

**HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA**

**MINUTES OF NOVEMBER 7, 2013 MEETING**

**(Open Session)**

**Attendees:** Authority Board Members: Ralph Rosenberg; Dr. Charles Lingle; John Hayes; Lamar Reese; Fred Ghiglieri; Rev. Eugene Sherman; Dr. Michael N. Laslie; and Dr. Steven Kitchen; Legal Counsel: James E. Reynolds, Jr. (Ed Wilkin joined the meeting in progress). Also present were: Joel Wernick; Kerry Loudermilk; Thomas Chambless; Joe Austin; and Tom Sullivan and members of the Press; Recorders, Annette Allen and Mary Barfield.

**Absent Authority Members:** Rev. H.B. Johnson

**Call to Order:**

The meeting was called to order by Chairman Rosenberg at 7:30 A.M. in the Willson Board Room of Phoebe's Main Campus.

**Open Meeting and Establish a Quorum:**

Chairman Rosenberg thanked all the members for their presence and participation and established that a quorum was in attendance.

**Approval of the Agenda:**

The proposed Agenda was reviewed and a motion was made by Dr. Lingle and seconded by Lamar Reese, to adopt the Agenda as presented. The motion was approved by all Authority Members in attendance.

**Approval of the Minutes:**

The proposed Minutes of the open session of the August 23, 2013 meeting of the Authority had been provided to the Members prior to this meeting and the same was considered for approval.

Dr. Kitchen made a motion, seconded by Dr. Sherman, to approve the Minutes as previously provided. The motion passed unanimously by vote of all Members in attendance.

**Audited Financial Reports for Authority and for Phoebe Putney Memorial Hospital, Inc.:**

Lin Harris, CPA of Draffin & Tucker, presented and reviewed with the Authority the Audited Financial Statements of both the Authority and Phoebe Putney Memorial Hospital, Inc.(which included Phoebe North) for their respective fiscal years ending July 31, 2013. Following questions, answers and discussions, a motion was made by Dr. Lingle and seconded by Fred Ghiglieri, to approve and accept the Audited Financial Statements of the Authority as presented and also to acknowledge receipt and review of the Audited Financial Statements of Phoebe Putney Memorial Hospital, Inc. Copies of the financial reports as presented are to be kept with the Minutes.

**Interim Financial Reports for Authority and for Phoebe Putney Memorial Hospital, Inc.:**

Kerry Loudermilk made a presentation with respect to interim, internal financial reports for the Authority and also for Phoebe Putney Memorial Hospital, Inc. A copy of a portion of the presentation is attached.

**Phoebe Putney Memorial Hospital CEO Report:**

Mr. Wernick presented a report which included information on the Hospital's reduction of management employees and other staff. Thirty-three management positions were reduced or deleted and numerous non-management positions were also reduced in order to decrease overhead expenses. These employees are generally given priority in filling new openings and to date approximately ten such employees have been re-hired to work in other available positions. Implications of reduction in medicare/medicaid reimbursements were also discussed.

**Closing of the Meeting:**

A motion was made by Dr. Sherman and seconded by Fred Ghiglieri to close the meeting in order to engage in privileged consultation with legal counsel concerning existing claims and litigation and related confidential matters and for discussions concerning proprietary strategic plans and peer review issues for PPMH.

Mr. Rosenberg polled the individual Authority Members with respect to their respective vote on the motion and their votes are shown below:

Ralph Rosenberg	Yes
Dr. Charles Lingle	Yes
Fred Ghiglieri	Yes
Lamar Reese	Yes
Rev. Sherman	Yes
Dr. Michael Laslie	Yes
John Hayes	Yes

Dr. Steven Kitchen                      Yes

The motion having passed, the meeting closed.

**Open Session Reconvened:**

Following a motion by Fred Ghiglieri, seconded by Lamar Reese, the Open Session portion of the Meeting reconvened, all Members in attendance having all voted to do so.

**Presentations to Retiring Members:**

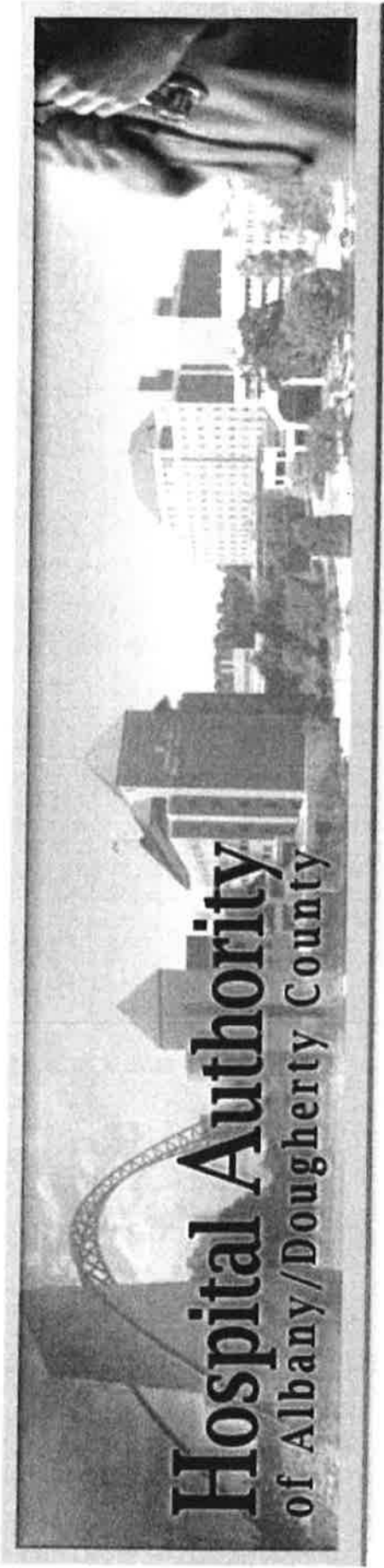
Mr. Rosenberg recognized the long term service of Dr. Sherman and Rev. Johnson as Members of the Hospital Authority. The current term of office of each is expiring at year end and under the County's policies, neither is eligible to be re-appointed. During their terms in office, each served the Authority faithfully as contributing Members of the Authority. Dr. Sherman was presented with a plaque acknowledging his loyal and dedicated service. Rev. Johnson could not be in attendance, however, his plaque will be presented to him outside of the meeting.

**Adjournment:**

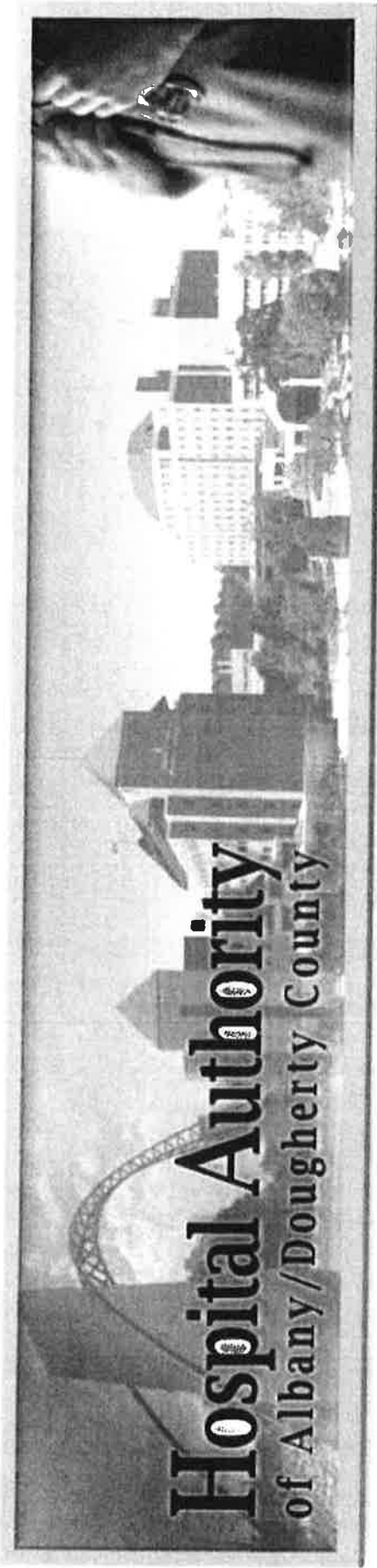
There being no other business brought before the Authority, the meeting adjourned at 9:35 A.M.

  
Mary S. Barfield, Recorder

11/7/2013



# OPEN SESSION PRESENTATIONS



# **PHOEBE PATIENT EXPERIENCES**

**Ed Walls**

**Eric Gause**

**Candice Reid**

**Presented by Joel Wernick  
President/CEO**



# DNV Accreditation Survey

January 21 – 24, 2014

Presented by Joe Austin<sup>7</sup>  
**EXECUTIVE VP/COO**

# **DNV PROCESS**

- ▶ Four Surveyors on-site for four days
- ▶ Survey conducted under CMS Standards
- ▶ In-Depth Review of Process
- ▶ Focused on Process Improvement
- ▶ Survey conducted using “Tracer” methodology



# DNV FINDINGS

- ▶ PPMH Awarded Full Accreditation Status
- ▶ Zero Conditional Findings
- ▶ Four Non-Conformities Identified
- ▶ Excellent Progress made toward ISO Certification Status
- ▶ Lead Surveyor statement at closing conference:

*“ Having surveyed 130 hospitals over the past three years, I have never seen a hospital achieve such remarkable results in a one year period”*





**Hospital Authority**  
of Albany/Dougherty County

# FINANCIAL REPORT

Presented by Kerry Loudermilk  
SRVP/CFO

**HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA**  
**STATEMENTS OF REVENUES, EXPENSES AND**  
**CHANGES IN UNRESTRICTED NET ASSETS**  
**1/31/2014**

	Unaudited January 31, 2014	Audited FY 2013	Audited FY 2012
<b>OPERATING REVENUE:</b>			
Net patient service revenue (net of provision for bad debt)			\$ 35,292,985
Other revenue			605,734
Long Term Lease Revenue	49,998	100,000	
Total Operating Revenue	49,998	100,000	35,898,719
<b>OPERATING EXPENSES:</b>			
Salaries and Wages			11,975,422
Employee health and welfare			4,146,124
Medical supplies and other			12,584,774
Professional services	65,812	2,237,199	2,781,463
Purchased services	-	2,545	5,489,805
Depreciation and amortization			2,626,654
Total Operating Expenses	65,812	2,239,744	39,604,242
Operating Loss	(15,814)	(2,139,744)	(3,705,523)
<b>NONOPERATING INCOME (EXPENSES):</b>			
Contributions from Phoebe Putney Memorial Hospital, Inc.	200,090	1,693,400	4,956,150
Lease Revenue	-	-	1
Gain in Long Term Lease	-	2,910,545	
Interest Expense	-	-	(350,000)
Total Nonoperating Income	200,090	4,603,945	4,606,151
<b>EXCESS OF REVENUE OVER EXPENSE</b>	184,276	2,464,201	900,628

**FINANCIAL HIGHLIGHTS**  
**PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.**  
**MAIN CAMPUS & NORTH CAMPUS COMBINED**  
**FISCAL YEAR ENDING JANUARY 31, 2014**

