KPMG

OVERLAKE HOSPITAL ASSOCIATION

Consolidated Financial Statements
and Consolidating Information

June 30, 2023 and 2022

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 2800
401 Union Street
Seattle, WA 98101

Independent Auditors' Report

The Board of Directors
Overlake Hospital Association:

Opinion

We have audited the consolidated financial statements of Overlake Hospital Association and its subsidiaries (the Association), which comprise the consolidated balance sheets as of June 30, 2023 and 2022, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Association as of June 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Association 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 GAAS 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Seattle, Washington
October 20, 2023

OVERLAKE HOSPITAL ASSOCIATION

Consolidated Balance Sheets

June 30, 2023 and 2022

(In thousands)

Assets		**2023**	**2022**
Current assets:			
Cash and cash equivalents	$	15,976	16,765
Receivables, net		107,868	109,314
Current portion of pledges receivable		1,541	2,521
Current portion of assets whose use is limited		12,165	11,001
Supplies inventory		15,965	14,474
Prepaid expenses		14,562	12,931
Other current assets		13,313	11,024
Total current assets		181,390	178,030
Assets whose use is limited:			
Restricted by donors		13,590	14,299
Management designated		4,609	4,442
Funds held under bond indenture and collateral agreements		12,165	11,001
Less current portion		(12,165)	(11,001)
Total assets whose use is limited, net of current portion		18,199	18,741
Investments		278,569	381,596
Long-term portion of pledges receivable, net		2,302	1,989
Other long-term receivables, net		5,762	6,267
Land, buildings, and equipment, net		461,191	450,694
Operating lease right-of-use assets, net		37,547	34,484
Other assets:			
Investments in joint ventures		5,129	4,446
Other assets		1,768	2,118
Total other assets		6,897	6,564
Total assets	$	991,857	1,078,365

OVERLAKE HOSPITAL ASSOCIATION

Consolidated Balance Sheets

June 30, 2023 and 2022

(In thousands)

Liabilities and Net Assets		2023	2022
Current liabilities:			
Accounts payable	$	29,869	34,029
Accrued liabilities		68,952	77,031
Accrued interest payable		5,282	5,244
Payable to third-party agencies		11,769	11,249
Medicare advanced funding		—	6,955
Line of credit borrowing		—	35,000
Current portion of long-term debt		6,815	6,503
Current portion of operating lease right-of-use liabilities		7,287	6,538
Total current liabilities		129,974	182,549
Long-term debt, net of current portion		268,875	277,225
Long-term operating lease right-of-use liabilities, net of current portion		33,402	31,147
Other long-term liabilities		19,435	18,338
Total liabilities		451,686	509,259
Net assets:			
Without donor restrictions		523,018	550,078
With donor restrictions		17,153	19,028
Total net assets		540,171	569,106
Total liabilities and net assets	$	991,857	1,078,365

See accompanying notes to consolidated financial statements.

OVERLAKE HOSPITAL ASSOCIATION

Consolidated Statements of Operations and Changes in Net Assets

Years ended June 30, 2023 and 2022

(In thousands)

		2023	2022
Operating revenue:			
Net patient service revenue	$	675,123	622,205
Other operating revenue		23,914	17,518
Contribution revenue		12,600	3,135
Net operating revenue		711,637	642,858
Operating expenses:			
Salaries		344,769	313,950
Registry		34,646	45,366
Employee benefits		86,828	73,508
Supplies		116,351	104,617
Purchased services		80,566	72,199
Interest and amortization		13,547	11,050
Depreciation and amortization		33,428	34,430
Rent, leases, and utilities		17,076	15,712
Hospital taxes and assessments		18,107	18,910
Marketing, insurance, and other		22,825	22,022
Total operating expenses		768,143	711,764
Deficit of revenue over expenses from operations		(56,506)	(68,906)
Nonoperating revenue (expense), net:			
Investment income (expense)		23,178	(67,520)
Revenue from nonoperating affiliates		165	209
Total nonoperating (expense) revenue, net		23,343	(67,311)
Deficit of revenue over expenses		(33,163)	(136,217)
Other changes in net assets without donor restrictions:			
Net assets released for capital acquisitions		5,447	4,439
Other		656	(1,307)
Decrease in net assets without donor restrictions		(27,060)	(133,085)
Changes in net assets with donor restrictions:			
Contributions		3,240	5,089
Investment income		837	848
Change in net unrealized (losses) gains on investments		103	(2,207)
Net assets released from restrictions		(6,055)	(4,891)
Decrease in net assets with donor restrictions		(1,875)	(1,161)
Decrease in net assets		(28,935)	(134,246)
Net assets, beginning of year		569,106	703,352
Net assets, end of year	$	540,171	569,106

See accompanying notes to consolidated financial statements.

OVERLAKE HOSPITAL ASSOCIATION

Consolidated Statements of Cash Flows

Years ended June 30, 2023 and 2022

(In thousands)

		2023	2022
Cash flows from operating activities:			
Change in net assets	$	(28,935)	(134,246)
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization		31,785	32,696
Loss on disposal of land, buildings and equipment		3	14
Restricted contributions received for capital and permanently restricted purposes		(3,604)	(6,970)
Net realized and unrealized losses on investments and management designated assets whose use is limited		(13,356)	85,956
Equity (gains) from joint ventures		(683)	(1,825)
Change in right of use assets and lease liabilities		(59)	(312)
Changes in operating assets and liabilities:			
(Increase) decrease in:			
Receivables, net		1,446	(22,687)
Pledges receivable		667	3,448
Supplies inventory		(1,491)	(960)
Prepaid expenses		(1,631)	(1,737)
Other current assets		(2,289)	(1,952)
Other long-term receivables		505	314
(Decrease) increase in:			
Accounts payable		(1,175)	10,419
Accrued liabilities		(8,079)	6,175
Accrued interest payable		38	(14)
Payable to third-party agencies		520	988
Medicare advanced funding		(6,955)	(24,540)
Other long-term liabilities		1,097	1,558
Net cash (used in) operating activities		(32,196)	(53,675)
Cash flows from investing activities:			
Purchase of land, buildings, and equipment		(46,563)	(55,368)
Proceeds from sale of investments and assets whose use is limited		808,046	971,535
Purchase of investments and assets whose use is limited		(693,449)	(903,417)
Net cash provided by investing activities		68,034	12,750
Cash flows from financing activities:			
Restricted contributions received for capital and permanently restricted purposes		3,604	6,970
Borrowing on line of credit		6,000	37,000
Principal payments on line of credit borrowing		(41,000)	(2,000)
Principal payments on long-term debt		(6,503)	(5,866)
Proceeds from issuance of new debt		50,555	—
Refunding of old debt from new debt		(50,000)	—
Financing fees paid		(448)	—
Net cash (used in) provided by financing activities		(37,792)	36,104
Net (decrease) in cash, cash equivalents, and restricted cash		(1,954)	(4,821)
Cash, cash equivalents, and restricted cash, beginning of year		20,841	25,662
Cash, cash equivalents, and restricted cash, end of year	$	18,887	20,841
Supplemental disclosures of cash flow information:			
Cash paid for interest, net of amounts capitalized	$	13,509	11,064
Purchase of land, buildings, and equipment included in accounts payable		953	3,938

