

GEORGIA HEART
HOSPITAL PROGRAM

Helping Enhance Access to Rural Treatment

Financial Statements

December 31, 2023 and 2022

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

Opinion

We have audited the accompanying financial statements of Georgia HEART Hospital Program, LLC, which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, changes in member's equity and cash flows for the years ended December 31, 2023 and 2022, and the related notes to the financial statements.

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, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Georgia HEART Hospital Program, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Georgia HEART Hospital Program, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Georgia HEART Hospital Program, LLC's ability to continue as a going concern for a reasonable period of time.

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

Bennett Thrasher LLP

April 25, 2024

Georgia HEART Hospital Program, LLC

Balance Sheets

December 31, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	\$ 1,430,768	\$ 1,123,413
Accounts receivable	211,521	288,078
Prepaid expenses	17,788	17,813
Total current assets	<u>1,660,077</u>	<u>1,429,304</u>
Web development costs, net	39,693	23,427
Total assets	<u>\$ 1,699,770</u>	<u>\$ 1,452,731</u>
Liabilities and Member's Equity		
Accounts payable	\$ 105,806	\$ 85,500
Due to related party	15,407	20,645
Due to Georgia Community Rural Health Fund	1,000,000	600,000
Total current liabilities	<u>1,121,213</u>	<u>706,145</u>
Commitments and contingencies (Note 4)		
Member's equity, 1,000 units issued and outstanding	<u>578,557</u>	<u>746,586</u>
Total liabilities and member's equity	<u>\$ 1,699,770</u>	<u>\$ 1,452,731</u>

See accompanying notes to financial statements.

Georgia HEART Hospital Program, LLC

Statements of Operations

For the Years Ended December 31, 2023 and 2022

	2023	2022
Revenues:		
Fee income	\$ 2,173,376	\$ 1,761,972
Interest income	<u>14,450</u>	<u>1,391</u>
Total revenues	<u>2,187,826</u>	<u>1,763,363</u>
Expenses:		
Charitable contribution (Note 5)	1,000,000	600,000
Salaries, wages and benefits	836,207	730,229
General and administrative	296,100	266,355
Promotional fees	<u>223,548</u>	<u>188,414</u>
Total expenses	<u>2,355,855</u>	<u>1,784,998</u>
Net loss	<u>\$ (168,029)</u>	<u>\$ (21,635)</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, 2023 and 2022

Balance as of December 31, 2021	\$ 768,221
Net loss	<u>(21,635)</u>
Balance as of December 31, 2022	746,586
Net loss	<u>(168,029)</u>
Balance as of December 31, 2023	<u>\$ 578,557</u>

See accompanying notes to financial statements.

Georgia HEART Hospital Program, LLC

Statements of Cash Flows

For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Net loss	\$ (168,029)	\$ (21,635)
Reconciliation of net loss to net cash provided by operating activities:		
Amortization expense	12,154	2,359
Changes in assets and liabilities:		
Accounts receivable	76,557	(38,956)
Prepaid expenses	25	(39)
Accounts payable	20,306	(44,873)
Due to related party	(5,238)	(575)
Due to Georgia Community Rural Health Fund	<u>400,000</u>	<u>100,000</u>
Net cash provided by (used in) operating activities	<u>335,775</u>	<u>(3,719)</u>
Cash flows from investing activities:		
Web development costs	<u>(28,420)</u>	<u>(24,500)</u>
Net cash used in investing activities	<u>(28,420)</u>	<u>(24,500)</u>
Net increase (decrease) in cash and cash equivalents	307,355	(28,219)
Cash and cash equivalents, at beginning of year	<u>1,123,413</u>	<u>1,151,632</u>
Cash and cash equivalents, at end of year	<u>\$ 1,430,768</u>	<u>\$ 1,123,413</u>

See accompanying notes to financial statements.

