

HOSPITAL AUTHORITY OF
ALBANY-DOUGHERTY COUNTY, GEORGIA

FINANCIAL STATEMENTS

for the years ended July 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

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, 2023 and 2022, and 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as of July 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

Continued

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user based on these financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Continued

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 6 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

A handwritten signature in black ink that reads "Draffin & Tucker, LLP". The signature is written in a cursive, flowing style.

Albany, Georgia
September 28, 2023



Management's Discussion and Analysis For the year ended July 31, 2023

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, 2023, 2022 and 2021. 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.

During the fiscal year ended July 31, 2021, the Authority engaged a consultant group to perform a lease analysis to examine the Corporation's compliance with the requirements of the Agreement. In February of 2022, the Authority voted to accept the results of the lease analysis, which found the Corporation in compliance with the requirements of the Agreement.

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.

Continued

Management's Discussion and Analysis
For the year ended July 31, 2023

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.

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 Directed 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, 2023, 2022 and 2021:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Assets:			
Current assets	\$ <u>109,000</u>	\$ <u>113,000</u>	\$ <u>109,000</u>
Total assets	\$ <u>109,000</u>	\$ <u>113,000</u>	\$ <u>109,000</u>
Liabilities and net position:			
Current liabilities	\$ <u>6,000</u>	\$ <u>13,000</u>	\$ <u>7,000</u>
Net position	<u>103,000</u>	<u>100,000</u>	<u>102,000</u>
Total liabilities and net position	\$ <u>109,000</u>	\$ <u>113,000</u>	\$ <u>109,000</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, 2023 of \$103,000 consists of cash which resides in the Authority's bank account.

Continued

Management's Discussion and Analysis
For the year ended July 31, 2023

Statement of Revenue and Expense Data

The following table summarizes the revenues and expenses for the years ended July 31, 2023, 2022 and 2021:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating revenues	\$ 70,000	\$ 30,000	\$ 200,000
Operating expenses	<u>67,000</u>	<u>32,000</u>	<u>195,000</u>
Operating income (loss)	3,000	(2,000)	5,000
Net position, beginning of year	<u>100,000</u>	<u>102,000</u>	<u>97,000</u>
Net position, end of year	<u>\$ 103,000</u>	<u>\$ 100,000</u>	<u>\$ 102,000</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, 2023, 2022, and 2021. 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 2023, 2022 and 2021.

Under the terms of the Agreement, any debt issued by the Authority will be the responsibility of the Corporation. As of July 31, 2023, approximately \$335,900,000 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, 2023.

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

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HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

BALANCE SHEETS, July 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets:		
Cash	\$ 109,000	\$ 113,000
Total assets	<u>\$ 109,000</u>	<u>\$ 113,000</u>
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable and accrued expenses	\$ 6,000	\$ 13,000
Net position:		
Unrestricted	<u>103,000</u>	<u>100,000</u>
Total liabilities and net position	<u>\$ 109,000</u>	<u>\$ 113,000</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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Lease consideration	\$ 70,000	\$ 30,000
Operating expenses:		
Purchased services and other	<u>67,000</u>	<u>32,000</u>
Operating income (loss)	3,000	(2,000)
Net position, beginning of year	<u>100,000</u>	<u>102,000</u>
Net position, end of year	<u>\$ 103,000</u>	<u>\$ 100,000</u>

See accompanying notes to financial statements.

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

STATEMENTS OF CASH FLOWS
for the years ended July 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Funds paid to Georgia Department of Community Health:		
Indigent Care Trust Fund	\$ -	\$ (1,744,000)
Upper Payment Limit	(3,590,000)	(7,119,000)
Medicaid Managed Care Hospital Directed Payment	(4,008,000)	(2,964,000)
Medicaid Managed Care Provider Directed Payment	(3,889,000)	(596,000)
Medicaid Managed Care GA STRONG Payment	(16,371,000)	-
Transfers from Phoebe Putney Memorial Hospital, Inc.:		
Indigent Care Trust Fund	-	1,744,000
Upper Payment Limit	3,590,000	7,119,000
Medicaid Managed Care Hospital Directed Payment	4,008,000	2,964,000
Medicaid Managed Care Provider Directed Payment	3,889,000	596,000
Medicaid Managed Care GA STRONG Payment	16,371,000	-
Lease consideration	70,000	30,000
Payments to suppliers	<u>(74,000)</u>	<u>(26,000)</u>
Net cash provided (used) by operating activities	(4,000)	4,000
Cash, beginning of year	<u>113,000</u>	<u>109,000</u>
Cash, end of year	<u>\$ 109,000</u>	<u>\$ 113,000</u>
Reconciliation of cash to the balance sheet:		
Cash in current assets	<u>\$ 109,000</u>	<u>\$ 113,000</u>
Reconciliation of operating income (loss) to net cash flows provided (used) by operating activities:		
Operating income (loss)	\$ 3,000	\$ (2,000)
Changes in:		
Accounts payable and accrued expenses	<u>(7,000)</u>	<u>6,000</u>
Net cash provided (used) by operating activities	<u>\$ (4,000)</u>	<u>\$ 4,000</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 \$0 and \$4,741,000 related to the Indigent Care Trust Fund, approximately \$10,331,000 and \$16,857,000 related to the Upper Payment Limit Program and approximately \$57,618,000 and \$9,665,000 related to the Medicaid Managed Care Payment Program for the years ended July 31, 2023 and 2022, respectively.

See accompanying notes to financial statements.

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS

July 31, 2023 and 2022

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, 2023, approximately \$335,900,000 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, 2023.

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, 2023 and 2022

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, 2023 and 2022

1. Summary of Significant Accounting Policies, Continued

Recently Adopted Accounting Pronouncement

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, (GASB 91). GASB 91 provides a single method of reporting conduit debt obligations by issuers. The standard clarifies the definition of a conduit debt obligation and establishes that a conduit debt obligation is not a liability of the issuer. It also establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations. GASB 91 is effective for fiscal years beginning after December 15, 2021, with GASB 95 deferral. The Authority has adopted the provisions of GASB 91.

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, 2023 and 2022.

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

	<u>2023</u>	<u>2022</u>
Cash	\$ <u>109,000</u>	\$ <u>113,000</u>

3. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses, reported as current liabilities by the Authority at July 31, 2023 and 2022, consisted of these amounts:

	<u>2023</u>	<u>2022</u>
Accounts payable and accrued expenses:		
Payable to suppliers	\$ <u>6,000</u>	\$ <u>13,000</u>

4. Litigation

The Authority is subject to litigation and regulatory investigations arising in the ordinary 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.

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HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued
July 31, 2023 and 2022

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. The federal Public Health Emergency for COVID-19 expired on May 11, 2023.