See accompanying notes to consolidated financial statements.

(1) Description of Organization and Summary of Significant Accounting Policies

(a) Organization

Overlake Hospital Association (the Association) is a 501(c)(3) not-for-profit corporation located in Bellevue, Washington. The purpose of the Association is to promote and conduct health-related activities through its affiliation with other health-related organizations. The Association owns buildings adjacent to the Overlake Hospital Medical Center campus and currently leases space for mixed office use.

Overlake Hospital Medical Center (the Hospital) is a 501(c)(3) not-for-profit corporation located in Bellevue, Washington. The Hospital's primary service area is from Bothell to Black Diamond and from the Cascade Mountains to Lake Washington, including Mercer Island. The Hospital provides inpatient, outpatient, and emergency care services. The Hospital is controlled by the Association.

The Hospital is affiliated with other healthcare related organizations including the following:

Overlake Medical Clinics, LLC (the Clinics) was formed to establish, own, and operate primary care clinics and other outpatient healthcare entities. The Hospital is the sole member of the Clinics.

Overlake Hospital Foundation (the Foundation) is a 501(c)(3) not-for-profit corporation. The purpose of the Foundation is to: (a) receive grants, bequests, donations, and contributions on behalf of; (b) provide fund-raising and other support to; and (c) make contributions to the Hospital and its related tax-exempt corporations. The Foundation is controlled by the Hospital.

Overlake Hospital Auxiliaries (the Auxiliaries) is a 501(c)(3) not-for-profit corporation. The purpose of the Auxiliaries is to promote, support, and advance the well-being of the Hospital through a variety of ways including serving as goodwill ambassadors to the community, conducting fund-raising activities, maintaining membership strength, and providing services to the Hospital for the benefit of its patients and their families. The Auxiliaries are controlled by the Hospital and were dissolved on May 3, 2022.

Overlake Medical Tower LLC (the Medical Tower) was formed to acquire, own, develop, and operate a medical office building and garage complex on the Hospital's campus. The Association is the sole member of the Medical Tower.

Overlake Surgery Center LLC (the Surgery Center) is a limited liability company organized as a multi-specialty surgery center. In August 2021, the Hospital became the majority owner of the Surgery Center.

The consolidated financial statements of the Association include the accounts of the Association and all of the above listed affiliates.

(b) Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates include the provision for implicit and explicit price concessions, fair value of financial instruments, reserves for employee benefit obligations, and self-insurance reserves for professional liability and workers' compensation.

(Dollars in thousands)

(c) Basis of Presentation

The consolidated financial statements include the accounts of the Association and its affiliates. All significant intercompany transactions between the Association and its affiliates have been eliminated in consolidation.

(d) Cash and Cash Equivalents

The Association maintains cash on deposit at financial institutions, which at times exceed the limits insured by the Federal Deposit Insurance Corporation. This exposes the Association to potential risk of loss in the event the financial institution becomes insolvent.

Cash and cash equivalents and restricted cash and cash equivalents for the years ending June 30, 2023 and 2022:

		2023	2022
Cash	$	15,976	16,765
Restricted cash presented in assets whose use is limited, restricted by donors		2,911	4,076
Total cash and cash equivalents and restricted cash	$	18,887	20,841

(e) Pledges Receivable

Pledges of financial support are recorded at fair value by the Association when a donor's unconditional promise to give has sufficient definition with respect to the amount and planned timing of the donation. Conditional promises to give and intentions to give are reported at fair value at the earlier of when the contingency is met or the date the gift is received. An allowance for uncollectible pledges is recorded based on an estimated percentage of pledges that may not be collectible based on historical experience. The Association anticipates collection of net pledges receivable over the next one to ten years. Pledges over $250 not scheduled to be collected within one year are discounted using a discount factor based upon an estimate of the risk factor and duration of each pledge.

(f) Assets Whose Use is Limited

Certain assets of the Association are held in trust under indenture agreements, are restricted by donor stipulations, or are management designated. Assets that have been management designated are subject to change in the future. These assets consist primarily of cash, accrued interest, money market funds, bond mutual funds, and equity mutual funds, and are recorded at fair value.

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(g) Investments

Investments consist primarily of cash, accrued interest, money market funds, bond mutual funds, equity mutual funds, hedge funds and private equity, and are recorded at fair value. The estimation of the fair value of investments in funds for which the investment does not have a readily determinable fair value is the net asset value (NAV) per share provided by fund administrators. Investments are classified as other-than-trading with unrealized gains and losses included in current earnings as nonoperating revenue (expense), net.

(h) Liquidity

Cash and cash equivalents, accounts receivable, and current assets are the primary liquid resources available to the Association to meet expected expenditure needs within the next year. Although intended to satisfy long-term obligations and capital needs, management estimates that approximately 62% and 75% of investments and virtually all of its current assets, as stated at June 30, 2023 and 2022, respectively, could be utilized within a year if needed while continuing to satisfy bond covenants.

