donahue"), the Company's former Senior Vice President and President of the U.S. Secure Services division, and Ann M. Schlarb ("Ms. Schlarb"), the Company's Senior Vice President and President of the GEO Care division—made materially false and misleading statements and/or omissions related to GEO's business—including quality of operations, corporate social responsibility, competitive strengths, pending litigation, business strategies, health and safety, sources of financing, dividend expectations, and COVID-19 procedures. The amended complaint was brought by lead plaintiffs James Michael DeLoach and Edward Oketola, individually and on behalf of a class consisting of all persons and entities—other than the defendants, the officers and directors of the Company, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which the defendants have or had a controlling interest—who purchased or otherwise acquired the Company's securities during the alleged class period from November 7, 2018 to August 5, 2020, inclusive. The amended complaint alleged that the defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Rule 10b-5 promulgated thereunder, and alleged that Messrs. Zoley, Evans, and Donahue and Ms. Schlarb violated Section 20(a) of the Exchange Act. On December 18, 2020, the defendants filed a motion to dismiss the amended complaint. On September 23, 2021, the court granted the motion to dismiss in part, and denied it in part. The court dismissed all claims against Messrs. Evans and Donahue, and Ms. Schlarb. The court also dismissed all claims against GEO and Mr. Zoley other than claims related to GEO's disclosures about pending litigation and directed plaintiffs to file an amended complaint in conformance with the court's order. On October 4, 2021, plaintiffs filed a consolidated class action second amended complaint. The second amended complaint alleges that GEO and Mr. Zoley violated Sections 10(b) and 20(a) of the Exchange Act by making materially false and misleading statements and/or omissions related to pending litigation, and seeks relief on behalf of a putative class consisting of all persons and entities—other than the defendants, the officers and directors of the Company, members of their immediate families and their legal representatives, heirs,

successors or assigns and any entity in which the defendants have or had a controlling interest—who purchased or otherwise acquired the Company’s securities during the alleged class period from November 9, 2018 to August 5, 2020, inclusive. The second amended complaint seeks damages, interest, attorneys’ fees, expert fees, other costs, and such other relief as the court may deem proper. On October 18, 2021, GEO and Mr. Zoley filed a motion to dismiss and/or to strike, arguing that the second amended complaint failed to comply with the court’s prior dismissal order and contains allegations beyond the disclosures and time period permitted by the court. The motion to dismiss is not yet fully briefed and remains pending.

On July 1, 2021, a putative shareholder derivative complaint was filed in Palm Beach County, Florida’s Circuit Court against the Company, as well as its then Chief Executive Officer, Mr. Zoley, its Chief Financial Officer, Mr. Evans, Ms. Schlarb, its Senior Vice President and President of GEO Care, and Company directors Richard H. Glanton, Anne N. Foreman, Christopher C. Wheeler, Julie M. Wood, Guido van Hauwermeiren, Scott M. Kernan, Jose Gordo, and Duane Helkowski (collectively, “Defendants”). The complaint alleges breach of fiduciary duty and unjust enrichment claims against the individual Defendants relating to purported healthcare and quality of care deficiencies, an allegedly inadequate response to the COVID-19 pandemic, alleged forced labor by detainees, and alleged exposure to pending litigation, which purportedly led to damage to GEO. On September 28, 2021, Defendants filed a motion to stay, or alternatively motion to dismiss the complaint. On January 7, 2022, the Court entered an Agreed Order on Stay, staying this action until the resolution of the motion to dismiss and/or to strike pending in the federal purported shareholder class action lawsuit described above.

On November 12, 2021, a putative shareholder derivative complaint was filed in the U.S. District Court for the Southern District of Florida against the Company, as well as its then Chief Executive Officer, Mr. Zoley, its Chief Financial Officer, Mr. Evans, Ms. Schlarb, its Senior Vice President and President of GEO Care, David Venturella, its Senior Vice President, J. David Donahue, its former Senior Vice President, President, GEO Secure Services, and Company directors Richard H. Glanton, Anne N. Foreman, Christopher C. Wheeler, Julie M. Wood, Guido van Hauwermeiren, Scott M. Kernan, Jose Gordo, and Duane Helkowski (collectively, “Defendants”). The complaint alleges that the individual Defendants violated Section 10(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and Rule 10b-5 promulgated thereunder. The complaint also alleges breach of fiduciary duty, aiding and abetting breach of fiduciary duty, unjust enrichment, and waste of corporate assets against the individual Defendants relating to purported healthcare and quality of care deficiencies, an allegedly inadequate response to the COVID-19 pandemic, alleged forced labor by detainees, and alleged exposure to pending litigation, which purportedly led to damage to GEO. On January 14, 2022, the parties filed a joint motion to stay the action. On January 18, 2022, the Court entered an Order Granting Joint Motion to Stay and Administratively Closing Case, staying this action pending the resolution of the federal purported shareholder class action lawsuit described above.

