



OVERLAKE HOSPITAL MEDICAL CENTER
dba Overlake Medical Center & Clinics

Consolidated Financial Statements
and Consolidating Information

June 30, 2024 and 2023

(With Independent Auditors' Report Thereon)

OVERLAKE HOSPITAL MEDICAL CENTER
dba Overlake Medical Center & Clinics

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KPMG LLP
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Independent Auditors' Report

The Board of Directors
Overlake Hospital Medical Center:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Overlake Hospital Medical Center and its subsidiaries (the Medical Center), which comprise the consolidated balance sheets as of June 30, 2024 and 2023, 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 Medical Center as of June 30, 2024 and 2023, 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 Medical Center 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 Medical Center'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 Medical Center'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 Medical Center'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 Supplementary Information in the Consolidating Schedules 1, 2, 3, and 4 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 23, 2024

OVERLAKE HOSPITAL MEDICAL CENTER

dba Overlake Medical Center & Clinics

Consolidated Balance Sheets

June 30, 2024 and 2023

(In thousands)

Assets	2024	2023
Current assets:		
Cash and cash equivalents	\$ 15,673	15,976
Receivables, net	115,226	107,868
Current portion of pledges receivable	1,459	1,541
Current portion of assets whose use is limited	12,314	12,165
Supplies inventory	22,187	15,965
Prepaid expenses	16,758	14,562
Other current assets	20,926	13,313
Total current assets	<u>204,543</u>	<u>181,390</u>
Assets whose use is limited:		
Restricted by donors	12,504	13,590
Management designated	4,920	4,609
Funds held under bond indenture and collateral agreements	12,314	12,165
Less current portion	<u>(12,314)</u>	<u>(12,165)</u>
Total assets whose use is limited, net of current portion	<u>17,424</u>	<u>18,199</u>
Investments	262,654	278,569
Long-term portion of pledges receivable, net	3,193	2,302
Other long-term receivables, net	5,399	5,762
Land, buildings, and equipment, net	441,813	461,191
Operating lease right-of-use assets, net	33,965	37,547
Other assets:		
Investments in joint ventures	6,697	5,129
Other assets	<u>1,768</u>	<u>1,768</u>
Total other assets	<u>8,465</u>	<u>6,897</u>
Total assets	<u>\$ 977,456</u>	<u>991,857</u>

OVERLAKE HOSPITAL MEDICAL CENTER

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Consolidated Balance Sheets

June 30, 2024 and 2023

(In thousands)

Liabilities and Net Assets	2024	2023
Current liabilities:		
Accounts payable	\$ 34,220	29,869
Accrued liabilities	80,231	68,952
Accrued interest payable	5,086	5,282
Payable to third-party agencies	8,499	11,769
Current portion of long-term debt	7,170	6,815
Current portion of operating lease right-of-use liabilities	8,670	7,287
Total current liabilities	143,876	129,974
Long-term debt, net of current portion	260,174	268,875
Long-term operating lease right-of-use liabilities, net of current portion	28,327	33,402
Other long-term liabilities	21,566	19,435
Total liabilities	453,943	451,686
Net assets:		
Without donor restrictions	506,535	523,018
With donor restrictions	16,978	17,153
Total net assets	523,513	540,171
Total liabilities and net assets	\$ 977,456	991,857

See accompanying notes to consolidated financial statements.

OVERLAKE HOSPITAL MEDICAL CENTER

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Consolidated Statements of Operations and Changes in Net Assets

Years ended June 30, 2024 and 2023

(In thousands)

	<u>2024</u>	<u>2023</u>
Operating revenue:		
Net patient service revenue	\$ 751,371	675,123
Other operating revenue	25,821	23,914
Contribution revenue	7,460	12,600
Net operating revenue	<u>784,652</u>	<u>711,637</u>
Operating expenses:		
Salaries	391,643	344,769
Registry	23,932	34,646
Employee benefits	92,867	86,828
Supplies	122,520	116,351
Purchased services	90,466	80,566
Interest and amortization	12,681	13,547
Depreciation and amortization	32,810	33,428
Rent, leases, and utilities	19,473	17,076
Hospital taxes and assessments	18,874	18,107
Marketing, insurance, and other	24,823	22,825
Total operating expenses	<u>830,089</u>	<u>768,143</u>
Deficit of revenue over expenses from operations	<u>(45,437)</u>	<u>(56,506)</u>
Nonoperating revenue (expense), net:		
Investment income (expense)	25,217	23,178
Revenue from nonoperating affiliates	156	165
Total nonoperating revenue (expense), net	<u>25,373</u>	<u>23,343</u>
Deficit of revenue over expenses	<u>(20,064)</u>	<u>(33,163)</u>
Other changes in net assets without donor restrictions:		
Net assets released for capital acquisitions	3,084	5,447
Other	497	656
Decrease in net assets without donor restrictions	<u>(16,483)</u>	<u>(27,060)</u>
Changes in net assets with donor restrictions:		
Contributions	2,198	3,240
Investment income	1,115	837
Change in net unrealized gains on investments	93	103
Net assets released from restrictions	(3,581)	(6,055)
Decrease in net assets with donor restrictions	<u>(175)</u>	<u>(1,875)</u>
Decrease in net assets	<u>(16,658)</u>	<u>(28,935)</u>
Net assets, beginning of year	<u>540,171</u>	<u>569,106</u>
Net assets, end of year	<u>\$ 523,513</u>	<u>540,171</u>

See accompanying notes to consolidated financial statements.

