HOSPITAL AUTHORITY OF BAINBRIDGE
DECATUR COUNTY, GEORGIA
(A Component Unit of Decatur County, Georgia)

FINANCIAL STATEMENTS

for the years ended March 31, 2020 and 2019

CONTENTS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Hospital Authority of Bainbridge
Decatur County, Georgia

We have audited the accompanying financial statements of Hospital Authority of Bainbridge, Decatur County, Georgia (Authority) (a component unit of Decatur County, Georgia), which comprise the balance sheets as of March 31, 2020 and 2019, the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Continued

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hospital Authority of Bainbridge, Decatur County, Georgia as of March 31, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The Authority has reported recurring operating losses and, as discussed in Note 18 to the financial statements, has an economic dependency on Decatur County and the City of Bainbridge. Management's evaluation of the events and conditions and management's plan to mitigate these matters are described in Note 20. Our opinion is not modified with respect to that matter.

Other Matter

Required Supplementary Information

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. 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.

Draffin & Tucker, LLP

Albany, Georgia
August 18, 2020

Management's Discussion and Analysis
For the Year Ending March 31, 2020

Our discussion and analysis of the Hospital Authority of Bainbridge, Decatur County, Georgia's (Authority) financial performance provides an overview of the Authority's financial activities during the fiscal years ended March 31, 2020, 2019, and 2018. Please read it in conjunction with the Authority's financial statements and accompanying notes.

Financial Highlights

Memorial Hospital and Manor's (MHM) fiscal year 2020 represented a continued step forward when compared to its performance for fiscal year 2019. Overall gross revenue was up $4.1 million or 3.3% while net revenue was up by $820,579 or 2.0% primarily due to an improvement of $823,526 in charity and indigent care costs. Total charges related to uncompensated charity and indigent care was approximately $4.7 million during the fiscal year. Factors affecting the Authority's financial performance included a decrease of $1,466,789 or 17.4% in employee benefits primarily due to a decrease in employee health plan costs of $1,333,803 or 20.7%. Total bad debt charges increased from $7.6 million to $9.0 million. Total expenses for the year decreased $1,657,968 or 3.4%.

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

Our analysis of the Authority's finances begins on page 7. 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 expense 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

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 is 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 March 31, 2020, 2019 and 2018:

Balance Sheet Data

	2020	2019	2018
Current assets	$ 12,127,500	$ 12,566,454	$ 11,181,485
Capital assets, net	11,950,684	12,895,210	13,088,003
Other non-current assets	2,807,989	2,093,615	3,004,278
Total assets	$ 26,886,173	$ 27,555,279	$ 27,273,766
Current liabilities	$ 13,791,632	$ 13,485,859	$ 11,353,467
Long-term debt	9,575,061	10,445,379	11,286,596
Total liabilities	23,366,693	23,931,238	22,640,063
Net position:			
Net investments in capital assets	2,884,196	3,560,955	4,332,506
Restricted	1,717,650	1,100,111	1,441,301
Unrestricted	(1,082,366)	(1,037,025)	(1,140,104)
Total net position	3,519,480	3,624,041	4,633,703
Total liabilities and net position	$ 26,886,173	$ 27,555,279	$ 27,273,766

Current assets decreased by approximately $438,954 primarily due to a decrease in net patient accounts receivable offset by an increase in other receivables of $490,665. The Authority has worked to improve its revenue cycle and, while improvements have been made, work still needs to continue to reduce their accounts receivable. Management is also working to continue the improvement in upfront collections, as well as educating clinical and non-clinical staff on how to improve documentation which will help the Authority accurately reflect the care and acuity of their patients. Even with this improvement, the effects of industry trends in health care insurance, such as shifting more responsibility to the patient though increased coinsurance and deductibles continues to challenge the Authority's ability to collect.

Current liabilities increased by $305,773 due to an increase in accounts payable of $1,069,003 which was offset by a reduction in the short-term debt of $654,850.

Continued

The following table summarizes the revenues and expenses for the years ended March 31, 2020, 2019 and 2018:

Statement of Revenue and Expense Data

	2020	2019	2018
Operating revenue	$ 45,466,128	$ 45,063,480	$ 46,292,654
Expenses:			
Operating expenses	45,557,153	47,190,301	47,799,738
Depreciation and amortization	1,352,478	1,377,298	1,549,641
Total expenses	46,909,631	48,567,599	49,349,379
Operating loss	(1,443,503)	(3,504,119)	(3,056,725)
Nonoperating revenues (expenses)	(65,195)	224,668	(279,394)
Rural Hospital Tax Credit	828,830	1,666,043	307,748
Capital contributions	575,307	603,746	632,338
Change in net position	(104,561)	(1,009,662)	(2,396,033)
Net position at beginning of year	3,624,041	4,633,703	7,029,736
Net position at end of year	$ 3,519,480	$ 3,624,041	$ 4,633,703

Slight increases in overall volumes for the Authority resulted in increases in gross patient charges of $4,049,537 while net patient service revenue increased $820,579 or 2.0%. This was offset by a slight decrease in reference lab revenue of $636,866 as a result of the closure of the reference lab service line. The Authority's provision for bad debts increased by $1,411,961, primarily due to increased volumes.

