

GEORGIA HEART
HOSPITAL PROGRAM

Helping Enhance Access to Rural Treatment

Financial Statements

December 31, 2020 and 2019

Georgia HEART Hospital Program, LLC

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Independent Auditor's Report

To Georgia Community Foundation, Inc.
Single Member of Georgia HEART Hospital Program, LLC

We have audited the accompanying financial statements of Georgia HEART Hospital Program, LLC (the Company), which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of operations, changes in member's equity and cash flows for the years ended December 31, 2020 and 2019, 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 our 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, we consider internal control relevant to the Company'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 Company'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 Georgia HEART Hospital Program, LLC as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years ended December 31, 2020 and 2019, in accordance with accounting principles generally accepted in the United States of America.

Bennett Thrasher LLP

April 26, 2021

BETTER TOGETHER

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Georgia HEART Hospital Program, LLC

Balance Sheets

December 31, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 868,979	\$ 491,663
Accounts receivable	393,186	83,581
Prepaid expenses	16,521	16,667
Total current assets	<u>1,278,686</u>	<u>591,911</u>
Web development costs, net	6,012	13,368
Total assets	<u>\$ 1,284,698</u>	<u>\$ 605,279</u>
Liabilities and Member's Equity		
Accounts payable	\$ 135,160	\$ 64,973
Due to related party, net	48,592	3,092
Due to Georgia Community Rural Health Fund	600,000	200,000
Total current liabilities	<u>783,752</u>	<u>268,065</u>
Commitments and contingencies (Note 4)		
Member's equity, 1,000 units issued and outstanding	<u>500,946</u>	<u>337,214</u>
Total liabilities and member's equity	<u>\$ 1,284,698</u>	<u>\$ 605,279</u>

See accompanying notes to financial statements.

Georgia HEART Hospital Program, LLC

Statements of Operations

For the Years Ended December 31, 2020 and 2019

	2020	2019
Revenues:		
Fee income	\$ 1,628,712	\$ 1,395,032
Interest income	<u>880</u>	<u>2,733</u>
Total revenue	<u>1,629,592</u>	<u>1,397,765</u>
Expenses:		
Charitable contribution (Note 5)	600,000	200,000
Salaries, wages and benefits	512,908	559,546
General and administrative	199,952	257,953
Promotional fees	<u>153,000</u>	<u>131,072</u>
Total expenses	<u>1,465,860</u>	<u>1,148,571</u>
Net income	<u>\$ 163,732</u>	<u>\$ 249,194</u>

See accompanying notes to financial statements.

Georgia HEART Hospital Program, LLC

Statements of Changes in Member's Equity For the Years Ended December 31, 2020 and 2019

Balance as of December 31, 2018	\$ 88,020
Net income	<u>249,194</u>
Balance as of December 31, 2019	337,214
Net income	<u>163,732</u>
Balance as of December 31, 2020	<u>\$ 500,946</u>

See accompanying notes to financial statements.

Georgia HEART Hospital Program, LLC

Statements of Cash Flows

For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Net income	\$ 163,732	\$ 249,194
Reconciliation of net income to net cash provided by operating activities:		
Amortization expense	7,356	6,042
Changes in assets and liabilities:		
Accounts receivable	(309,605)	(65,331)
Prepaid expenses	146	(8,667)
Accounts payable	70,187	49,873
Due to related party, net	45,500	3,092
Due to Georgia Community Rural Health Fund	<u>400,000</u>	<u>200,000</u>
Net cash provided by operating activities	<u>377,316</u>	<u>434,203</u>
Cash flows from investing activities:		
Purchases of software	<u>-</u>	<u>(6,200)</u>
Net cash used in investing activities	<u>-</u>	<u>(6,200)</u>
Net increase in cash and cash equivalents	377,316	428,003
Cash and cash equivalents, at beginning of period	<u>491,663</u>	<u>63,660</u>
Cash and cash equivalents, at end of period	<u>\$ 868,979</u>	<u>\$ 491,663</u>

See accompanying notes to financial statements.

Georgia HEART Hospital Program, LLC

Notes to Financial Statements December 31, 2020 and 2019

Note 1: Description of the Business and Summary of Significant Accounting Policies

Description of Business and Organization

Georgia HEART Hospital Program, LLC (the Company) was formed as a limited liability company under the laws of the State of Georgia on April 18, 2018 (Inception) for the purpose of assisting qualified rural hospital organizations (RHOs) in the marketing and administration of contributions under the Georgia Rural Hospital Organization Expense Credit Program contained in Official Code of Georgia Annotated (O.C.G.A) § 48-7-29.20 (RHO Program).