(i) Land, Buildings, and Equipment

Land, buildings, and equipment acquisitions with a useful life of at least two years are recorded at cost. Improvements and replacements of buildings and equipment are capitalized; maintenance and repairs are expensed. The cost of land, buildings, and equipment sold or retired and the related accumulated depreciation are removed from the records and any resulting gain or loss is recorded. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets or lease term if shorter.

The fair value of a long-lived asset may change due to a number of factors such as a significant decrease in the market price of a long-lived asset, a significant adverse change in the manner in which the asset is used, a significant adverse change in legal factors or the business climate that could affect the value of the asset, or a change in expected useful life due to changes regarding obsolescence, planned replacement, or disposal. When management becomes aware of a situation that causes the fair value of a long-lived asset to be lower than the book value, management records an impairment and revises the estimated useful life as needed.

(j) Deferred Financing Costs

The Association defers the costs of obtaining financing and amortizes these costs over the term of the related debt using the effective-interest method. Deferred financing costs are included in long-term debt.

(k) Net Assets

Net assets without donor restrictions are available for unrestricted use by the Association and are reported as net assets without donor restrictions

Net assets with donor restrictions are those whose use by the Association have been limited by donors to a specific time period or purpose or restricted by donors to be maintained by the Association in perpetuity.

(l) Net Patient Service Revenue

The Association is paid for services to Medicare inpatients under the Prospective Payment System, which provides for reimbursement based on diagnosis-related groupings (DRGs). Such DRG payments are prospectively established and may be greater or less than the Association's actual charges for its services. The majority of Medicare outpatient services are reimbursed based on ambulatory payment classifications (APCs). APC payments are prospectively established and may be greater or less than the Association's actual charges for its services. Payments for Medicare outpatient laboratory services and certain therapeutic services are based on a fee schedule.

The Association is paid for services provided to Medicaid inpatients under a DRG-based system. Payments for Medicaid outpatient services are reimbursed on a percentage of actual charges or a fee schedule.

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

Net patient service revenue is reported at the estimated transaction price the Association expects to collect as a result of satisfying it's performance obligations, including estimated retroactive adjustments under reimbursement agreements with third-party payors.

For services that are paid under cost-reimbursed contractual arrangements with Medicare, the Association is paid at an interim rate during the year. The difference between the interim rate and the actual reimbursement based on defined allowable costs results in a receivable from or a payable to third-party agencies.

The Medicare program's administrative procedures preclude final determination of amounts receivable from or payable to the Medicare program until after the Association's annual cost reports have been audited or otherwise reviewed and settled by Medicare. The estimated settlement receivable/payable for unsettled cost reports is included in the accompanying consolidated financial statements.

Net patient service revenues are recognized at the time the services are provided to patients. Revenue is recorded in the amount which the Association expects to collect. Retroactive adjustments are accrued on an estimated basis in the period the performance obligations are satisfied and adjusted in future periods as final settlements are determined. The Association's net patient service revenue increased by $1,756 and $1,734 as a result of retroactive adjustments under reimbursement agreements with third-party payors during 2023 and 2022, respectively, which are considered variable consideration under Topic 606.

(m) Charity Care

The Association provides service to eligible patients at reduced or no cost based upon the individual patient's financial resources. The Association's policy provides for 100% charity to patients with income up to 300% of the federal poverty guidelines and from 50% to 75% charity to patients with income from 301% to 400% of the federal poverty guidelines. Records are kept to identify, approve, and monitor those costs that are incurred under the charity care policy. Because the Association does not expect payment, estimated charges for charity care are not included in revenue.

(Dollars in thousands)

(n) Private Pay Discounts

The Association offers patients with no insurance prompt pay discounts for medically necessary services. A 30% prompt pay discount is granted for full payment within 30 days of the first billing statement. Prompt pay discounts are recorded as an adjustment to patient service charges.

(o) Donor-Restricted Gifts

Gifts received from or pledged by donors are reported as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets or contain a time restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or restricted purpose is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions.

(p) Excess (Deficit) of Revenue over Expenses

The consolidated statements of operations and changes in net assets include excess (deficit) of revenue over expenses. Changes in net assets that are excluded from excess (deficit) of revenue over expenses include net assets released for capital acquisitions, contributions to net assets with donor restrictions, and investment income from donor-designated endowments.

(q) Federal Income Taxes

The Association is an organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code (IRC) and is generally not subject to federal income taxes. However, the Association is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption.

(2) Net Patient Service Revenue

(a) Disaggregation of Revenue

The mix of net patient service revenue by payor for the years ended June 30, 2023 and 2022 is as follows:

		2023	2022
Medicare	$	106,188	96,229
Medicaid		5,768	3,692
Kaiser Permanente		119,502	122,793
Premera		139,122	126,866
Regence		77,864	66,807
Other third-party payors and private pay		226,679	205,818
Total	$	675,123	622,205

(b) Hospital Safety Net Program

Under the Hospital Safety Net program, Washington State nongovernmental hospitals are assessed a fee on all non-Medicare patient days, up to a maximum of fifty-four thousand days per year. This fee is collected by the state and the state uses these funds to obtain federal Medicaid matching funds. Each state fiscal year, the state uses the assessment and Medicaid matching funds to make supplemental payments to Washington hospitals.

Safety net revenue recognized under the program in the consolidated statements of operations is $13,688 and $14,599 for the years ended June 30, 2023 and 2022, respectively and is classified in net patient service revenue. Safety net expenses recognized under the program in the consolidated statements of operations are $12,221 and $13,573 for the years ended June 30, 2023 and 2022, respectively and are classified in hospital taxes and assessments.

Safety net revenue recognized and not yet received as of June 30, 2023 and 2022 totaled $3,603 and $3,773, respectively. Safety net expenses recognized and not yet paid as of June 30, 2023 and 2022 totaled $3,055 and $3,393, respectively.

(c) Charity Care and Community Benefit

The Association provides care without charge or at reduced rates to patients who qualify for charity care according to the Association's policy. The Association determines the cost of charity care using a cost to charge ratio following the regulatory guidelines. Total expenses are reduced by bad debt, other operating revenue, the hospital safety net assessment, and community benefit expense and patient charges are reduced by community benefit revenue in determining the cost to charge ratio. The ratio is then applied to the charges that were written off for charity to determine the cost of charity. For the years ended June 30, 2023 and 2022, the cost of providing charity was estimated at approximately $4,722 and $5,545, respectively.

