

HOSPITAL AUTHORITY OF
ALBANY-DOUGHERTY COUNTY, GEORGIA



FINANCIAL STATEMENTS

for the years ended July 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hospital Authority of Albany-Dougherty
County, Georgia
Albany, Georgia

We have audited the accompanying financial statements of Hospital Authority of Albany-Dougherty County, Georgia (Authority), which comprise the balance sheets as of July 31, 2021 and 2020, the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hospital Authority of Albany-Dougherty County, Georgia as of July 31, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Albany, Georgia
September 24, 2021



Management's Discussion and Analysis For the year ended July 31, 2021

Our discussion and analysis of the Hospital Authority of Albany-Dougherty County, Georgia's (Authority) financial performance provides an overview of the Authority's financial activities during the fiscal years ended July 31, 2021, 2020 and 2019. Please read it in conjunction with the Authority's financial statements and accompanying notes.

Organizational Highlights

The leasing to Phoebe Putney Memorial Hospital, Inc:

On September 1, 1991, the Authority transferred all assets and day-to-day management of Phoebe Putney Memorial Hospital to Phoebe Putney Memorial Hospital, Inc. (Corporation). The transfer was made pursuant to a lease and transfer agreement (Agreement) dated as of December 11, 1990 between the Authority and the Corporation. During 2009, the lease term was renewed to the original term of forty years. On December 15, 2011 the Authority purchased substantially all assets of Palmyra Park Hospital, LLC (Palmyra), a general acute care hospital located in Albany, Georgia. The Authority operated Palmyra under the name Phoebe North. Effective August 1, 2012 the lease and transfer agreement between the Corporation and the Authority was amended and restated to include the transfer and inclusion of the hospital formerly known as Palmyra, and to renew the lease term for forty years. As consideration for the lease, the Corporation agreed to provide funds sufficient to cover all costs and expenses of the Authority, and to maintain an amount of not less than \$100,000 under the Authority's control to pay all costs and expenses.

Using This Annual Report

The Authority's financial statements consist of three statements – a balance sheet, a statement of revenues, expenses and changes in net position; and a statement of cash flows. These financial statements and related notes provide information about the activities of the Authority, including resources held by the Authority but restricted for specific purposes by contributors, grantors or enabling legislation.

The Balance Sheet and Statement of Revenues, Expenses and Changes in Net Position

One of the most important questions asked about the Authority's finances is, "Is the Authority as a whole better or worse off as a result of the year's activities?" The balance sheet and the statement of revenues, expenses, and changes in net position report information about the Authority's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Management's Discussion and Analysis
For the year ended July 31, 2021

The Statement of Cash Flows

The final required statement is the statement of cash flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities. It provides answers to such questions as "Where did cash come from?" "What was cash used for?" and "What was the change in cash balance during the reporting period?"

The Authority serves an important role as a pass-through entity associated with participation by the Corporation and its affiliated medical entities in certain governmental health care programs. As such, the Authority makes transfers on behalf of these entities for Indigent Care Trust Fund obligations, Upper Payment Limit transfers, and Medicaid Managed Care Physician Group Direct Payment Program transfers. The funds for these supplemental payment program transfers come from the Corporation.

Balance Sheet Data

The Authority's net position is the difference between its assets and liabilities reported on the balance sheet. The following table summarizes the balance sheets as of July 31, 2021, 2020 and 2019:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Assets:			
Current assets	<u>\$ 109,000</u>	<u>\$ 108,000</u>	<u>\$ 106,000</u>
Total assets	<u>\$ 109,000</u>	<u>\$ 108,000</u>	<u>\$ 106,000</u>
Liabilities and net position:			
Current liabilities	\$ 7,000	\$ 11,000	\$ 6,000
Net position	<u>102,000</u>	<u>97,000</u>	<u>100,000</u>
Total liabilities and net position	<u>\$ 109,000</u>	<u>\$ 108,000</u>	<u>\$ 106,000</u>

The balance sheet reflects the net position of the Authority which is total assets less current liabilities presented above. The net position balance as of July 31, 2021 of \$102,000 consists of cash which resides in the Authority's bank account.

