



**OVERLAKE MEDICAL CENTER & CLINICS**

Consolidated Financial Statements  
and Consolidating Information

June 30, 2025

(With Independent Auditors' Report Thereon)

# OVERLAKE MEDICAL CENTER & CLINICS

## Table of Contents

	<b>Page(s)</b>
Independent Auditors' Report	1-2
Financial Statements:	
Consolidated Balance Sheet	3-4
Consolidated Statement of Operations	5
Consolidated Statement of Changes in Net Assets	6
Consolidated Statement of Cash Flows	7
Notes to Consolidated Financial Statements	8-27
<b>Supplementary Information</b>	
Schedule 1   Consolidating Schedule – Balance Sheet	28
Schedule 2   Consolidating Schedule – Statement of Operations and Changes in Net Assets for the Successor period	29
Schedule 3   Consolidating Schedule – Statement of Operations and Changes in Net Assets for the Predecessor period	30



KPMG LLP  
Suite 2800  
401 Union Street  
Seattle, WA 98101

## Independent Auditors' Report

The Board of Trustees  
Overlake Medical Center & Clinics:

### Report on the Audit of the Consolidated Financial Statements

#### *Opinion*

We have audited the consolidated financial statements of Overlake Medical Center & Clinics and its subsidiaries (the Medical Center), which comprise the consolidated balance sheet as of June 30, 2025, and the related consolidated statements of operations, changes in net assets, and cash flows for the period from October 1, 2024 to June 30, 2025 (Successor period) and the period from July 1, 2024 to September 30, 2024 (Predecessor period), 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, 2025, and the results of its operations and its cash flows for the Successor period and the Predecessor period 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, and 3 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 24, 2025

# OVERLAKE HOSPITAL MEDICAL CENTER & CLINICS

## Consolidated Balance Sheet

June 30, 2025

(In thousands)

<b>Assets</b>	<b><u>2025</u></b>
Current assets:	
Cash and cash equivalents	\$ 23,774
Receivables, net	104,546
Current portion of pledges receivable	1,201
Current portion of assets whose use is limited	15,130
Supplies inventory	26,060
Prepaid expenses	14,852
Other current assets	<u>24,020</u>
Total current assets	<u>209,583</u>
Assets whose use is limited:	
Restricted by donors	18,418
Management designated	5,267
Funds held under bond indenture and collateral agreements	15,130
Less current portion	<u>(15,130)</u>
Total assets whose use is limited, net of current portion	<u>23,685</u>
Investments	244,041
Long-term portion of pledges receivable, net	2,091
Other long-term receivables, net	6,681
Land, buildings, and equipment, net	333,145
Operating lease right-of-use assets, net	26,639
Other assets:	
Investments in joint ventures	8,309
Other assets	<u>1,768</u>
Total other assets	<u>10,077</u>
Total assets	<u>\$ 855,942</u>

**OVERLAKE HOSPITAL MEDICAL CENTER & CLINICS**

Consolidated Balance Sheet

June 30, 2025

(In thousands)

<b>Liabilities and Net Assets</b>	<b>2025</b>
Current liabilities:	
Accounts payable	\$ 27,390
Accrued liabilities	90,290
Accrued interest payable	4,882
Payable to third-party agencies	10,230
Current portion of long-term debt	7,535
Current portion of operating lease right-of-use liabilities	6,820
Total current liabilities	<u>147,147</u>
Long-term debt, net of current portion	251,195
Long-term operating lease right-of-use liabilities, net of current portion	22,479
Other long-term liabilities	24,935
Total liabilities	<u>445,756</u>
Net assets:	
Without donor restrictions	388,589
With donor restrictions	21,597
Total net assets	<u>410,186</u>
Total liabilities and net assets	<u>\$ 855,942</u>

See accompanying notes to consolidated financial statements.

**OVERLAKE HOSPITAL MEDICAL CENTER & CLINICS**

Consolidated Statements of Operations

(In thousands)