OVERLAKE HOSPITAL MEDICAL CENTER

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Consolidated Statements of Cash Flows

Years ended June 30, 2024 and 2023

(In thousands)

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Change in net assets	\$ (16,658)	(28,935)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	31,279	31,785
Loss on disposal of land, buildings and equipment	3	3
Restricted contributions received for capital and permanently restricted purposes	(2,570)	(3,604)
Net realized and unrealized gains on investments and assets whose use is limited	(16,856)	(13,356)
Equity gains from joint ventures	(1,568)	(683)
Change in right-of-use assets and lease liabilities	(110)	(59)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Receivables, net	(7,358)	1,446
Pledges receivable	(809)	667
Supplies inventory	(6,222)	(1,491)
Prepaid expenses	(2,196)	(1,631)
Other current assets	(7,613)	(2,289)
Other long-term receivables	363	505
Increase (decrease) in:		
Accounts payable	4,949	(1,175)
Accrued liabilities	11,279	(8,079)
Accrued interest payable	(196)	38
Payable to third-party agencies	(3,270)	520
Medicare advanced funding	—	(6,955)
Other long-term liabilities	2,131	1,097
Net cash used in operating activities	<u>(15,422)</u>	<u>(32,196)</u>
Cash flows from investing activities:		
Purchase of land, buildings, and equipment	(14,033)	(46,563)
Proceeds from sale of investments and assets whose use is limited	551,797	808,046
Purchase of investments and assets whose use is limited	<u>(520,466)</u>	<u>(693,449)</u>
Net cash provided by investing activities	<u>17,298</u>	<u>68,034</u>
Cash flows from financing activities:		
Restricted contributions received for capital and permanently restricted purposes	2,570	3,604
Borrowing on line of credit	10,500	6,000
Principal payments on line of credit borrowing	(10,500)	(41,000)
Principal payments on long-term debt	(6,815)	(6,503)
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 financing activities	<u>(4,245)</u>	<u>(37,792)</u>
Net decrease in cash, cash equivalents, and restricted cash	(2,369)	(1,954)
Cash, cash equivalents, and restricted cash, beginning of year	<u>18,887</u>	<u>20,841</u>
Cash, cash equivalents, and restricted cash, end of year	\$ <u>16,518</u>	\$ <u>18,887</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest, net of amounts capitalized	\$ 12,876	13,509
Purchase of land, buildings, and equipment included in accounts payable	354	953

See accompanying notes to consolidated financial statements.

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Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(Dollars in thousands)

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

(a) Organization

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

The Medical Center 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 clinics. The Medical Center 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 Medical Center and its related tax-exempt corporations. The Foundation is controlled by the Medical Center.

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. Prior to June 17, 2024, the Association was the sole member of the Medical Center. On June 17, 2024, the Medical Center and the Association filed Articles of Merger to consummate the planned merger of the Association with and into its subsidiary, the Medical Center.

Overlake Medical Tower LLC (the Medical Tower) was formed to acquire, own, develop, and operate a medical office building and garage complex on the Medical Center's campus. The Association was the sole member of the Medical Tower until June 16, 2024. The Medical Center became the sole member of the Medical Tower on June 17, 2024.

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

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

(b) Basis of Presentation

The consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles include the accounts of the Medical Center and its affiliates. All significant intercompany transactions between the Medical Center and its affiliates have been eliminated in consolidation.

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(c) 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.

(d) Cash and Cash Equivalents

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

Cash and cash equivalents and restricted cash presented within assets whose use is limited, restricted by donors for the years ending June 30, 2024 and 2023:

	2024	2023
Cash and cash equivalents	\$ 15,673	15,976
Restricted cash presented within assets whose use is limited, restricted by donors	845	2,911
Total cash and cash equivalents and restricted cash	\$ 16,518	18,887

(e) Pledges Receivable

Pledges of financial support are recorded at fair value by the Medical Center 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 Medical Center 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 Medical Center 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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(Dollars in thousands)

(g) Investments

Investments consist primarily of cash, accrued interest, money market funds, bond mutual funds, government bonds and notes, corporate bonds, mortgage backed securities, 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 trading with unrealized gains and losses included in current earnings as nonoperating revenue (expense), net.

(h) Liquidity

Cash and cash equivalents, accounts receivable, current pledge receivables, and other current assets are the primary liquid resources available to the Medical Center. Of total current assets, \$149,421 and \$135,064 for the years ended June 30, 2024 and 2023, respectively, are available to meet cash needs for general expenditures within the next year. Although intended to satisfy long-term obligations and capital needs, \$249,311 and \$271,488 of investments for the years ended June 30, 2024 and 2023, respectively, could be utilized to meet cash needs for general expenditures within a year if needed.