As previously reported and described in the Company’s periodic reports, including most recently in its Form 10-Q for the quarter ended September 30, 2021, former civil immigration detainees at the Aurora ICE Processing Center filed a class action lawsuit on October 22, 2014, against the Company in the U.S. District Court for the District of Colorado. The complaint alleges that the Company was in violation of the Colorado Minimum Wages of Workers Act and the Federal Trafficking Victims Protection Act (“TVPA”). The plaintiff class claims that the Company was unjustly enriched because of the level of payment the detainees received for work performed at the facility, even though the voluntary work program as well as the wage rates and standards associated with the program that are at issue in the case are authorized by the Federal government under guidelines approved by the United States Congress. On July 6, 2015, the court found that detainees were not employees under the Colorado Minimum Wage Order and dismissed this claim. In February 2017, the court granted the plaintiff-class’ motion for class certification on the TVPA and unjust enrichment claims. The plaintiff class seeks actual damages, compensatory damages, exemplary damages, punitive damages, restitution, attorneys’ fees and costs, and such other relief as the court may deem proper. In the time since the Colorado suit was initially filed, three similar lawsuits have been filed - two in Washington and one in California. The first of the two Washington lawsuits was filed on September 9, 2017 by immigration detainees against the Company in the U.S. District Court for the Western District of Washington. The second lawsuit was filed on September 20, 2017 by the State Attorney General against the Company in the Superior Court of the State of Washington for Pierce County, which the Company removed to the U.S. District Court for the Western District of Washington on October 9, 2017. In California, a class-action lawsuit was filed on December 19, 2017 by immigration detainees against the Company in the U.S. District Court Eastern Division of the Central District of California. All three lawsuits allege violations of the respective state’s minimum wage laws. However, the California lawsuit, like the Colorado suit, also includes claims that the Company violated the TVPA and California’s equivalent state statute. The California court certified a nationwide class which would allow the plaintiffs to primarily seek injunctive relief or policy changes at a number of facilities if they are successful on the merits of their claims. On August 9, 2021, the California court conducted a hearing on Defendant’s Motion for Summary Judgment and Motion to Decertify Class, as well as Plaintiffs’ Motion for Partial Summary Judgment. The Motion to Decertify Class was granted. The Plaintiffs’ and Defendant’s Motion for Summary Judgment are pending. On July 2, 2019, the Company filed a Motion for Summary Judgment in the Washington Attorney General’s Tacoma lawsuit based on the Company’s position that its legal defenses prevent the case from proceeding to trial. The federal court in Washington denied the Company’s Motion for Summary Judgment on August 6, 2019. However, on August 20, 2019, the DOJ filed a Statement of Interest, which asked the Washington court to revisit its prior denial of the Company’s intergovernmental immunity defense in the case. While the Washington court ultimately elected not to dismiss the case at the time, its order importantly declared that the Company’s intergovernmental immunity defense was legally viable, to be ultimately determined at trial. After putting the lawsuits on “standby” for most of 2020 due to the COVID-19 pandemic, the trial court entered an order setting both suits for an estimated three-week trial beginning June 1, 2021. The court ordered a remote trial, but with the possibility of in-person proceedings. The order notes the Company’s exception to the remote trial setting. The Company filed a motion for reconsideration of the judge’s order setting a remote trial on April 8, 2021, requesting that the trial date be moved from June 1, 2021 to the earliest possible date after July 1, 2021, when the State of Washington plans to allow in-person trials to resume. On April 9, 2021, the Washington court denied the motion for reconsideration for an in-person trial, ruling that

a “hybrid” trial, with some parts being conducted in-person with COVID-19 precautions, would begin on June 1, 2021. On June 1, 2021, the remote Zoom trial began. On June 17, 2021, the trial judge declared a mistrial when the jury was unable to reach a unanimous verdict. The in-person jury re-trial began on October 12, 2021. In October 2021, an unfavorable jury verdict and combined \$23.2 million judgments were entered against the Company in the retrial of two cases, *State of Washington v. GEO Group and Nwauzor et. al. v. GEO Group* (the “lawsuits”), in the U.S. District Court for the Western District of Washington. The original trial of the lawsuits resulted in a mistrial in June 2021 as that jury was unable to reach a unanimous verdict. The trial court has waived the necessity to post a supersedeas bond for the combined judgments and has stayed enforcement of the verdict and judgments while GEO’s appeal to the U.S. Court of Appeals for the Ninth Circuit is pending.

GEO strongly disagrees with the verdict and judgments in the retrial of the lawsuits. GEO intends to raise several issues on appeal to the U.S. Court of Appeals for the Ninth Circuit, including the applicability of the state of Washington’s Minimum Wage Act to detainees who participate in the federally mandated Voluntary Work Program at the Northwest ICE Processing Center (the “Center”), and the affirmative defenses that GEO believes were wrongly dismissed in these cases. GEO looks forward to having those and other related issues heard on appeal based on GEO’s belief that the cases were wrongly decided. GEO intends to take all necessary steps to vigorously defend itself.

The lawsuits were filed by the State of Washington Attorney General and a private class of detainee plaintiffs. The plaintiffs claimed that Washington State minimum wage laws should be enforced with respect to detainees who volunteer to participate in a Voluntary Work Program administered by GEO at the Center as required by the U.S. Department of Homeland Security under the terms of GEO’s contract. The Center houses persons in the custody of federal immigration authorities while their immigration status is being determined by the federal government.

In a similar lawsuit involving a Voluntary Work Program administered by CoreCivic at an ICE Processing Center in New Mexico, *Ndambi et al. v. CoreCivic*, the U.S. Court of Appeals for the Fourth Circuit ruled in favor of CoreCivic in March 2021. In a unanimous decision in that case, the U.S. Court of Appeals for the Fourth Circuit affirmed a U.S. District Court ruling which dismissed the case and found that detainees who volunteer to participate in the Voluntary Work Program in immigration processing centers are not employees and are not owed wages under the Fair Labor Standards Act and New Mexico’s minimum wage law.

On December 30, 2019, the Company filed a lawsuit for declaratory and injunctive relief challenging California’s newly enacted law - Assembly Bill 32 (AB-32) - which bars the federal government from engaging the Company or any other government contractors to provide detention services for illegal immigrants. The Company’s claims, as described in the lawsuit, are grounded in authoritative legal doctrine that under the Constitution’s Supremacy Clause, the federal government is free from regulation by any state. By prohibiting federal detention facilities in California, the suit argues AB-32 substantially interferes with the ability of USMS and ICE to carry out detention responsibilities for the federal government. Secondly, because AB-32 creates exceptions to the State of California when using the Company or any government contractors (to alleviate overcrowding), California’s statute unlawfully discriminates against the federal government. On December 31, 2019, GEO filed its motion for a preliminary injunction restraining California’s Governor and Attorney General from enforcing AB-32 against the Company’s detention facilities on behalf of USMS and ICE. On January 24, 2020, the United States filed a lawsuit challenging AB-32. The court heard motions for preliminary injunction from the Company and the United States on July 16, 2020. The court ordered the parties to submit supplemental briefing and indicated it would render an opinion sometime after the filing deadline of August 18, 2020. On July 20, 2020 the court consolidated both lawsuits. On October 8, 2020, the court issued an order granting, in part, and denying in part, the Company and the United States’ motions and California’s motion to dismiss. Among other findings, the court (1) dismissed the Company’s intergovernmental immunity claims as well as the United States’ preemption claims as applied to ICE facilities; (2) found that the Company and the United States were likely to succeed on the preemption claims as applied to U.S. Marshals’ facilities and enjoined enforcing AB-32 against those facilities; and (3) refused to enjoin California from enforcing AB-32 against ICE contracts with the Company and the United States. The Company and the United States have appealed to the Ninth Circuit Court of Appeals. Oral argument was held on June 7, 2021. On October 5, 2021, the Ninth Circuit Court of Appeals reversed the lower court’s decision, holding that AB-32 conflicted with federal law and could not stand.

On April 29, 2021, the Company filed a lawsuit for declaratory and injunctive relief challenging the State of Washington’s newly enacted law – House Bill 1090 (EHB 1090) – that purports to prohibit the United States from using detention facilities operated by private contractors to house detainees in the custody of U.S. Immigration and Customs Enforcement (ICE).