	<u>Successor</u> <u>Period from</u> <u>October 1, 2024</u> <u>through</u> <u>June 30,</u> <u>2025</u>	<u>Predecessor</u> <u>Period from</u> <u>July 1, 2024</u> <u>through</u> <u>September 30,</u> <u>2024</u>
Operating revenue:		
Net patient service revenue	\$ 613,052	193,083
Other operating revenue	17,098	10,105
Contribution revenue	4,820	1,489
Net operating revenue	<u>634,970</u>	<u>204,677</u>
Operating expenses:		
Salaries	313,972	102,758
Registry	15,469	5,802
Employee benefits	77,276	24,565
Supplies	110,751	34,749
Purchased services	68,287	21,836
Interest and amortization	8,889	3,046
Depreciation	10,167	8,079
Rent, leases, and utilities	14,810	4,856
Hospital taxes and assessments	16,203	5,038
Marketing, insurance, and other	19,157	5,420
Total operating expenses	<u>654,981</u>	<u>216,149</u>
Deficit of revenue over expenses from operations	<u>(20,011)</u>	<u>(11,472)</u>
Nonoperating revenue (expense), net:		
Investment income, net	11,189	12,026
(Loss) revenue from nonoperating affiliates	(582)	52
Total nonoperating revenue, net	<u>10,607</u>	<u>12,078</u>
(Deficit) excess of revenue over expenses	<u>\$ (9,404)</u>	<u>606</u>

See accompanying notes to consolidated financial statements.

**OVERLAKE HOSPITAL MEDICAL CENTER & CLINICS**

Consolidated Statement of Changes in Net Assets

June 30, 2025

(In thousands)

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total net assets</b>
Net assets at June 30, 2024	\$ 506,535	16,978	523,513
Excess of revenue over expenses	606	—	606
Contributions	—	967	967
Investment income, net	—	75	75
Change in net unrealized gain on investments	—	631	631
Net assets released for capital acquisitions	325	(325)	—
Increase in net assets	931	1,348	2,279
Net assets at September 30, 2024	\$ 507,466	18,326	525,792
<hr/>			
Net assets at October 1, 2024	\$ 395,923	18,326	414,249
Deficit of revenue over expenses	(9,404)	—	(9,404)
Contributions	—	4,869	4,869
Investment income, net	—	1,279	1,279
Change in net unrealized loss on investments	—	(595)	(595)
Net assets released for capital acquisitions	1,748	(1,748)	—
Other	322	(534)	(212)
(Decrease) increase in net assets	(7,334)	3,271	(4,063)
Net assets at June 30, 2025	\$ 388,589	21,597	410,186

See accompanying notes to consolidated financial statements.

**OVERLAKE HOSPITAL MEDICAL CENTER & CLINICS**

Consolidated Statements of Cash Flows

(In thousands)

	<u>Successor</u> <u>Period from</u> <u>October 1, 2024</u> <u>through</u> <u>June 30,</u> <u>2025</u>	<u>Predecessor</u> <u>Period from</u> <u>July 1, 2024</u> <u>through</u> <u>September 30,</u> <u>2024</u>
Cash flows from operating activities:		
Change in net assets	\$ (4,063)	2,279
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	9,084	7,718
Restricted contributions received for capital and permanently restricted purposes	(6,011)	(1,083)
Net realized and unrealized gains on investments and assets whose use is limited	(3,909)	(11,099)
Equity gains from joint ventures	(1,268)	(344)
Change in right-of-use assets and lease liabilities	(274)	(98)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Receivables, net	8,685	1,995
Pledges receivable	1,144	216
Supplies inventory	(3,576)	(297)
Prepaid expenses	3,863	(1,957)
Other current assets	(8,786)	5,692
Other long-term receivables	(1,282)	—
Increase (decrease) in:		
Accounts payable	(5,235)	(1,464)
Accrued liabilities	19,093	(9,034)
Accrued interest payable	2,321	(2,525)
Payable to third-party agencies	1,230	501
Other long-term liabilities	2,982	387
Net cash provided by (used in) operating activities	<u>13,998</u>	<u>(9,113)</u>
Cash flows from investing activities:		
Purchase of land, buildings, and equipment	(16,475)	(4,778)
Proceeds from sale of investments and assets whose use is limited	473,812	181,208
Purchase of investments and assets whose use is limited	<u>(461,037)</u>	<u>(165,014)</u>
Net cash (used in) provided by investing activities	<u>(3,700)</u>	<u>11,416</u>
Cash flows from financing activities:		
Restricted contributions received for capital and permanently restricted purposes	6,011	1,083
Borrowing on line of credit	7,000	3,000
Principal payments on line of credit borrowing	(7,000)	(3,000)
Principal payments on long-term debt	—	(7,170)
Net cash provided by (used in) financing activities	<u>6,011</u>	<u>(6,087)</u>
Net decrease in cash, cash equivalents, and restricted cash	16,309	(3,784)
Cash, cash equivalents, and restricted cash, beginning of year	<u>12,734</u>	<u>16,518</u>
Cash, cash equivalents, and restricted cash, end of year	\$ <u><u>29,043</u></u>	\$ <u><u>12,734</u></u>
Supplemental disclosures of cash flow information:		
Cash paid for interest, net of amounts capitalized	\$ 6,568	5,571
Purchase of land, buildings, and equipment included in accounts payable	131	—

See accompanying notes to consolidated financial statements.