Total operating expenses decreased by $1,657,968 or 3.4%. Salaries and wages decreased by $1,339,488 or 6.0%. Employee health and welfare costs decreased by approximately $1.4 million primarily due to lower employee health claim costs, while purchased services increased by $192,429 or 5.6%. Medical supply costs also dropped by $570,845 or 5.7% while purchased services increased by $1,551,545 or 5.6% due to outsourcing of environmental services and the revenue cycle departments.

Continued

Capital Assets and Long-Term Debt

A recap of the Authority's long-term debt and capital lease obligations outstanding at March 31, 2020 and 2019 follows:

		Long-Term Debt	
Description	Interest Rates	2020	2019
Revenue Certificates, Series 2017A	2.990%	$ 9,330,000	$ 9,330,000
Revenue Certificates, Series 2017B	2.990%	800,000	1,430,000
Capital lease obligations	Various	315,379	526,596
Total long-term debt and capital lease obligations		$ 10,445,379	$ 11,286,596

The Authority's investment in capital assets for 2020 is summarized in the table below:

Capital Assets	Amount
Computer equipment and software	$ 58,272
Remodel and upgrade projects	78,082
Medical equipment	285,863
Other	23,575
Total	$ 445,792

See Notes 6 and 8 in the financial statements for additional information about capital assets and long-term debt.

Contacting the Authority's Financial Management

This financial report is designed to provide a general overview of the Authority's finances. If you have questions about this report or need additional information, contact the Authority finance department at Hospital Authority of Bainbridge, Decatur County, Georgia, 1500 East Shotwell Street, Bainbridge, GA 31717.

HOSPITAL AUTHORITY OF BAINBRIDGE, DECATUR COUNTY, GEORGIA
(A Component Unit of Decatur County, Georgia)

BALANCE SHEETS
March 31, 2020 and 2019

	2020	2019
ASSETS		
Current assets:		
Cash	$ 884,800	$ 860,249
Current investments restricted by bond indenture for debt service	650,000	630,000
Patient accounts receivable, net of allowance for doubtful accounts of approximately $17,000,000 in 2020 and $17,900,000 in 2019	7,107,750	8,055,589
Other receivables	2,665,822	2,175,157
Inventories, at lower of cost (first-in, first-out) or market	543,512	540,102
Prepaid expenses	275,616	305,357
Total current assets	12,127,500	12,566,454
Noncurrent cash and investments:		
Internally designated for capital improvements	72,618	72,266
Restricted by insurance carrier for self-insurance	745,221	742,104
Restricted by bond indenture for capital improvements	578,891	522,341
Restricted by bond indenture for debt service	972,429	358,007
Total noncurrent cash and investments	2,369,159	1,694,718
Capital assets:		
Land	729,484	729,484
Construction in progress	9,135	473,725
Depreciable capital assets, net of accumulated depreciation	11,212,065	11,692,001
Total capital assets, net of accumulated depreciation	11,950,684	12,895,210
Other assets:		
Notes receivable	411,290	371,357
Other assets	27,540	27,540
Total other assets	438,830	398,897
Total assets	$ 26,886,173	$ 27,555,279

Continued

	2020	2019
LIABILITIES AND NET POSITION		
Current liabilities:		
Current installments of long-term debt	$ 650,000	$ 630,000
Current portion of capital lease obligation	220,318	211,217
Short-term debt	-	654,850
Accounts payable	10,182,107	9,113,104
Accrued liabilities	2,399,678	2,477,350
Estimated third-party payor settlements - Medicaid	339,529	399,338
Total current liabilities	13,791,632	13,485,859
Long-term debt:		
Long-term debt, excluding current installments	9,480,000	10,130,000
Capital lease obligations, excluding current portion	95,061	315,379
Total long-term debt	9,575,061	10,445,379
Total liabilities	23,366,693	23,931,238
Net position:		
Net investment in capital assets	2,884,196	3,560,955
Restricted:		
Expendable for self-insurance	745,221	742,104
Expendable for bond indenture	972,429	358,007
Unrestricted	(1,082,366)	(1,037,025)
Total net position	3,519,480	3,624,041
Total liabilities and net position	$ 26,886,173	$ 27,555,279

See accompanying notes to financial statements.

HOSPITAL AUTHORITY OF BAINBRIDGE, DECATUR COUNTY, GEORGIA
(A Component Unit of Decatur County, Georgia)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
for the years ended March 31, 2020 and 2019

	2020	2019
Operating revenues:		
Net patient service revenue (net of provision for bad debts of approximately $9,000,000 in 2020 and $7,600,000 in 2019)	$ 41,496,649	$ 40,676,070
County contributions for indigent care	1,740,239	1,422,044
Reference laboratory	-	636,866
Other revenue	2,229,240	2,328,500
Total operating revenues	45,466,128	45,063,480
Operating expenses:		
Salaries and wages	20,963,859	22,303,347
Employee health and welfare	6,956,630	8,423,419
Medical supplies and other	9,476,227	10,047,072
Professional fees	3,658,058	3,465,629
Purchased services	4,502,379	2,950,834
Depreciation and amortization	1,352,478	1,377,298
Total operating expenses	46,909,631	48,567,599
Operating loss	(1,443,503)	(3,504,119)
Nonoperating revenues (expenses):		
Interest expense	(342,766)	(389,741)
Rural hospital tax credit contributions	828,830	1,666,043
Other income	277,571	614,409
Total nonoperating revenues	763,635	1,890,711
Excess expenses before contributions	(679,868)	(1,613,408)
Capital contributions	6,775	95,000
Decatur County contributions from sales tax funds for capital expenditures	568,532	508,746
Decrease in net position	(104,561)	(1,009,662)
Net position at beginning of year	3,624,041	4,633,703
Net position at end of year	$ 3,519,480	$ 3,624,041

See accompanying notes to financial statements.