The Company establishes accruals for specific legal proceedings when it is considered probable that a loss has been incurred and the amount of the loss can be reasonably estimated. However, the results of these claims or proceedings cannot be predicted with certainty, and an unfavorable resolution of one or more of these claims or proceedings could have a material adverse effect on the Company’s financial condition, results of operations or cash flows. The Company’s accruals for loss contingencies are reviewed quarterly and adjusted as additional information becomes available. The Company does not accrue for anticipated legal fees and costs but expenses those items as incurred.

The nature of the Company’s business also exposes it to various other third-party legal claims or litigation against the Company, including, but not limited to, civil rights claims relating to conditions of confinement and/or mistreatment, sexual misconduct claims brought by prisoners or detainees, medical malpractice claims, product liability claims, intellectual property infringement claims, claims relating to employment matters (including, but not limited to, employment discrimination claims, union grievances and wage and hour claims), property loss claims, environmental claims, automobile liability claims, indemnification claims by its customers and other third parties, contractual claims and claims for personal injury or other damages resulting from contact with the Company’s facilities, programs, electronic monitoring products, personnel or prisoners, including damages arising from a prisoner’s escape or from a disturbance or riot at a facility.

Other Assessment

A state non-income tax audit completed in 2016 included tax periods for which the state tax authority had a number of years ago processed a substantial tax refund. At the completion of the audit fieldwork, the Company received a notice of audit findings disallowing deductions that were previously claimed by the Company, approved by the state tax authority and served as the basis for the approved refund claim. In early January 2017, the Company received a formal Notice of Assessment of Taxes and Demand for Payment from the taxing authority disallowing the deductions. The total tax, penalty and interest assessed is approximately \$19.8 million. The Company is appealing an administrative ruling and disagrees with the assessment and intends to take all necessary steps to vigorously defend its position. The Company has established a reserve based on its estimate of the most probable loss based on the facts and circumstances known to date and the advice of outside counsel in connection with this matter.

Ransomware Attack

On November 3, 2020, the Company began the process of notifying current and former employees and will provide additional notifications as required by applicable state and federal law regarding a ransomware attack that impacted a portion of GEO's information technology systems and a limited amount of data that contained personally identifiable information and protected health information. GEO promptly launched an investigation, engaged legal counsel and other incident response professionals, and notified its customers and law enforcement in response to the incident. GEO implemented a number of containment and remediation measures to address the incident, restore its systems and reinforce the security of its networks and information technology systems. The Company recovered its critical operating data and the incident has not had a significant impact on the Company's business operations or its ability to perform the services required under GEO's contracts with its government customers to or the individuals entrusted to GEO's facilities and programs. At this time, the Company is not aware of any fraud or misuse of information as a result of the incident. Additionally, the Company's financial reporting controls and procedures were not impacted and as a result, the incident did not affect the Company's ability to report accurate financial information in a timely manner. Based on the information currently known and obtained through the investigation of the incident, the Company does not believe the incident will have a material impact on its business, operations or financial results. The Company carries insurance, including cyber insurance, commensurate with its size and the nature of its operations.

Asset Divestiture

On July 1, 2021, the Company completed a divestiture of its youth division, which was organized as a separate independent not-for-profit 501(c)(3) organization ("Abraxas"). The divestiture included the sale of certain non-real estate assets in the Company's Youth division for total consideration of \$10 million which was in the form of an unsecured term note receivable ("Term Note"). The Term Note was to mature July 1, 2026 and bore annual interest at 5%. Principal payments of \$250,000 were to be due annually each year starting July 1, 2022. After June 30, 2023, an additional payment would have been due equal to 50% of the excess cash flow (as defined in the Term Note) in excess of \$1,000,000. The remaining balance was due on the maturity date. Additionally, the Company had provided a \$4 million working capital line of credit ("Grid Note") which was to mature on December 31, 2022 and bore daily interest at prime minus 1%. Each loan under the Grid Note was payable upon the earlier of (i) on demand, (ii) thirty days from the funding date, or (iii) the maturity date. There were no amounts drawn on the Grid Note during 2021. The sale resulted in the assignment of the Company's youth services management contracts to Abraxas. The Company retained the ownership of the youth services real estate assets and have entered into lease agreements with Abraxas for the six company-owned youth facilities. As a result of the transaction, the Company recorded a loss on asset divestiture of approximately \$4.5 million during the year ended December 31, 2021 inclusive of a working capital adjustment. On October 15, 2021, GEO signed a letter agreement with Abraxas and another unrelated not-for-profit entity for the settlement of the Term Note and termination of the Grid Note. In accordance with the letter agreement, Abraxas became affiliated with the other unrelated not-for-profit entity and paid GEO \$8 million in full settlement of the Term Note on December 31, 2021.

CARES Act

On March 27, 2020, the CARES Act was enacted in response to the COVID-19 pandemic. The CARES Act, among other things, allows employers to defer the deposit and payment of the employer's share of Social Security taxes. The deferral applied to deposits and payments of the employer's share of Social Security tax that would otherwise be required to be made during the period beginning on March 27, 2020 and ending on December 31, 2020. The deferred amounts are due to be paid in two equal installments on December 31, 2021 and December 31, 2022. The Company paid the first installment in September 2021. The balance of the deferred payroll taxes is approximately \$20 million as of December 31, 2021 which is included in Accrued Payroll and Related Taxes in the accompanying consolidated balance sheets.

18. Subsequent Events

Options and Restricted Stock Awards

On February 15, 2022, the Compensation Committee of the Board resolved to grant approximately 347,000 options and 1,509,000 shares of restricted stock to certain employees and directors of the Company effective March 1, 2022. Of the total shares of restricted stock granted, 975,000 are performance-based awards which vest subject to the achievement of certain total shareholder return and return on capital employed metrics over a three-year period.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures**Disclosure Controls and Procedures**

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, referred to as the Exchange Act), as of the end of the period covered by this report. On the basis of this review, our management, including our Chief Executive Officer and our Chief Financial Officer, has concluded that as of the end of the period covered by this report, our disclosure controls and procedures were effective to give reasonable assurance that the information required to be disclosed in our reports filed with the Securities and Exchange Commission, or the SEC, under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and to ensure that the information required to be disclosed in the reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, in a manner that allows timely decisions regarding required disclosure.