## OVERLAKE MEDICAL CENTER & CLINICS

Notes to Consolidated Financial Statements

June 30, 2025

(Dollars in thousands)

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

#### (a) Organization

Overlake Medical Center & Clinics (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.

On October 1, 2024, the Medical Center and MultiCare Health System (MultiCare) became affiliated and MultiCare became the parent entity and sole corporate member of the Medical Center. No consideration was exchanged as part of this transaction. 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 Medical Center maintains 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 affiliation was accounted for as an acquisition under Accounting Standards Codification (ASC) 958-805, *Not-for-Profit Entities – Business Combinations*. The assets acquired and liabilities assumed by MultiCare in the transaction were recorded at their estimated fair value as determined using standard asset appraisal techniques and resulted in \$111,543 fair value acquisition adjustment to the Medical Center's net assets.

The following table summarizes the book value and fair value estimate of assets and liabilities contributed to the affiliation as of October 1, 2024:

	<u>Book value</u>	<u>Fair value</u>
Cash	\$ 11,490	\$ 11,490
Accounts Receivable	117,022	117,022
Other current assets	52,642	52,642
Investments	267,371	267,371
Land, building, and equipment	438,159	326,616
Other assets	76,167	76,167
Accounts payable, accrued compensation and other current liabilities	(131,300)	(131,300)
Long-term debt and other non-current liabilities	(305,759)	(305,759)
Total identifiable net assets contributed	<u>\$ 525,792</u>	<u>414,249</u>

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 MEDICAL CENTER & CLINICS

Notes to Consolidated Financial Statements

June 30, 2025

(Dollars in thousands)

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 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 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 May 2025, the Medical Center became the sole 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 Medical Center's financial position as June 30, 2025 includes the impact of the acquisition as well as the application of purchase accounting to the Medical Center's financial statements. The acquisition has been reflected as of October 1, 2024 and the results of operations for the period from October 1, 2024 to June 30, 2025 (after giving effect to the acquisition) are designated as "Successor" financial statements. The financial statements reflecting the results of operation of the Medical Center for the period of July 1, 2024 through September 30, 2024 are designated as "Predecessor" financial statements.

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.

### **(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.

### **(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 (FDIC). FDIC insures each tax entity for \$250 at each institution. This exposes the Medical Center to potential risk of loss in the event the financial institution becomes insolvent.

**OVERLAKE MEDICAL CENTER & CLINICS**

Notes to Consolidated Financial Statements

June 30, 2025

(Dollars in thousands)

Cash and cash equivalents and restricted cash presented within assets whose use is limited, restricted by donors for the years ending June 30, 2025:

	<u>2025</u>
Cash and cash equivalents	\$ 23,774
Restricted cash presented within assets whose use is limited, restricted by donors	<u>5,269</u>
Total cash and cash equivalents and restricted cash	<u>\$ 29,043</u>

**(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.

**(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.

**(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, net.

**OVERLAKE MEDICAL CENTER & CLINICS**

Notes to Consolidated Financial Statements

June 30, 2025

(Dollars in thousands)

**(h) Liquidity**

	<u>2025</u>
Cash and cash equivalents	\$ 23,774
Receivables, net	104,546
Current portion of pledges receivable	1,201
Other current assets	24,020
Investments	<u>244,041</u>
Total current assets	397,582
Less current portion of pledge receivable with restrictions	(647)
Less actuarial receivables included in other current assets	(2,869)
Less investments with redemption limitations of greater than one year	<u>(18,627)</u>
Total financial assets available for general expenditures	<u>\$ 375,439</u>

**(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 following is a summary of asset lives used for calculating depreciation:

	<u>Asset lives</u>
Land improvements	1-11 years
Buildings and improvements	20-40 years
Fixed equipment	1-30 years
Movable equipment	1-30 years

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.

## OVERLAKE MEDICAL CENTER & CLINICS

Notes to Consolidated Financial Statements

June 30, 2025

(Dollars in thousands)

### **(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. 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.

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.

### **(l) 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.

## OVERLAKE MEDICAL CENTER & CLINICS

### Notes to Consolidated Financial Statements

June 30, 2025

(Dollars in thousands)

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. As a result of retroactive adjustments under reimbursement agreements with third-party payors, the Medical Center's net patient service revenue increased by \$320 for the Successor period from October 1, 2024 to June 30, 2025 and \$107 for the Predecessor period from July 1, 2024 to September 30, 2024, which are considered variable consideration under ASC 606, *Revenue from Contracts with Customers*.