HOSPITAL AUTHORITY OF BAINBRIDGE, DECATUR COUNTY, GEORGIA
(A Component Unit of Decatur County, Georgia)

STATEMENTS OF CASH FLOWS
for the years ended March 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Receipts from and on behalf of patients	$ 45,863,493	$ 43,895,788
Payments to vendors and other suppliers	(16,541,330)	(15,492,003)
Payments to employees and related benefits	(28,038,094)	(30,363,808)
Net cash provided (used) by operating activities	1,284,069	(1,960,023)
Cash flows from noncapital financing activities:		
Principal paid on long-term debt (Series 2017B)	(630,000)	(610,000)
Interest paid on long-term debt (Series 2017B)	(32,476)	(59,651)
Proceeds from issuance of short-term debt	1,196,226	2,170,152
Principal paid on short-term debt	(1,851,076)	(1,552,519)
Interest paid on short-term debt	(6,506)	(1,255)
Rural hospital tax credit contributions	828,830	1,666,043
Other noncapital contributions	231,323	272,065
Net cash provided (used) by noncapital financing activities	(263,679)	1,884,835
Cash flows from capital and related financing activities:		
Purchase of capital assets	(407,952)	(1,132,343)
Proceeds on the sale of capital assets	15,795	319,555
Interest paid on long-term debt	(303,784)	(328,835)
Payments on capital lease obligations	(211,217)	(202,492)
Donation from Foundation for capital purchases	6,775	95,000
Decatur County sales tax funds	568,532	508,746
Net cash used by capital and related financing activities	(331,851)	(740,369)
Cash flows from investing activities:		
Investment income	30,453	34,135
Proceeds from sale of investments	1,165,343	1,902,076
Purchase of investments	(1,861,668)	(959,464)
Net cash provided (used) by investing activities	(665,872)	976,747
Net increase in cash	22,667	161,190
Cash, beginning of year	932,515	771,325
Cash, end of year	$ 955,182	$ 932,515

Continued

HOSPITAL AUTHORITY OF BAINBRIDGE, DECATUR COUNTY, GEORGIA
(A Component Unit of Decatur County, Georgia)

STATEMENTS OF CASH FLOWS, Continued
for the years ended March 31, 2020 and 2019

	2020	2019
Reconciliation of cash to the balance sheets:		
Cash in current assets	$ 884,800	$ 860,249
Cash in noncurrent cash and investments	70,382	72,266
Total cash	$ 955,182	$ 932,515
Reconciliation of operating loss to net cash flows provided (used) by operating activities:		
Operating loss	$ (1,443,503)	$ (3,504,119)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation and amortization	1,352,478	1,377,298
Provision for bad debts	8,997,854	7,585,893
Changes in:		
Patient accounts receivable	(8,050,015)	(7,650,136)
Estimated third-party payor settlements	(59,809)	(2,240)
Inventories	(3,410)	(18,629)
Other current assets	(460,924)	(1,121,256)
Notes receivable	(39,933)	(51,600)
Accounts payable	1,069,003	1,010,208
Accrued liabilities	(77,672)	414,558
Net cash provided (used) by operating activities	$ 1,284,069	$ (1,960,023)

Supplemental disclosures of cash flow information:

Purchases of capital assets in accounts payable as of March 31, 2019 was $63,508.

See accompanying notes to financial statements.

1. Summary of Significant Accounting Policies

Reporting Entity

The Hospital Authority of Bainbridge, Decatur County, Georgia (Authority) is a public corporation which operates and manages Memorial Hospital, Memorial Manor Nursing Home and Willow Ridge Assisted Living Facility. Decatur County, Georgia appoints five members to the Board of Directors and the City of Bainbridge, Georgia appoints two members to the Board of Directors. For this reason, the Authority is considered a component unit of Decatur County, Georgia.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Enterprise Fund Accounting

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

The Authority prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

Allowance for Doubtful Accounts

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

Noncurrent Cash and Investments

Restricted investments include amounts externally defined for use by bond indenture and insurance carrier.

Designated investments primarily include 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.

Continued

1. Summary of Significant Accounting Policies, Continued

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.

Capital Assets

The Authority’s capital assets are reported at historical cost. Contributed capital assets are reported at their acquisition value at the time of their donation. All capital assets other than land are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using these asset lives:

Land improvements	15 to 20 years
Buildings and building improvements	20 to 40 years
Equipment, computers and furniture	3 to 7 years

The Authority capitalizes capital purchases exceeding $500 and a useful life of three years or longer.

Financing Costs

Costs incurred in connection with the issuance of debt are expensed in the period in which they are incurred.