It should be noted that the effectiveness of our system of disclosure controls and procedures is subject to certain limitations inherent in any system of disclosure controls and procedures, including the exercise of judgment in designing, implementing and evaluating the controls and procedures, the assumptions used in identifying the likelihood of future events, and the inability to eliminate misconduct completely. Accordingly, there can be no assurance that our disclosure controls and procedures will detect all errors or fraud. As a result, by its nature, our system of disclosure controls and procedures can provide only reasonable assurance regarding management's control objectives.

Internal Control Over Financial Reporting**(a) Management's Annual Report on Internal Control Over Financial Reporting**

See "Item 8. — Financial Statements and Supplementary Data — Management's Annual Report on Internal Control Over Financial Reporting" for management's report on the effectiveness of our internal control over financial reporting as of December 31, 2021.

(b) Attestation Report of the Registered Public Accounting Firm

See "Item 8. — Financial Statements and Supplementary Data — Report of Independent Registered Public Accounting Firm" for the report of our independent registered public accounting firm on the effectiveness of our internal control over financial reporting as of December 31, 2021.

(c) Changes in Internal Control over Financial Reporting

Our management is responsible for reporting any changes in our internal control over financial reporting (as such terms are defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the period to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Management believes that there have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the period to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Not applicable.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III**ITEM 10. Directors, Executive Officers and Corporate Governance**

We have adopted a code of business conduct and ethics applicable to all of our directors, officers, employees, agents and representatives, including our consultants. The code strives to deter wrongdoing and promote honest and ethical conduct, the avoidance of conflicts of interest, full, fair, accurate, timely and transparent disclosure, compliance with the applicable government and self-regulatory organization laws, rules and regulations, prompt internal reporting of violations of the code, and accountability for compliance with the code. In addition, we have adopted a code of ethics for the CEO, our senior financial officers and all other employees. The codes can be found on our website at <http://www.geogroup.com> by clicking on the link "About Us" on our homepage and then clicking on the link "Corporate Governance." In addition, the codes are available in print to any shareholder who request them by contacting our Vice President of Corporate Relations at

561-999-7306. In the event that we amend or waive any of the provisions of the code of business conduct and ethics and the code of ethics for the CEO, our senior financial officers and employees that relate to any element of the code of ethics definition enumerated in Item 406(b) of Regulation S-K, we intend to disclose the same on our Investor Relations website. The other information required by this item will be contained in, and is incorporated by reference from, the proxy statement for our 2022 annual meeting of shareholders, which will be filed with the SEC pursuant to Regulation 14A within 120 days after the end of the year covered by this report.

ITEM 11. Executive Compensation

The information required by this item will be contained in, and is incorporated by reference from, the proxy statement for our 2022 annual meeting of shareholders, which will be filed with the SEC pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this report.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item will be contained in, and is incorporated by reference from, the proxy statement for our 2022 annual meeting of shareholders, which will be filed with the SEC pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this report.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item will be contained in, and is incorporated by reference from, the proxy statement for our 2022 annual meeting of shareholders, which will be filed with the SEC pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this report.

ITEM 14. Principal Accounting Fees and Services

The information required by this item will be contained in, and is incorporated by reference from, the proxy statement for our 2022 annual meeting of shareholders, which will be filed with the SEC pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this report.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a)(1) Financial Statements.

The consolidated financial statements of GEO are filed under Item 8 of Part II of this report.

(2) Financial Statement Schedules.

Schedule II — Valuation and Qualifying Accounts — Page 146

All other schedules specified in the accounting regulations of the Securities and Exchange Commission have been omitted because they are either inapplicable or not required.

(3) *Exhibits Required by Item 601 of Regulation S-K. The following exhibits are filed as part of this Annual Report:*

Exhibit Number	Description	
3.1	Amended and Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed on June 30, 2014).	https://www.sec.gov/Archives/edgar/data/923796/000119312514254491/d750635dex31.htm
3.2	Articles of Merger, effective as of June 27, 2014 (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, filed on June 30, 2014).	https://www.sec.gov/Archives/edgar/data/923796/000119312514254491/d750635dex32.htm

3.3	Articles of Amendment to the Amended and Restated Articles of Incorporation of The GEO Group, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed on April 26, 2017).	https://www.sec.gov/Archives/edgar/data/923796/000119312517137344/d384798dex31.htm
3.4	Third Amended and Restated Bylaws of The GEO Group, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed on June 21, 2021).	https://www.sec.gov/Archives/edgar/data/0000923796/000119312521195250/d192125dex31.htm
3.5	Amendment to Third Amended and Restated Bylaws, effective January 21, 2022 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on January 27, 2018).	https://www.sec.gov/Archives/edgar/data/0000923796/000119312522019826/d305099dex31.htm
3.6	Amendment to Third Amended and Restated Bylaws, effective February 14, 2022 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on February 18, 2022).	https://www.sec.gov/Archives/edgar/data/0000923796/000119312522045923/d106900dex31.htm
4.1	Indenture, dated as of March 19, 2013, by and among the Company, the Guarantors party thereto, and Wells Fargo Bank, National Association as Trustee relating to the 5.125% Senior Notes due 2023 (incorporated by reference to Exhibit 4.1 to the Company's Current report on Form 8-K, filed on March 25, 2013).	https://www.sec.gov/Archives/edgar/data/923796/000119312513124536/d509256dex41.htm
4.2	Form of 5.125% Senior Note due 2023 (included in Exhibit 4.1).	https://www.sec.gov/Archives/edgar/data/923796/000119312513124536/d509256dex41.htm
4.3	Supplemental Indenture dated as of June 27, 2014, to Indenture dated as of March 19, 2013, with respect to the Predecessor Registrant's 5.125% Senior Notes, between the Company and Wells Fargo Bank, National Association, as Trustee (incorporated by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K, filed on June 30, 2014).	https://www.sec.gov/Archives/edgar/data/923796/000119312514254491/d750635dex44.htm
4.4	Indenture, dated as of September 25, 2014, by and between GEO and Wells Fargo Bank, National Association, as Trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed on October 1, 2014).	https://www.sec.gov/Archives/edgar/data/923796/000119312514360857/d795633dex41.htm
4.5	First Supplemental Indenture, dated as of September 25, 2014, by and among GEO, certain subsidiary guarantors and Wells Fargo Bank, National Association, as Trustee with respect to the 5.875% Senior Notes due 2024 (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K, filed on October 1, 2014).	https://www.sec.gov/Archives/edgar/data/923796/000119312514360857/d795633dex42.htm
4.6	Form of 5.875% Senior Note due 2024 (included in Exhibit 4.5).	https://www.sec.gov/Archives/edgar/data/923796/000119312514360857/d795633dex42.htm
4.7	Second Supplemental Indenture, dated as of April 18, 2016, by and among The GEO Group, Inc., the subsidiary guarantors named therein and Wells Fargo Bank, National Association, as Trustee with respect to the 6.00% Senior Notes due 2026 (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed on April 18, 2016).	https://www.sec.gov/Archives/edgar/data/923796/000119312516545008/d172173dex41.htm