	Year-to-Date			Prior Year
	Actual	Budget	Variance	
<b>Operating Summary</b> (in thousands)				
Revenues	\$691,287	\$734,559	(\$43,273)	\$699,976
Deductions	451,513	472,260	(20,747)	435,072
Other Operating Revenue	10,339	8,828	1,512	7,119
<b>Net Operating Revenue</b>	<b>\$250,113</b>	<b>\$271,127</b>	<b>(\$21,014)</b>	<b>\$272,023</b>
Expenses	227,439	237,883	(10,444)	234,796
<b>Operating Income (Loss) Before Intercompany Intercompany</b>	<b>\$22,674</b>	<b>\$33,244</b>	<b>(\$10,570)</b>	<b>\$37,227</b>
	28,148	27,414	734	30,945
<b>Operating Income (Loss)</b>	<b>(\$5,473)</b>	<b>\$5,830</b>	<b>(\$11,303)</b>	<b>\$6,282</b>
Non-Operating Income	1,796	1,414	383	1,377
Investment Income	222	72	150	5,908
Interest Expense	3,688	3,479	209	3,663
<b>Net Investment Income (Loss)</b>	<b>(3,467)</b>	<b>(3,408)</b>	<b>(59)</b>	<b>2,245</b>
<b>Net Income</b>	<b>(\$7,144)</b>	<b>\$3,836</b>	<b>\$ (10,980)</b>	<b>\$9,904</b>
<b>EBITDA</b>	<b>\$15,005</b>	<b>\$24,711</b>	<b>(\$9,706)</b>	<b>\$28,913</b>
Operating Margin %	-3.21%	0.77%		0.82%
Operating Margin %(excl Int Exp)	-1.92%	1.91%		1.96%
EBITDA %	6.00%	9.11%		10.63%

	Statistics			Prior Year
	Actual	Budget	Variance	
Admissions	10,360	11,637	(1,277)	11,612
Patient Days	58,427	61,180	(2,753)	62,128
ALOS	5.64	5.26	0.38	5.35
Equivalent OP Days	71,174	69,930	1,244	71,777
E.C. Visits	52,086	53,250	(1,164)	53,160
Convenient Care Visits	19,767	23,935	(4,168)	23,531
Clinic Visits (excludes CCV and Home Care)	423,510	424,097	(587)	395,589
Phoebe Home Service Visits	31,709	0	31,709	28,892
Phoebe Home Service Admissions	1,601	1,659	(58)	1,421
FTE's per Adj Occ Bed	4.25	4.31	(0.06)	4.31

# KHN

Kaiser Health News

## In Southwest Georgia, The Affordable Care Act Is Having Trouble Living Up To Its Name

TOPICS: STATES, HEALTH REFORM, INSURANCE, MARKETPLACE

By JORDAN RAU

KHN Staff Writer

FEB 03, 2014

This KHN story was produced in collaboration with [The Washington Post](#)

ALBANY, Ga. — If Lee Mullins lived in Pittsburgh, he could buy mid-level health coverage for his family for \$940 a month. If he lived in Beverly Hills, he would pay \$1,405.

But Mullins, who builds custom swimming pools, lives in Southwest Georgia. Here, a similar health plan for his family of four costs \$2,654 a month.

This largely agrarian pocket of Georgia, where peanuts and pecans are major crops and hunters bag alligators up to 10 feet long, is nearly the most expensive place in the nation to buy health insurance through the new online marketplaces created by the federal health law. The only place with higher premiums are the Colorado mountain resort areas around Aspen and Vail, a high-cost-of-living area unlike Georgia.

"We're not real happy with the way things are going in our neck of the woods," said David Hardin, Mullins' insurance broker.

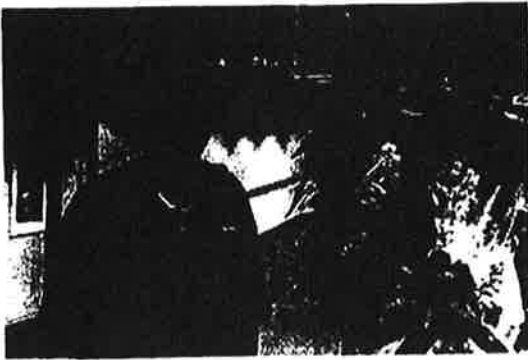
All the dynamics that drive up health costs have coalesced here in Southwest Georgia, pushing up premiums. Expensive chronic conditions such as obesity and cancer are common among the quarter million people in this region. One hospital system dominates the area, leaving little competition. Only one insurer is offering policies in the online marketplace, and many physicians are not participating, limiting consumer choice.

Until these elements are brought under control, it will be challenging for the Affordable Care Act to fully live up to its name, not just here but in other parts of the country where premiums are high. In addition to this part of Georgia and the Colorado mountains, the most expensive of places include rural Nevada, parts of Wisconsin, most of Wyoming, southeastern Mississippi, southwestern Connecticut and Alaska.

In these places, government subsidies are shielding

### Costly Insurance Markets

- ▶ In Southwest Georgia, The Affordable Care Act Is Having Trouble Living Up To Its Name
- ▶ The 10 Most Expensive Insurance Markets In The U.S.



Randy Gray (Photo by Jordan Rau/KHN)

people with low and moderate incomes from the full cost of the premiums. Randy Gray, a flower shop owner in Albany, is paying just \$32 a month, with taxpayers picking up the remaining \$805. "That's just too good," he said.

But for those earning too much to qualify for federal financial help, the premiums can be overwhelming. A 60-year-old making \$47,000 in Albany would have to pay a quarter of her income for the least expensive mid-level "silver" policy, the level most consumers are buying.

Even some people who qualify for federal assistance, such as Stacie Brown, owner of a pottery shop, are balking. The cheapest "bronze" plan for Brown, her husband and son would cost the family \$300 a month but not begin paying medical bills until they exceeded the \$6,300 individual deductible. The cheapest silver plan would cost \$508 a month but not start paying until a \$3,000 individual deductible was met. Her son's pediatrician was not in any of the networks and that was the one medical service she felt sure her family would use.

Brown ultimately bought a \$256-a-month Assurant Health plan for her son, sold outside the marketplace, which covers his pediatrician and unlimited office visits. She and her husband have decided to forgo coverage for themselves, even though they may face a tax penalty of \$700.

"I can't afford the affordable health care," she said. "I don't know anyone in this area who can afford it, and I do pretty well in life."

Others, such as Mullins, last year renewed their expiring plans for one final year. At \$2,150 a month, Mullins' old plan is no bargain. "We've never had cheap rates down here," said Hardin, his broker. "A lot of people just choose to go without coverage. They just present themselves to the emergency room."

### **An Unhealthy Population**

With prices double those in Atlanta, health insurance is pretty much the only thing that is abnormally expensive in Southwest Georgia. The average household income in the Albany metro area is \$46,000, and half of the houses sell for less than \$105,000. A dozen oysters at one of the fancier restaurants costs \$9.



But all the ingredients for heavy health care needs—both medical and socioeconomic—are common in the 12 counties of Southwest Georgia, which are being treated as a distinct region in the insurance market. One in four children live in poverty and one out of every three people here are obese. Babies are more likely than those in most parts of the country to have low birth weights, according to data compiled by the University of Wisconsin Population Health Institute.

"If you look at the Georgia health indices for cancer, obesity, diabetes or pre-metabolic diseases, asthma, stroke, or heart disease, there are many counties that are worse than some Third World countries," said David Hefner, CEO of Georgia Regents Medical Center.

The lowest premiums in the country are around Minneapolis, known for its healthy population. Yet other parts of the country face the same kinds of health challenges as southern Georgia and have significantly lower insurance premiums. In a cluster of five South Carolina counties that the University of Wisconsin data show have demographics similar to Southwest Georgia, the lowest price silver plan is 39 percent less expensive.

Many insurance brokers and residents place the blame for high premiums on the expanding Phoebe Putney Health System, the nonprofit that runs six hospitals in Southwest Georgia. The Federal Trade Commission and Georgia's attorney general unsuccessfully tried to reverse Phoebe's 2012 acquisition of Palmyra Park Hospital in Albany because it made the system so dominant that they said Phoebe could essentially dictate prices. In a settlement, Phoebe was allowed to hold on to Palmyra, giving it 86 percent of the regional health care market.

Phoebe's dominance has also grown as it has purchased more physician practices. "Doctors you thought would never work for Phoebe are now Phoebe employees," said Sue Luckie, an insurance agent in nearby Leesburg.

Mullins, the swimming pool contractor, is not surprised. "Some of the surgeons I have built pools for have moved from Jacksonville," across the state border in Florida, he said. "I have said, 'What would you possess you to move here, this isn't a resort area?' They said, 'We get paid twice as much as in Jacksonville.'"

Fair Health, a New York group that assesses customary charges around the country, examined five common outpatient procedures and exams in Albany, Georgia—the largest city in the nation's second most expensive marketplace. For Kaiser Health News, Fair Health compared the Albany physician charges to the South Carolina counties that had similar health demographics. All were about the same except for chemotherapy, where Albany doctors charged around \$500 for the first hour and South Carolina doctors charged between \$200 and \$300 less. Real price information about Phoebe Putney Health Systems, the dominant hospital group, are not available.

### **'They Deliver The Care'**

It's challenging to assess hospitals' prices here because, like most places, contracts between insurers and hospitals are kept private. Morgan Kendrick, president of Blue Cross and Blue Shield of Georgia, the only insurer in the marketplace, said Phoebe is "slightly more expensive" than hospitals in other markets, but the insurer has no other options.



Joel Wernick (Photo by Todd Stone)

"There are not many choices from the provider perspective," Kendrick said. "They deliver the care in that area, period, stop."

Joel Wernick, president and CEO of the hospital system, said complaints of high prices are unsubstantiated. "We've not really raised prices or altered our prices in some time," he said in an interview.

But insurance brokers and health policy experts said that Phoebe's rates for private insurers are higher than they would otherwise be to make up for the money the system loses when it cares for the large uninsured population. Aside from MillerCoors and Procter & Gamble, there are not a lot of large employers that hospitals and doctors usually rely on for rich payments. "At the end of the day, if you're an institution this size and you've got a small commercial population, you've got to get that money from somewhere," said John Crew, a Savannah consultant to hospitals

and physicians.

Almost 11 percent of Phoebe's bills were not collected because the services were provided to patients who either couldn't or did not pay, according to the hospital's most recent audit. Erik Johnson, an expert on hospital finances at Avalere, a consulting firm in Washington, said the amount of uncompensated care is "very high."

"I would expect to see that in a public hospital," he said.

### **Expensive Therapies**

Yet Phoebe has aggressively added expensive new treatment machines, such as the da Vinci Robotics Surgical System and TomoTherapy, which claims to deliver radiation with more precision. Phoebe told bond investors that its cancer center is "one of the busiest centers in the Southeast." Wernick said Phoebe's growth has enabled it "to achieve a very important community strategy to allow people to stay at home for certain services."