Management's Discussion and Analysis
For the year ended July 31, 2021

Statement of Revenue and Expense Data

The following table summarizes the revenues and expenses for the years ended July 31, 2021, 2020 and 2019:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating revenues	\$ 200,000	\$ 52,000	\$ 30,000
Operating expenses	<u>195,000</u>	<u>55,000</u>	<u>35,000</u>
Operating income (loss)	5,000	(3,000)	(5,000)
Net position, beginning of year	<u>97,000</u>	<u>100,000</u>	<u>105,000</u>
Net position, end of year	<u>\$ 102,000</u>	<u>\$ 97,000</u>	<u>\$ 100,000</u>

As consideration for the lease, the Corporation agreed to provide funds sufficient to cover all costs and expenses of the Authority, and to maintain an amount of not less than \$100,000 under the Authority's control to pay all costs and expenses. Operating expenses for the Authority consist of professional/legal fees and bank service charges for the years ended July 31, 2021, 2020, and 2019. During 2021, the Authority engaged in a lease analysis project which resulted in higher overall annual operating expenses for the project's consulting and legal fees.

Capital Assets and Debt

The Authority did not hold any investments in capital assets at the end of 2021, 2020 and 2019.

Under the terms of the Agreement, any debt issued by the Authority will be the responsibility of the Corporation. As of July 31, 2021, approximately \$252,485,000 of Revenue Anticipation Certificates are outstanding in the Authority's name. These certificates are recorded and disclosed in the financial statements of the Corporation for the year ended July 31, 2021.

Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances. If you have questions about this report or need additional financial information, contact the Authority finance department at the following:

Hospital Authority of Albany-Dougherty County, Georgia
417 W 3rd Ave
Albany, GA 31701

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

BALANCE SHEETS, July 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets:		
Cash	\$ <u>109,000</u>	\$ <u>108,000</u>
Total assets	<u>\$ 109,000</u>	<u>\$ 108,000</u>
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable and accrued expenses	\$ 7,000	\$ 11,000
Net position:		
Unrestricted	<u>102,000</u>	<u>97,000</u>
Total liabilities and net position	<u>\$ 109,000</u>	<u>\$ 108,000</u>

See accompanying notes to financial statements.

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
for the years ended July 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating revenues:		
Lease consideration	\$ 200,000	\$ 52,000
Operating expenses:		
Purchased services and other	<u>195,000</u>	<u>55,000</u>
Operating income (loss)	5,000	(3,000)
Net position, beginning of year	<u>97,000</u>	<u>100,000</u>
Net position, end of year	<u>\$ 102,000</u>	<u>\$ 97,000</u>

See accompanying notes to financial statements.

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

STATEMENTS OF CASH FLOWS
for the years ended July 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Funds paid to Georgia Department of Community Health:		
Indigent Care Trust Fund	\$ (1,816,000)	\$ (1,651,000)
Upper Payment Limit	(5,301,000)	(3,138,000)
Medicaid Managed Care Physician Group Payment	(885,000)	-
Transfer from Phoebe Putney Memorial Hospital, Inc.:		
Indigent Care Trust Fund	1,816,000	1,651,000
Upper Payment Limit	5,301,000	3,138,000
Medicaid Managed Care Physician Group Payment	885,000	-
Lease consideration	200,000	52,000
Payments to suppliers	<u>(199,000)</u>	<u>(50,000)</u>
Net cash provided by operating activities	1,000	2,000
Cash, beginning of year	<u>108,000</u>	<u>106,000</u>
Cash, end of year	<u>\$ 109,000</u>	<u>\$ 108,000</u>
Reconciliation of cash to the balance sheet:		
Cash in current assets	<u>\$ 109,000</u>	<u>\$ 108,000</u>
Reconciliation of operating income (loss) to net cash flows provided by operating activities:		
Operating income (loss)	\$ 5,000	\$ (3,000)
Changes in:		
Accounts payable and accrued expenses	<u>(4,000)</u>	<u>5,000</u>
Net cash provided by operating activities	<u>\$ 1,000</u>	<u>\$ 2,000</u>

Supplemental Disclosure:

The Authority serves as the pass-through entity associated with participation by the Corporation and its affiliated medical entities in certain supplemental payment programs through the Georgia Department of Community Health. As a result of this participation, these entities recognized revenues of approximately \$4,944,000 and \$3,777,000 related to the Indigent Care Trust Fund, approximately \$12,176,000 and \$2,771,000 related to the Upper Payment Limit program and approximately \$2,421,000 and \$0 related to the Medicaid Managed Care Physician Group Direct Payment program for the years ended July 31, 2021 and 2020, respectively.