Prior to Inception, due to Internal Revenue Service (IRS) private letter rulings limiting the ability of non-profit charitable entities to engage in consulting activities, Portage Charity Advisors, Inc. (Portage), a for-profit corporation duly formed under the laws of the State of Georgia, marketed and administered the RHO Program on behalf of qualified RHOs. During this time, to realize Portage's intent of operating on a non-profit basis, Portage and Georgia Community Foundation, Inc. (GCF), a 501(c)(3) tax-exempt organization, entered into a Donor Agreement, pursuant to which Portage agreed to contribute all of its annual net income to GCF. Due to a subsequent IRS ruling, which permits non-profit charitable entities to engage in consulting activities relating to their tax-exempt purposes, on the date of Inception, Portage, which was an S corporation for purposes of Federal income tax purposes, converted into the Company, a single-member LLC. Thereafter, the single member of the Company, James P. Kelly III (Kelly), contributed 100% of the issued and outstanding member interests (1,000 shares) in the Company to GCF.

Financial Statement Presentation

The Company prepares its financial statements using the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Use of Estimates in Financial Statements

The preparation of financial statements in conformity with U.S. GAAP 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with maturities of three months or less at the date of purchase. These investments are carried at cost, which approximates fair value. At times, cash and cash equivalents may exceed federally insured amounts. The Company believes it mitigates any risks by depositing cash in major financial institutions.

Accounts Receivable

Accounts receivable are related to the fee income on hospital contributions received in January 2021 and 2020, respectively, that were postmarked prior to December 31, 2020 and 2019. A reserve for uncollectible accounts is established as deemed necessary based upon overall accounts receivable aging levels and a specific review of accounts. In the opinion of management, no reserve was deemed necessary as of December 31, 2020 or 2019.

Web Development Costs

The Company capitalizes costs associated with developing the Company's website and associated custom software solutions upon the point at which the website and software are ready for intended use. Costs associated with web development are expensed until the point at which the project has reached the development stage. Subsequent additions, modifications or upgrades to the Company's website and software are capitalized only to the extent that they provide new functionality. Website and software maintenance and training costs are expensed in the period in which they are incurred. Web development costs primarily include external direct costs for related development services. As of December 31, 2020 and 2019, web development costs totaled \$22,050, with accumulated amortization of \$16,038 and \$8,682, respectively. The Company amortizes these costs over the estimated useful life of three years. Amortization expense totaled \$7,356 and \$6,042 for the years ended December 31, 2020 and 2019, respectively.

Recognition of Revenue

The Company recognizes revenue from contracts with customers when, or as, the Company satisfies its performance obligations by transferring the promised services to the customers. Fee income is derived from services provided to the Company's participating RHOs to market and administer tax credit-eligible contributions to the RHO Program. The amount of revenue recognized reflects the consideration ("transaction price") the Company expects to be entitled to in exchange for the transfer of the services to the customer. The Company records revenue of 3.0% for all completed donations to RHOs, a statutory administration fee prescribed by Georgia law. The Company processed contributions of approximately \$54.3 million and \$46.5 million to RHOs participating with the Company for the years ended December 31, 2020 and 2019, respectively.

Promotional Fees

At the creation of the RHO Program, Portage, and upon conversion, the Company, entered into a partnership with Georgia Hospital Health Services, Inc. (GHHS), a wholly-owned subsidiary of Georgia Hospital Association, Inc. (GHA), to cooperate in promoting the RHO Program among eligible RHOs, most of which GHA has served for many years. On July 18, 2016, Portage entered into an Agreement with GHHS, pursuant to which the Company compensates GHHS at the rate of 8.33% of the Company's fee income collected each quarter from serving the Company's participating RHOs. As a result of the combined services and efforts resulting from this partnership, all of the RHOs eligible to participate in the RHO Program had selected the Company to exclusively provide them with RHO Credit Program contribution marketing and administration services as of December 31, 2020 and 2019. Pursuant to the Agreement, the Company paid GHHS \$135,672 and \$116,206 in 2020 and 2019, respectively, which is included in promotional fees on the accompanying statements of operations.

At the creation of the RHO Program, because C corporations are potential donors to RHOs, Portage, and upon conversion, the Company, entered into a partnership with Georgia Chamber of Commerce, Inc. (Georgia Chamber) to cooperate in promoting the RHO Program to potential C corporation donors. On August 16, 2016, Portage entered into an Agreement with Georgia Chamber, pursuant to which the Company compensates Georgia Chamber on a quarterly basis, at the rate of 8.33% of the Company's fee income relating to C corporation contributions to the Company's participating RHOs. Pursuant to the Agreement, the Company paid Georgia Chamber \$17,328 and \$14,866 in 2020 and 2019, respectively, which is included in promotional fees on the accompanying statements of operations.