#### **(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) 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.

#### **(p) 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.

**OVERLAKE MEDICAL CENTER & CLINICS**

Notes to Consolidated Financial Statements

June 30, 2025

(Dollars in thousands)

**(2) Net Patient Service Revenue**

**(a) Disaggregation of Revenue**

The mix of net patient service revenue by payor is as follows:

	<u>Successor</u> <u>October 1,</u> <u>2024 through</u> <u>June 30,</u> <u>2025</u>	<u>Predecessor</u> <u>July 1,</u> <u>2024 through</u> <u>September 30,</u> <u>2024</u>
Medicare	\$ 81,830	28,768
Kaiser Permanente	72,180	24,580
Premera	120,110	33,147
Regence	85,992	28,695
Other third-party payors and private pay	<u>252,940</u>	<u>77,893</u>
Total	\$ <u>613,052</u>	<u>193,083</u>

**(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 \$16,851 for Successor period from October 1, 2024 to June 30, 2025 and \$5,372 for Predecessor period from July 1, 2024 to September 30, 2024 and is classified in net patient service revenue. Safety net expenses recognized under the program in the consolidated statements of operations are \$3,531 for the Successor period from October 1, 2024 to June 30, 2025 and \$11,031 for the Predecessor period from July 1, 2024 to September 30, 2024 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, 2025 totaled. Safety net expenses recorded as a payable and included in the expenses above as of June 30, 2025 totaled \$7,500.

**(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

## OVERLAKE MEDICAL CENTER & CLINICS

### Notes to Consolidated Financial Statements

June 30, 2025

(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 Successor period from October 1, 2024 to June 30, 2025 and the Predecessor period from July 1, 2024 to September 30, 2024, the cost of providing charity was estimated at approximately \$5,922 and \$1,973, 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 Successor period from October 1, 2024 to June 30, 2025 and the Predecessor period from July 1, 2024 to September 30, 2024, payments were less than estimated cost by approximately \$17,158 and \$5,720, 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 \$8,691 and \$2,897 for the Successor period from October 1, 2024 to June 30, 2025 and the Predecessor period from July 1, 2024 to September 30, 2024, 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.

**OVERLAKE MEDICAL CENTER & CLINICS**

Notes to Consolidated Financial Statements

June 30, 2025

(Dollars in thousands)

**(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:

	<u>2025</u>
Medicare	12 %
Kaiser Permanente	12
Premera	9
Regence	12
Other third-party payors	45
Private pay	<u>10</u>
Total	<u><u>100 %</u></u>

**(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, 2025:

	<u>2025</u>
Assets whose use is limited:	
Cash and accrued interest receivable	\$ 7,926
Money market funds	12,596
Fixed income mutual funds	6,801
Equity mutual funds	<u>11,492</u>
Total assets whose use is limited	\$ <u><u>38,815</u></u>
Investments:	
Cash and accrued interest receivable	\$ 438
Money market funds	120
Fixed income mutual funds	75,731
Fixed income securities	39,002
Equity mutual funds	86,638
Commingled funds	10,470
Investments measured using NAV:	
Hedge funds	13,015
Private equity	<u>18,627</u>
Total investments	\$ <u><u>244,041</u></u>

## OVERLAKE MEDICAL CENTER & CLINICS

### Notes to Consolidated Financial Statements

June 30, 2025

(Dollars in thousands)

Investments include 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.

Components of unrestricted investment income (which is included in other nonoperating revenue (expense), net):

	<b>Successor</b>	<b>Predecessor</b>
	<b>October 1, 2024 through June 30, 2025</b>	<b>July 1, 2024 through September 30, 2024</b>
Interest and dividends	\$ 7,674	1,557
Net realized gains (losses) on investments	1,221	1,484
Net unrealized gains on investments	2,294	8,985
Total investment income	\$ 11,189	12,026

Funds with donor restrictions investment income consisted of \$290 and \$75 in interest and dividends for the Successor period from October 1, 2024 to June 30, 2025 and the Predecessor period from July 1, 2024 to September 30, 2024, 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 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, 2025, 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.
- 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, 2025, 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

## OVERLAKE MEDICAL CENTER & CLINICS

Notes to Consolidated Financial Statements

June 30, 2025

(Dollars in thousands)

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.