Dr. Joe Stubbs, who works at one of the independent physician practices in town, said Phoebe has not shown concern about the cost to patients. "They've forgotten that their mission as a nonprofit hospital is to provide the best quality at the lowest cost," he said.

Stubbs said that Phoebe has been too ambitious in offering services "that probably would be better off done in Atlanta," three hours north. He said many of his patients opt to go to Atlanta because they can get as good or better care than at Phoebe and at a lower price. Phoebe, he said, wants "to have those things here because they could demand higher prices and get higher profit margins."

In recent months, Phoebe has taken some steps to reduce its costs. Last year it cut 160 jobs and hired consultants affiliated with the Geisinger Health System, which runs a central Pennsylvania hospital group known for efficiency, to help identify ways to save money.

"We may have to start lopping off services that are not economically rewarding," said Dr. Doug Patten, Phoebe's chief medical officer. "We probably have been overly permissive in the past in saying, 'Yes, we will take care of you.'"

[jrau@kff.org](mailto:jrau@kff.org)

This story was updated 2/5/14 to expand Dr. Joe Stubbs quote.



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**HOSPITAL AUTHORITY OF  
ALBANY-DOUGHERTY COUNTY, GEORGIA**



**FINANCIAL STATEMENTS**

**for the years ended July 31, 2013 and 2012**



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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, 2013 and 2012, 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.

### *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.

Continued

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.

### *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, 2013 and 2012, and the results of its operations and changes in net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matter*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 3 through 6 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, 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.

*Draffw & Tucker, LLP*

Albany, Georgia

November 7, 2013

## **Management's Discussion and Analysis For the Year Ending July 31, 2013**

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, 2013, 2012 and 2011. Please read it in conjunction with the Authority's financial statements and accompanying notes.

### **Using the 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.

### **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.

These two statements report the Authority's net position and changes in it. You can think of the Authority's net position – the difference between assets and liabilities – as one way to measure the Authority's financial health, or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors; however, such as changes in the Authority's patient base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the Authority.

Continued



**Management's Discussion and Analysis  
For the Year Ending July 31, 2013**

**The Statement of Cash Flows**

The final required statement is the statement of cash flows. The 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's Net Position**

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, 2013, 2012 and 2011:

**Balance Sheet Data**

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Assets:			
Current assets	\$ 713,343	\$ 29,919,557	\$ 206,309
Capital assets, net	-	35,583,970	-
Other noncurrent assets	<u>-</u>	<u>157,345,334</u>	<u>-</u>
Total assets	\$ <u>713,343</u>	\$ <u>222,848,861</u>	\$ <u>206,309</u>
Current liabilities	\$ 754,620	\$ 225,354,339	\$ 3,612,415
Net position:			
Unrestricted	( 41,277)	( 2,505,478)	(3,406,106)
Total liabilities and net position	\$ <u>713,343</u>	\$ <u>222,848,861</u>	\$ <u>206,309</u>

Continued

**Management's Discussion and Analysis  
For the Year Ending July 31, 2013**

The following table summarizes the revenues and expenses for the periods ended July 31, 2013, 2012 and 2011:

**Statement of Revenue and Expense Data**

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating revenues	\$ 100,000	\$ 35,898,719	\$ -
Operating expenses	<u>2,239,744</u>	<u>39,604,242</u>	<u>4,380,735</u>
Operating loss	(2,139,744)	( 3,705,523)	(4,380,735)
Nonoperating revenues	<u>4,603,945</u>	<u>4,606,151</u>	<u>941,357</u>
Excess revenues (expenses)	2,464,201	900,628	(3,439,378)
Net position at beginning of year	<u>(2,505,478)</u>	<u>( 3,406,106)</u>	<u>33,272</u>
Net position at end of year	\$( <u>41,277</u> )	\$( <u>2,505,478</u> )	\$( <u>3,406,106</u> )

The Authority purchased Palmyra Park Hospital, LLC on December 15, 2011 from HCA Healthcare, Inc. The facility is a fully-operational acute care hospital licensed for 248 beds. The facility has continued to offer services to the community during the transition period to new ownership. Long range plans are currently in process for the facility to provide a dedicated Women and Children's Center for the community and surrounding areas.

Effective August 1, 2012, the lease and transfer agreement between Phoebe Putney Memorial Hospital (PPMH) and the Authority was amended and restated. The amendment was made for the transfer and inclusion of the hospital formerly known as Palmyra Park Hospital, LLC (Palmyra) which was acquired by the Authority. The amendment included the extension of the lease for a term of forty years from the date of the current amendment.

**Capital Assets**

As of July 31, 2013, the Authority had \$-0- invested in capital assets, net of accumulated depreciation, as detailed in Note 6 to the financial statements. No purchase of capital assets occurred during 2013. All capital assets were transferred to PPMH pursuant to the lease amendment on August 1, 2012.

Continued

**Management's Discussion and Analysis  
For the Year Ending July 31, 2013**

**Short-Term Obligations**

At year-end, the Authority had \$-0- in short-term obligations outstanding as detailed in Note 7 to the financial statements. In 2012, the Authority entered into short-term obligations of approximately \$217,893,000. In 2013, these obligations were satisfied pursuant to the leasing of Palmyra to PPMH.

**Contacting the Authority's Financial Management**

This financial report is designed to provide a general overview of the Authority's finances. If you have any questions about this report or need additional financial information, contact the Authority at Hospital Authority of Albany-Dougherty County, P. O. Box 70752, Albany, GA 31708.

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HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

STATEMENTS OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
for the years ended July 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Net patient service revenue (net of provision for bad debts of \$-0- in 2013 and \$9,088,000 in 2012)	\$ -	\$ 35,292,985
Other revenue	<u>100,000</u>	<u>605,734</u>
Total operating revenues	<u>100,000</u>	<u>35,898,719</u>
Operating expenses:		
Salaries and wages	-	11,975,422
Employee health and welfare	-	4,146,124
Medical supplies and other	2,237,199	12,584,774
Professional services	-	2,781,463
Purchased services	2,545	5,489,805
Depreciation and amortization	<u>-</u>	<u>2,626,654</u>
Total operating expenses	<u>2,239,744</u>	<u>39,604,242</u>
Operating loss	<u>(2,139,744)</u>	<u>( 3,705,523)</u>
Nonoperating revenues (expenses):		
Contributions from Phoebe Putney Memorial Hospital, Inc.	1,693,400	4,956,151
Gain on long-term lease	2,910,545	-
Interest expense	<u>-</u>	<u>( 350,000)</u>
Total nonoperating revenues	<u>4,603,945</u>	<u>4,606,151</u>
Excess revenues	2,464,201	900,628
Net position, beginning of year	<u>(2,505,478)</u>	<u>( 3,406,106)</u>
Net position, end of year	\$( <u> 41,277</u> )	\$( <u> 2,505,478</u> )

See accompanying notes to financial statements.

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

STATEMENTS OF CASH FLOWS, Continued  
for the years ended July 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from noncapital financing activities:		
Transfer from Phoebe Putney Memorial Hospital, Inc.	\$ 5,179,409	\$ 3,546,981
Transfer to Phoebe Putney Memorial Hospital, Inc.	( 5,179,409)	( 3,546,981)
Noncapital contributions	<u>1,175,000</u>	<u>4,956,151</u>
Net cash provided by noncapital financing activities	<u>1,175,000</u>	<u>4,956,151</u>
Net increase (decrease) in cash	(17,435,075)	17,442,109
Cash, beginning of year	<u>17,648,418</u>	<u>206,309</u>
Cash, end of year	\$ <u>213,343</u>	\$ <u>17,648,418</u>
Reconciliation of cash and cash equivalents to the balance sheet:		
Cash in current assets	\$ <u>213,343</u>	\$ <u>17,648,418</u>
Reconciliation of operating loss to net cash flows used by operating activities:		
Operating loss	\$( 2,139,744)	\$( 3,705,523)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation and amortization	-	2,626,654
Changes in:		
Patient accounts receivable	-	( 9,092,766)
Supplies	-	303,253
Other assets	-	378,850
Accounts payable	946,514	124,841
Amounts due to third-party payors	-	891,070
Accrued expenses	-	1,874,233
Deferred revenue	<u>( 100,000)</u>	<u>-</u>
Net cash used by operating activities	\$( <u>1,293,230</u> )	\$( <u>6,599,388</u> )

Supplemental disclosures of cash flow information:

- See Note 9 for additional information related to the purchase of Palmyra.
- See Note 10 for additional information related to the lease of Palmyra to Phoebe Putney Memorial Hospital, Inc.

See accompanying notes to financial statements.

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued

1. Summary of Significant Accounting Policies, Continued

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 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.

Enterprise Fund Accounting

The Authority uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

New Accounting Pronouncements

The GASB issued GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, in December 2010. GASB Statement No. 62 superseded previous guidance contained in GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Funds Accounting*. GASB Statement No. 62 incorporates FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA, issued on or before November 30, 1989, which do not conflict or contradict with GASB pronouncements into the GASB authoritative literature. The Authority adopted this GASB Statement in fiscal year 2013.

The GASB issued GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, in June 2011. GASB Statement No. 63 provides financial reporting guidance for deferred outflows and inflows of resources and identifies net position as the residual of all other elements presented in a statement of financial position. The Authority adopted this GASB Statement in fiscal year 2013.

Allowance for Doubtful Accounts

The Authority provides an allowance for doubtful accounts based on the evaluation of the overall collectibility of the accounts receivable. As accounts are known to be uncollectible, the account is charged against the allowance.

Continued

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued

1. Summary of Significant Accounting Policies, Continued

Net Position

Net position of the Authority is classified into two components – *net investment in capital assets* and *unrestricted*. These classifications are defined as follows:

- *Net investment in capital assets* – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Unrestricted net position* – This component of net position consists of net position that does not meet the definition of *net investment in capital assets*.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity Care

The Authority provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Authority does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenues.

Operating Revenues and Expenses

The Authority's statement of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the Authority's principal activity. Nonexchange revenues, including contributions received for purposes other than capital asset acquisition and rental income, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Continued

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued

1. Summary of Significant Accounting Policies, Continued

Compensated Absences, Continued

Authority employees will earn PHO at varying rates depending on employee level and length of employment. PHO may be used for personal, vacation, holiday and sick time away from work. Generally, employees may carry forward PHO time. In the event of termination, the employee will be compensated for unused PHO. The Authority also provides to its employees an extended illness bank and a short-term disability bank of which both accrue at varying rates based on employee level and length of employment.

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.

2. Charity Care

The Authority maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy, the estimated cost of those services and supplies, and equivalent service statistics. The following information measures the level of charity care provided during the years ended July 31, 2013 and 2012.

	<u>2013</u>	<u>2012</u>
Charges forgone, based on established rates	\$ <u>          -</u>	\$ <u>4,485,995</u>
Estimated costs and expenses incurred to provide charity care	\$ <u>          -</u>	\$ <u>1,102,086</u>
Equivalent percentage of charity care patients to all patients served	<u>          -</u> %	<u>          2.8</u> %

Continued

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued

3. Net Patient Service Revenue, Continued

• Medicaid

Inpatient acute care services rendered to Medicaid program beneficiaries are paid at a prospectively determined rate per admission. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Authority is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicaid fiscal intermediary.