The Association provides care to Medicaid patients at rates below the cost of providing services. For the years ended June 30, 2023 and 2022, payments were less than estimated cost by approximately $34,131 and $33,493, respectively.

The Association is also involved in an array of activities that benefit the broader community. Community education classes are offered in a wide range of health-related topics including preparing for childbirth, positive parenting, infant and child safety, adult first aid, CPR, women's health, smoking cessation, weight loss, diabetes, balance, dementia, living wills, long-term care insurance, cholesterol, caregiver support, dealing with cancer, and depression. In addition to classes, the Association has a cancer resource center that coordinates support groups, counseling, and provides access to the latest information on cancer at no cost. The Association assists patients that need help enrolling in Medicaid. Education is part of the Association's mission and is evidenced by the Association's participation in several residency programs or by providing a clinical setting for college-based programs including nursing, pharmacy technicians, medical imaging technicians, respiratory therapists, lab assistants, and cancer counselors. The Association operates a senior care clinic at a loss for the benefit of the community. The Association participates in clinical research projects. As a community member, the Association participates and helps sponsor many community events in the area it serves. The estimated net unreimbursed expenditures on community benefit programs were $8,560 and $8,637 in 2023 and 2022, respectively.

(Dollars in thousands)

The Association works in partnership with a number of community agencies and provides volunteer support for programs and events that benefit the community. It is the Association's belief that giving back to the community is an integral part of its mission.

(d) Concentrations of Credit Risk

The Association 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 June 30 is as follows:

	2023	2022
Medicare	20 %	18 %
Medicaid	1	2
Kaiser Permanente	14	18
Premera	8	10
Regence	10	8
Other third-party payors	39	38
Private pay	8	6
Total	100 %	100 %

(Dollars in thousands)

(3) Assets Whose Use is Limited and Investments

Assets whose use is limited and investments, which are stated at fair value based primarily on quoted market prices, consisting of the following as of June 30, 2023 and 2022:

		2023	2022
Assets whose use is limited:			
Cash and accrued interest receivable	$	3,527	4,216
Money market funds		12,165	11,001
Fixed income securities		5,094	5,249
Equity mutual funds		9,578	9,276
Assets whose use is limited	$	30,364	29,742
Investments:			
Cash and accrued interest receivable	$	9,074	2,616
Money market funds		132	190
Fixed income securities		120,920	184,047
Equity mutual funds		108,830	143,738
Commingled funds		14,225	18,368
Investments measured using NAV:			
Hedge funds		18,307	27,777
Private equity		7,081	4,860
Total investments	$	278,569	381,596

Components of unrestricted investment income (which is included in other nonoperating revenue (expense), net) for the years ended June 30, 2023 and 2022 are as follows:

		2023	2022
Interest and dividends	$	9,922	16,227
Net realized gains (losses) on investments		(5,773)	36,178
Net unrealized gains (losses) on investments		19,029	(119,925)
Total investment income	$	23,178	(67,520)

Funds with donor restrictions investment income consisted of $838 and $848 in interest and dividends for the years ended June 30, 2023 and 2022, respectively.

(4) Fair Value of Financial Instruments

Generally Accepted Accounting Principles established a framework for measuring fair value that provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or

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liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under Accounting Standards Codification (ASC) 820-10-50, *Fair Value Measurement – Overall*, are described below:

- Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets. At June 30, 2023 and 2022, Level 1 securities include primarily money market funds and mutual funds.
- Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market. At June 30, 2023 and 2022, Level 2 securities include an unregistered mutual fund with a valuation based on net asset value (NAV) per share provided by the fund administrator.
- Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect the Association's estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of discounted cash flow models and similar techniques. At June 30, 2023 and 2022, there were no Level 3 securities.

Fair value is based on 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. The Association maximizes the use of observable inputs and minimizes the use of unobservable inputs when developing fair value measurements. Fair value measurements for assets and liabilities where there is limited or no observable market data and, therefore, are based primarily upon estimates calculated by the Association, are based on the economic and competitive environment, the characteristics of the asset or liability, and other factors.

Therefore, the results cannot be determined with precision and may not be realized upon an actual settlement of the asset or liability. There may be inherent weaknesses in any calculation technique, and changes in the underlying assumptions used, including discount rates and estimates of future cash flows, that could significantly affect the results of the current or future values.

Valuation for alternative investments is based on the net asset value (NAV) per share provided by the fund administrators.

Following is a description of valuation methods and assumptions used for assets recorded at fair value and for estimating fair value for financial instruments not recorded at fair value but required to be disclosed:

(a) Cash

The carrying amounts, at cost, equal fair value.

(Dollars in thousands)

(b) Marketable Securities

The tables below present the balances of assets measured at fair value on a recurring basis as of June 30, 2023 and 2022:

	2023			
	Level 1	**Level 2**	**Level 3**	**Fair value**
Cash and accrued interest	$ 3,527	—	—	3,527
Money market funds	12,165	—	—	12,165
Fixed income mutual funds	5,094	—	—	5,094
Equity mutual funds	9,578	—	—	9,578
Total assets whose use is limited	$ 30,364	—	—	30,364
Cash and accrued interest	$ 9,074	—	—	9,074
Money market funds	132	—	—	132
Fixed income mutual funds	84,992	—	—	84,992
Fixed income securities:				
State and federal government	15,555	299	—	15,854
Corporate	—	12,827	—	12,827
Other	—	7,247	—	7,247
Equity mutual funds	108,830	—	—	108,830
Commingled equity securities	—	14,225	—	14,225
	$ 218,583	34,598	—	253,181
Investments measured using NAV per share or its equivalent				25,388
Total investments				$ 278,569

(Dollars in thousands)