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

**OVERLAKE MEDICAL CENTER & CLINICS**

Notes to Consolidated Financial Statements

June 30, 2025

(Dollars in thousands)

The tables below present the balances of assets measured at fair value on a recurring basis as of June 30, 2025:

	<b>2025</b>			<b>Fair value</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Cash and accrued interest	\$ 7,926	—	—	7,926
Money market funds	12,596	—	—	12,596
Fixed income mutual funds	6,801	—	—	6,801
Equity mutual funds	11,492	—	—	11,492
<b>Total assets whose use is limited</b>	<b>\$ 38,815</b>	<b>—</b>	<b>—</b>	<b>38,815</b>
Cash and accrued interest	\$ 438	—	—	438
Money market funds	120	—	—	120
Fixed income mutual funds	75,731	—	—	75,731
Fixed income securities:				
State and federal government	23,018	—	—	23,018
Corporate	—	7,798	—	7,798
Other	—	8,186	—	8,186
Equity mutual funds	86,638	—	—	86,638
Commingled equity securities	—	10,470	—	10,470
	\$ 185,945	26,454	—	212,399
Investments measured using NAV per share or its equivalent				31,642
<b>Total investments</b>				<b>244,041</b>

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, 2025:

	<b>2025</b>	<b>Committed</b>	<b>Unfunded</b>	<b>Redemption frequency</b>	<b>Redemption notice period</b>
Hedge funds	\$ 13,015	—	—	Bi-annually	95 days
Private equity	18,627	25,000	7,685	Event driven	—
	\$ 31,642	25,000	7,685		

## OVERLAKE MEDICAL CENTER & CLINICS

Notes to Consolidated Financial Statements

June 30, 2025

(Dollars in thousands)

### (5) Land, Buildings, and Equipment

Property, Plant and Equipment was recorded at their estimated fair value on October 1, 2024, the affiliation date with MultiCare and a new depreciation schedule was established based on the asset's remaining useful life.

The Medical Center's land, buildings, and equipment accounts, and related accumulated depreciation accounts, as of June 30, 2025 are set forth below:

	<u>2025</u>
Assets:	
Land	\$ 138,160
Land improvements	751
Buildings and improvements	162,779
Equipment:	
Fixed	7,826
Movable	31,229
Construction in progress	<u>8,798</u>
Total land, buildings, and equipment	349,543
Accumulated depreciation	<u>(16,398)</u>
Total land, buildings, and equipment, net	<u>\$ 333,145</u>

The Medical Center recorded \$10,167 and \$8,079 of depreciation expense for the Successor period from October 1, 2024 to June 30, 2025 and the Predecessor period from July 1, 2024 to September 30, 2024, respectively.

The Medical Center has no outstanding construction contract commitments of as of June 30, 2025.

### (6) Revolving Line of Credit

As of February 2025, the Medical Center has a \$10,000 intercompany revolving line of credit with MultiCare. The Medical Center had a revolving line of credit of \$10,000 available which was reduced to \$5,000 as October 2024 and expired January 2025. The balance outstanding on the revolving line of credit was \$0 as of June 30, 2025.

**OVERLAKE MEDICAL CENTER & CLINICS**

Notes to Consolidated Financial Statements

June 30, 2025

(Dollars in thousands)

**(7) Financing**

**(a) Long-Term Debt**

Long-term debt, as of June 30, 2025, is as follows:

	<u>2025</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 \$1,610 and and net of deferred financing cost of \$288 and as of June 30, 2025, respectively, callable by the Medical Center on or after July 2024.	\$ 36,793
Revenue bonds, Series 2017A/B, 4.00% to 5.00%, due in annual principal installments ranging from \$2,625 to \$16,215, until 2044, including a premium of \$10,349 , and net of deferred financing cost of \$752 as of June 30, 2025, respectively, callable by the Medical Center on or after January 2028.	171,607
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 \$225 as of June 30, 2025, 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>50,330</u>
Total long-term debt	258,730
Less current portion	<u>(7,535)</u>
Long-term debt, net of current portion	<u>\$ 251,195</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

## OVERLAKE MEDICAL CENTER & CLINICS

### Notes to Consolidated Financial Statements

June 30, 2025

(Dollars in thousands)

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:		
2026	\$	7,535
2027		7,920
2028		8,325
2029		8,755
2030		9,205
Thereafter		<u>206,296</u>
		248,036
Add net unamortized bond premiums		11,959
Less unamortized deferred financing costs		<u>(1,265)</u>
	\$	<u><u>258,730</u></u>

The Medical Center is the only member of the obligated group for the revenue bonds (the bonds). 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 allows Roth 403(b) deferred contributions, which are voluntary and entirely employee funded.