Income Taxes

The Company is deemed a disregarded entity under the Internal Revenue Code (the Code). The Company is a single-member LLC owned wholly by GCF, an organization defined by Section 512(a)(1) of the Code as a public charity. The Company's activities will be reflected on the GCF state and federal tax return. Accordingly, no provision or benefit for income taxes has been recorded in the accompanying financial statements.

The Company applies the provisions of accounting standards for income taxes. These standards require that a tax position be recognized or derecognized based on a 'more-likely-than-not' threshold. This applies to positions taken or expected to be taken in a tax return. The Company does not believe its financial statements include any material uncertain tax positions. The Company is subject to federal or state income tax examination by tax authorities for all years.

Fair Value of Financial Instruments

The fair value of cash and cash equivalents approximates carrying values due to the relative liquidity or short-term nature of these instruments.

Note 2: Hospital Contributions (Unaudited)

For the year ended December 31, 2020, hospital contributions for participating RHOs totaled \$54,290,393 (unaudited). Fee income recognized on these contributions for the year ended December 31, 2020 was \$1,628,712, which resulted in fee income as a percentage of hospital revenues of 3% as of December 31, 2020. For the year ended December 31, 2019, hospital contributions for RHOs totaled \$46,501,051 (unaudited). Fee income recognized on these contributions for the year ended December 31, 2019 was \$1,395,032, which resulted in fee income as a percentage of hospital revenues of 3% as of December 31, 2019.

Note 3: Undesignated Hospital Contributions

For the years ended December 31, 2020 and 2019, for all contributions received that were unspecified or undesignated, the Company attributed these contributions to the rural hospital organization ranked with the highest financial need that had not received the maximum amount of contributions for the year.

Note 4: Commitments and Contingencies

As of December 31, 2020 and 2019, the Company was not aware of any pending or foreseen litigation. The Company, from time to time, may become involved in litigation arising in the ordinary course of business. For any such litigation that may arise, management will consult with legal counsel. Should management estimate any material adverse effect on the Company's business, financial condition or results of operations, such effect will be disclosed.

Note 5: Member's Equity

The Company entered into an operating agreement (the Agreement) dated April 18, 2018 under the Georgia Limited Liability Company Act, which establishes, among other things, rights, obligations and privileges of membership. Membership consists of a single member, GCF. Except as otherwise specifically provided for in the Agreement, the liability of the single member is generally limited to its initial capital contribution. According to the Agreement, the single member is not required to make any capital contributions or loans to the Company.

The Company shall continue in perpetuity until dissolution occurs upon the earlier of the following events: first, upon approval by the single member, second, upon the entry of decree of judicial dissolution.

Pursuant to the terms of the Donor Agreement made and entered into between Portage, and upon conversion, the Company, and GCF, dated December 19, 2016, as amended, the Company, a wholly-owned GCF subsidiary, is required to contribute its annual net income (less a reasonable contingent reserve for future expenses) to GCF. GCF must use the contribution to fund the Georgia Community Rural Health Fund (the Fund), a designated, field of interest fund, governed by a GCF Board Subcommittee, the income of which GCF must use to promote access to health care in rural Georgia. The Company contributed \$600,000 and \$200,000 for the years ended December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, the Company owed \$600,000 and 200,000 to the single member under the Agreement, respectively, which is included in due to Georgia Community Rural Health Fund on the accompanying balance sheets.

Note 6: Related Party Transactions

GCF, the single member of the Company, has several board members who also serve as board members of Georgia GOAL Scholarship Program, Inc. (GOAL), a nonprofit Georgia Corporation. The Company operates out of the same office space as GOAL. Accordingly, the Company reimburses GOAL for associated expenses, including rent, health insurance, supplies and telephone. Reimbursable expenses totaled \$84,079 and \$108,302 for the years ended December 31, 2020 and 2019, respectively, which are included in general and administrative fees on the accompanying statements of operations. As of December 31, 2020 and 2019, \$48,592 and \$3,092 were payable to GOAL and GCF, which is included in due to related party in the accompanying balance sheets.

Note 7: Risks and Uncertainties

In March 2020, the World Health Organization officially designated COVID-19 as a pandemic, and as a result, businesses across the country and the world have had to take steps to protect their employees, and employees of companies with whom they do business. As a result of the pandemic, the Company began having employees work from home instead of in the office. Additionally, the Company's employees traveled less due to COVID-19, causing a decrease in general and administrative expenses. The pandemic is ongoing as of the report date and management is presently unable to predict what short term and long-term impact this level of disruption may have on the Company. There can be no assurances that a significant impact to the Company will not take place. There have been no adjustments to these financial statements as a result of this uncertainty.

Note 8: Subsequent Events

The Company has evaluated events and transactions occurring subsequent to December 31, 2020, through the report date, which is the date these financial statements were available for issuance. All subsequent events requiring recognition or disclosure as of December 31, 2020 have been incorporated into these financial statements.

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