4.8	Form of 6.00% Senior Notes due 2026 (included in Exhibit 4.7).	https://www.sec.gov/Archives/edgar/data/923796/000119312516545008/d172173dex41.htm
4.9	Indenture, dated as of February 24, 2021, by and among GEO Corrections Holdings, Inc., as issuer, The GEO Group, Inc. and the other guarantors named therein, as guarantors, and the Trustee (portions of this exhibit have been omitted) (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed on March 2, 2021).	https://www.sec.gov/Archives/edgar/data/923796/000119312514254491/d750635dex45.htm
4.10	Form of 6.5% Exchangeable Senior Notes due 2026 (included in Exhibit 4.9).	https://www.sec.gov/Archives/edgar/data/0000923796/000119312521065641/d85561dex41.htm
4.11	Description of Registrant's Securities (incorporated by reference to Exhibit 4.14 to the Company's Annual Report on Form 10-K, filed on February 26, 2020)	https://www.sec.gov/Archives/edgar/data/923796/000119312520049748/d841729dex414.htm
4.12	Form of Indenture for Senior Debt Securities (incorporated by reference to Exhibit 4.1 to the Company's registration statement on Form S-3ASR, filed on October 30, 2020).	https://www.sec.gov/Archives/edgar/data/914670/000119312520282734/d12605dex41.htm
4.13	Form of Indenture for Subordinated Debt Securities (incorporated by reference to Exhibit 4.2 to the Company's registration statement on Form S-3ASR, filed on October 30, 2020).	https://www.sec.gov/Archives/edgar/data/914670/000119312520282734/d12605dex42.htm
10.1	Form of Indemnification Agreement between the Company and its Officers and Directors (incorporated herein by reference to Exhibit 10.3 to the Company's registration statement on Form S-1, filed on May 24, 1994) (P)	
10.2	The GEO Group, Inc. Senior Management Performance Award Plan, as Amended and Restated (incorporated by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-K, filed on February 26, 2019) †	https://www.sec.gov/Archives/edgar/data/923796/000119312519050054/d663410dex103.htm
10.3	Amended and Restated The GEO Group, Inc. Senior Officer Retirement Plan, effective December 31, 2008 (incorporated by reference to Exhibit 10.8 to the Company's Current Report on Form 8-K January 7, 2009) †	https://www.sec.gov/Archives/edgar/data/923796/000095014409000110/g17230exv10w8.htm
10.4	Senior Officer Employment Agreement, dated August 3, 2009, by and between the Company and Brian Evans (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q, filed on August 3, 2009) †	https://www.sec.gov/Archives/edgar/data/923796/000095012309028997/g19984exv10w1.htm
10.5	Senior Officer Employment Agreement, dated February 1, 2016, by and between the Company and J. David Donahue (incorporated herein by reference to Exhibit 10.7 to the Company's Annual Report on Form 10-K, filed on February 25, 2019) †	https://www.sec.gov/Archives/edgar/data/923796/000119312519050054/d663410dex107.htm
10.6	First Amendment to Senior Officer Employment Agreement, effective March 1, 2011, by and between the Company and Brian R. Evans (incorporated by reference to Exhibit 10.28 to the Company's Annual Report on Form 10-K, filed on March 2, 2011) †	https://www.sec.gov/Archives/edgar/data/923796/000095012311020922/g25405exv10w28.htm

10.7	Amended and Restated The GEO Group, Inc. Executive Retirement Plan (effective January 1, 2008) (incorporated by reference to Exhibit 10.36 to the Company's Quarterly Report on Form 10-K, filed on March 1, 2012) †	https://www.sec.gov/Archives/edgar/data/923796/000119312512090269/d259590dex1036.htm
10.8	Amendment to The GEO Group, Inc. Executive Retirement Plan (incorporated by reference to Exhibit 10.37 to the Company's Annual Report on Form 10-K, filed on March 1, 2012) †	https://www.sec.gov/Archives/edgar/data/923796/000119312512090269/d259590dex1037.htm
10.9	The GEO Group, Inc. Deferred Compensation Plan (as amended and restated effective January 1, 2008) (incorporated by reference to Exhibit 10.38 to the Company's Annual Report on Form 10-K, filed on March 1, 2012) †	https://www.sec.gov/Archives/edgar/data/923796/000119312512090269/d259590dex1038.htm
10.10	Amendment to The GEO Group, Inc. Deferred Compensation Plan (incorporated by reference to Exhibit 10.39 to the Company's Annual Report on Form 10-K, filed on March 1, 2012) †	https://www.sec.gov/Archives/edgar/data/0000923796/000119312512090269/d259590dex1039.htm
10.11	Amendment to The GEO Group, Inc. Deferred Compensation Plan (incorporated by reference to Exhibit 10.40 to the Company's Annual Report on Form 10-K, filed on March 1, 2012) †	https://www.sec.gov/Archives/edgar/data/923796/000119312512090269/d259590dex1040.htm
10.12	Letter of Offer, dated August 18, 2016, between The GEO Group, Inc. and HSBC Bank Australia Limited (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on August 24, 2016).	https://www.sec.gov/Archives/edgar/data/923796/000119312516690048/d247455dex101.htm
10.13	Third Amended and Restated Credit Agreement, dated as of March 23, 2017, among The GEO Group, Inc., GEO Corrections Holdings, Inc., as the Borrowers, the Australian Borrowers party thereto, the Lenders party thereto and BNP Paribas, as administrative agent. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on March 29, 2017. Portions of this exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.)	https://www.sec.gov/Archives/edgar/data/923796/000119312517101954/d316743dex101.htm
10.14	Amendment No. 1 to the Third Amended and Restated Credit Agreement, dated as of April 30, 2018, by and among The GEO Group, Inc., GEO Corrections Holdings, Inc., BNP Paribas, as administrative agent for the lenders, the refinancing lenders party thereto and each other lender party thereto (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 4, 2018).	https://www.sec.gov/Archives/edgar/data/923796/000119312518152758/d564439dex101.htm
10.15	Senior Officer Employment Agreement, dated July 21, 2014, by and between the Company and Ann Schlarb (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q, filed on May 6, 2019) †	https://www.sec.gov/Archives/edgar/data/923796/000119312519138425/d651801dex101.htm
10.16	Senior Officer Employment Agreement dated January 1, 2014 by and between the Company and David Venturella (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed on May 6, 2020) †.	https://www.sec.gov/Archives/edgar/data/0000923796/000156459020021968/geo-10q_20200331.htm