Compensated Absences

The Authority’s employees earn vacation days at varying rates depending on years of service. Employees may accumulate vacation time up to a specified maximum. Any days above the maximum will expire on December 31st every year. Once five years of continuous employment is complete, the employee is eligible to receive payment for all accrued vacation days as long as the employee gave proper notice of leaving or retirement. If the Authority terminated an employee, the employee was not eligible to receive payment for any accrued vacation days. Employees also earn sick leave benefits based on varying rates depending on years of service. Employees may accumulate sick leave up to a specified maximum. No payment will be made for unused sick leave. The estimated amount of vacation payable is reported as a current liability in both 2020 and 2019.

1. Summary of Significant Accounting Policies, Continued

Net Position

Net position of the Authority is classified into three components. *Net investment in capital assets* consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net position* is noncapital assets reduced by liabilities related to those assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Authority, including amounts deposited with trustees as required by revenue certificates, discussed in Note 8. *Unrestricted net position* is the remaining net amount of assets and liabilities that does not meet the definition of *net investment in capital assets* or the *restricted net position*.

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 taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Net Patient Service Revenue

The Authority has agreements with third-party payors that provide for payments to the Authority 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 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 revenue.

Continued

1. Summary of Significant Accounting Policies, Continued

Grants and Contributions

The Authority occasionally receives grants from Decatur County and Memorial Hospital Foundation, Inc., as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Income Taxes

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

Impairment of Long-Lived Assets

The Authority 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. 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 Authority has not recorded any impairment charges in the accompanying statements of revenues, expenses and changes in net position for the years ended March 31, 2020 and 2019.

Risk Management

The Authority is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years. The Authority is self-insured for employee health insurance and medical malpractice claims as discussed in Note 11.

Self-Insurance Costs

The provisions for claims under self-insurance plans include estimates of the ultimate costs for both reported claims and claims incurred but not reported.

Continued

1. Summary of Significant Accounting Policies, Continued

Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is an exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability. GASB No. 72 also establishes a hierarchy of inputs to valuation techniques used to measure fair value. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. GASB No. 72 describes the following three levels of inputs that may be used:

- *Level 1:* Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. The fair value hierarchy gives the highest priority to Level 1 inputs.

- *Level 2:* Observable inputs such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

- *Level 3:* Unobservable inputs for an asset or liability. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Recently Adopted Accounting Pronouncement

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* (GASB 95). GASB 95's primary objective is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides. GASB 95 is effective immediately. Earlier application of provisions are permitted to the extent specified in each pronouncement as originally issued.

Accounting Pronouncement Not Yet Adopted

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (GASB 88). GASB 88 clarifies which liabilities should be included when disclosing information related to debt, requires additional essential information related to debt be disclosed, and requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. GASB 88 is effective for fiscal years beginning after June 15, 2019 with GASB 95 deferral. The Authority is currently evaluating the impact GASB 88 will have on its financial statements.

Continued

1. Summary of Significant Accounting Policies, Continued

Prior Year Reclassifications

Certain reclassifications have been made to the fiscal year 2019 financial statements to conform to the fiscal year 2020 presentation. These reclassifications had no impact on the change in net position in the accompanying financial statements.

2. Net Patient Service Revenue

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

Revenue from the Medicare and Medicaid programs accounted for approximately 24% and 23% of the Authority's net patient revenue for 2020 and 28% and 25% of the Authority's net patient revenue for 2019. 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.

The Authority believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. There has been an increase in regulatory initiatives at the state and federal levels including the initiation of the Recovery Audit Contractor (RAC) program and Medicaid Integrity Contractor (MIC) program. These programs were created to review Medicare and Medicaid claims for medical necessity and coding appropriateness. The RAC's have authority to pursue improper payments with a three year look back from the date the claim was paid. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs.

A summary of the payment arrangements with major third-party payors follows:

- Medicare

  Inpatient and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

  Nursing home services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system called Resource Utilization Groups (RUGs).

Continued

2. Net Patient Service Revenue, Continued

- Medicare, Continued

  Certain other reimbursable items are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicare Administrative Contractor (MAC). The Authority's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Authority. The Authority's Medicare cost reports have been audited by the MAC through March 31, 2015.

- Medicaid

  Inpatient 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 the 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's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through March 31, 2016.

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

  Long-term care services are reimbursed by the Medicaid program based on a prospectively determined per diem. The per diem is determined by the facility's historical allowable operating costs adjusted for certain incentives and inflation factors.

  The Authority participates in the Georgia Indigent Care Trust Fund (ICTF) Program. The Authority receives ICTF payments for treating a disproportionate number of Medicaid and other indigent patients. ICTF payments are based on the Authority's estimated uncompensated cost of services to Medicaid and uninsured patients. The ICTF is funded through intergovernmental transfers from participating public hospitals and matching federal funds. The net amount of ICTF payments recognized in net patient service revenue was approximately $1,519,000 and $1,062,000 for the years ended March 31, 2020 and 2019, respectively.

Continued

2. Net Patient Service Revenue, Continued

- Medicaid, Continued

The Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA) provides for payment adjustments for 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 $1,472,000 and $2,345,000 for the years ended March 31, 2020 and 2019, respectively. For 2020 and 2019, the Authority recorded a receivable for ICTF and UPL funds of approximately $2,504,000 and $1,744,000, respectively.