The Authority contracts with certain managed care organizations to receive reimbursement for providing services to selected enrolled Medicaid beneficiaries. Payment arrangements with these managed care organizations consist primarily of prospectively determined rates per discharge, discounts from established charges, or prospectively determined per diem rates.

The Authority has also entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment to the Authority under these agreements includes discounts from established charges and prospectively determined rates per discharge.

During 2010, the state of Georgia enacted legislation known as the Provider Payment Agreement Act (the Act) whereby hospitals in the state of Georgia are assessed a "provider payment" in the amount of 1.45% of their net patient revenue. The Act became effective July 1, 2010, the beginning of state fiscal year 2011. The provider payments are due on a quarterly basis to the Department of Community Health. The payments are to be used for the sole purpose of obtaining federal financial participation for medical assistance payments to providers on behalf of Medicaid recipients. The provider payment resulted in an increase in hospital payments on Medicaid services of approximately 11.88%. Approximately \$-0- and \$732,000 relating to the Act is included in medical supplies and other in the accompanying statements of revenues, expenses and changes in net position for the years ended July 31, 2013 and 2012, respectively.

Continued

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued

5. Accounts Receivable and Payable

Patient accounts receivable and accounts payable (including accrued expenses) reported as current assets and liabilities by the Authority at July 31, 2013 and 2012 consisted of these amounts:

	<u>2013</u>	<u>2012</u>
Patient accounts receivable:		
Receivable from patients and their insurance carriers	\$ -	\$ 21,767,882
Receivable from Medicare	-	6,668,325
Receivable from Medicaid	<u>-</u>	<u>2,052,097</u>
Total patient accounts receivable, net	-	30,488,304
Less allowance for uncollectible amounts and contractual adjustments	<u>-</u>	<u>21,395,538</u>
Patient accounts receivable, net	\$ <u>-</u>	\$ <u>9,092,766</u>
Accounts payable and accrued expenses:		
Payable to employees (including payroll taxes)	\$ -	\$ 2,237,636
Payable to suppliers	754,620	3,554,609
Other	<u>-</u>	<u>677,961</u>
Total accounts payable and accrued expenses	\$ <u>754,620</u>	\$ <u>6,470,206</u>

Continued

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued

6. Capital Assets, Continued

	July 31, <u>2011</u>	<u>Increases</u>	<u>Decreases</u>	July 31, <u>2012</u>
Land	\$ -	\$ 5,664,620	\$ -	\$ 5,664,620
Construction-in-progress	<u>-</u>	<u>849,654</u>	<u>-</u>	<u>849,654</u>
Total capital assets not being depreciated	<u>-</u>	<u>6,514,274</u>	<u>-</u>	<u>6,514,274</u>
Land improvements	-	104,465	-	104,465
Buildings and improvements	-	25,058,287	-	25,058,287
Equipment	<u>-</u>	<u>6,533,599</u>	<u>-</u>	<u>6,533,599</u>
Total capital assets being depreciated	<u>-</u>	<u>31,696,351</u>	<u>-</u>	<u>31,696,351</u>
Less accumulated depreciation and amortization for:				
Land improvements	-	8,558	-	8,558
Buildings and improvements	-	1,189,039	-	1,189,039
Equipment	<u>-</u>	<u>1,429,058</u>	<u>-</u>	<u>1,429,058</u>
Total accumulated depreciation	<u>-</u>	<u>2,626,655</u>	<u>-</u>	<u>2,626,655</u>
Capital assets being depreciated, net	<u>-</u>	<u>29,069,696</u>	<u>-</u>	<u>29,069,696</u>
Total capital assets, net	\$ <u>-</u>	\$ <u>35,583,970</u>	\$ <u>-</u>	\$ <u>35,583,970</u>

Depreciation expense for the years ended July 31, 2013 and 2012 amounted to approximately \$-0- and \$2,626,654, respectively.

Continued



HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued

8. Goodwill, Continued

The changes in the carrying amount of goodwill for the years ended July 31, 2013 and 2012, are as follows:

	<u>2013</u>	<u>2012</u>
Balance at beginning of year:		
Goodwill	\$ 157,345,334	\$ -
Accumulated impairment losses	-	-
	<u>157,345,334</u>	<u>-</u>
Goodwill acquired during the year	-	157,345,334
Impairment losses	-	-
Lease transfer to the Corporation	<u>(157,345,334)</u>	<u>-</u>
Balance at end of year:		
Goodwill	-	157,345,334
Accumulated impairment losses	<u>-</u>	<u>-</u>
Total	<u>\$ -</u>	<u>\$ 157,345,334</u>

9. Acquisition of Palmyra Park Hospital, LLC

On December 15, 2011, the Authority purchased Palmyra. Accordingly, the results of operations for Palmyra have been included in the accompanying financial statements from that date forward. The acquisition was made for the purpose of strengthening the Authority's competitive position in the service area.

Consideration for the acquisition  
comprised the following  
(at fair value):

Cash \$ 198,315,843

Goodwill in the amount of \$157,345,334 was recognized in the acquisition of Palmyra and is attributable to a long history of successful operations resulting in strong earnings and consistent growth in revenues.

Continued

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued

10. Lease Amendment – Phoebe Putney Memorial Hospital, Inc.

On August 1, 2012, the Corporation leased Palmyra from the Authority. The following assets and liabilities were transferred to the Corporation pursuant to the lease:

Cash	\$ 17,316,845
Patient accounts receivable	9,092,766
Prepaid expenses, supplies, and other assets	3,178,373
Capital assets	35,583,970
Current liabilities	( 7,534,770)
Net position transferred to the Corporation	57,637,184
Removal of associated goodwill	157,345,334
Gain on long-term lease	<u>2,910,545</u>
Satisfaction of the payable to the Corporation	\$ <u>217,893,063</u>

11. Defined Contribution Plan

Authority employees may participate in the Phoebe Putney Health System 403(b) Deferred Savings Plan (Plan). All employees are eligible to participate in the Plan. Each employee may contribute up to 100% of their adjusted salary, up to the federal limit. The System matches 50% of each participant's contributions up to a maximum of 4%. Employees are fully vested in the System's matching contributions after three years of service. At its discretion, the Authority may make additional contributions to the Plan. Plan expense was approximately \$-0- and \$685,000 for the years ended July 31, 2013 and 2012, respectively.

12. Employee Health Insurance

The Authority has a self-insurance program under which a third-party administrator processes and pays claims. The Authority reimburses the third-party administrator for claims incurred and paid and has purchased stop-loss insurance coverage for claims in excess of \$150,000 for each individual employee. Total expenses related to this plan were approximately \$-0- and \$802,000 for the years ended July 31, 2013 and 2012, respectively.

Continued

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued

14. Fair Values of Financial Instruments, Continued

The carrying amounts and fair values of the Authority's financial instruments at July 31, 2013 and 2012 are as follows:

	<u>2013</u>		<u>2012</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash	\$ 213,343	\$ 213,343	\$ 17,648,418	\$ 17,648,418
Accounts payable and accrued expenses	\$ 754,620	\$ 754,620	\$ 6,470,206	\$ 6,470,206
Estimated third-party payor settlements	\$ -	\$ -	\$ 891,070	\$ 891,070
Short-term obligations	\$ -	\$ -	\$ 217,893,063	\$ 217,893,063

15. Concentrations of Credit Risk

The Authority grants credit without collateral to patients substantially all of whom are local residents of Dougherty County or the immediate surrounding counties of Georgia and are insured under third-party payor agreements. A significant portion of the net receivables are from patients covered by various government programs such as Medicare or Medicaid. The mix of net receivables from patients and third-party payors at July 31, 2013 and 2012 was as follows:

	<u>2013</u>	<u>2012</u>
Medicare	- %	31%
Medicaid	- %	5%
Commercial	- %	61%
Patients	- %	3%
Total	<u>- %</u>	<u>100%</u>

Continued

HOSPITAL AUTHORITY OF ALBANY-DOUGHERTY COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued

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16. Health Care Reform

In recent years, there has been increasing pressure on Congress and some state legislatures to control and reduce the cost of healthcare on the national and state levels. In 2010, legislation was enacted which included cost controls on hospitals, insurance market reforms, delivery system reforms and various individual and business mandates among other provisions. The costs of certain provisions will be funded in part by reductions in payments by government programs, including Medicare and Medicaid. There can be no assurance that these changes will not adversely affect the Authority.

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.



FINANCIAL STATEMENTS

for the years ended July 31, 2013 and 2012

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INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Phoebe Putney Memorial Hospital, Inc.  
Albany, Georgia

**Report on the Financial Statements**

We have audited the accompanying financial statements of Phoebe Putney Memorial Hospital, Inc. (Corporation), which comprise the balance sheets as of July 31, 2013 and 2012, and the related statements of operations and changes in net assets, 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Continued

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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 Corporation'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 Corporation'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Phoebe Putney Memorial Hospital, Inc. as of July 31, 2013 and 2012, and the results of its operations and changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis of Matter*

As discussed in Note 1 to the financial statements, the Corporation changed its presentation of revenues and provision for doubtful accounts as a result of the adoption of the amendments to the Financial Accounting Standards Board Accounting Standards Codification resulting from Accounting Standards Update No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Healthcare Entities*.

### **Report on Other Legal and Regulatory Requirements**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2013, on our consideration of Phoebe Putney Memorial Hospital, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Phoebe Putney Memorial Hospital, Inc.'s internal control over financial reporting and compliance.

*Draffin & Tucker, LLP*

Albany, Georgia

December 4, 2013, except for Note 10

and Note 20, as to which the date is

February 5, 2014



PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

BALANCE SHEETS, July 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Current portion of long-term debt	\$ 5,423,553	\$ 4,715,000
Short-term debt	-	100,000,000
Accounts payable	13,227,078	15,927,169
Accrued expenses	<u>30,969,364</u>	<u>25,309,608</u>
Total current liabilities	49,619,995	145,951,777
Long-term debt, net of current portion	303,593,467	209,064,518
Accrued pension cost	103,153,525	138,899,342
Related party payables	14,515,863	-
Derivative financial instruments	<u>6,795,221</u>	<u>14,035,472</u>
Total liabilities	<u>477,678,071</u>	<u>507,951,109</u>
<b>Net assets:</b>		
Unrestricted	157,360,442	161,324,123
Temporarily restricted	4,496,165	5,033,647
Permanently restricted	<u>1,781,131</u>	<u>1,581,098</u>
Total net assets	<u>163,637,738</u>	<u>167,938,868</u>
Total liabilities and net assets	<u>\$ 641,315,809</u>	<u>\$ 675,889,977</u>

See accompanying notes to financial statements.