## OVERLAKE MEDICAL CENTER & CLINICS

### Notes to Consolidated Financial Statements

June 30, 2025

(Dollars in thousands)

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 \$19,514 and \$0 in matching contributions for the Successor period from October 1, 2024 to June 30, 2025 and the Predecessor period from July 1, 2024 to September 30, 2024, 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 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:

	<u>Successor</u> <u>October 1,</u> <u>2024 through</u> <u>June 30,</u> <u>2025</u>	<u>Predecessor</u> <u>July 1,</u> <u>2024 through</u> <u>September 30,</u> <u>2024</u>
Operating lease cost:		
Fixed lease expense	\$ 6,783	2,226
Variable lease expense	2,653	854
Total operating lease cost	<u>\$ 9,436</u>	<u>3,080</u>

**OVERLAKE MEDICAL CENTER & CLINICS**

Notes to Consolidated Financial Statements

June 30, 2025

(Dollars in thousands)

Other information related to leases as of and for the year ended June 30, 2025 is as follows:

	<u><b>2025</b></u>
Weighted average remaining lease term (in years)	5
Weighted average discount rate	3.7 %

Commitments related to noncancelable operating leases for each of the next five years and thereafter as of June 30, 2025 are as follows:

Fiscal year:		
2026	\$	7,669
2027		6,293
2028		5,648
2029		4,739
2030		3,501
Thereafter		<u>4,460</u>
		32,310
Less imputed interest	\$	<u>(3,011)</u>
		29,299
Less current portion of operating lease right-of-use liabilities		<u>(6,820)</u>
Long-term operating lease right-of-use	\$	<u><u>22,479</u></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, 2025 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 \$26,807 and reinsurance receivables of \$9,156 as of June 30, 2025. The actuarial valuations for the estimated funding for the period July 1, 2025 – June 30, 2026 were based on \$15,000 retention level with change to MultiCare's professional liability program.

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

## OVERLAKE MEDICAL CENTER & CLINICS

### Notes to Consolidated Financial Statements

June 30, 2025

(Dollars in thousands)

workers' compensation claims based on actuarial estimates of approximately \$3,557 as of June 30, 2025, respectively and reinsurance receivables of \$394 as of June 30, 2025.

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 \$4,186 as of June 30, 2025.

#### (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 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 are as follows:

	<b>Successor</b>			
	<b>October 1, 2024 through June 30, 2025</b>			
	<b>Healthcare services</b>	<b>General and administrative</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and benefits	\$ 348,283	41,928	1,037	391,248
Purchased services and other	66,655	67,001	270	133,926
Supplies	109,592	1,047	112	110,751
Interest, depreciation and amortization	15,378	3,678	—	19,056
Total operating expenses	\$ 539,908	113,654	1,419	654,981

**OVERLAKE MEDICAL CENTER & CLINICS**

Notes to Consolidated Financial Statements

June 30, 2025

(Dollars in thousands)

	<b>Predecessor</b>			
	<b>July 1, 2024 through September 30, 2024</b>			
	<b>Healthcare services</b>	<b>General and administrative</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and benefits	\$ 113,341	13,645	337	127,323
Purchased services and other	21,377	21,488	87	42,952
Supplies	34,386	328	35	34,749
Interest, depreciation and amortization	8,978	2,147	—	11,125
Total operating expenses	<u>\$ 178,082</u>	<u>37,608</u>	<u>459</u>	<u>216,149</u>

**(13) Net Assets with Donor Restrictions**

Net assets with donor restrictions as of June 30, 2025 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, 2025:

	<u>2025</u>
Donor restricted endowments subject to spending policy for specified purposes:	
Endowment purpose:	
Family Resource Coordinator	\$ 442
Senior Care Outreach	40
Surgical Services	551
Oncology Clinical Education	166
Nursing Clinical Education	281
Intensive Care Unit	2,582
Charity Care/Uncompensated Care	402
General Hospital Support	1,580
Heart & Vascular	112
Reigert Chest Pain Center	114
Clinic Oncology Medical Director	150
Cancer Care	368
Cardiac Care	545
	<u>7,333</u>
Subject to expenditure for specified purposes:	
Health care services	7,108
Health education	1,155
Indigent care	228
Purchase of building improvements and equipment	5,773
	<u>14,264</u>
Total net assets with donor restrictions	<u>\$ 21,597</u>

## **OVERLAKE MEDICAL CENTER & CLINICS**

Notes to Consolidated Financial Statements

June 30, 2025

(Dollars in thousands)

The Foundation's endowments consist of 23 individual funds as of June 30, 2025, 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 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 \$1,699 and \$ 6,563 which was recognized in other operating revenues for the Successor period from October 1, 2024 to June 30, 2025 and the Predecessor period from July 1, 2024 to September 30, 2024, 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 24, 2025, which is the date these consolidated financial statements were issued.