(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 Medical Center 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 Medical Center and are reported as net assets without donor restrictions

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June 30, 2024 and 2023

(Dollars in thousands)

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

(I) Net Patient Service Revenue

The Medical Center 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 Medical Center'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 Medical Center's actual charges for its services. Payments for Medicare outpatient laboratory services and certain therapeutic services are based on a fee schedule.

The Medical Center is paid for services provided to Medicaid inpatients under a DRG-based system. Payments for Medicaid outpatient services are reimbursed based on enhanced ambulatory payment groups (EAPGs). EAPG payments are prospectively established and may be greater or less than the Medical Center's actual charges for its services.

The Medical Center 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 Medical Center expects to collect as a result of satisfying its 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 Medical Center 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 Medical Center'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 Medical Center 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 Medical Center's net patient service revenue increased by \$6,131 and \$1,756 as a result of retroactive adjustments under reimbursement agreements with third-party payors during 2024 and 2023, respectively, which are considered variable consideration under ASU 2015-14 Revenue from Contracts with Customers (Topic 606).

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June 30, 2024 and 2023

(Dollars in thousands)

(m) Charity Care

The Medical Center provides service to eligible patients at reduced or no cost based upon the individual patient's financial resources. The Medical Center'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 Medical Center does not expect payment, estimated charges for charity care are not included in revenue.

(n) Private Pay Discounts

The Medical Center offers patients with no insurance prompt pay discounts for medically necessary services. A 50% 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 and unrealized gains (losses) from donor-designated endowments.

(q) Federal Income Taxes

The Medical Center 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 Medical Center 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.

(r) New Accounting Standards

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13 and in November 2019, issued ASU 2019-10, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The amendments in this update require that financial assets are measured at amortized cost basis and presented at the net amount expected to be collected. This eliminates the probable initial recognition threshold in current GAAP and, instead, reflects an entity's current estimate of all expected credit losses and broadens the information that an entity must consider in developing its expected credit loss estimate for assets measured either collectively or individually. The provisions of this ASU are effective for the Medical Center for the year

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June 30, 2024 and 2023

(Dollars in thousands)

beginning on July 1, 2023. The adoption of this ASU did not have a material impact on our financial statements.

(2) Net Patient Service Revenue

(a) Disaggregation of Revenue

The mix of net patient service revenue by payor for the years ended June 30, 2024 and 2023 is as follows:

	2024	2023
Medicare	\$ 109,264	106,188
Medicaid	5,860	5,768
Kaiser Permanente	142,537	119,502
Premera	136,995	139,122
Regence	97,931	77,864
Other third-party payors and private pay	258,784	226,679
Total	\$ 751,371	675,123

(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 year, the state uses the assessment and Medicaid matching funds to make supplemental payments to Washington hospitals. The program switched retroactively from a state fiscal year to a calendar year in January 2024 after regulatory approval was received in June 2024.

Safety net revenue recognized under the program in the consolidated statements of operations is \$16,099 and \$13,688 for the years ended June 30, 2024 and 2023, respectively and is classified in net patient service revenue. Safety net expenses recognized under the program in the consolidated statements of operations are \$12,705 and \$12,221 for the years ended June 30, 2024 and 2023, respectively and are classified in hospital taxes and assessments.

Safety net revenue recorded as a receivable and included in the revenue above as of June 30, 2024 and 2023 totaled \$9,782 and \$3,603, respectively. Safety net expenses recorded as a payable and included in the expenses above as of June 30, 2024 and 2023 totaled \$3,531 and \$3,055, respectively.

(c) Charity Care and Community Benefit

The Medical Center provides care without charge or at reduced rates to patients who qualify for charity care according to the Medical Center's policy. The Medical Center 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

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(Dollars in thousands)

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, 2024 and 2023, the cost of providing charity was estimated at approximately \$5,761 and \$4,722, respectively.

The Medical Center provides care to Medicaid patients and patients with managed Medicaid benefits at rates below the cost of providing services. For the years ended June 30, 2024 and 2023, payments were less than estimated cost by approximately \$35,280 and \$34,131, respectively.

The Medical Center 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, medication, nutrition, infant safety, mental health, yoga for seniors, family education, 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 Medical Center has a cancer resource center that coordinates support groups, counseling, and provides access to the latest information on cancer at no cost. The Medical Center assists patients that need help enrolling in Medicaid. Education is part of the Medical Center's mission and is evidenced by the Medical Center'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, and lab assistants. The Medical Center operates a senior care clinic at a loss for the benefit of the community. The Medical Center participates in a limited amount of clinical research projects. As a community member, the Medical Center participates and helps sponsor many community events in the area it serves. The estimated net unreimbursed expenditures on community benefit programs were \$10,001 and \$8,560 for the years ended June 30, 2024 and 2023, respectively.