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS, Continued  
for the years ended July 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Change in interest in net assets of Phoebe Foundation, Inc.	\$( 723,870)	\$ 256,496
Net assets released from restrictions	1,208,440	42,782
Net actuarial gain (loss)	39,447,559	( 62,349,691)
Amortization of prior service cost	181,422	181,422
Amortization of net gain	7,064,269	3,276,175
Other changes in unrestricted net assets	( 3,388)	( 127,922)
Increase (decrease) in unrestricted net assets	( 3,963,681)	( 49,660,663)
Temporarily restricted net assets:		
Change in interest in net assets of Phoebe Foundation, Inc.	670,958	306,702
Net assets released from restriction	( 1,208,440)	( 42,782)
Increase (decrease) in temporarily restricted net assets	( 537,482)	263,920
Permanently restricted net assets:		
Change in interest in net assets of Phoebe Foundation, Inc.	200,033	154,569
Increase (decrease) in net assets	( 4,301,130)	( 49,242,174)
Net assets, beginning of year	<u>167,938,868</u>	<u>217,181,042</u>
Net assets, end of year	<u>\$ 163,637,738</u>	<u>\$ 167,938,868</u>

See accompanying notes to financial statements.

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

STATEMENTS OF CASH FLOWS, Continued  
for the years ended July 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from financing activities:		
Payments on short-term debt	\$(100,000,000)	\$ -
Payments on long-term debt	(116,074,091)	( 5,184,509)
Proceeds from issuance of short-term debt	-	100,000,000
Proceeds from issuance of long-term debt	<u>211,311,593</u>	<u>-</u>
Net cash provided (used) by financing activities	<u>( 4,762,498)</u>	<u>94,815,491</u>
Decrease in cash and cash equivalents	( 19,746,992)	(162,780,300)
Cash and cash equivalents, beginning of year	<u>70,939,255</u>	<u>233,719,555</u>
Cash and cash equivalents, end of year	\$ <u>51,192,263</u>	\$ <u>70,939,255</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$ <u>7,700,000</u>	\$ <u>5,800,000</u>

- In 2013, the Corporation acquired certain assets and liabilities as a result of leasing the hospital formerly known as Palmyra Park Hospital, LLC from the Hospital Authority of Albany-Dougherty County, Georgia. See Note 8 for additional information related to the lease.

See accompanying notes to financial statements.

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

1. Summary of Significant Accounting Policies, Continued

Allowance for Doubtful Accounts

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of accounts receivable, the Corporation analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. For receivables associated with services provided to patients who have third-party coverage, the Corporation analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Corporation records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

The Corporation's allowance for doubtful accounts for fiscal year 2013 increased approximately 3% as a percentage of self-pay accounts receivable compared to fiscal year 2012. The increase was due to several factors, including an increase in accounts receivable due in part to the leasing of Palmyra which began August 1, 2012. The accounts receivable related to Palmyra included in the initial lease are significantly aged and therefore require a higher allowance for doubtful accounts. In addition, the Corporation experienced an increase in self-pay volume during fiscal year 2013. Another factor that led to the increase is the result of negative trends related to the collectability of amounts due from self-pay patients during fiscal year 2013. The healthcare industry is also experiencing a movement of more patients favoring the high deductible insurance plans with lower premium costs. Although these patients are insured, collection is often difficult when the patient is left with the responsibility of the account balance after insurance has paid the claim. The Corporation has not changed its charity care or uninsured discount policies during fiscal years 2012 or 2013.

Continued

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

1. Summary of Significant Accounting Policies, Continued

Assets Limited as to Use

Assets limited as to use primarily include assets held by trustees under indenture agreements and designated assets set aside by the Board of Directors for future capital improvements, over which the Board retains control and may at its discretion subsequently, use for other purposes. Amounts required to meet current liabilities of the Corporation have been reclassified in the balance sheet at July 31, 2013 and 2012.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from excess revenues (expenses), unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Beneficial Interest in Net Assets of Foundation

The Corporation accounts for the activities of its related Foundation in accordance with FASB ASC 958-20, *Not-For-Profit Entities, Financially Interrelated Entities*. FASB ASC 958-20 establishes reporting standards for transactions in which a donor makes a contribution to a not-for-profit organization which accepts the assets on behalf of or transfers these assets to a beneficiary which is specified by the donor. Phoebe Foundation, Inc. accepts assets on behalf of the Corporation.

Continued

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

1. Summary of Significant Accounting Policies, Continued

Excess Revenues (Expenses)

The statement of operations and changes in net assets includes excess revenues (expenses). Changes in unrestricted net assets which are excluded from excess revenues (expenses), consistent with industry practice, include unrealized gains and losses on investments other than trading securities, permanent transfers of assets to and from affiliates for other than goods and services, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Net Patient Service Revenue

The Corporation has agreements with third-party payors that provide for payments to the Corporation at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments.

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity Care

The Corporation provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Corporation does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenues.

Continued

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

1. Summary of Significant Accounting Policies, Continued

Income Taxes, Continued

Based on the results of management's evaluation, no liability is recognized in the accompanying balance sheet for unrecognized income tax positions. Further, no interest or penalties have been accrued or charged to expense as of July 31, 2013 and 2012 or for the years then ended. The Corporation's open audit periods are for tax years ended 2010-2012.

Impairment of Long-Lived Assets

The Corporation evaluates on an ongoing basis the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is required to be recognized if the carrying value of the asset exceeds the undiscounted future net cash flows associated with that asset. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounted estimated future cash flows using an appropriate interest rate. The Corporation has not recorded any impairment charges of long-lived assets in the accompanying statements of operations and changes in net assets for the years ended July 31, 2013 and 2012.

Fair Value Measurements

FASB ASC 820, *Fair Value Measurement and Disclosures* defines fair value as the amount that would be received for an asset or paid to transfer a liability (i.e., an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820 also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. FASB ASC 820 describes the following three levels of inputs that may be used:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets and liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2: Observable prices that are based on inputs not quoted on active markets but corroborated by market data.
- Level 3: Unobservable inputs when there is little or no market data available, thereby requiring an entity to develop its own assumptions. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Continued

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

2. Net Patient Service Revenue

The Corporation has agreements with third-party payors that provide for payments to the Corporation at amounts different from its established rates. The Corporation does not believe that there are any significant credit risks associated with receivables due from third-party payors.

The Corporation recognizes patient service revenue associated with services provided to patients who have third-party coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Corporation recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Corporation's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Corporation records a significant provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows:

July 31, 2013				
Patient Service Revenue				
(Net of Contractual Allowances and Discounts)				
<u>Medicare</u>	<u>Medicaid</u>	<u>Third-Party Payors</u>	<u>Self-Pay</u>	<u>Total All Payors</u>
\$ <u>168,769,995</u>	\$ <u>72,231,998</u>	\$ <u>249,337,345</u>	\$ <u>84,098,572</u>	\$ <u>574,437,910</u>

Revenue from the Medicare and Medicaid programs accounted for approximately 34% and 15%, respectively, of the Corporation's net patient revenue for the year ended July 31, 2013 and 35% and 17%, respectively, of the Corporation's net patient revenue for the year ended July 31, 2012. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Estimated reimbursement amounts are adjusted in subsequent periods as cost reports are prepared and filed and as final settlements are determined.

Continued



PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

2. Net Patient Service Revenue

• Medicaid, Continued

The Corporation is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Corporation and audits thereof by the Medicaid fiscal intermediary. The Corporation's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through July 31, 2010.

The Corporation has also entered into contracts with certain managed care organizations to receive reimbursement for providing services to selected enrolled Medicaid beneficiaries. Payment arrangements with these managed care organizations consist primarily of prospectively determined rates per discharge, discounts from established charges, or prospectively determined per diems.

The Corporation participates in the Georgia Indigent Care Trust Fund (ICTF) Program. The Corporation receives ICTF payments for treating a disproportionate number of Medicaid and other indigent patients. ICTF payments are based on the Corporation's estimated uncompensated cost of services to Medicaid and uninsured patients. The amount of ICTF payments recognized in net patient service revenue was approximately \$5,205,000 and \$5,480,000 for the years ended July 31, 2013 and 2012, respectively.

The Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA) provides for payment adjustments to certain facilities based on the Medicaid Upper Payment Limit (UPL). The UPL payment adjustments are based on a measure of the difference between Medicaid payments and the amount that could be paid based on Medicare payment principles. The net amount of UPL payment adjustments recognized in net patient service revenue was approximately \$2,782,000 and \$1,455,000 for the years ended July 31, 2013 and 2012, respectively.

During 2010, the state of Georgia enacted legislation known as the Provider Payment Agreement Act (the Act) whereby hospitals in the state of Georgia are assessed a "provider payment" in the amount of 1.45% of their net patient revenue. The Act became effective July 1, 2010, the beginning of state fiscal year 2011. The provider payments are due on a quarterly basis to the Department of Community Health. The payments are to be used for the sole purpose of obtaining federal financial participation for medical assistance payments to providers on behalf of Medicaid recipients. The provider payment will result in an increase in hospital payments on Medicaid services of approximately 11.88%. Approximately \$7,138,000 and \$5,665,000 relating to the Act is included in medical supplies and other in the accompanying statement of operations and changes in net assets for the years ended July 31, 2013 and 2012, respectively.

Continued

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

4. Investments

Assets Limited as to Use

The composition of assets limited as to use at July 31, 2013 and 2012 is set forth in the following table. Assets limited as to use are trading and are stated at fair value.

	<u>2013</u>	<u>2012</u>
By board for capital improvements:		
Money market funds	\$ 34,061	\$ 44,435
Certificates of deposit	371,246	366,170
Mutual funds – index funds	-	2,404,188
Mutual funds – fixed income funds	-	1,959,875
Mutual funds – total return funds	-	1,600,000
Alternative investments in hedge funds	3,006,854	8,926,349
Common collective trusts invested in equity securities	<u>-</u>	<u>844,474</u>
Total board restricted for capital improvements	3,412,161	16,145,491
Under bond indenture agreement:		
Government debt securities	<u>-</u>	<u>1,664,022</u>
Total assets limited as to use	<u>\$ 3,412,161</u>	<u>\$ 17,809,513</u>

The Corporation has classified all marketable securities as trading securities. These trading securities are bought and held for the purpose of selling them in the near term and are reported at fair value, with unrealized gains and losses recognized in earnings. The estimated fair value of substantially all securities is based on similar types of securities that are traded in the market. Gains and losses on securities sold are based on the specific identification method.

Continued

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.  
NOTES TO FINANCIAL STATEMENTS, Continued

5. Property and Equipment, Continued

Depreciation expense for the years ended July 31, 2013 and 2012 amounted to approximately \$32,778,000 and \$25,426,000, respectively.

Construction contracts exist for various projects at year end with a total commitment of \$786,000. At July 31, 2013, the remaining commitment on these contracts approximated \$392,000.

6. Deferred Financing Costs

Bond issue costs and loan origination fees are amortized over the life of the debt instrument. Amortization expense and write-offs for the years ended July 31, 2013 and 2012 amounted to approximately \$1,235,000 and \$619,000, respectively.