		2022			
		Level 1	Level 2	Level 3	Fair value
Cash and accrued interest	$	4,216	—	—	4,216
Money market funds		11,001	—	—	11,001
Fixed income mutual funds		5,249	—	—	5,249
Equity mutual funds		9,276	—	—	9,276
Total assets whose use is limited	$	29,742	—	—	29,742
Cash and accrued interest	$	2,616	—	—	2,616
Money market funds		190	—	—	190
Fixed income securities		184,047	—	—	184,047
Equity mutual funds		143,738	—	—	143,738
Commingled equity securities		—	18,368	—	18,368
	$	330,591	18,368	—	348,959
Investments measured using NAV per share or its equivalent					32,637
Total investments					$ 381,596

The Hospital uses a practical expedient for the estimation of the fair value of investments in funds for which the investment does not have a readily determinable fair value. The practical expedient used for certain financial instruments is the NAV per share. The NAV per share provided by fund administrators for these financial instruments considers variables such as the financial performance of underlying investments, recent sales prices of underlying investments and other pertinent information. Management reviews the valuations and assumptions used by fund administrators to determine NAV per share for reasonableness and believes the carrying values of the related financial instruments are reasonable estimates of fair value.

The practical expedient used by the Hospital for certain financial instruments is the NAV per share equivalent. For these financial instruments, the valuation of the transaction price is initially used as the best estimate of fair value. Accordingly, when a private equity provides a valuation, is adjusted so the value at inception equals the transaction price. The initial valuation is adjusted when changes to inputs and assumptions are corroborated by evidence, such as transactions of similar financial instruments; completed, or pending third-party transactions in the underlying security; or changes in financial results, data or cash flows. For positions that are not traded in active markets or are subject to notice provision, valuations are adjusted to reflect such provisions, and adjustments are generally based on available market evidence.

(Continued)

(Dollars in thousands)

The Hospital used the NAV per share or its equivalent to measure fair value of the following types of investments as of June 30, 2023:

	2023	2022	Redemption frequency	Redemption notice period
Hedge funds	$ 18,307	27,777	Bi-annually	95 days
Private equity	7,081	4,860	Event driven	—
	$ 25,388	32,637		

The fair values of private equity were estimated using the most current information available, which is March 31, 2023, adjusted for cash flows and other known events impacting fair value since the valuation date. The Hospital has committed up to $25,000 for investments in these funds through August 10, 2026, of which $7,580 had been funded as of June 30, 2023.

(5) Land, Buildings, and Equipment

The Association's land, buildings, and equipment accounts, and related accumulated depreciation accounts, as of June 30, 2023 and 2022 are set forth below:

	2023	2022
Assets:		
Land	$ 7,601	7,601
Land improvements	4,671	4,671
Buildings and improvements	575,718	549,445
Equipment:		
Fixed	63,766	63,312
Movable	268,469	255,453
Construction in progress	14,466	10,692
Total land, buildings, and equipment	934,691	891,174
Accumulated depreciation:		
Land improvements	4,400	4,308
Buildings and improvements	208,284	191,720
Equipment:		
Fixed	43,690	40,466
Movable	217,126	203,986
Total accumulated depreciation	473,500	440,480
Total land, buildings, and equipment, net	$ 461,191	450,694

(Dollars in thousands)

The Association recorded $33,077 and $33,158 of depreciation expense in 2023 and 2022, respectively. The following is a summary of asset lives used for calculating depreciation:

	Assest lives
Land improvements	5–40 years
Buildings and improvements	2–40 years
Fixed equipment	3–30 years
Movable equipment	2–20 years

The Association has outstanding construction contract commitments of $762 and $11,494 as of June 30, 2023 and 2022, respectively.

(6) Revolving Line of Credit

The Hospital has a revolving line of credit of $35,000 available as of June 30, 2023, which expires on October 5, 2023. In fiscal year 2022, the Hospital borrowed the full balance which was repaid in full as of June 30, 2023.

(7) Financing

(a) Long-Term Debt

Long-term debt, as of June 30, 2023 and 2022, is as follows:

		2023	2022
Revenue bonds, Series 2014, 4.00% to 5.00%, due in annual principal installments ranging from $1,495 to $3,370, until 2038, including a premium of $2,068 and $2,314, and net of deferred financing cost of $370 and $413 as of June 30, 2023 and 2022, respectively, callable on or after July 2024.	$	40,564	42,340
Revenue bonds, Series 2017A/B, 4.00% to 5.00%, due in annual principal installments ranging from $2,625 to $16,215, from 2023 until 2043, including a premium of $13,312 and $14,911, and net of deferred financing cost of $937 and $1,035 as of June 30, 2023 and 2022, respectively, callable on or after January 2028.		184,975	190,660

(Continued)

(Dollars in thousands)

		2023	2022
Revenue bonds, Series 2017C, variable rate, due in annual principal installments ranging from $14,180 to $18,185, from 2043 until 2045, net of deferred financing cost of $0 and $15 as of June 30, 2023 and 2022, respectively. Principal was subject to a mandatory tender date of December 21, 2022 unless otherwise elected. This option was elected and the principal was repaid using the proceeds of the Series 2022 bonds.	$	—	49,985
Revenue bonds, Series 2022, variable rate, due in annual principal installments ranging from $14,360 to $18,405, from 2043 until 2045, net of deferred financing cost of $404 as of June 30, 2023. Principal may be prepaid in whole or in part at each Rate Reset Date and is subject to a mandatory tender date of December 14, 2027 unless the Bank (or other owner) elects the right to retain the bonds.	$	50,151	—
Note payable to a financial institution, 3.34%, secured by a deed of trust on land, building, and rental income due in monthly payments including interest of $373 until August 2022, net of deferred financing cost of $0 and $0 as of June 30, 2023 and 2022, respectively.		—	743
Total long-term debt		275,690	283,728
Less current portion		(6,815)	(6,503)
Long-term debt, net of current portion	$	268,875	277,225

In fiscal year 2018, the Hospital received proceeds from the Washington Health Care Facilities Financing Authority, Revenue Bonds, Series A, B and C with total proceeds of approximately $249,215. The Series 2017 C bonds were remarketed in December 2022 to the Series 2022 bonds. The 2022 Series bonds, in the amount of approximately $50,151 as of June 30, 2023, are variable rate revenue bonds which were all purchased in a private placement by a financial institution. They will be held by that financial institution until December 2027 unless an election is made by the financial institution to retain the 2022 Series Revenue Bonds for a longer period. If the financial institution does not elect to retain the 2022 Series bonds, the bonds will be remarketed and it is possible that if the remarketing is not successful they will become due and payable in December 2027. The debt maturity table includes the expected principal payments for the 2022 Series Revenue Bonds according to the original contractual maturity schedule at the time of issuance.