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

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(d) Concentrations of Credit Risk

The Medical Center 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:

	2024	2023
Medicare	12 %	20 %
Medicaid	2	1
Kaiser Permanente	19	14
Premera	8	8
Regence	10	10
Other third-party payors	41	39
Private pay	8	8
Total	100 %	100 %

(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, 2024 and 2023:

	2024	2023
Assets whose use is limited:		
Cash and accrued interest receivable	\$ 1,319	3,527
Money market funds	12,314	12,165
Fixed income mutual funds	5,784	5,094
Equity mutual funds	10,321	9,578
Total assets whose use is limited	\$ 29,738	30,364
Investments:		
Cash and accrued interest receivable	\$ 917	9,074
Money market funds	12,082	132
Fixed income mutual funds	78,418	84,992
Fixed income securities	32,374	35,928
Equity mutual funds	97,953	108,830
Commingled funds	12,984	14,225
Investments measured using NAV:		
Hedge funds	14,583	18,307
Private equity	13,343	7,081
Total investments	\$ 262,654	278,569

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Components of unrestricted investment income (which is included in other nonoperating revenue (expense), net) for the years ended June 30, 2024 and 2023 are as follows:

	2024	2023
Interest and dividends	\$ 9,252	9,922
Net realized gains (losses) on investments	3,977	(5,773)
Net unrealized gains on investments	11,988	19,029
Total investment income	\$ 25,217	23,178

Funds with donor restrictions investment income consisted of \$1,208 and \$838 in interest and dividends for the years ended June 30, 2024 and 2023, 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 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, 2024 and 2023, 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, 2024 and 2023, 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 Medical Center’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, 2024 and 2023, 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 Medical Center 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 Medical Center, are based on the economic and competitive environment, the characteristics of the asset or liability, and other factors.

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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 and Cash Equivalents

The carrying amounts, at cost, equal fair value.

(b) Marketable Securities

The tables below present the balances of assets measured at fair value on a recurring basis as of June 30, 2024 and 2023:

	2024			Fair value
	Level 1	Level 2	Level 3	
Cash and accrued interest	\$ 1,319	—	—	1,319
Money market funds	12,314	—	—	12,314
Fixed income mutual funds	5,784	—	—	5,784
Equity mutual funds	10,321	—	—	10,321
Total assets whose use is limited	<u>\$ 29,738</u>	<u>—</u>	<u>—</u>	<u>29,738</u>
Cash and accrued interest	\$ 917	—	—	917
Money market funds	12,082	—	—	12,082
Fixed income mutual funds	78,418	—	—	78,418
Fixed income securities:				
State and federal government	14,622	263	—	14,885
Corporate	—	6,896	—	6,896
Other	—	10,593	—	10,593
Equity mutual funds	97,953	—	—	97,953
Commingled equity securities	—	12,984	—	12,984
	<u>\$ 203,992</u>	<u>30,736</u>	<u>—</u>	<u>234,728</u>
Investments measured using NAV per share or its equivalent				<u>27,926</u>
Total investments				<u><u>262,654</u></u>

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	2023			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair value</u>
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	<u>9,578</u>	<u>—</u>	<u>—</u>	<u>9,578</u>
Total assets whose use is limited	<u>\$ 30,364</u>	<u>—</u>	<u>—</u>	<u>30,364</u>
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	<u>—</u>	<u>14,225</u>	<u>—</u>	<u>14,225</u>
	<u>\$ 218,583</u>	<u>34,598</u>	<u>—</u>	<u>253,181</u>
Investments measured using NAV per share or its equivalent				<u>25,388</u>
Total investments				<u>\$ 278,569</u>

The Medical Center 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 Medical Center 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

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notice provision, valuations are adjusted to reflect such provisions, and adjustments are generally based on available market evidence.

The Medical Center used the NAV per share or its equivalent to measure fair value of the following types of investments as of June 30, 2024 and 2023, respectively:

	<u>2024</u>	<u>2023</u>	<u>Committed</u>	<u>Unfunded</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Hedge funds	\$ 14,583	18,307	—	—	Bi-annually	95 days
Private equity	13,343	7,081	25,000	12,065	Event driven	—
	<u>\$ 27,926</u>	<u>25,388</u>	<u>25,000</u>	<u>12,065</u>		

(5) Land, Buildings, and Equipment

The Medical Center's land, buildings, and equipment accounts, and related accumulated depreciation accounts, as of June 30, 2024 and 2023 are set forth below:

	<u>2024</u>	<u>2023</u>
Assets:		
Land	\$ 7,601	7,601
Land improvements	4,769	4,671
Buildings and improvements	575,704	575,718
Equipment:		
Fixed	64,044	63,766
Movable	282,270	268,469
Construction in progress	4,909	14,466
Total land, buildings, and equipment	<u>939,297</u>	<u>934,691</u>
Accumulated depreciation:		
Land improvements	(4,464)	(4,400)
Buildings and improvements	(219,819)	(208,284)
Equipment:		
Fixed	(45,909)	(43,690)
Movable	(227,292)	(217,126)
Total accumulated depreciation	<u>(497,484)</u>	<u>(473,500)</u>
Total land, buildings, and equipment, net	<u>\$ 441,813</u>	<u>461,191</u>

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The Medical Center recorded \$32,810 and \$33,077 of depreciation expense in 2024 and 2023, respectively. The following is a summary of asset lives used for calculating depreciation:

	<u>Asset lives</u>
Land improvements	3–40 years
Buildings and improvements	3–40 years
Fixed equipment	3–30 years
Movable equipment	1–20 years

The Medical Center has outstanding construction contract commitments of \$599 and \$762 as of June 30, 2024 and 2023, respectively.