7. Goodwill and Other Assets

A summary of goodwill and other assets at July 31, 2013 and 2012 follows:

	<u>2013</u>	<u>2012</u>
Goodwill	\$ <u>124,991,769</u>	\$ <u>11,340,057</u>
Long-term receivables	\$ -	\$ 3,006,703
Other investment	<u>343,158</u>	<u>298,547</u>
Total other assets	\$ <u><u>343,158</u></u>	\$ <u><u>3,305,250</u></u>

Goodwill is related to the Corporation's purchase of health care clinics and lease of Palmyra, formerly purchased by the Authority. The goodwill is evaluated annually for impairment.

Due to an increase in the uninsured population as well as regulatory changes, the Corporation determined that the carrying amount of the net assets related to Palmyra exceeded their fair value. The fair value was computed using a combination of the discounted cash flow method and two market approach methods including the guideline public company method and the merger and acquisition method performed on July 1, 2013. Accordingly, the Corporation recognized an impairment loss of approximately \$43,929,000 for fiscal year 2013.

Continued

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

8. Hospital Authority of Albany-Dougherty County, Georgia Lease Amendment, Continued

The following assets and liabilities were recognized in the lease (at fair value):

Cash	\$ 17,316,845
Patient accounts receivable	9,092,766
Prepaid expenses, supplies, and other assets	3,212,113
Capital assets	38,225,103
Current liabilities	( 7,534,770)
Total identifiable assets	60,312,057
Goodwill and other intangible assets	<u>157,581,006</u>
Total	<u>\$ 217,893,063</u>

Intangible assets acquired include the trade name, certificate of need and other licenses, and non-compete covenants whose fair value is approximately \$1,757,000.

The amounts of Palmyra's revenue and earnings included in the consolidated statements of operations and changes in net assets (from the inception of the lease) for 2013 are approximately \$73,869,000 and \$14,202,000, respectively. The following pro forma information is based on the assumption that the lease occurred on August 1, 2011.

	<u>2013</u>	<u>2012</u>
Operating revenue	\$ <u>515,687,641</u>	\$ <u>540,299,433</u>
Excess revenues (expenses)	\$ ( <u>51,138,113</u> )	\$ <u>11,970,620</u>

9. Short-Term Debt

The Corporation entered into a loan agreement with Bank of America for an amount of \$100,000,000 bearing interest at LIBOR plus 0.29% with a maturity date of December 15, 2012 and collateralized by the executed loan agreement. The outstanding balance on the loan at July 31, 2012 was \$100,000,000. The purpose of the loan agreement was to provide funds to the Authority for the purchase of Palmyra. The loan was repaid in full during 2013.

Continued

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

10. Long-Term Debt, Continued

	<u>2013</u>	<u>2012</u>
2010A Series Revenue Anticipation Certificates, payable in varying annual amounts from \$355,000 in 2014 to \$11,355,000 in 2040; bearing interest at a monthly rate to be adjusted by the Remarketing Agent.	\$ 97,830,000	\$ 98,560,000
2012 Series Revenue Anticipation Certificates, payable in varying annual amounts from \$1,725,000 in 2014 to \$16,285,000 in 2043; bearing interest at fixed rates from 2.00% to 5.00%.	107,900,000	-
	<u>302,735,000</u>	<u>213,830,000</u>
Less current portion	5,423,553	4,715,000
	<u>297,311,447</u>	<u>209,115,000</u>
Add unamortized premium	6,282,020	-
Less unamortized discount	<u>-</u>	<u>50,482</u>
	<u>\$ 303,593,467</u>	<u>\$ 209,064,518</u>

The Series 1993 Revenue Certificates were paid off in January 2013 pursuant to the prior redemption clause.

The Series 2008A and 2008B Revenue Certificates were converted from a daily variable rate with security provided by bank letters of credit to a variable rate based on a percentage of LIBOR plus a credit spread. The certificates were reissued as the Series 2008A and 2008B Refunding Revenue Certificates on December 7, 2012.

The Series 2010A Revenue Certificates were issued on July 9, 2010 for the purpose of reimbursing the Corporation for prior additions, extensions and improvements to the Corporation's facilities. The 2010A Revenue Certificates bear interest at a monthly rate adjusted by J. P. Morgan Chase Bank, N.A. The Corporation may convert the interest rate upon compliance with terms and provisions of the indenture.

Continued

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

11. Derivative Financial Instruments

The Corporation entered into fixed pay and constant maturity swaps to effectively swap variable interest rates to fixed interest rates thus reducing the impact of interest rate changes on future interest expense. The fair market value of the swaps are reported in other liabilities on the balance sheet. The critical terms of the swaps are as follows:

**\$25MM Fixed Pay LIBOR Swap – Non-Hedge**

	<u>2013</u>	<u>2012</u>
Notional amount	\$ 22,650,926	\$ 22,905,687
Fair market value	\$( 3,945,119)	\$( 6,894,910)
Life remaining on swap	13 Years	14 Years

**\$25MM Fixed Pay LIBOR Swap – Non-Hedge**

	<u>2013</u>	<u>2012</u>
Notional amount	\$ 22,650,926	\$ 22,905,686
Fair market value	\$( 4,290,406)	\$( 7,291,224)
Life remaining on swap	13 Years	14 Years

**\$21.145MM Fixed Pay LIBOR Swap – Non-Hedge**

	<u>2013</u>	<u>2012</u>
Notional amount	\$ 19,158,152	\$ 19,373,629
Fair market value	\$( 3,335,782)	\$( 5,831,714)
Life remaining on swap	13 Years	14 Years

**Constant Maturity LIBOR Swap – Non-Hedge**

	<u>2013</u>	<u>2012</u>
Notional amount	\$ 39,370,090	\$ 40,432,590
Fair market value	\$ 3,063,717	\$ 3,091,820
Life remaining on swap	19 Years	20 Years

Continued

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.  
NOTES TO FINANCIAL STATEMENTS, Continued

11. Derivative Financial Instruments, Continued

	<u>2013</u>	<u>2012</u>
<b>Constant Maturity LIBOR Swap - Non-Hedge</b>		
Notional amount	\$ 78,740,181	\$ -
Fair market value	\$ 844,482	\$ -
Life remaining on swap	5 Years	-

The swaps were issued at market terms so that they had no fair value at their inception. The carrying amount of the swaps has been adjusted to fair value at the end of the year which, because of changes in forecasted levels of the LIBOR, resulted in reporting a liability. As the net swaps were in a liability position as of July 31, 2013 and 2012, the Corporation deemed the capacity to perform on the part of the derivative counterparty to be of little or no concern; and no adjustment was applied to standard market valuation practices.

The swap results are included in excess revenues (expenses). For the years ending July 31, 2013 and 2012, this earnings impact totaled approximately \$6,882,000 and \$(7,404,000), respectively.

12. Temporarily and Permanently Restricted Net Assets

A summary of the restricted net assets at July 31, 2013 and 2012 follows:

	<u>2013</u>	<u>2012</u>
<u>Temporarily Restricted Net Assets</u>		
Restricted by Phoebe Foundation, Inc.	\$ <u>4,496,165</u>	\$ <u>5,033,647</u>
<u>Permanently Restricted Net Assets</u>		
Restricted investments to be held in perpetuity by Phoebe Foundation, Inc.	\$ <u>1,781,131</u>	\$ <u>1,581,098</u>

Continued

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

13. Pension Plan, Continued

	<u>2013</u>	<u>2012</u>
Weighted-average assumptions used to determine net periodic benefit cost:		
Discount rate	4.57%	5.41%
Expected long-term return on plan assets	8.75%	8.75%
Rate of compensation increase	4.00%	4.00%

The Corporation's expected rate of return on plan assets is determined by the plan assets' historical long-term investment performance, current asset allocation, and estimates of future long-term returns by asset class.

The following table sets forth the components of net periodic cost and other amounts recognized in unrestricted net assets for the years ended July 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Service cost	\$ 14,356,617	\$ 11,688,062
Interest cost	13,248,662	12,361,171
Expected return on plan assets	(14,168,537)	(12,182,271)
Amortization of prior service cost	181,422	181,422
Amortization of recognized net actuarial loss	<u>7,064,269</u>	<u>3,276,175</u>
Net periodic benefit cost	<u>20,682,433</u>	<u>15,324,559</u>
Other changes in plan assets and benefit obligations recognized in unrestricted net assets:		
Net actuarial (gain) loss	(39,447,559)	62,349,691
Amortization of prior service cost	( 181,422)	( 181,422)
Amortization of net actuarial loss	<u>( 7,064,269)</u>	<u>( 3,276,175)</u>
Total recognized in unrestricted net assets	<u>(46,693,250)</u>	<u>58,892,094</u>
Total recognized in net periodic benefit cost and unrestricted net assets	<u>\$(26,010,817)</u>	<u>\$ 74,216,653</u>

Continued



PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

13. Pension Plan, Continued

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

<u>Year Ending July 31</u>	<u>Pension Benefits</u>
2014	\$ 7,101,000
2015	\$ 7,770,000
2016	\$ 8,483,000
2017	\$ 9,380,000
2018	\$ 10,424,000
2019 - 2023	\$ 71,184,000

The expected benefits to be paid are based on the same assumptions used to measure the Corporation's benefit obligation at July 31, 2013.

The actuarial loss and prior service cost to be recognized during the next 12 months beginning August 1, 2013 is as follows:

Amortization of net actuarial loss	\$ 3,606,570
Amortization of prior year service costs	<u>181,422</u>
Total	\$ <u>3,787,992</u>

Continued

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

13. Pension Plan, Continued

The Corporation attempts to mitigate investment risk by rebalancing between investment classes as the Corporation's contributions and monthly benefit payments are made. Although changes in interest rates may affect the fair value of a portion of the investment portfolio and cause unrealized gains and losses, such gains or losses would not be realized unless the investments are sold.

The fair values of the Corporation's pension plan assets at July 31, 2013 and 2012, by asset category are as follows:

<u>Fair Value Measurements at July 31, 2013</u>				
<u>Asset Category</u>	<u>Total</u>	<u>Quoted Prices in Active Markets For Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Cash and cash equivalents	\$ 9,261,130	\$ 11,400	\$ 9,249,730	\$ -
U.S. equity securities	39,911,652	11,349,551	13,809,829	14,752,272
Fixed income	33,231,334	-	33,231,334	-
Real assets	7,086,831	4,800,583	1,951,498	334,750
Opportunistic	8,099,923	-	8,099,923	-
Hedge funds	30,086,473	-	21,216,876	8,869,597
Non U.S. equity securities	28,518,363	-	17,241,033	11,277,330
Emerging markets	8,808,062	-	8,808,062	-
<b>Total</b>	<b>\$ <u>165,003,768</u></b>	<b>\$ <u>16,161,534</u></b>	<b>\$ <u>113,608,285</u></b>	<b>\$ <u>35,233,949</u></b>

Continued

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

13. Pension Plan, Continued

The following table sets forth additional information for assets valued at NAV which are greater than 5% of total investments.

as of July 31, 2013

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Restrictions on Redemption Frequency</u>	<u>Redemption Notice Period</u>
U.S. equity securities	\$ <u>14,752,272</u>	10% Gate	Quarterly	60 Days
Hedge funds	\$ 1,843,056	15% Share Class H	Annually	45 Days
Hedge funds	1,989,574	None	Annually	90 Days
Hedge funds	2,053,682	None	Annually	90 Days
Hedge funds	1,587,105	25% Share Class A	Annually	90 Days
Hedge funds	<u>1,396,180</u>	25% Share Class A	Annually	90 Days
	\$ <u>8,869,597</u>			
Non U.S. equity securities	\$ 5,687,254	None	Monthly	15 Business Days
Non U.S. equity securities	<u>5,590,076</u>	None	Bi-monthly	5 Days
	\$ <u>11,277,330</u>			

Continued

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

13. Pension Plan, Continued

The Corporation has defined contribution pension plans covering substantially all eligible employees. Employees may deposit a portion of their earnings for each pay period on a pre-tax basis and the Corporation matches 50% of each participant's voluntary contributions up to a maximum of 4% of the employee's annual salary. Matching contribution expenses for the years ended July 31, 2013 and 2012 totaled approximately \$2,312,000 and \$1,215,000, respectively. For 2013 and 2012, the total discretionary contributions paid totaled approximately \$0- and \$1,129,000, respectively.