10.17	Amendment No. 2 to Third Amended and Restated Credit Agreement, dated June 12, 2019, by and among The GEO Group, Inc. and GEO Corrections Holdings, Inc., as the Borrowers, GEO Australasia Holdings PTY LTD, GEO Australasia Finance Holdings PTY LTD, as trustee of the GEO Australasia Finance Holding Trust, BNP Paribas, as administrative agent, and the lenders party thereto (portions of this exhibit have been omitted) (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q, filed on August 2, 2019)	https://www.sec.gov/Archives/edgar/data/923796/000119312519212102/d759337dex101.htm
10.18	Confidential Separation and General Release Agreement, entered into between Blake Davis and The GEO Group, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on April 21, 2021). †	https://www.sec.gov/Archives/edgar/data/0000923796/000119312521124974/d79491dex101.htm
10.19	Confidential Separation and General Release Agreement, entered into between Blake Davis and The GEO Group, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on April 21, 2021). †	https://www.sec.gov/Archives/edgar/data/0000923796/000119312521124974/d79491dex101.htm
10.20	The GEO Group, Inc. Amended and Restated Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed on May 4, 2021). †	https://www.sec.gov/Archives/edgar/data/0000923796/000119312521150222/d178751dex102.htm
10.21	Separation and General Release Agreement, dated as of May 27, 2021, by and between The GEO Group, Inc. and George C. Zoley (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on June 1, 2021). †	https://www.sec.gov/Archives/edgar/data/0000923796/000119312521177770/d318382dex101.htm
10.22	Executive Chairman Employment Agreement, dated as of May 27, 2021, by and between The GEO Group, Inc. and George C. Zoley (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed on June 1, 2021). †	https://www.sec.gov/Archives/edgar/data/0000923796/000119312521177770/d318382dex102.htm
10.23	Amended and Restated Executive Retirement Agreement, dated as of May 27, 2021, by and between The GEO Group, Inc. and George C. Zoley (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed on June 1, 2021). †	https://www.sec.gov/Archives/edgar/data/0000923796/000119312521177770/d318382dex103.htm
10.24	Executive Employment Agreement, dated as of May 27, 2021, by and between The GEO Group, Inc. and Jose Gordo (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K, filed on June 1, 2021). †	https://www.sec.gov/Archives/edgar/data/0000923796/000119312521177770/d318382dex104.htm
21.1	Subsidiaries of the Company*	
22.1	List of Guarantor Subsidiaries *	
23.1	Consent of Grant Thornton LLP, Independent Registered Public Accounting Firm*	

31.1	Rule 13a-14(a) Certification in accordance with Section 302 of the Sarbanes-Oxley Act of 2002*	
31.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*	
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*	
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*	
101*	The following financial information from the Company's Annual Report on Form 10-K for the year ended December 31, 2021, formatted in Inline XBRL (Extensible Business Reporting Language) includes: (i) the Consolidated Statements of Operations, (ii) the Consolidated Statements of Comprehensive Income (Loss), (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Cash Flows, (v) the Consolidated Statements of Stockholders' Equity, and (vi) the Notes to the Consolidated Financial Statements. The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document.	
104*	Cover Page Interactive Data Title - the cover page XBRL tags are embedded within the Inline XBRL document.	

* Filed herewith.

** Certain exhibits and schedules to the agreement have been omitted pursuant to Item 601(b)(2) of Regulation S-K. We agree to furnish supplementally to the SEC, upon request, a copy of the omitted exhibits and schedules.

*** Portions of this exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

† Management contract or compensatory plan, contract or agreement as defined in Item 402 (a)(3) of Regulation S-K.

Item 16. Form 10-K Summary.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE GEO GROUP, INC.

/s/ BRIAN R. EVANS

Brian R. Evans

Senior Vice President and Chief Financial Officer

Date: February 28, 2022

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ George C. Zoley</u> George C. Zoley	Executive Chairman Director	February 28, 2022
<u>/s/ Jose Gordo</u> Jose Gordo	Chief Executive Officer (principal executive officer)	February 28, 2022
<u>/s/ Brian R. Evans</u> Brian R. Evans	Senior Vice President and Chief Financial Officer (principal financial officer)	February 28, 2022
<u>/s/ Ronald A. Brack</u> Ronald A. Brack	Executive Vice President, Chief Accounting Officer and Controller (principal accounting officer)	February 28, 2022
<u>/s/ Dr. Thomas Bartzokis</u> Dr. Thomas Bartzokis	Director	February 28, 2022
<u>/s/ Julie M. Wood</u> Julie M. Wood	Director	February 28, 2022
<u>/s/ Anne N. Foreman</u> Anne N. Foreman	Director	February 28, 2022
<u>/s/ Richard H. Glanton</u> Richard H. Glanton	Director	February 28, 2022
<u>/s/ Jack Brewer</u> Jack Brewer	Director	February 28, 2022
<u>/s/ Terry Mayotte</u> Terry Mayotte	Director	February 28, 2022
<u>/s/ Andrew Shapiro</u> Andrew Shapiro	Director	February 28, 2022
<u>/s/ Scott M. Kernan</u> Scott M. Kernan	Director	February 28, 2022

THE GEO GROUP, INC.
SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS
For the Years Ended December 31, 2021, 2020 and 2019

Description	Balance at Beginning of Period	Charged to Cost and Expenses	Charged to Other Accounts	Deductions, Actual Charge-Offs	Balance at End of Period
(In thousands)					
YEAR ENDED DECEMBER 31, 2021:					
Allowance for doubtful accounts	\$ 2,674	\$ 63	\$ (1,454)	\$ (128)	\$ 1,155
YEAR ENDED DECEMBER 31, 2020:					
Allowance for doubtful accounts	\$ 3,195	\$ 621	\$ 76	\$ (1,218)	\$ 2,674
YEAR ENDED DECEMBER 31, 2019:					
Allowance for doubtful accounts	\$ 4,183	\$ 190	\$ —	\$ (1,178)	\$ 3,195

SHAREHOLDER INFORMATION

REGIONAL OFFICES

Eastern Region, USA

John Oliver, Regional Vice President

Central Region, USA

Frank Lara, Regional Vice President

Western Region, USA

Paul Laird, Regional Vice President

INTERNATIONAL OFFICES

GEOAmeY, UK

The GEO Group Australia Pty Ltd.