The state of Georgia enacted legislation known as the Provider Payment Agreement Act (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 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 results in an increase in hospital payments on Medicaid services of approximately 11.88%. Approximately $981,000 and $904,000 relating to the Act is included in medical supplies and other in the accompanying statement of revenues, expenses and changes in net position for the years ended March 31, 2020 and 2019, respectively.

- Other Arrangements

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

3. Uncompensated Charges

The Authority was compensated for services at amounts less than its established rates. Charges foregone related to contractual agreements and provision for bad debts for 2020 and 2019 were approximately $87,300,000 and $84,100,000, respectively.

Uncompensated charges include charity and indigent care services of approximately $4,700,000 and $5,600,000 in 2020 and 2019, respectively. The cost of charity and indigent care services provided during 2020 and 2019 was approximately $1,700,000 and $2,200,000, respectively computed by applying a total cost factor to the charges forgone.

Continued

3. Uncompensated Charges, Continued

The following is a summary of uncompensated charges and a reconciliation of gross patient charges to net patient service revenue for 2020 and 2019.

	2020	2019
Gross patient charges	$ 128,810,871	$ 124,761,334
Uncompensated charges:		
Charity and indigent charges	4,745,542	5,569,068
Medicare	38,231,954	36,084,683
Medicaid	21,276,065	19,949,623
Other	14,062,807	14,895,997
Bad debts	8,997,854	7,585,893
Total uncompensated charges	87,314,222	84,085,264
Net patient service revenue	$ 41,496,649	$ 40,676,070

4. Deposits and Investments

Deposits and investments are carried at amortized cost which approximates fair value and consist of cash, certificates of deposit and money market accounts.

The carrying amounts of deposits and investments shown below are included in the Authority's balance sheets:

Continued

4. Deposits and Investments, Continued

	2020	2019
Balance sheets:		
Cash	$ 884,800	$ 860,249
Current investments restricted by bond indenture for debt service	650,000	630,000
Noncurrent cash and investments:		
Internally designated for capital improvements	72,618	72,266
Restricted by insurance carrier for self-insurance	745,221	742,104
Restricted by bond indenture for capital improvements	578,891	522,341
Restricted by bond indenture for debt service	972,429	358,007
Total	$ 3,903,959	$ 3,184,967
Deposits and investments consist of the following:		
Deposits with financial institutions	$ 955,182	$ 932,515
Certificates of deposit	745,221	742,103
Money market funds	2,203,556	1,510,349
Total deposits and investments	$ 3,903,959	$ 3,184,967

State law requires collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts. The Authority's bylaws require that all bank balances be insured or collateralized by U.S. government securities held by the pledging financial institution's trust department in the name of the Authority. As of year-end, the Authority's bank balances are collateralized as follows:

	2020	2019
Insured (FDIC) or collateralized with securities held by the Authority	$ 840,187	$ 841,967
Collateralized by securities held by the pledging financial institutions trust department in the Authority's name	886,572	924,748
Total (bank balance)	$ 1,726,759	$ 1,766,715
Carrying amount (book balance)	$ 1,700,403	$ 1,674,618

Continued

4. Deposits and Investments, Continued

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Authority does not have an investment policy for custodial credit risk. At March 31, 2020 and 2019, the Authority owned approximately $2,204,000 and $1,510,000, respectively, in securities that were unsecured and held by the Authority's brokerage firm in the Authority's name.

5. Accounts Receivable and Payable

Patient accounts receivable and accounts payable (including accrued liabilities) reported as current assets and liabilities by the Authority at March 31, 2020 and 2019 consisted of these amounts:

	2020	2019
Patient Accounts Receivable		
Receivable from patients and their insurance carriers	$ 16,095,005	$ 17,282,679
Receivable from Medicare	5,084,145	5,983,122
Receivable from Medicaid	2,954,911	2,698,012
Total patient accounts receivable	24,134,061	25,963,813
Less allowance for uncollectible amounts and contractual adjustments	17,026,311	17,908,224
Patient accounts receivable, net	$ 7,107,750	$ 8,055,589
Accounts Payable and Accrued Liabilities		
Payable to employees (including payroll taxes and other benefits)	$ 1,395,929	$ 1,925,565
Payable to suppliers	10,182,107	9,113,104
Payable to other	1,003,749	551,785
Total accounts payable and accrued liabilities	$ 12,581,785	$ 11,590,454

Continued

6. Capital Assets

A summary of capital assets for the years ended March 31, 2020 and 2019 follows:

	2019 Balance	Increase	Decrease	2020 Balance
Land	$ 729,484	$ -	$ -	$ 729,484
Building and improvements	25,629,718	88,906	-	25,718,624
Equipment	19,384,644	783,636	(681,864)	19,486,416
Construction in progress	473,725	181,958	(646,548)	9,135
Total capital assets	46,217,571	1,054,500	(1,328,412)	45,943,659
Less accumulated depreciation:				
Buildings and improvements	16,808,873	524,547	-	17,333,420
Equipment	16,513,488	827,931	(681,864)	16,659,555
Total accumulated depreciation	33,322,361	1,352,478	(681,864)	33,992,975
Net capital assets	$ 12,895,210	$ (297,978)	$ (646,548)	$ 11,950,684