See accompanying notes to financial statements.

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS

July 31, 2021 and 2020

1. Summary of Significant Accounting Policies

Reporting Entity

The Hospital Authority of Albany-Dougherty County, Georgia (Authority) is a public corporation organized to operate, control, and manage matters concerning the County's health care functions.

On September 1, 1991, the Authority implemented a reorganization plan whereby all of the assets and day-to-day management of Phoebe Putney Memorial Hospital were transferred to Phoebe Putney Memorial Hospital, Inc. (Corporation), a not-for-profit corporation, qualified as an organization described in Section 501(c)(3) of the Internal Revenue Code. The transfer was made pursuant to a lease and transfer agreement (Agreement) dated as of December 11, 1990 between the Authority and the Corporation. During 2009, the lease term was renewed to the original term of forty years.

Under the terms of the Agreement, any debt issued by the Authority will be the responsibility of the Corporation. As of July 31, 2021, approximately \$252,485,000 of Revenue Anticipation Certificates are outstanding in the Authority's name. These certificates are recorded and disclosed in the financial statements of the Corporation for the year ended July 31, 2021.

On December 15, 2011, the Authority purchased substantially all assets of Palmyra Park Hospital, LLC (Palmyra), a general acute care hospital located in Albany, Georgia. The Authority operated Palmyra under the name Phoebe North.

Effective August 1, 2012, the lease and transfer agreement between the Corporation and the Authority was amended and restated. The amendment was made for the transfer and inclusion of the hospital formerly known as Palmyra. The amendment included the extension of the lease for a term of forty years from the date of the current amendment. As consideration for the lease, the Corporation agreed to provide funds sufficient to cover all costs and expenses of the Authority, and to maintain an amount of not less than \$100,000 under the Authority's control to pay all costs and expenses.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates 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. Actual results could differ from those estimates.

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HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued
July 31, 2021 and 2020

1. Summary of Significant Accounting Policies, Continued

Enterprise Fund Accounting

The Authority uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. The Authority prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

Net Position

Net position of the Authority is classified as *unrestricted net position*. *Unrestricted net position* is the remaining net amount of assets and liabilities that are not invested in capital assets and do not contain restrictions on their use.

Operating Revenues and Nonoperating Revenues

The Authority's statement of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues. Operating revenues result from consideration received for the operation of the Authority in conjunction with the amended and restated lease and transfer agreement. Nonexchange revenues, including contributions received for purposes other than capital asset acquisition are reported as nonoperating revenues.

Grants and Contributions

Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue.

Income Taxes

The Authority is a governmental entity and is exempt from income taxes. Accordingly, no provision for income taxes has been considered in the accompanying financial statements.

Restricted Resources

When the Authority has both restricted and unrestricted resources available to finance a particular program, it is the Authority's policy to use restricted resources before unrestricted resources.

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HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued
July 31, 2021 and 2020

2. Deposits

State law requires collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts. The Authority's bylaws require that all bank balances be insured or collateralized by U.S. government securities held by the pledging financial institution's trust department in the name of the Authority. The Authority had no uncollateralized cash balances at July 31, 2021 and 2020.

The carrying amount of deposits included in the Authority's balance sheets is as follows:

	<u>2021</u>	<u>2020</u>
Cash	\$ <u>109,000</u>	\$ <u>108,000</u>

3. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses, reported as current liabilities by the Authority at July 31, 2021 and 2020, consisted of these amounts:

	<u>2021</u>	<u>2020</u>
Accounts payable and accrued expenses:		
Payable to suppliers	\$ <u>7,000</u>	\$ <u>11,000</u>

4. Litigation

The Authority is subject to litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Authority's future financial position or results from operations.

5. COVID-19 Coronavirus

The COVID-19 coronavirus outbreak has put an unprecedented strain on the U.S. healthcare system, disrupted or delayed production and delivery of materials and products in the supply chain, and caused staffing shortages. The extent of the impact of COVID-19 depends on certain developments, including the duration and spread of the outbreak, and remedial actions and stimulus measures adopted by local and federal governments, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Authority's financial position or results of operations is uncertain.