(6) Revolving Line of Credit

The Medical Center has a revolving line of credit of \$10,000 available as of June 30, 2024. The line of credit expires on October 31, 2024 and was reduced to \$5,000 available as of October 1, 2024. The balance outstanding was \$0 as of June 30, 2024 and 2023.

(7) Financing

(a) Long-Term Debt

Long-term debt, as of June 30, 2024 and 2023, is as follows:

	<u>2024</u>	<u>2023</u>
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 \$1,833 and \$2,068, and net of deferred financing cost of \$328 and \$370 as of June 30, 2024 and 2023, respectively, callable by the Medical Center on or after July 2024.	\$ 38,716	40,564
Revenue bonds, Series 2017A/B, 4.00% to 5.00%, due in annual principal installments ranging from \$2,625 to \$16,215, from 2024 until 2044, including a premium of \$11,790 and \$13,312, and net of deferred financing cost of \$842 and \$937 as of June 30, 2024 and 2023, respectively, callable by the Medical Center on or after January 2028.	178,388	184,975

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	2024	2023
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 \$314 and \$404 as of June 30, 2024 and 2023, respectively.. 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.	\$ <u>50,240</u>	<u>50,151</u>
Total long-term debt	267,344	275,690
Less current portion	(7,170)	(6,815)
Long-term debt, net of current portion	\$ <u>260,174</u>	<u>268,875</u>

In fiscal year 2018, the Medical Center 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 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.

The principal amounts due by year are as follows:

Fiscal years:	
2025	\$ 7,170
2026	7,535
2027	7,920
2028	8,325
2029	8,755
Thereafter	215,500
	255,205
Add net unamortized bond premiums	13,623
Less unamortized deferred financing costs	(1,484)
	\$ <u>267,344</u>

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As of June 2024, the Medical Center is the only member of the obligated group for the revenue bonds (the bonds). Prior to the merger of the Association into the Medical Center, the Association was also part of the obligated group. As security for the payment of the bonds, the Medical Center has granted the Trustee a security interest in the Medical Center'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.

Under the terms of the loan agreements, the Medical Center has agreed to maintain certain financial ratios and comply with certain other covenants.

(8) Retirement Program

The Medical Center's retirement program is named the Overlake Hospital Medical Center 403(b) Retirement Plan (the Plan).

Plan eligibility for the 403(b) salary deferral portion of the Plan commences on the first day of the payroll period following the date of hire. The salary deferral portion of the 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 salary deferral portion of the Plan unless opting out.

The Plan was amended as of January 1, 2024 to allow for Roth 403(b) deferred contributions. These contributions are voluntary and entirely employee funded.

The Plan annually provides for annual employer contribution that will match 100% of an employee's 403(b) salary deferral contributions 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.

Participants must be credited with 1,000 hours of service during the calendar year in order to receive an employer contribution.

The Medical Center contributed approximately \$17,406 and \$15,544 in matching contributions for the years ended June 30, 2024 and 2023, respectively, and is reflected in employee benefits in the consolidated statements of operations and changes in net assets.

(9) Leases

The Medical Center enters into operating leases primarily for buildings. For leases with terms greater than 12 months, the Medical Center records the related operating lease ROU assets and liabilities at the present value of the lease payments over the contract term using the Medical Center's incremental borrowing rate. Building lease agreements generally require the Medical Center 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

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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 Medical Center'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 Medical Center 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, 2024 and 2023:

	2024	2023
Operating lease cost:		
Fixed lease expense	\$ 10,907	9,106
Variable lease expense	3,054	2,875
Total operating lease cost	\$ 13,961	11,981

Other information related to leases as of and for the year ended June 30, 2024 and 2023 is as follows:

	2024	2023
Weighted average remaining lease term (in years)	6	6
Weighted average discount rate	3.6 %	3.4 %

Commitments related to noncancelable operating leases for each of the next five years and thereafter as of June 30, 2024 are as follows:

Fiscal year:	
2025	\$ 9,852
2026	7,469
2027	5,888
2028	5,231
2029	4,704
Thereafter	7,957
	41,101

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Less imputed interest	\$ <u>(4,104)</u>
Total operating lease right-of-use liabilities	36,997
Less current portion of operating lease right-of-use liabilities	<u>(8,670)</u>
Long-term operating lease right-of-use liabilities	<u>\$ 28,327</u>

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

The Medical Center maintains claims-made professional liability insurance coverage through a commercial carrier. The policies for the years ended June 30, 2024 and 2023 have a \$1,000 deductible per occurrence. The Medical Center also carries excess coverage policies for its professional liability program.

Based upon actuarial valuations, the Medical Center has recorded estimated liabilities (undiscounted) for claims incurred but not reported as well as claims reported and not paid of \$21,163 and \$19,167 and reinsurance receivables of \$6,710 and \$7,301 as of June 30, 2024 and 2023, respectively.

The Medical Center 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 Medical Center also carries an excess coverage policy for its workers' compensation program. The Medical Center has recorded undiscounted liabilities for workers' compensation claims based on actuarial estimates of approximately \$4,062 and \$3,786 as of June 30, 2024 and 2023, respectively and reinsurance receivables of \$520 as of June 30, 2024 and 2023.