Georgia HEART Hospital Program, LLC

Notes to Financial Statements December 31, 2023 and 2022

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 receivables are related to the fee income on hospital contributions received in January 2024 and 2023, respectively, that were postmarked on or prior to December 31, 2023 and 2022. Accounts receivable are carried at original invoice amounts less an estimate for credit losses, as deemed necessary, based on review of all outstanding accounts. In estimating its allowance for credit losses, management utilizes various models and estimation techniques based on historical loss experience, current conditions, reasonable and supportable forecasts, and other relevant factors. Accounts receivable are written off when deemed uncollectible. In the opinion of management, no reserve was deemed necessary as of December 31, 2023 or 2022.

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, 2023 and 2022, web development costs totaled \$74,970 and \$46,550, with accumulated amortization of \$35,277 and \$23,123, respectively. The Company amortizes these costs over the estimated useful life of three years. Amortization expense totaled \$12,154 and \$2,359 for the years ended December 31, 2023 and 2022, respectively.

Recognition of Revenue

The Company recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*, (ASC 606). Under ASC 606, revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. To achieve this core principle, the Company applies the following five steps:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to performance obligations in the contract
- Recognize revenue as performance obligations are satisfied

The Company identified the following performance obligations, for which revenue is recognized as the respective performance obligations are satisfied.

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. Donations are considered completed when they are made by the respective donors to the designated RHO. Fee revenue is recognized at the point in time when the donation is considered complete. The Company processed contributions of approximately \$72.4 million and \$58.7 million to RHOs participating with the Company for the years ended December 31, 2023 and 2022, 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, 2023 and 2022. Pursuant to the Agreement, the Company paid GHHS \$181,042 and \$146,797 in 2023 and 2022, 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 \$42,506 and \$41,617 in 2023 and 2022, 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.

Fair Value of Financial Instruments

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

Note 2: Hospital Contributions (Unaudited)

For the years ended December 31, 2023 and 2022, hospital contributions for participating RHOs totaled \$72,445,880 and \$58,732,410, respectively (unaudited). Fee income recognized on these contributions for the years ended December 31, 2023 and 2022 was \$2,173,376 and \$1,761,972, respectively, which resulted in fee income as a percentage of hospital revenues of 3% as of December 31, 2023 and 2022.

Note 3: Undesignated Hospital Contributions

For the years ended December 31, 2023 and 2022, for all tax credit applications received that were unspecified or undesignated, the Company submitted these applications to the Georgia Department of Revenue (DOR) as undesignated, and the DOR identified the rural hospital organization ranked with the highest financial need as determined and published by the Georgia Department of Community Health. The Company reviewed DOR designations in these instances to ensure proper hospital designations.

Note 4: Commitments and Contingencies

As of December 31, 2023 and 2022, 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 projected 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 committed to a contribution of \$1,000,000 and \$600,000 for the years ended December 31, 2023 and 2022, respectively. At December 31, 2023 and 2022, the Company owed \$1,000,000 and \$600,000 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

During the years ended December 31, 2023 and 2022, the Company paid reimbursements of \$41,056 and \$36,086 to GCF, the single member of the Company, for health insurance. As of December 31, 2023 and 2022, \$0 and \$1,254 were payable to GCF, respectively, which is included in accounts payable in the accompanying balance sheets.

GCF has 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 has an expense-sharing arrangement with GOAL in which the Company reimburses GOAL for associated expenses, including rent, health insurance, supplies and telephone. For the years ended December 31, 2023 and 2022, the board approved an expense-sharing ratio of 50-50 between the Company and GOAL. Reimbursable expenses to GOAL totaled \$71,510 and \$83,856 for the years ended December 31, 2023 and 2022, respectively, which are included in general and administrative fees on the accompanying statements of operations. As of December 31, 2023 and 2022, \$15,407 and \$20,645 were payable to GOAL, respectively, which is included in due to related party in the accompanying balance sheets.

Note 7: Subsequent Events

The Company has evaluated events and transactions occurring subsequent to December 31, 2023, 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, 2023 have been incorporated into these financial statements.

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