## OVERLAKE HOSPITAL MEDICAL CENTER &amp; CLINICS

## Supplementary Information

Consolidating Schedule – Balance Sheet

June 30, 2025

(In thousands)

	<b>Medical Center and Other Affiliates</b>	<b>Foundation</b>	<b>Eliminating entries</b>	<b>Total 2025</b>
<b>Current assets:</b>				
Cash and cash equivalents	\$ 23,230	544	—	23,774
Receivables, net	104,546	—	—	104,546
Current portion of pledges receivable	—	1,201	—	1,201
Current portion of assets whose use is limited	15,130	—	—	15,130
Supplies inventory	26,060	—	—	26,060
Prepaid expenses	14,826	26	—	14,852
Other current assets	24,020	—	—	24,020
<b>Total current assets</b>	<b>207,812</b>	<b>1,771</b>	<b>—</b>	<b>209,583</b>
Assets whose use is limited, net of current portion	—	23,685	—	23,685
Investments	244,041	—	—	244,041
Long-term portion of pledges receivables, net	—	2,091	—	2,091
Other long-term receivables, net	6,681	—	—	6,681
Land, buildings, and equipment, net	333,133	12	—	333,145
Operating lease right-of-use assets, net	26,632	7	—	26,639
<b>Other assets:</b>				
Investments in joint ventures	8,309	—	—	8,309
Other assets	1,768	—	—	1,768
Interest in net assets of consolidated affiliates	27,463	—	(27,463)	—
<b>Total other assets</b>	<b>37,540</b>	<b>—</b>	<b>(27,463)</b>	<b>10,077</b>
<b>Total assets</b>	<b>\$ 855,839</b>	<b>27,566</b>	<b>(27,463)</b>	<b>855,942</b>
<b>Current liabilities:</b>				
Accounts payable	\$ 27,388	2	—	27,390
Gift annuities payable	—	47	—	47
Accrued liabilities	90,202	41	—	90,243
Accrued interest payable	4,882	—	—	4,882
Payable to third-party agencies	10,230	—	—	10,230
Current portion of long-term debt	7,535	—	—	7,535
Current portion of operating lease right-of-use liabilities	6,807	13	—	6,820
<b>Total current liabilities</b>	<b>147,044</b>	<b>103</b>	<b>—</b>	<b>147,147</b>
Long-term debt, net of current portion	251,195	—	—	251,195
Long-term operating lease right-of-use liabilities, net of current portion	22,479	—	—	22,479
Other long-term liabilities	24,935	—	—	24,935
<b>Total liabilities</b>	<b>445,653</b>	<b>103</b>	<b>—</b>	<b>445,756</b>
<b>Net assets:</b>				
Without donor restrictions	388,589	5,866	(5,866)	388,589
With donor restrictions	21,597	21,597	(21,597)	21,597
<b>Total net assets</b>	<b>410,186</b>	<b>27,463</b>	<b>(27,463)</b>	<b>410,186</b>
<b>Total liabilities and net assets</b>	<b>\$ 855,839</b>	<b>27,566</b>	<b>(27,463)</b>	<b>855,942</b>

See accompanying independent auditors' report.

## OVERLAKE HOSPITAL MEDICAL CENTER &amp; CLINICS

## Supplementary Information

Consolidating Schedule – Statement of Operations and Changes in Net Assets

(In thousands)