	2018 Balance	Increase	Decrease	2019 Balance
Land	$ 729,484	$ -	$ -	$ 729,484
Building and improvements	25,069,561	560,157	-	25,629,718
Equipment	19,097,565	457,553	(170,474)	19,384,644
Construction in progress	295,585	695,574	(517,434)	473,725
Total capital assets	45,192,195	1,713,284	(687,908)	46,217,571
Less accumulated depreciation:				
Buildings and improvements	16,303,201	505,672	-	16,808,873
Equipment	15,800,991	871,625	(159,128)	16,513,488
Total accumulated depreciation	32,104,192	1,377,297	(159,128)	33,322,361
Net capital assets	$ 13,088,003	$ 335,987	$ (528,780)	$ 12,895,210

Continued

6. Capital Assets, Continued

Cost for equipment under capital lease obligations was approximately $1,036,000 at March 31, 2020 and 2019. Accumulated amortization for equipment under capital lease obligations was approximately $673,000 and $466,000 at March 31, 2020 and 2019, respectively.

7. Short-Term Debt

A summary of short-term debt at March 31, 2020 and 2019 follows:

	2019 Balance	Additions	Reductions	2020 Balance
First National Bank notes payable	$ 654,850	$ 1,196,226	$ (1,851,076)	$ -
Total short-term debt	$ 654,850	$ 1,196,226	$ (1,851,076)	$ -

	2018 Balance	Additions	Reductions	2019 Balance
First State Bank of Blakely note payable	$ 37,217	$ -	$ (37,217)	$ -
First National Bank notes payable	-	2,170,152	(1,515,302)	654,850
Total short-term debt	$ 37,217	$ 2,170,152	$ (1,552,519)	$ 654,850

- First National Bank notes payable, multiple notes initiated with principal amounts ranging from $155,000 to $200,000 and interest rates ranging from 2.40% to 2.45% to meet obligations related to the intergovernmental transfer funds for ICTF and UPL funds during the fiscal years 2020 and 2019. All notes outstanding in 2019 and initiated during fiscal year 2020 were paid in full during the fiscal year.

- First State Bank of Blakely note payable, principal amount of $220,270 with interest accrued monthly at an interest rate of 5.00%. Final payment made on May 10, 2018.

Continued

8. Long-Term Debt

A summary of long-term debt at March 31, 2020 and 2019, follows:

	2020	2019
Revenue Certificates – Series 2017A, payable in annual installments ranging from $520,000 beginning September 1, 2021 to $925,000 on September 1, 2032, with 2.99% interest paid semi-annually.	$ 9,330,000	$ 9,330,000
Revenue Certificates – Series 2017B, payable in annual installments ranging from $610,000 beginning September 1, 2018 to $150,000 on September 1, 2021, with 2.99% interest paid semi-annually.	800,000	1,430,000
Total long-term debt	10,130,000	10,760,000
Less current installments of long-term debt	650,000	630,000
Long-term debt, excluding current installments	$ 9,480,000	$ 10,130,000
Capital lease obligations, at varying rates of interest, collateralized by leased equipment and software.	$ 315,379	$ 526,596
Less current portion of capital lease obligation	220,318	211,217
Capital lease obligations, excluding current portion	$ 95,061	$ 315,379

In March 2017, the Authority issued Revenue Certificates, Series 2017A and 2017B, collectively Series 2017 Certificates, in the amount of $9,330,000 and $2,040,000, respectively. The Series 2017A Certificates were issued for the purpose of (i) refinancing certain outstanding capital indebtedness of the Authority and (ii) financing or refinancing the acquisition, renovation, and equipping of existing healthcare related facilities owned and operated by the Authority. The Series 2017B Certificates were issued for the purpose of refinancing certain outstanding operating indebtedness of the Authority.

Continued

8. Long-Term Debt, Continued

As a result of refinancing the outstanding debt, the Authority increased its total debt service requirements by approximately $3,300,000, which resulted in an economic loss (the difference between the present value of the debt service payments on the old and new debt) of approximately $250,000.

The Series 2017 Certificates are special, limited obligations of the Authority payable from and secured by a pledge of and lien on the gross revenues of the Authority.

The Series 2017A Certificates are subject to optional redemption by the Authority on or after March 1, 2026, in whole at any time or in part on any interest payment date, in reverse order of maturities, at a redemption price equal to 100% principal amount being redeemed, plus accrued interest. The Series 2017B Certificates are not subject to optional redemption.

The Authority and the City of Bainbridge (City) entered into a contract in which the City agreed to pay to or for the account of the Authority amounts sufficient to pay the debt service on the Series 2017 Certificates, up to the seven mil limitation described in the Hospital Authority's Law, to the extent other forms of payment from the Authority or Decatur County, Georgia, as discussed in Note 14, are not sufficient. This agreement also grants the City a first lien on the real estate owned by the Authority as of March 1, 2017 and, to the extent provided therein, a second lien on the Authority's net accounts receivable.

Under the terms of the Series 2017 Certificates, the Authority is required to maintain certain deposits with a trustee. These deposits are reported as noncurrent investments restricted by bond indenture.