(Dollars in thousands)

The principal amounts due by year are as follows:

Fiscal years:		
2024	$	6,815
2025		7,170
2026		7,535
2027		7,920
2028		8,325
Thereafter		224,256
		262,021
Add net unamortized bond premiums		15,380
Less unamortized deferred financing costs		(1,711)
	$	275,690

The obligated group for the revenue bonds (the bonds) consists of the Hospital and the Association. As security for the payment of the bonds, the Hospital has granted the Trustee a security interest in the Hospital's gross revenue and the moneys in the trust funds as described below. Trust funds have been established for the regular deposit of interest and principal payments of the bonds and is reflected within assets whose use is limited on the accompanying consolidated balance sheet.

(8) Under the terms of the loan agreements, the Hospital has agreed to maintain certain financial ratios and comply with certain other covenants. Retirement Programs

The Hospital's retirement program consists of a Voluntary Employee Tax Deferred Plan 403(b) (the Voluntary Plan), and a Contribution Plan 401(a) (the Contribution Plan).

(a) The Voluntary Plan

The Voluntary Plan is a 403(b) plan. The Voluntary Plan is entirely employee funded. All employees may participate in the program and have a choice of investments with varying levels of risk and return. New employees are automatically enrolled in the Voluntary Plan.

(b) The Contribution Plan

Plan eligibility commences on the date of hire. Participants must be credited with 1,000 hours of service during the calendar year in order to receive employer contributions. Each year the Hospital makes matching contributions to the Voluntary Plan based on a percentage of employee contributions up to a specified maximum percent of the employee's eligible compensation. The Hospital's matching contributions are summarized as follows:

Employees receive 100% of matching contributions to the Voluntary Plan, up to a maximum of 5% of the employee's eligible compensation for participants with less than five years of service or up to a maximum of 7% of the employee's eligible compensation for participants with five or more years of service at the start of the plan year.

(Dollars in thousands)

The Hospital contributed approximately $15,544 and $14,079 in matching and service contributions for the years ended June 30, 2023 and 2022, respectively, and is reflected in employee benefits in the consolidated statements of operations and changes in net assets.

(9) Leases

The Association enters into operating leases primarily for buildings. For leases with terms greater than 12 months, the Association records the related operating lease ROU assets and liabilities at the present value of the lease payments over the contract term using the Association's incremental borrowing rate. Building lease agreements generally require the Association to pay for maintenance and repairs, which are variable based on actual costs incurred during each applicable period. Such costs are not included in the determination of the operating lease ROU asset or lease liability. Variable lease costs also include escalating rent payments that are not fixed at lease commencement but are based on an index that is determined in future periods over the lease term based on changes in the Consumer Price Index or other measure of cost inflation. Most leases include one or more options to renew the lease at the initial term, with renewal terms that generally extend the lease at the then market rate of rental payment. All such options are at the Association's discretion and are evaluated at the lease commencement, with only those that are reasonably certain of exercise included in determining the appropriate lease term. The Association has elected the practical expedient to not separate lease components from non-lease components for its operating leases.

The components of lease cost are as follows for the year ended June 30, 2023 and 2022:

		2023	2022
Operating lease cost:			
Fixed lease expense	$	9,106	7,713
Variable lease expense		2,875	3,123
Total operating lease cost	$	11,981	10,836

Other information related to leases as of and for the year ended June 30, 2023 and 2022 is as follows:

	2023	2022
Weighted average remaining lease term (in years)	6	6
Weighted average discount rate	3.4 %	2.9 %

(Dollars in thousands)

Commitments related to noncancelable operating leases for each of the next five years and thereafter as of June 30, 2023 are as follows:

Fiscal year:		
2024	$	8,523
2025		8,678
2026		6,391
2027		5,242
2028		4,698
Thereafter		12,088
		45,620
Less imputed interest		4,931
Total lease liabilities		40,689
Less current portion		7,287
Long term lease obligation	$	33,402

(10) Professional Liability Insurance, Workers' Compensation, and Health Benefits

The Association maintains claims-made professional liability insurance coverage through a commercial carrier. The policy for the years ended June 30, 2023 and 2022 has a $1,000 and $750 deductible per occurrence, respectively. The Association also carries excess coverage policies for its professional liability program.

Based upon actuarial valuations, the Association has recorded estimated liabilities (undiscounted) for claims incurred but not reported as well as claims reported and not paid of $19,167 and $18,339 and reinsurance receivables of $7,301 and $7,189 as of June 30, 2023 and 2022, respectively.

The Association is self-insured for workers' compensation. The accrued liabilities for the self-insured components of this plan include the unpaid portion of claims that have been reported and estimates for claims that have been incurred but not reported. The Association also carries an excess coverage policy for its workers' compensation program. The Association has recorded undiscounted liabilities for workers' compensation claims based on actuarial estimates of approximately $3,786 and $3,310 as of June 30, 2023 and 2022, respectively and reinsurance receivables of $520 and $313 as of June 30, 2023 and 2022.

The Association is self-insured for medical, dental, and prescription drugs. The accrued liabilities for the self-insured components of this plan include the unpaid portion of claims that have been reported and estimates for claims that have been incurred but not reported. The Association also carries an excess coverage policy for its medical, dental, and prescription program. The Association has recorded undiscounted liabilities for medical, dental, and prescription drugs claims based on actuarial estimates of approximately $3,855 and $2,638 as of June 30, 2023 and 2022, respectively.

(Dollars in thousands)

(11) Litigation and Compliance with Laws and Regulations

The Association is involved in litigation and regulatory investigations arising in its normal course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Association's future financial position or results from operations.