	<b>Successor</b>			
	<b>Period from October 1, 2024 through June 30, 2025</b>			
	<b>Medical Center and Other Affiliates</b>	<b>Foundation</b>	<b>Eliminating entries</b>	<b>Total</b>
Operating revenue:				
Net patient service revenue	\$ 613,052	—	—	613,052
Other operating revenue	17,098	—	—	17,098
Contribution revenue	—	4,820	—	4,820
Net operating revenue	<u>630,150</u>	<u>4,820</u>	<u>—</u>	<u>634,970</u>
Operating expenses:				
Salaries	312,935	1,037	—	313,972
Registry	15,469	—	—	15,469
Employee benefits	76,977	299	—	77,276
Supplies	110,604	147	—	110,751
Purchased services	68,004	283	—	68,287
Interest and amortization	8,888	1	—	8,889
Depreciation and amortization	10,161	6	—	10,167
Rent, leases, and utilities	14,700	110	—	14,810
Hospital taxes and assessments	16,203	—	—	16,203
Marketing, insurance, and other	19,116	41	—	19,157
Total operating expenses	<u>653,057</u>	<u>1,924</u>	<u>—</u>	<u>654,981</u>
(Deficit) excess of revenue over expenses from operations	<u>(22,907)</u>	<u>2,896</u>	<u>—</u>	<u>(20,011)</u>
Nonoperation revenue, net:				
Investment income (expense), net	10,920	269	—	11,189
Revenue from nonoperating affiliates	(582)	—	—	(582)
Total nonoperating revenue net	<u>10,338</u>	<u>269</u>	<u>—</u>	<u>10,607</u>
Interest in net assets of consolidated affiliates	<u>3,508</u>		<u>(3,508)</u>	<u>—</u>
(Deficit) excess of revenue over expenses	<u>(9,061)</u>	<u>3,165</u>	<u>(3,508)</u>	<u>(9,404)</u>
Other changes in net assets without donor restrictions:				
Net assets released for capital acquisitions	—	1,748	—	1,748
Other	(212)	534	—	322
Intercompany transfers	5,210	(5,210)	—	—
(Decrease) increase in net assets without donor restrictions	<u>(4,063)</u>	<u>237</u>	<u>(3,508)</u>	<u>(7,334)</u>
Changes in net assets with donor restrictions:				
Contributions	—	4,869	—	4,869
Investment income	—	1,279	—	1,279
Change in net unrealized gains on investments	—	(595)	—	(595)
Net assets released for capital acquisitions	—	(1,748)	—	(1,748)
Other	—	(534)	—	(534)
Increase in net assets with donor restrictions	<u>—</u>	<u>3,271</u>	<u>—</u>	<u>3,271</u>
(Decrease) increase in net assets	<u>(4,063)</u>	<u>3,508</u>	<u>(3,508)</u>	<u>(4,063)</u>
Net assets, at October 1, 2024	<u>414,249</u>	<u>23,955</u>	<u>(23,955)</u>	<u>414,249</u>
Net assets, end of year	<u>\$ 410,186</u>	<u>27,463</u>	<u>(27,463)</u>	<u>410,186</u>

See accompanying independent auditors' report.

## OVERLAKE HOSPITAL MEDICAL CENTER &amp; CLINICS

## Supplementary Information

Consolidating Schedule – Statement of Operations and Changes in Net Assets

(In thousands)

	Predecessor			
	Period from July 1, 2024 through September 30, 2024			
	Medical Center and Other Affiliates	Foundation	Eliminating entries	Total
Operating revenue:				
Net patient service revenue	\$ 193,083	—	—	193,083
Other operating revenue	10,105	—	—	10,105
Contribution revenue	—	1,489	—	1,489
Net operating revenue	<u>203,188</u>	<u>1,489</u>	<u>—</u>	<u>204,677</u>
Operating expenses:				
Salaries	102,349	409	—	102,758
Registry	5,802	—	—	5,802
Employee benefits	24,466	99	—	24,565
Supplies	34,739	10	—	34,749
Purchased services	21,829	7	—	21,836
Interest and amortization	3,045	1	—	3,046
Depreciation and amortization	8,079	—	—	8,079
Rent, leases, and utilities	4,817	39	—	4,856
Hospital taxes and assessments	5,038	—	—	5,038
Marketing, insurance, and other	5,417	3	—	5,420
Total operating expenses	<u>215,581</u>	<u>568</u>	<u>—</u>	<u>216,149</u>
(Deficit) excess of revenue over expenses from operations	<u>(12,393)</u>	<u>921</u>	<u>—</u>	<u>(11,472)</u>
Nonoperation revenue, net:				
Investment income (expense), net	11,721	305	—	12,026
Revenue from nonoperating affiliates	52	—	—	52
Total nonoperating revenue net	<u>11,773</u>	<u>305</u>	<u>—</u>	<u>12,078</u>
Interest in net assets of consolidated affiliates	<u>1,598</u>	<u>—</u>	<u>(1,598)</u>	<u>—</u>
Excess (deficit) of revenue over expenses	978	1,226	(1,598)	606
Other changes in net assets without donor restrictions:				
Net assets released for capital acquisitions	—	325	—	325
Intercompany transfers	1,301	(1,301)	—	—
Increase (decrease) in net assets without donor restrictions	<u>2,279</u>	<u>250</u>	<u>(1,598)</u>	<u>931</u>
Changes in net assets with donor restrictions:				
Contributions	—	967	—	967
Investment income	—	75	—	75
Change in net unrealized gains on investments	—	631	—	631
Net assets released for capital acquisitions	—	(325)	—	(325)
Increase in net assets with donor restrictions	<u>—</u>	<u>1,348</u>	<u>—</u>	<u>1,348</u>
Increase (decrease) in net assets	2,279	1,598	(1,598)	2,279
Net assets at June 30, 2024	<u>523,513</u>	<u>22,360</u>	<u>(22,360)</u>	<u>523,513</u>
Net assets at September 30, 2024	<u>\$ 525,792</u>	<u>23,958</u>	<u>(23,958)</u>	<u>525,792</u>

See accompanying independent auditors' report.