	2019 Balance	Additions	Reductions	2020 Balance	Amounts Due Within One Year
Revenue certificates	$ 10,760,000	$ -	$ (630,000)	$ 10,130,000	$ 650,000
Capital leases	526,596	-	(211,217)	315,379	220,318
Total long-term obligations	$ 11,286,596	$ -	$ (841,217)	$ 10,445,379	$ 870,318

Continued

8. Long-Term Debt, Continued

	2018 Balance	Additions	Reductions	2019 Balance	Amounts Due Within One Year
Revenue certificates	$ 11,370,000	$ -	$ (610,000)	$ 10,760,000	$ 630,000
Capital leases	729,088	-	(202,492)	526,596	211,217
Total long-term obligations	$ 12,099,088	$ -	$ (812,492)	$ 11,286,596	$ 841,217

Scheduled principal and interest repayments on long-term debt and capital lease obligations are as follows:

	Long-Term Debt		Capital Lease Obligations	
Year Ending March 31:	Principal	Interest	Principal	Interest
2021	$ 650,000	$ 293,170	$ 220,318	$ 9,130
2022	670,000	273,436	95,061	1,063
2023	690,000	253,104	-	-
2024	710,000	232,174	-	-
2025	730,000	210,646	-	-
2026-2030	3,140,000	707,808	-	-
2031-2033	3,540,000	122,515	-	-
Total	$ 10,130,000	$ 2,092,853	$ 315,379	$ 10,193

9. Pension

The Memorial Hospital and Manor Retirement Savings Plan (Plan) is a 403(b) plan and was established by the Authority and administered by VALIC to provide benefits at retirement to substantially all employees of the Authority. Plan provisions and contribution requirements are established and may be amended by the Authority's Board of Directors.

Employees contribute a portion of their pre-tax wages and the Authority funds a matching contribution at its discretion. Employees are vested immediately in their contributions. Vesting in the Authority's contribution portion of their accounts is based on years of continuous service. Forfeited nonvested accounts are held and applied to reduce future employer contributions.

Continued

9. Pension, Continued

For the years ended March 31, 2020 and 2019, the Authority contributed approximately $108,000 and $105,000 in discretionary funds, respectively. The Authority had no liability outstanding related to the Plan at March 31, 2020 or 2019.

10. Concentrations of Credit Risk

The Authority grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at March 31, 2020 and 2019 was as follows:

	2020	2019
Medicare	22%	24%
Medicaid	10%	9%
Third-party payors	33%	40%
Self-pay patients	35%	27%
Total	100%	100%

11. Self-Insurance

The Authority has a self-insurance program for employee health insurance under which a third-party administrator processes and pays claims. The Authority reimburses the third-party administrator monthly for claims incurred and paid. The Authority has purchased stop-loss insurance coverage for claims in excess of $125,000 for each individual employee. During 2017, the Authority also entered the Decatur County Healthcare Cooperative Series of Sentinel Indemnity, LLC, a captive insurance Plan, along with Decatur County, Georgia and the City of Bainbridge. The captive agreement provides additional stop-loss coverage for claims in excess of $350,000 for each individual employee. The investment in the captive plan is included in other assets on the balance sheet. Under these self-insurance programs, the Authority incurred expenses of approximately $5,105,000 and $6,438,000 including administrative fees, during the years ended March 31, 2020 and 2019, respectively.

The Authority has a partial self-insurance program for medical malpractice liability claims. The Authority is self-insured up to $1,000,000 per claim and has purchased liability coverage above $1,000,000 per claim and $3,000,000 in the aggregate. The Authority uses a third-party administrator to review and analyze incidents that may result in a claim against the Authority. The Authority has designated assets, as required by the liability policy, to be used for liabilities resulting from claims for which the Authority may ultimately be responsible.

Continued

12. Contingencies

Various claims and assertions are made against the Authority during the ordinary course of business. It is the opinion of management and management's legal counsel that any losses that may result from such claims and assertions would not materially affect the operations or financial position of the Authority as of and for the years ended March 31, 2020 and 2019. In addition, the state of Georgia legislature passed tort reform which could limit the amount of certain settlements.

13. Related Organization

The Memorial Hospital Foundation, Inc. (Foundation) was created to support and promote the health care programs, operations, and activities of the Authority. The Foundation's funds are distributed to the Authority in amounts and in periods determined by the Foundation's Board of Directors, who may also restrict the use of funds for capital needs.

A summary of the Foundation's assets and net assets, and changes in net assets (not included in the Authority's statements) for the years ended March 31, 2020 and 2019 are as follows:

	2020	2019
Assets	$ 1,227,649	$ 1,363,250
Net assets	$ 1,227,649	$ 1,363,250
Contribution revenues	$ 21,545	$ 48,801
Investing gains	12,596	40,033
Change in net unrealized gains and losses on marketable securities	(154,076)	(3,155)
Operating expenses	(8,891)	(4,555)
Contributions to Memorial Hospital and Manor	(6,775)	(95,000)
Change in net assets	(135,601)	(13,876)
Net assets at beginning of year	1,363,250	1,377,126
Net assets at end of year	$ 1,227,649	$ 1,363,250

Continued

14. Decatur County Contributions

The Authority receives 12% of the 1% Special Purpose Local Option Sales Tax (SPLOST) revenue from Decatur County, Georgia annually. These funds are restricted for capital improvements and capital equipment and are used each year by the Authority. The SPLOST program is approved by the county commissioners and citizens of Decatur County every five years. The current SPLOST contract ends on March 31, 2021.