14. Employee Health Insurance

The Corporation has a self-insurance program under which a third-party administrator processes and pays claims. The Corporation reimburses the third-party administrator for claims incurred and paid and has purchased stop-loss insurance coverage for claims in excess of \$150,000 for each individual employee. Total expenses related to this plan were approximately \$33,421,000 and \$17,741,000 for 2013 and 2012, respectively.

15. Malpractice Insurance

The Corporation is covered by a claims-made general and professional liability insurance policy with a specified deductible per incident and excess coverage on a claims-made basis through the parent's wholly owned subsidiary, Phoebe Putney Indemnity, LLC (PPI), located in South Carolina.

Effective August 1, 2006, PPI issued a claims-made policy covering professional and general liabilities, personal injury, advertising injury liability, and contractual liability of the Corporation with a retroactive date of January 1, 1990. Effective August 1, 2011 and renewing annually, PPI issued a policy with limits of \$5,000,000 per occurrence, with an annual aggregate of \$23,000,000.

PPI also provides excess liability coverage to the Corporation, which covers \$25,000,000 per occurrence in excess of the underlying insurance coverage of \$30,000,000 for the policy years ending July 31, 2013 and 2012. The excess policy has an annual aggregate limit of \$25,000,000. All of the risk related to this coverage has been ceded to unrelated reinsurers via a contract of reinsurance.

Continued

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

17. Related Party Transactions

	<u>2013</u>	<u>2012</u>
Due from Phoebe Putney Health Ventures, Inc.	\$ 97,861	\$ 117,095
Due from (to) Phoebe Putney Health System, Inc.	<u>(14,613,724)</u>	<u>184,140,225</u>
Net related party transactions	<u>\$(14,515,863)</u>	<u>\$ 184,257,320</u>

The related party transactions that affect the above receivables and payables arise from the sharing of services. During 2012, the Corporation transferred approximately \$200 million to the System. The System subsequently transferred approximately \$200 million to the Authority for the purchase of Palmyra Park Hospital, LLC.

18. Related Organization

Phoebe Foundation, Inc. (Foundation) was established to raise funds to support the operation of the Corporation. The Foundation's bylaws provide that all funds raised, except for funds required for the operation of the Foundation, be distributed to or be held for the benefit of the Corporation. The Foundation's general funds, which represent the Foundation's unrestricted resources, are distributed to the Corporation in amounts and in periods determined by the Foundation's Board of Directors, who may also restrict the use of general funds for hospital plant replacement or expansion or other specific purposes. Plant replacement and expansion funds, specific-purpose funds, and assets obtained from endowment income of the Foundation are distributed to the Corporation as required to comply with the purposes specified by donors. The Corporation's interest in the net assets of the Foundation is reported as an other asset in the balance sheets.

	<u>2013</u>	<u>2012</u>
Assets:		
Cash and cash equivalents	\$ 835,341	\$ 929,930
Investments	10,407,178	10,186,826
Other assets	<u>314,905</u>	<u>334,943</u>
Total assets	<u>\$ 11,557,424</u>	<u>\$ 11,451,699</u>

Continued

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

20. Fair Values of Financial Instruments

The following methods and assumptions were used by the Corporation in estimating the fair value of its financial instruments:

- Cash and cash equivalents: The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value.
- Assets limited as to use: Fair values, which are the amounts reported in the balance sheet, are based on quoted market prices, if available, or estimated using quoted market prices for similar securities.
- Accounts payable and accrued expenses: The carrying amount reported in the balance sheet for accounts payable and accrued expenses approximates its fair value.
- Estimated third-party payor settlements: The carrying amount reported in the balance sheet for estimated third-party payor settlements approximates its fair value.
- Derivative financial instruments: The carrying amount reported in the balance sheet for derivative financial instruments approximates its fair value.
- Short-term and long-term debt: Fair values of the Corporation's revenue notes are based on current traded value. The fair value of the Corporation's remaining debt is estimated using discounted cash flow analyses, based on the Corporation's current incremental borrowing rates for similar types of borrowing arrangements. The carrying amount reported in the balance sheet for debt totals approximately \$309,017,000 at July 31, 2013, with a fair value of approximately \$294,984,000. The carrying amount reported in the balance sheet for debt approximates its fair value at July 31, 2012. Based on inputs used in determining the estimated fair value, the Corporation's long-term debt would be classified as Level 2 in the fair value hierarchy.

Continued

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.  
NOTES TO FINANCIAL STATEMENTS, Continued

21. Fair Value Measurement, Continued

The following table sets forth additional information for assets valued at NAV:

as of July 31, 2013				
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Alternative investments in hedge funds	\$ 3,006,854	None – 10% Share Class A	Quarterly – Annually	60 Days

as of July 31, 2012				
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Mutual funds – fixed income funds	\$ 1,959,875	None	No Restrictions	3 Days
Mutual funds – index funds	\$ 2,404,188	None	No Restrictions	3 Days
Mutual funds – return funds	\$ 1,600,000	None	Daily	Daily
Alternative investments in hedge funds	\$ 8,926,349	None – 20% Share Class A	Monthly – Annually	45 – 90 Days
Common collective trusts invested in equity securities	\$ 844,474	None	Monthly	30 Days

Continued

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

21. Fair Value Measurement, Continued

	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets For Identical Assets/Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>July 31, 2012</u>				
<b>Assets:</b>				
Money market funds	\$ 44,435	\$ -	\$ 44,435	\$ -
Certificates of deposit	366,170	-	366,170	-
Government debt securities	1,664,022	-	1,664,022	-
<b>Mutual funds:</b>				
Index funds	2,404,188	-	2,404,188	-
Fixed income funds	1,959,875	-	1,959,875	-
Total return funds	1,600,000	-	1,600,000	-
Alternative investments in hedge funds	8,926,349	-	7,192,055	1,734,294
Common collective trusts invested in equity securities	<u>844,474</u>	<u>-</u>	<u>844,474</u>	<u>-</u>
Total assets	<u>\$ 17,809,513</u>	<u>\$ -</u>	<u>\$ 16,075,219</u>	<u>\$ 1,734,294</u>
<b>Liabilities:</b>				
Derivatives	<u>\$ 14,035,472</u>	<u>\$ -</u>	<u>\$ 14,035,472</u>	<u>\$ -</u>

Continued



PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

22. Commitments and Contingencies, Continued

Health Care Reform

In recent years, there has been increasing pressure on Congress and some state legislatures to control and reduce the cost of healthcare on the national or at the state level. In 2010, legislation was enacted which included cost controls on hospitals, insurance market reforms, delivery system reforms and various individual and business mandates among other provisions. The costs of certain provisions will be funded in part by reductions in payments by government programs, including Medicare and Medicaid. There can be no assurance that these changes will not adversely affect the Corporation.

Litigation

The Corporation is involved in 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 Corporation's future financial position or results from operations. See malpractice insurance disclosures in Note 15.

23. Electronic Health Record Incentive Payments

The Health Information Technology for Economic and Clinical Health Act (the HITECH Act) was enacted into law on February 17, 2009 as part of the American Recovery and Reinvestment Act of 2009 (ARRA). The HITECH Act includes provisions designed to increase the use of Electronic Health Records (EHR) by both physicians and hospitals. Beginning with federal fiscal year 2011 and extending through federal fiscal year 2016, eligible hospitals participating in the Medicare and Medicaid programs are eligible for reimbursement incentives based on successfully demonstrating meaningful use of its certified EHR technology. Conversely, those hospitals that do not successfully demonstrate meaningful use of EHR technology are subject to reductions in Medicare reimbursements beginning in FY 2015. On July 13, 2010, the Department of Health and Human Services (DHHS) released final meaningful use regulations. Meaningful use criteria are divided into three distinct stages: I, II and III. The final rules specify the initial criteria for physicians and eligible hospitals necessary to qualify for incentive payments; calculation of the incentive payment amounts; payment adjustments under Medicare for covered professional services and inpatient hospital services; eligible hospitals failing to demonstrate meaningful use of certified EHR technology; and other program participation requirements.

Continued

INDEPENDENT AUDITOR'S REPORT ON  
SUPPLEMENTAL INFORMATION

Board of Directors  
Phoebe Putney Memorial Hospital, Inc.  
Albany, Georgia

We have audited the financial statements of Phoebe Putney Memorial Hospital, Inc. as of and for the years ended July 31, 2013 and 2012 and our report thereon dated December 4, 2013, except for Note 10 and Note 20, as to which the date is February 5, 2014, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The information included in this report on pages 55 to 66, inclusive, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

*Driffin & Tucker, LLP*

Albany, Georgia  
December 4, 2013

## PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

### SERVICE TO THE COMMUNITY

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Phoebe Putney Memorial Hospital, Inc. (Corporation) is a not-for-profit health care organization that exists to serve the community. The Corporation opened in 1911 to serve the community by caring for the sick regardless of ability to pay. As a tax-exempt hospital, the Corporation has no stockholders or owners. All revenue after expenses is reinvested in the mission to care for the citizens of the community – into clinical care, health programs, state-of-the-art technology and facilities, research, and teaching and training of medical professionals now and for the future.

The Corporation operates as a charitable organization consistent with the requirements of Internal Revenue Code Section 501(c)(3) and the “community benefit standard” of IRS Revenue Ruling 69-545. The Corporation takes seriously its responsibility as the community’s safety net hospital and has a strong record of meeting and exceeding the charitable care and the organizational and operational standards required for federal tax-exempt status. The Corporation demonstrates a continued and expanding commitment to meeting its mission and serving the citizens by providing community benefits. A community benefit is a planned, managed, organized, and measured approach to meeting identified community health needs, requiring a partnership between the healthcare organization and the community to benefit residents through programs and services that improve health status and quality of life.