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Governmental activity includes investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

(12) Functional Expenses

The Association provides healthcare services to residents within its geographic service area. Expenses related to providing these services for the years ended June 30, 2023 and 2022 are as follows:

		2023			
		Healthcare services	General and administrative	Fundraising	Total
Salaries and benefits	$	377,070	53,364	1,163	431,597
Purchased services and other		96,753	76,166	301	173,220
Supplies		116,038	164	149	116,351
Interest, depreciation and amortization		26,853	20,122	—	46,975
Total operating expenses	$	616,714	149,816	1,613	768,143

(Dollars in thousands)

		2022			
		Healthcare services	**General and administrative**	**Fundraising**	**Total**
Salaries and benefits	$	335,376	51,000	1,082	387,458
Purchased services and other		100,159	73,787	263	174,209
Supplies		101,991	2,567	59	104,617
Interest, depreciation and amortization		27,385	18,095	—	45,480
Total operating expenses	$	564,911	145,449	1,404	711,764

(13) Net Assets with Donor Restrictions

Net assets with donor restrictions as of June 30, 2023 and 2022 are assets whose use has been limited to a specific period, in perpetuity and/or for a designated purpose.

Net assets with donor restrictions subject to expenditure for specified purposes as of June 30, 2023 and 2022:

		2023	2022
Donor restricted endowments subject to spending policy for specified purposes:			
Endowment purpose:			
Family Resource Coordinator	$	442	442
Senior Care Outreach		40	40
Surgical Services		551	551
Oncology Clinical Education		166	162
Nursing Clinical Education		281	281
Intensive Care Unit		2,582	2,582
Charity Care/Uncompensated Care		387	328
General Hospital Support		1,479	1,468
Heart & Vascular		112	112
Reigert Chest Pain Center		114	114
Cardiac Care		145	145
Clinic Oncology Medical Director		150	100
		6,449	6,325

(Dollars in thousands)

		2023	2022
Subject to expenditure for specified purposes:			
Health care services	$	8,402	8,225
Health education		250	231
Indigent care		144	122
Purchase of building improvements and equipment		1,908	4,124
Total net assets with donor restrictions		10,704	12,702
	$	17,153	19,027

The Foundation's endowments consist of 18 individual funds established for a variety of purposes, but primarily supporting various forms of healthcare services, including both donor-restricted endowment funds and funds designated by management to function as endowments. Quasi endowment net assets associated with endowment funds, including funds designated by management, are classified and reported based on the existence or absence of donor-imposed restrictions.

(14) COVID-19

The Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was enacted on March 27, 2020, authorizes $100 billion in funding to hospitals and other healthcare providers to be distributed through the Public Health and Social Services Emergency Fund (PHSSEF). Payments from the PHSSEF are intended to compensate healthcare providers for lost revenues and incremental expenses incurred in response to the COVID-19 pandemic and are not required to be repaid provided the recipients attest to and comply with certain terms and conditions, including limitations on balance billing and not using PHSSEF funds to reimburse expenses or losses that other sources are obligated to reimburse. The Association received $0 and $1,024 in payments from the PHSSEF payments all of which was recognized as other operating revenue for the years ended June 30, 2023 and 2022, respectively.

In addition to the CARES Act, the declaration of a public health emergency also provided funding opportunities for healthcare organizations through Public Assistance (PA) of the Federal Emergency Management Agency (FEMA). This funding is available to cover direct COVID-19 related expenditures in addition to those reimbursed through other means, including the CARES Act and any payments received through HHS. The Association has applied for reimbursement through FEMA for expenses occurred in relation to COVID-19 through December 31, 2020 and received reimbursement of $1,194 and $3,763 which was recognized in other operating revenues for the years ended June 30, 2023 and 2022, respectively. Additional requests for reimbursement have been submitted and are pending review and reimbursement. Due to the high degree of uncertainty related to these requests, the Association has not recorded additional revenue related to future potential receipts from FEMA.

As a way to increase cash flow to Medicare providers impacted by the COVID-19 pandemic, the CARES Act expanded the Medicare Accelerated and Advance Payment Program. Inpatient acute care hospitals may request accelerated payments of up to 100% of the Medicare payment amount for a six-month period (not including Medicare Advantage payments). Centers for Medicare & Medicaid Services (CMS) based payment amounts for inpatient acute care hospitals on the provider's Medicare fee-for-service reimbursements in the last six months of 2019. Such accelerated payments are interest free for inpatient acute care hospitals for 29 months and CMS is required to recoup the payments beginning one year after receipt by the provider, by withholding future Medicare fee-for-service payments for claims until the full accelerated payment has been recouped at a rate of 25% of Medicare payments otherwise due the provider during the first 11 months and at 50% of Medicare payments otherwise due in the succeeding 6 month. Any payments not recouped within 29 months will be subject to interest at four percent. The payments are made for services a healthcare entity has provided or will provide to its Medicare patients who are the healthcare entity's customers. In April 2020, the Association received $35,000 of accelerated payments, which have been recorded on the consolidated balance sheet as of June 30, 2021 as a contract liability. This contract liability was reduced over time as payments were recaptured. The association had an ending liability of $0 and $6,955 for the years ended June 30, 2023 and 2022, respectively.

Additionally, the CARES Act provides for deferred payment of the employer portion of social security taxes between March 27, 2020 and December 31, 2020, with 50% of the deferred amount due December 31, 2021 and the remaining 50% due December 31, 2022. The Association began deferring the employer portion of social security taxes in April 2020. The Association had a remaining deferral in the amount of $0 and $4,849 in social security taxes for the years ended June 30, 2023 and 2022, respectively.

Due to the recent enactment of the CARES Act, the PPPHCE Act, and PA through FEMA there is still a high degree of uncertainty surrounding their implementation, and the public health emergency continues to evolve. We continue to assess the potential impact of the CARES Act, the PPPHCE Act, PA through FEMA, the potential impact of future stimulus measures, if any, and the impact of other laws, regulations, and guidance related to COVID-19 on our business, results of operations, financial condition and cash flows.

(15) Subsequent Events

The Association has performed an evaluation of subsequent events through October 20, 2023, which is the date these consolidated financial statements were issued.