Pieter Bezuidenhout, Managing Director

South African Custodial Management

Lazarus Bahula, Managing Director

EXECUTIVE VICE PRESIDENTS

Ronald A. Brack

Executive Vice President, Chief Accounting Officer & Controller

John E. Christakis

Chief Medical Officer

Beth A. Crews

Executive Vice President, Corporate Counsel and Assistant Secretary

Fred M. Hamdun

Executive Vice President, Community Solutions

Adam M. Hasner

Executive Vice President, Public Policy

Jennifer L. Houston

Executive Vice President, Proposal Development

Lisa Krueger

Executive Vice President, Health Services

Marcel Maier

Executive Vice President, Tax

Shayn P. March

Executive Vice President, Finance and Treasurer

Amber D. Martin

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David M. Meehan

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Executive Vice President, Corporate Relations

Daniel H. Ragsdale

Executive Vice President, Contract Compliance

Jose Rosario

Executive Vice President, Chief Information Officer, and Chief Information Security Officer

Christopher D. Ryan

Executive Vice President, Human Resources

Kyle P. Schiller

Executive Vice President, Administration Secure Services and International Services

Derrick D. Schofield

Executive Vice President, Continuum of Care & Reentry Services

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Executive Vice President, Transportation

Jock A. Waldo

Executive Vice President, BI Incorporated

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Larry J. Sherman

Divisional Vice President, Pricing & Finance

VICE PRESIDENTS

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Emanuel Barr

Vice President, Community and Government Relations

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Vice President, Health Services

Bruce P. Brown

Vice President, Real Estate

Juan D. Castillo

Vice President, Health Services

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Vice President, U.S. and International Secure Services

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Vice President, Risk Management

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Vice President, Product and Sustaining Engineering, BI Incorporated

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Vice President, Construction Services

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Vice President, Operations, U.S. Secure Services

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Vice President, Business Development, BI Incorporated

Ashley Neill

Vice President, Operations, GTI

John D. Thurston

Vice President, Non-Residential Reentry Services, GEO Care

John Tyrrell

Vice President, Pricing

Joe Williams

Vice President, Residential Reentry Services, GEO Care

Gregory R. Wilson

Vice President, Internal Operations, BI Incorporated

CORPORATE & SHAREHOLDER INFORMATION

Corporate and shareholder information, as well as a copy of the Company's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, may be obtained free of charge by contacting Pablo E. Paez, Executive Vice President, Corporate Relations at The GEO Group, Inc., 4955 Technology Way, Boca Raton, Florida 33431 or by visiting the Company's website at www.geogroup.com.

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Officer Certification: The certifications of The GEO Group, Inc.'s Chief Executive Officer and Chief Financial Officer, required under section 302 of the Sarbanes-Oxley Act of 2002, have been filed as exhibits to The GEO Group, Inc.'s Annual Report on Form 10-K. In 2021, The GEO Group, Inc.'s Chief Executive Officer submitted the annual certification to the New York Stock Exchange regarding The GEO Group, Inc.'s compliance with the New York Stock Exchange corporate governance listing standards.