The Corporation improves the health and well-being of Southwest Georgia through clinical services, education, research and partnerships that build health capacity in the community. The Corporation provides community benefits for every citizen in its service area as well as for the medically underserved. The Corporation conducts community needs assessments and pays close attention to the needs of low income and other vulnerable persons and the community at large. The Corporation often works with community groups to identify needs, strengthen existing community programs and plan newly needed services. It provides a wide-ranging array of community benefit services designed to improve community health and the health of individuals and to increase access to health care, in addition to providing free and discounted services to people who are uninsured and underinsured. The Corporation’s excellence in community benefit programs was recognized by the prestigious Foster McGaw Prize awarded to the Corporation in 2003 for its broad-based outreach in building collaboratives that make measurable improvements in health status, expand access to care and build community capacity, so that patients receive care closest to their own neighborhoods. Drawing on a dynamic and flexible structure, the community benefit programs are designed to respond to assessed needs and are focused on upstream prevention.

As Southwest Georgia’s leading provider of cost-effective, patient-centered health care, the Corporation is also the region’s largest employer with more than 3,600 members of the Corporation Family caring for patients. The Corporation participates in the Medicare and Medicaid programs and is one of the leading providers of Medicaid services in Georgia.

See independent auditor’s report on supplemental information.

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

SERVICE TO THE COMMUNITY, Continued

I. **Community Health Improvement Services, Continued**

A. Community Health Education, Continued

The Corporation is involved in many activities aimed at educating the community about health-related topics; a quarterly health information newsletter distributed to 22,000 senior citizens at a cost of \$35,777 and frequent ongoing health seminars held at Phoebe Northwest free of charge and attracting audiences ranging from 30 to 150 persons.

Camp Good Grief

This is an annual event and this year was held at Hospice. This event is for children who have experienced the loss of a loved one and is free. The event provides a host of activities designed to help the participants deal with their grief. The event concludes with a memorial service. This year 14 children attended the half-day event at a cost of \$4,255.

Men and Women's Health Conferences

The Men's and Women's Health Conferences attracted approximately 800 participants. The men's conference centered on hypertension, while the women's focus was on breast health. Supported by over 70 volunteers, these conferences provided blood pressure, glucose, and cholesterol and BMI screenings for each participant and were made possible by a broad coalition of providers such as the faith-based initiative, heart and cancer society, SWGA Cancer Coalition, and public health among others.

Golden Key

This is a membership organization for people age 55 and older. With 23,535 members, Golden Key offers programs that encourage healthy lifestyles including the privilege of walking at the Corporation's Physical Medicine complex. To its members, it provided a bi-monthly newsletter (Key Notes). In 2013, the unreimbursed cost was \$67,312.

Network of Trust

This is a nationally recognized program aimed at teen mothers to prevent repeat pregnancies, provide parenting skills and complete high school. This program also includes a teen father program along with other teenaged children programs. Network of Trust enrolled 195 unduplicated teen parents during the 2012/2013 school year at a cost of \$332,775.

See independent auditor's report on supplemental information.

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

SERVICE TO THE COMMUNITY, Continued

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I. **Community Health Improvement Services, Continued**

C. Health Care Support Services, Continued

Government Sponsored Eligibility Applications to the Poor and Needy

The Corporation contracts with Chamberlain Edmonds to process eligibility applications on behalf of the poor and needy that may be eligible for Medicaid. In some cases, it can take up to two years to be deemed eligible. In 2013 the Corporation paid \$1,361,331 to Chamberlain Edmonds to process 1,377 applications for 744 unique patients.

- Indigent Financial Assistance

Patients whose income is below 125% of the Federal Poverty Levels are classified as indigent and receive care at no cost.

- Charity Financial Assistance

Patients whose income level is between 126% - 200% of the Federal Poverty Levels are classified as charity. These patients will be responsible for a percentage of their hospital charges. This percentage will be based on calculations using the Federal Poverty Levels that are published in the "Federal Register" each year. If it is determined the patient responsibility will be an undue hardship on the patient/guarantor, these cases will be reviewed on an individual basis with the Phoebe Cares Supervisor for possible catastrophic charity based on sliding scale guidelines.

- Catastrophic Financial Assistance

Patients whose income exceeds 200% of the Federal Poverty Levels and whose hospital charges exceed 25% of their annual income, resulting in excessive hardship, are eligible for a discount up to 75% of the patient balance. The patient may pay the remaining balance over 24 months.

See independent auditor's report on supplemental information.

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

SERVICE TO THE COMMUNITY, Continued

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**III. Subsidized Health Services, Continued**

**A. Hospital Outpatient Services, Continued**

*Phoebe Specialty Clinics, Continued*

- The Corporation operates a specialty clinic encompassing Endocrinology, Rheumatology, and Physiatry. The clinic offers medical care on a referral basis to inpatients and outpatients with endocrine or rheumatoid problems or with physical medicine or rehabilitation needs. The clinic operated at a net loss of \$369,019 in 2013.
- Maternal/Fetal Medicine program is for high risk mothers and pregnant women who need specialized care. It serves this perinatal region. In 2013, this clinic operated at a net loss of \$1,070,582.
- The Corporation operates neurosurgery and neurology practices that provide two neurosurgeons and two neurologists to the community, improving access to care in several settings, including trauma care in the Emergency Department and community health forums. These practices operated at a net loss of \$790,021.
- The Corporation offers an Infectious Disease Clinic. This clinic is primarily directed at providing treatment to those who have chronic and acute infectious diseases and to terminally ill persons in need of pain management. In 2013, this clinic operated at a net loss of \$296,089.
- The Corporation operates a special senior's clinic at the Camilla Senior Center, set up for this population to have a comfortable atmosphere in which to access physician care, including a kitchen area and gathering places. The Center operated at a net loss of \$17,948 for 2013.
- Lee QuickCare Clinic provides walk-in treatment for common illnesses and conditions after hours, 6 p.m. to 10 p.m. Mondays through Fridays. The staff serves non-urgent patients and can prescribe medications when indicated. The clinic operated at a net loss of \$14,876.

See independent auditor's report on supplemental information.

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

SERVICE TO THE COMMUNITY, Continued

**III. Subsidized Health Services, Continued**

**B. Other Subsidized Services, Continued**

*Indigent Drug Pharmacy*

Indigent Drug Pharmacy provides medication upon discharge to patients that are either indigent or uninsured. In 2013, the pharmacy assisted 6,974 patients at a cost of \$288,868.

**IV. Clinical Research**

The Corporation offers clinical trials to cancer patients who are residents of Southwest Georgia. In 2013, patient participation in the trials cost \$470,922. The Corporation is also a regional site for the collection of tissue for the statewide Tumor, Tissue and Serum Biorepository at an additional cost of \$258,960.

**V. Financial and In-Kind Support**

In 2013, the Corporation provided \$820,809 in cash donations and in-kind support to non-profit organizations in Southwest Georgia. Listed are some highlights:

- The Southwest Georgia Cancer Coalition received \$187,500 for staff support and various projects, and partnered with the Corporation on a colonoscopy program that provided 457 free colonoscopies to those who could not afford one. This was estimated at a cost of \$691,008 of which \$521,000 was captured in the clinic loss section.
- Albany Area Primary Health Care received \$167,000 to fund its midwifery program.
- The Corporation provided at a reduced cost mammographies to Dougherty County Health Department women at an estimated cost of \$20,621.
- Graceway Recovery for Women received a cash donation of \$11,000 for its substance abuse program.
- 100 Black Men of Albany, GA received a \$10,000 donation for its mentoring program.
- Albany Marathon received a \$20,000 donation to raise funds for hospice services.

See independent auditor's report on supplemental information.

PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

SERVICE TO THE COMMUNITY, Continued

VII. Community Benefit Operations, Continued

Summary, Continued

	<u>2013</u>
<b>Health Professions Education:</b>	
Nurses/nursing students	\$ 831,146
Other health professional education	<u>353,929</u>
<b>Total health professions education</b>	<b><u>1,185,075</u></b>
<b>Subsidized Health Services:</b>	
Hospital outpatient services	5,033,800
Behavioral health services	469,984
Other subsidized health services	<u>1,059,411</u>
<b>Total subsidized health services</b>	<b><u>6,563,195</u></b>
<b>Clinical Research:</b>	
Clinical research	<u>729,882</u>
<b>Total clinical research</b>	<b><u>729,882</u></b>
<b>Financial and In-Kind Support:</b>	
Cash donations	491,730
In-kind donations	<u>329,079</u>
<b>Total financial and in-kind support</b>	<b><u>820,809</u></b>
<b>Community Building Activities:</b>	
Economic development	<u>84,126</u>
<b>Total community building activities</b>	<b><u>84,126</u></b>
<b>Community Benefit Operations:</b>	
Dedicated staff and other resources	<u>249,095</u>
<b>Total community benefit operations</b>	<b><u>249,095</u></b>

See independent auditor's report on supplemental information.



PHOEBE PUTNEY MEMORIAL HOSPITAL, INC.

SERVICE TO THE COMMUNITY, Continued

**VII. Community Benefit Operations, Continued**

**Summary, Continued**

	<b><u>2013</u></b>
<b>Other:</b>	
Traditional charity care – estimated unreimbursed cost of charity services	\$ 27,000,000
Unpaid cost of Medicare services – estimated unreimbursed cost of Medicare services	176,000,000
Unpaid cost of Medicaid services – estimated unreimbursed cost of Medicaid services	<u>69,000,000</u>
<b>Total other</b>	<b><u>272,000,000</u></b>
<b>Total summary</b>	<b><u>\$ 285,332,720</u></b>

This report has been prepared in accordance with the community benefit reporting guidelines established by Catholic Health Association (CHA) and Veteran's Health Administration (VHA). The Internal Revenue Services' requirements for reporting community benefits are different than the guidelines under which this report has been prepared.

See independent auditor's report on supplemental information.

STATE OF GEORGIA  
COUNTY OF DOUGHERTY

AFFIDAVIT RELATIVE TO CLOSED MEETING

Personally appeared before the undersigned, RALPH S. ROSENBERG, who having been duly sworn, deposes and states as follows:


1. I am over the age of 18 years, I am suffering under no disabilities and I am competent to testify to the matters contained herein.
2. I am the Chairperson of the Board of the Hospital Authority of Albany-Dougherty County, Georgia (the "Authority").
3. On the 7<sup>th</sup> day of November, 2013, at a meeting of the Authority Board, a motion was duly approved in a roll call vote for the Authority Board to go into closed session for the purposes of: (i) engaging in privileged consultation with legal counsel pertaining to pending or potential claims and litigation ; and, (ii) to discuss potentially commercially valuable plan or strategy that may be of competitive advantage in operation of the Hospital or its medical facilities.
4. To the best of my knowledge and belief, the business conducted during the closed portion of the meeting was devoted solely to the above matters for which the meeting was closed.

This the 7<sup>th</sup> day of November, 2013.



Chairperson

Sworn to and subscribed before me this  
7<sup>th</sup> day of November, 2013.

  
NOTARY PUBLIC (SEAL)  
Dougherty County, Georgia  
My Commission expires: \_\_\_\_\_