The Medical Center 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 Medical Center also carries an excess coverage policy for its medical, dental, and prescription program. The Medical Center has recorded undiscounted liabilities for medical, dental, and prescription drugs claims based on actuarial estimates of approximately \$4,040 and \$3,855 as of June 30, 2024 and 2023, respectively.

(11) Litigation and Compliance with Laws and Regulations

The Medical Center 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 Medical Center'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

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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 Medical Center provides healthcare services to residents within its geographic service area. Expenses related to providing these services for the years ended June 30, 2024 and 2023 are as follows:

	2024			
	Healthcare services	General and administrative	Fundraising	Total
Salaries and benefits	\$ 426,837	56,326	1,347	484,510
Purchased services and other	87,577	89,651	340	177,568
Supplies	122,477	(93)	136	122,520
Interest, depreciation and amortization	25,730	19,761	—	45,491
Total operating expenses	<u>\$ 662,621</u>	<u>165,645</u>	<u>1,823</u>	<u>830,089</u>
	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	<u>\$ 616,714</u>	<u>149,816</u>	<u>1,613</u>	<u>768,143</u>

(13) Net Assets with Donor Restrictions

Net assets with donor restrictions as of June 30, 2024 and 2023 are assets whose use has been limited to a specific period, in perpetuity and/or for a designated purpose.

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Net assets with donor restrictions subject to expenditure for specified purposes as of June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
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	166
Nursing Clinical Education	281	281
Intensive Care Unit	2,582	2,582
Charity Care/Uncompensated Care	397	387
General Hospital Support	1,530	1,479
Heart & Vascular	112	112
Reigert Chest Pain Center	114	114
Cardiac Care	345	145
Clinic Oncology Medical Director	150	150
	<u>6,710</u>	<u>6,449</u>
Subject to expenditure for specified purposes:		
Health care services	7,074	8,402
Health education	1,173	250
Indigent care	187	144
Purchase of building improvements and equipment	1,834	1,908
	<u>10,268</u>	<u>10,704</u>
Total net assets with donor restrictions	<u>\$ 16,978</u>	<u>17,153</u>

The Foundation's endowments consist of 21 and 18 individual funds as of June 30, 2024 and 2023, respectively, 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.

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(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 Medical Centers and other healthcare providers. In years prior to fiscal 2023, the Medical Center had recorded payments from the Public Health and Social Services Emergency Fund.

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 Medical Center has applied for reimbursement through FEMA for expenses occurred in relation to COVID-19 through June 30, 2022 and received reimbursement of \$1,950 and \$1,194 which was recognized in other operating revenues for the years ended June 30, 2024 and 2023, respectively. Additional requests for reimbursement have been submitted to FEMA and are pending review and reimbursement. Due to the high degree of uncertainty related to these requests, the Medical Center has not recorded additional revenue related to future potential receipts from FEMA.

(15) Subsequent Events

The Medical Center has performed an evaluation of subsequent events through October 23, 2024, which is the date these consolidated financial statements were issued.

The Medical Center changed its name from Overlake Hospital Medical Center to Overlake Medical Center & Clinics effective September 30, 2024.

On May 20, 2024, the Medical Center and MultiCare Health System (MultiCare) entered into a Master Affiliation Agreement (MAA) pending regulatory review requirements. On September 30, 2024, the Medical Center and MultiCare completed the affiliation and MultiCare became the parent entity and sole corporate member of the Medical Center. MultiCare, a Washington nonprofit corporation, is an integrated healthcare delivery system providing inpatient, outpatient, and other healthcare services primarily to the residents of Pierce, King, Spokane, Thurston and Yakima Counties and, with respect to pediatric care, much of the southwest Washington region. The effective date of the affiliation is October 1, 2024. The Medical Center will maintain its status as a separate, 501(c)(3) tax exempt, Washington state nonprofit corporation that will function as a separate business unit of MultiCare. The Medical Center will continue to be governed by a separate fiduciary Board of Trustees. MultiCare will have the right to nominate 20% of the voting members of the Medical Center Board, but the Board will retain authority to elect its members. The Medical Center will remain the sole member the Clinics and the Medical Tower. The Medical Center will also remain the parent organization of the Foundation and the majority owner of the Surgery Center. As set forth in the MAA, MultiCare will have rights of a corporate "member" as set forth in the Washington Nonprofit Corporation Act, RCW 24.03A, as well as rights contained in the MAA.