Beginning in calendar year 2015 and continuing for ten years, Decatur County, Georgia has agreed to commit up to two mills per year to fund unreimbursed indigent care provided by the Authority. For fiscal years 2020 and 2019, these amounts are reported in operating revenues on the statements of revenues, expenses and changes in net position.

15. Health Care Reform

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. Legislation has been passed that includes cost controls on healthcare providers, insurance market reforms, delivery system reforms and various individual and business mandates among other provisions. The costs of these 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.

16. Regulatory Compliance

The healthcare industry has been subjected to increased scrutiny from governmental agencies at both the federal and state level with respect to compliance with regulations. Areas of noncompliance identified at the federal level include Medicare and Medicaid, Internal Revenue Service, and other regulations governing the healthcare industry. In addition, the Reform Legislation includes provisions aimed at reducing fraud, waste, and abuse in the healthcare industry. These provisions allocate significant additional resources to federal enforcement agencies and expand the use of private contractors to recover potentially inappropriate Medicare and Medicaid payments. The Authority has implemented a compliance plan focusing on such issues. There can be no assurance that the Authority will not be subjected to future investigations with accompanying monetary damages.

Continued

17. Fair Values of Financial Instruments

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

- *Cash, accounts payable, accrued liabilities, short-term debt and estimated third-party payor settlements:* The carrying amount reported in the balance sheet approximates its fair value due to the short-term nature of these instruments.

- *Current and noncurrent cash and investments:* These assets consist primarily of cash, certificates of deposit and money market accounts. The carrying amount reported in the balance sheet approximates fair value.

- *Long-term debt:* The fair value of the Authority's long-term debt is estimated using discounted cash flow analyses, based on the Authority's current incremental borrowing rates for similar types of borrowing arrangements.

The carrying amounts and fair values of the Authority's long-term debt at March 31, 2020 and 2019 are as follows:

	2020		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	$ 10,130,000	$ 11,155,000	$ 10,760,000	$ 11,570,000

18. Economic Dependency

As discussed in Note 14, the Authority receives significant funding from Decatur County, Georgia tax revenues. In addition, the Authority obtained support from Decatur County and the City of Bainbridge to refinance long-term debt during 2017 through the issuance of revenue certificates. The support from Decatur County and the City of Bainbridge must continue into the future for the Authority to remain financially viable for years to come.

19. Rural Hospital Tax Credit Contributions

The State of Georgia (State) passed legislation which allows individuals or corporations to receive a State tax credit for making a contribution to certain qualified rural hospital organizations. The Authority submitted the necessary documentation and was approved by the State to participate in the rural hospital tax credit program for calendar years 2019 and 2020. Contributions received under the program approximated $829,000 and $1,666,000 during the Authority's fiscal years 2020 and 2019, respectively. The Authority will have to be approved by the State to participate in the program in each subsequent year.

Continued

20. Management's Continued Improvement Plan for Fiscal Year 2020

The Authority has faced and continues to face financial difficulty due to operating losses, minimal cash reserves, and increased accounts payable. Management has developed a long-term strategic plan that is designed to position the Authority for long-term success. Management has also focused on improving their financial performance in the near term by focusing on revenue cycle enhancements to reduce denials and improve collection rates, cost structure reductions such as a focus on improving productivity, aggressively managing expenses, and a focus on refinement of the information system and its ability to enhance productivity. Finally management is in the process of evaluating new revenue opportunities to increase the market share of the Authority.

21. Subsequent Event

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen. The outbreak is likely to put an unprecedented strain on the U.S. healthcare system, disrupt or delay production and delivery of materials and products in the supply chain, and cause staffing shortages. The extent of the impact of COVID-19 on the Authority's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the Authority's patients, employees, and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Authority's financial position or results of operations is uncertain.

On March 27, 2020, the President signed the Coronavirus Aid, Relief and Economic Security Act (CARES Act). Certain provisions of the CARES Act provide relief funds to hospitals and other healthcare providers. The funding will be used to support healthcare related expenses or lost revenue attributable to COVID-19. The U.S. Department of Health and Human Services began distributing funds on April 10, 2020 to eligible providers in an effort to provide relief to both providers in areas heavily impacted by COVID-19 and those providers who are struggling to keep their doors open due to healthy patients delaying care and canceling elective services. The total amount of support the Authority is eligible to receive is uncertain at this time. As of August 18, 2020, the Authority has received funds in the amount of approximately $10.3 million. The funds are subject to repayment if the Authority does not comply with the terms and conditions. While the Authority currently believes that its use of the relief funds will meet the eligibility requirements, no assurances can be provided.

Continued

21. Subsequent Event, Continued

The Authority received loan proceeds in the amount of approximately $3 million under the Paycheck Protection Program (PPP). The PPP, established as part of the CARES Act, provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after the covered period as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1 percent, with a deferral of payments for the first ten months. The Authority intends to use the proceeds for purposes consistent with the PPP. While the Authority currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, no assurances can be provided.

On April 10, 2020, the Authority received payments in the amount of approximately $3 million under the Accelerated and Advance Payment Program expansion as part of the CARES Act. The program provides emergency funding and addresses cash flow difficulties when there are disruptions in claims submission and/or claims processing. Centers for Medicare and Medicaid Services (CMS) expanded the program for all Medicare providers throughout the country. The advance payments will be recovered by CMS through an automatic recoupment process that will begin 120 days after the payments were received.