Schedule 1

OVERLAKE HOSPITAL ASSOCIATION

Consolidating Information – Balance Sheets

June 30, 2023 and 2022

(In thousands)

	Association	Hospital	Medical tower	Eliminating entries	Total 2023	Total 2022
Current assets:						
Cash and cash equivalents	$ 1,028	14,241	707	—	15,976	16,765
Receivables, net	—	107,868	—	—	107,868	109,314
Current portion of pledges receivable	—	1,541	—	—	1,541	2,521
Current portion of assets whose use is limited	—	12,165	—	—	12,165	11,001
Supplies inventory	—	15,965	—	—	15,965	14,474
Prepaid expenses	—	14,468	94	—	14,562	12,931
Other current assets	150	9,198	3,965	—	13,313	11,024
Total current assets	1,178	175,446	4,766	—	181,390	178,030
Assets whose use is limited, net of current portion	—	18,199	—	—	18,199	18,741
Investments	—	277,935	634	—	278,569	381,596
Long-term portion of pledges receivables, net	—	2,302	—	—	2,302	1,989
Other long-term receivables, net	—	5,762	—	—	5,762	6,267
Land, buildings, and equipment, net	4,403	439,295	17,493	—	461,191	450,694
Operating lease right of use assets, net	—	37,547	—	—	37,547	34,484
Other assets:						
Investments in joint ventures	—	5,129	—	—	5,129	4,446
Other assets	—	1,768	—	—	1,768	2,118
Interest in net assets of consolidated affiliates	534,796	—	—	(534,796)	—	—
Total other assets	534,796	6,897	—	(534,796)	6,897	6,564
Total assets	$ 540,377	963,383	22,893	(534,796)	991,857	1,078,365
Current liabilities:						
Accounts payable	$ —	29,745	124	—	29,869	34,029
Accrued liabilities	165	68,712	75	—	68,952	77,031
Accrued interest payable	—	5,282	—	—	5,282	5,244
Payable to third-party agencies	—	11,769	—	—	11,769	11,249
Medicare advanced funding	—	—	—	—	—	6,955
Line of credit borrowing	—	—	—	—	—	35,000
Current portion of long-term debt	—	6,815	—	—	6,815	6,503
Current portion of operating lease right-of-use liabilities	—	7,287	—	—	7,287	6,538
Total current liabilities	165	129,610	199	—	129,974	182,549
Long-term debt, net of current portion	—	268,875	—	—	268,875	277,225
Long-term operating lease right-of-use liabilities, net of current portion	—	33,402	—	—	33,402	31,147
Other long-term liabilities	41	19,394	—	—	19,435	18,338
Total liabilities	206	451,281	199	—	451,686	509,259
Net assets:						
Without donor restrictions	540,171	494,950	22,693	(534,796)	523,018	550,078
With donor restrictions	—	17,153	—	—	17,153	19,028
Total net assets	540,171	512,103	22,693	(534,796)	540,171	569,106
Total liabilities and net assets	$ 540,377	963,384	22,892	(534,796)	991,857	1,078,365

See accompanying independent auditors’ report.

Schedule 2

OVERLAKE HOSPITAL ASSOCIATION

Consolidating Information – Operations and Changes in Net Assets

Years ended June 30, 2023 and 2022

(In thousands)

	Association	Hospital	Medical tower	Eliminating entries	Total 2023	Total 2022
Operating revenue:						
Net patient service revenue	$ —	675,123	—	—	675,123	622,205
Other operating revenue	1,006	20,465	11,008	(8,565)	23,914	17,518
Contribution revenue	—	12,600	—	—	12,600	3,135
Net operating revenue	1,006	708,188	11,008	(8,565)	711,637	642,858
Operating expenses:						
Salaries	—	344,769	—	—	344,769	313,950
Registry	—	34,646	—	—	34,646	45,366
Employee benefits	—	86,828	—	—	86,828	73,508
Supplies	5	116,219	127	—	116,351	104,617
Purchased services	277	78,837	1,452	—	80,566	72,199
Interest and amortization	—	13,547	—	—	13,547	11,050
Depreciation and amortization	18	31,967	1,443	—	33,428	34,430
Rent, leases, and utilities	40	24,966	635	(8,565)	17,076	15,712
Hospital taxes and assessments	—	18,107	—	—	18,107	18,910
Marketing, insurance, and other	49	21,990	786	—	22,825	22,022
Total operating expenses	389	771,876	4,443	(8,565)	768,143	711,764
Excess (deficit) of revenue over expenses from operations	617	(63,688)	6,565	—	(56,506)	(68,906)
Nonoperation revenue, net:						
Investment income (expense)	—	23,178	—	—	23,178	(67,520)
Gain from nonoperating affiliates	—	165	—	—	165	209
Total nonoperating (expense) revenue , net	—	23,343	—	—	23,343	(67,311)
Interest in net assets of consolidated affiliates	(28,152)	—	—	28,152	—	—
(Deficit) excess of revenue over expenses	(27,535)	(40,345)	6,565	28,152	(33,163)	(136,217)
Other changes in net assets without donor restrictions:						
Net assets released for capital acquisitions	—	5,447	—	—	5,447	4,439
Other	—	657	—	—	657	(1,307)
Intercompany transfers	(1,400)	7,600	(6,200)	—	—	—
(Decrease) increase in net assets without donor restrictions	(28,935)	(26,641)	365	28,152	(27,059)	(133,085)
Changes in net assets with donor restrictions:						
Contributions	—	3,240	—	—	3,240	5,089
Investment income	—	837	—	—	837	848
Change in net unrealized gains (losses) on investments	—	102	—	—	102	(2,207)
Net assets released from restrictions	—	(6,055)	—	—	(6,055)	(4,891)
(Decrease) in net assets with donor restrictions	—	(1,876)	—	—	(1,876)	(1,161)
(Decrease) increase in net assets	(28,935)	(28,517)	365	28,152	(28,935)	(134,246)
Net assets, beginning of year	569,106	540,619	22,330	(562,949)	569,106	703,352
Net assets, end of year	$ 540,171	512,102	22,695	(534,797)	540,171	569,106

See accompanying independent auditors' report.