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Supplementary Information

Consolidating Schedule – Balance Sheet

June 30, 2024

(In thousands)

	Medical Center and Other Affiliates	Foundation	Eliminating entries	Total 2024
Current assets:				
Cash and cash equivalents	\$ 15,170	503	—	15,673
Receivables, net	115,226	—	—	115,226
Current portion of pledges receivable	—	1,459	—	1,459
Current portion of assets whose use is limited	12,314	—	—	12,314
Supplies inventory	22,187	—	—	22,187
Prepaid expenses	16,735	23	—	16,758
Other current assets	20,926	—	—	20,926
Total current assets	202,558	1,985	—	204,543
Assets whose use is limited, net of current portion	—	17,424	—	17,424
Investments	262,654	—	—	262,654
Long-term portion of pledges receivables, net	—	3,193	—	3,193
Other long-term receivables, net	5,399	—	—	5,399
Land, buildings, and equipment, net	441,810	3	—	441,813
Operating lease right-of-use assets, net	33,871	94	—	33,965
Other assets:				
Investments in joint ventures	6,697	—	—	6,697
Other assets	1,768	—	—	1,768
Interest in net assets of consolidated affiliates	22,360	—	(22,360)	—
Total other assets	30,825	—	(22,360)	8,465
Total assets	\$ 977,117	22,699	(22,360)	977,456
Current liabilities:				
Accounts payable	\$ 34,215	5	—	34,220
Gift annuities payable	—	56	—	56
Accrued liabilities	80,016	159	—	80,175
Accrued interest payable	5,086	—	—	5,086
Payable to third-party agencies	8,499	—	—	8,499
Current portion of long-term debt	7,170	—	—	7,170
Current portion of operating lease right-of-use liabilities	8,564	106	—	8,670
Total current liabilities	143,550	326	—	143,876
Long-term debt, net of current portion	260,174	—	—	260,174
Long-term operating lease right-of-use liabilities, net of current portion	28,314	13	—	28,327
Other long-term liabilities	21,566	—	—	21,566
Total liabilities	453,604	339	—	453,943
Net assets:				
Without donor restrictions	506,535	5,382	(5,382)	506,535
With donor restrictions	16,978	16,978	(16,978)	16,978
Total net assets	523,513	22,360	(22,360)	523,513
Total liabilities and net assets	\$ 977,117	22,699	(22,360)	977,456

See accompanying independent auditors' report.

OVERLAKE HOSPITAL MEDICAL CENTER
dba Overlake Medical Center & Clinics

Supplementary Information

Consolidating Schedule – Balance Sheet

June 30, 2023

(In thousands)

	Medical Center and Other Affiliates	Foundation	Eliminating entries	Total 2023
Current assets:				
Cash and cash equivalents	\$ 15,733	243	—	15,976
Receivables, net	107,868	—	—	107,868
Current portion of pledges receivable	—	1,541	—	1,541
Current portion of assets whose use is limited	12,165	—	—	12,165
Supplies inventory	15,965	—	—	15,965
Prepaid expenses	14,537	25	—	14,562
Other current assets	13,313	—	—	13,313
Total current assets	179,581	1,809	—	181,390
Assets whose use is limited, net of current portion	—	18,199	—	18,199
Investments	278,569	—	—	278,569
Long-term portion of pledges receivables, net	—	2,302	—	2,302
Other long-term receivables, net	5,762	—	—	5,762
Land, buildings, and equipment, net	461,187	4	—	461,191
Operating lease right-of-use assets, net	37,369	178	—	37,547
Other assets:				
Investments in joint ventures	5,129	—	—	5,129
Other assets	1,768	—	—	1,768
Interest in net assets of consolidated affiliates	22,176	—	(22,176)	—
Total other assets	29,073	—	(22,176)	6,897
Total assets	\$ 991,541	22,492	(22,176)	991,857
Current liabilities:				
Accounts payable	\$ 29,866	3	—	29,869
Gift annuities payable	—	57	—	57
Accrued liabilities	68,859	36	—	68,895
Accrued interest payable	5,282	—	—	5,282
Payable to third-party agencies	11,769	—	—	11,769
Current portion of long-term debt	6,815	—	—	6,815
Current portion of operating lease right-of-use liabilities	7,187	100	—	7,287
Total current liabilities	129,778	196	—	129,974
Long-term debt, net of current portion	268,875	—	—	268,875
Long-term operating lease right-of-use liabilities, net of current portion	33,282	120	—	33,402
Other long-term liabilities	19,435	—	—	19,435
Total liabilities	451,370	316	—	451,686
Net assets:				
Without donor restrictions	523,018	5,023	(5,023)	523,018
With donor restrictions	17,153	17,153	(17,153)	17,153
Total net assets	540,171	22,176	(22,176)	540,171
Total liabilities and net assets	\$ 991,541	22,492	(22,176)	991,857

See accompanying independent auditors' report.

OVERLAKE HOSPITAL MEDICAL CENTER
dba Overlake Medical Center & Clinics

Supplementary Information

Consolidating Schedule – Statement of Operations and Changes in Net Assets

Year ended June 30, 2024

(In thousands)