Forward-Looking Statements — Safe Harbor

This Annual Report on Form 10-K and the documents incorporated by reference herein contain "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. "Forward-looking" statements are any statements that are not based on historical information. Statements other than statements of historical facts included in this report, including without limitation, statements regarding our future financial position, business strategy, budgets, projected costs and plans and objectives of management for future operations, are "forward-looking" statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "expect," "anticipate," "intend," "plan," "forecast," "estimate" or "conclude" or the negative of such words or variations of such words and similar expressions. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions, which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements and we can give no assurance that such forward-looking statements will prove to be accurate. Important factors that could cause actual results to differ materially from those expressed or implied by the forward-looking statements, or "cautionary statements," include, but are not limited to: our ability to mitigate the transmission of the current pandemic of the novel coronavirus, or COVID-19, at our secure facilities, processing centers and reentry centers; the magnitude, severity and duration of the COVID-19 pandemic and its impact on our business, financial results, operations and cash flows; our ability to successfully build and/or open facilities as planned, successfully manage such facilities, and successfully integrate such facilities into our operations without substantial additional costs; our ability to estimate the government's level of utilization of public-private partnerships for secure services and the impact of any modifications or reductions by our government customers of their utilization of public-private partnerships; our ability to accurately project the size and growth of public-private partnerships for secure services in the U.S. and internationally and our ability to capitalize on opportunities for public-private partnerships; our ability to successfully respond to any challenges or concerns that our government customers may raise regarding their use of public-private partnerships for secure services, including finding other government customers or alternative uses for facilities where a government customer has discontinued or announced that a contract with us will be discontinued; the impact of adopted or proposed executive action or legislation aimed at limiting public-private partnerships for secure facilities, processing centers and community reentry centers or limiting or restricting the business and operations of financial institutions or others who do business with us; our ability to successfully respond to delays encountered by states pursuing public-private partnerships for secure services and cost savings initiatives implemented by a number of states; our ability to activate the inactive beds at our idle facilities; our ability to maintain or increase occupancy rates at our facilities; the impact of our termination of our REIT election and the discontinuation of quarterly dividend payments and our ability to maximize the use of cash flows to repay debt, deleverage and internally fund growth; our obligations to pay income taxes will increase beginning with our income taxes for the year ended December 31, 2021, which will result in a reduction to our earnings and could have negative consequences to us; we may fail to realize the anticipated benefits of terminating our REIT election or those benefits may take longer to realize than expected, if at all, or may not offset the costs of terminating our REIT election and becoming a taxable C Corporation; if we failed to remain qualified as a REIT for those years we elected REIT status, our taxable income and cash flows would be reduced; our ability to generate cash flows to stockholders when computing our taxable income for those years; our ability to expand, diversify and grow our secure services, reentry, community-based services, evidence-based supervision and treatment programs and secure transportation services businesses; our ability to win management contracts for which we have submitted proposals, retain our current management contracts, or successfully challenge the awards in the management contracts and meet any performance standards required by such management contracts; our ability to raise new project development capital given the often short-term nature of the customers' commitment to use newly developed facilities; our ability to develop long-term earnings visibility; our ability to successfully conduct our operations in the United Kingdom, South Africa and Australia through joint ventures or a consortium; the impact of the anticipated LIBOR transition; the instability of foreign exchange rates, exposing us to currency risks in Australia, the United Kingdom, and South Africa; or other countries in which we may choose to conduct our business; an increase in unremunerated labor rates; our exposure to rising medical costs; our ability to manage costs and expenses relating to ongoing litigation arising from our operations; our ability to successfully pursue our claims and to reverse the recent unfavorable court judgments in the injunctive lawsuits in the State of Washington, our company being required to record an accrual for the judgments in the future, and our ability to defend similar other pending litigation and the effect such litigation may have on our company; our ability to accurately estimate on an annual basis, loss reserves related to general liability, workers' compensation and automobile liability claims; our ability to fulfill our debt service obligations and its impact on our liquidity; our ability to deleverage and repay, refinance or otherwise address our debt maturities in an amount or on the timeline we expect, or at all; we are incurring significant indebtedness in connection with substantial ongoing capital expenditures. Capital expenditures for existing and future projects may materially strain our liquidity, despite current indebtedness levels. We may still incur more indebtedness, which could further exacerbate the risks relating to our indebtedness; the covenants in the indentures governing the 6.50% Convertible Notes, the 6.00% Senior Notes, the 5.125% Senior Notes and the 5.875% Senior Notes and the covenants in our senior credit facility impose significant operating and financial restrictions which may adversely affect our ability to operate our business; servicing our indebtedness will require a significant amount of cash. Our ability to generate cash flows to service our debt obligations and our control and we may not be able to generate the cash required to service our indebtedness; because portions of our senior indebtedness have floating interest rates, a general increase in interest rates would adversely affect cash flows; we depend on distributions from our subsidiaries to make payments on our indebtedness. These distributions may not be made; we may not be able to satisfy our repurchase obligations in the event of a change of control because the terms of our indebtedness and our control and we may not be able to do so; our ability to identify and successfully complete any potential sales of additional Company-owned assets and businesses in commercially advantageous terms on a timely basis, or at all, from time to time, may not have a management contract with a client to operate existing beds at a facility or new beds at a facility that we are expanding, and we cannot assure that a contract will be obtained. Failure to obtain a management contract for existing beds at a facility will subject us to carrying costs with no corresponding management revenue, negative conditions in the capital markets could prevent us from obtaining financing on desirable terms, which could materially harm our business; we are subject to the loss of our facility management contracts, due to executive orders, terminations, non-renewals or competitive re-bids, which could adversely affect our operations and liquidity; including the loss of management contracts with other government customers; our growth depends on our ability to secure contracts to develop and manage new secure facilities, processing centers and community-based facilities and to secure contracts to provide electronic monitoring services, community-based reentry services and monitoring and supervision services; the demand for which is outside our control; we may not be able to meet state requirements for capital investment or locate land for the development of new facilities, which could adversely affect our results of operations and future growth; we partner with a limited number of governmental customers who account for a significant portion of our revenues. The loss of, or a significant decrease in revenues from, these customers could seriously harm our financial condition and results of operations. State budgetary constraints may have a material adverse impact on us; competition for contracts may adversely affect the profitability of our business; we are dependent on government appropriations, which may not be made on a timely basis or at all and may be adversely impacted by budgetary constraints at the federal, state, local and foreign government levels; public resistance to the use of public-private partnerships for secure facilities, processing centers and community reentry centers could result in our inability to obtain new contracts or the loss of existing contracts; we may not be able to obtain or refinance debt financing or enter into commercial arrangements, which could have a material adverse effect on our business, financial condition, results of operations and the market price of our securities; adverse publicity may negatively impact our ability to retain existing contracts and obtain new contracts; we may incur significant start-up and operating costs before we are able to generate sufficient revenue to cover our costs; we may not be able to recoup; failure to comply with extensive government regulation and applicable contractual requirements could have a material adverse effect on our business, financial condition or results of operations; we may face community opposition to facility locations, which may adversely affect our ability to obtain new contracts; our business operations expose us to various risks, including but not limited to: the risk of inadequate insurance coverage for our operations; our business, financial condition or results of operations; we may not be able to obtain or maintain the insurance levels required by our government contracts; our exposure to rising general insurance costs; natural disasters, pandemic outbreaks, global political events and other serious catastrophic events could disrupt operations and otherwise materially adversely affect our business, financial condition or results of operations; our operations may be materially adversely affected if our financial condition and results of operations; we conduct certain of our operations through joint ventures or consortiums, which may lead to disagreements with our joint venture partners or business partners and adversely affect our interest in the joint ventures or consortiums; we are dependent upon our senior management and our ability to attract and retain sufficient qualified personnel; our profitability may be materially adversely affected by inflation; various risks associated with the ownership of real estate may increase costs, expose us to uninsured losses and adversely affect our financial condition and results of operations; risks related to facility construction and development activities may increase our costs related to such activities; the rising cost and increasing difficulty of obtaining adequate levels of surety credit on favorable terms could adversely affect our operating results; adverse developments in our relationship with our employees could adversely affect our business, financial condition or results of operations; technological changes could cause our electronic monitoring products and technology to become obsolete or require the redesign of our electronic monitoring products, which could have a material adverse effect on our business; any negative changes in the level of acceptance of or resistance to the use of electronic monitoring products and services by governmental customers could have a material adverse effect on our business, financial condition and results of operations; we depend on a limited number of third parties to manufacture and supply quality infrastructure components for our electronic monitoring products. If our suppliers cannot provide the components or services we require and with such quality as we expect, our ability to market and sell our electronic monitoring products and services could be harmed; the interruption, cessation or failure of the provision of our services or information systems could adversely affect our business; an inability to acquire, protect or maintain our intellectual property and patents in the electronic monitoring space could harm our ability to compete or grow; our electronic monitoring products could infringe on the intellectual property rights of others, which may lead to litigation that could itself be costly and result in the payment of substantial damages or royalties; and/or our use of, or reliance on, using technology that is essential to our products; we license intellectual property rights in the electronic monitoring space, including patents, from third party owners. If such owners do not properly maintain or enforce the intellectual property underlying such licenses, our competitive position and business prospects could be harmed. Our licensors may also seek to terminate our licenses and sue us for patent infringement; our electronic monitoring products and services could be harmed by the use of our common stock to satisfy our obligations under our securities contracts; our common stock or securities convertible into common stock could adversely affect the market price of our common stock and may be dilutive to current shareholders; various anti-takeover protections applicable to us may make an acquisition of us more difficult and reduce the market value of our common stock; failure to maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 may result in our being unable to obtain the certification of our chief executive officer and chief financial officer and may issue additional debt securities that could limit our operating flexibility and negatively affect the value of our common stock; and other factors contained in our filings with the Securities and Exchange Commission, or the SEC, including, but not limited to, those detailed in the Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K filed with the SEC.

We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. All subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements included in this report.

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WORLD HEADQUARTERS

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