	Medical Center and Other Affiliates	Foundation	Eliminating entries	Total 2024
Operating revenue:				
Net patient service revenue	\$ 751,371	—	—	751,371
Other operating revenue	25,821	—	—	25,821
Contribution revenue	—	7,460	—	7,460
Net operating revenue	<u>777,192</u>	<u>7,460</u>	<u>—</u>	<u>784,652</u>
Operating expenses:				
Salaries	390,150	1,493	—	391,643
Registry	23,932	—	—	23,932
Employee benefits	92,496	371	—	92,867
Supplies	122,376	144	—	122,520
Purchased services	90,148	318	—	90,466
Interest and amortization	12,676	5	—	12,681
Depreciation and amortization	32,809	1	—	32,810
Rent, leases, and utilities	19,307	166	—	19,473
Hospital taxes and assessments	18,874	—	—	18,874
Marketing, insurance, and other	24,796	27	—	24,823
Total operating expenses	<u>827,564</u>	<u>2,525</u>	<u>—</u>	<u>830,089</u>
(Deficit) excess of revenue over expenses from operations	<u>(50,372)</u>	<u>4,935</u>	<u>—</u>	<u>(45,437)</u>
Nonoperation revenue, net:				
Investment income (expense), net	24,681	536	—	25,217
Revenue from nonoperating affiliates	156	—	—	156
Total nonoperating revenue net	<u>24,837</u>	<u>536</u>	<u>—</u>	<u>25,373</u>
Interest in net assets of consolidated affiliates	184	—	(184)	—
(Deficit) excess of revenue over expenses	<u>(25,351)</u>	<u>5,471</u>	<u>(184)</u>	<u>(20,064)</u>
Other changes in net assets without donor restrictions:				
Net assets released for capital acquisitions	—	3,084	—	3,084
Other	—	497	—	497
Intercompany transfers	8,693	(8,693)	—	—
(Decrease) increase in net assets without donor restrictions	<u>(16,658)</u>	<u>359</u>	<u>(184)</u>	<u>(16,483)</u>
Changes in net assets with donor restrictions:				
Contributions	—	2,198	—	2,198
Investment income	—	1,115	—	1,115
Change in net unrealized gains on investments	—	93	—	93
Net assets released from restrictions	—	(3,581)	—	(3,581)
Decrease in net assets with donor restrictions	<u>—</u>	<u>(175)</u>	<u>—</u>	<u>(175)</u>
(Decrease) increase in net assets	<u>(16,658)</u>	<u>184</u>	<u>(184)</u>	<u>(16,658)</u>
Net assets, beginning of year	540,171	22,176	(22,176)	540,171
Net assets, end of year	<u>\$ 523,513</u>	<u>22,360</u>	<u>(22,360)</u>	<u>523,513</u>

See accompanying independent auditors' report.

OVERLAKE HOSPITAL MEDICAL CENTER
dba Overlake Medical Center & Clinics

Supplementary Information

Consolidating Schedule – Statement of Operations and Changes in Net Assets

Year ended June 30, 2023

(In thousands)

	Medical Center and Other Affiliates	Foundation	Eliminating entries	Total 2023
Operating revenue:				
Net patient service revenue	\$ 675,123	—	—	675,123
Other operating revenue	23,914	—	—	23,914
Contribution revenue	—	12,600	—	12,600
Net operating revenue	<u>699,037</u>	<u>12,600</u>	<u>—</u>	<u>711,637</u>
Operating expenses:				
Salaries	343,449	1,320	—	344,769
Registry	34,646	—	—	34,646
Employee benefits	86,489	339	—	86,828
Supplies	116,193	158	—	116,351
Purchased services	80,269	297	—	80,566
Interest and amortization	13,539	8	—	13,547
Depreciation and amortization	33,427	1	—	33,428
Rent, leases, and utilities	16,931	145	—	17,076
Hospital taxes and assessments	18,107	—	—	18,107
Marketing, insurance, and other	22,805	20	—	22,825
Total operating expenses	<u>765,855</u>	<u>2,288</u>	<u>—</u>	<u>768,143</u>
(Deficit) excess of revenue over expenses from operations	<u>(66,818)</u>	<u>10,312</u>	<u>—</u>	<u>(56,506)</u>
Nonoperation revenue, net:				
Investment income (expense), net	22,791	387	—	23,178
Revenue from nonoperating affiliates	165	—	—	165
Total nonoperating revenue net	<u>22,956</u>	<u>387</u>	<u>—</u>	<u>23,343</u>
Interest in net assets of consolidated affiliates	<u>(991)</u>	<u>—</u>	<u>991</u>	<u>—</u>
(Deficit) excess of revenue over expenses	<u>(44,853)</u>	<u>10,699</u>	<u>991</u>	<u>(33,163)</u>
Other changes in net assets without donor restrictions:				
Net assets released for capital acquisitions	—	5,447	—	5,447
Other	48	608	—	656
Intercompany transfers	15,870	(15,870)	—	—
(Decrease) increase in net assets without donor restrictions	<u>(28,935)</u>	<u>884</u>	<u>991</u>	<u>(27,060)</u>
Changes in net assets with donor restrictions:				
Contributions	—	3,240	—	3,240
Investment income	—	837	—	837
Change in net unrealized gains (losses) on investments	—	103	—	103
Net assets released from restrictions	—	(6,055)	—	(6,055)
Decrease in net assets with donor restrictions	<u>—</u>	<u>(1,875)</u>	<u>—</u>	<u>(1,875)</u>
(Decrease) increase in net assets	<u>(28,935)</u>	<u>(991)</u>	<u>991</u>	<u>(28,935)</u>
Net assets, beginning of year	<u>569,106</u>	<u>23,167</u>	<u>(23,167)</u>	<u>569,106</u>
Net assets, end of year	<u>\$ 540,171</u>	<u>22,176</u>	<u>(22,176)</u>	<u>540,171</u>

See accompanying independent auditors' report.