Report of Independent Auditors
and Consolidated Financial Statements
with Supplementary Information

Astria Health and Subsidiaries

December 31, 2022 and 2021

MOSSADAMS

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Report of Independent Auditors

The Board of Trustees
Astria Health and Subsidiaries

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of Astria Health and Subsidiaries (the Organization), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations and change in net deficit and cash flows for the years then ended, and the related notes to the consolidated financial statements.

We do not express an opinion on the accompanying consolidated financial statements of the Organization. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

Basis for Disclaimer of Opinion

Management informed us that the Organization had not been audited since 2017. Management was unable to obtain support to complete necessary reconciliations between 2018 and 2020 for certain accounts. In addition, during that same period, the Organization had entered and emerged from bankruptcy and the Organization had also experienced challenges associated with implementing a new revenue system.

As of the date of our audit report, with respect to accounts on December 31, 2022, management was still in the process of reconciling property and equipment, net; and deferred other grant income (recorded in other accrued liabilities).

As a result of these matters, we were unable to determine whether any adjustments might have been found necessary with respect to recorded or unrecorded net deficit without donor restrictions; property and equipment, net; and other accrued liabilities; and the elements included in the consolidated statements of operations and change in net deficit and cash flows for the year ended December 31, 2022.

As of the date of our audit report, with respect to accounts on December 31, 2021, management was still in the process of reconciling some accounts including property and equipment, net; accrued paid time off (recorded in accrued compensation and benefits); and deferred other grant income (recorded in other accrued liabilities).

In addition, we were not engaged as the Organization's auditor until after December 31, 2020, and, therefore, did not observe the counting of physical inventories at the beginning of the year. We were unable to satisfy ourselves by other auditing procedures concerning the activity related to changes in inventory for the year ended December 31, 2021.

As a result of these matters, we were unable to determine whether any adjustments might have been found necessary with respect to recorded or unrecorded net deficit without donor restrictions; property and equipment, net; accrued compensation and benefits; other accrued liabilities; and the elements making up the statements of operations and change in net deficit and cash flows for the year ended December 31, 2021.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, in 2022, the Organization adopted new accounting guidance Accounting Standards Codification Topic 842, *Leases*. Our opinion is not modified with respect to this matter.

Substantial Doubt about the Organization's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note 3 to the consolidated financial statements, the Organization had 10 days of cash on hand and a net deficit of $30,766,757 as of December 31, 2022. The Organization has stated that substantial doubt exists about the Organization's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 3. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our audit opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Organization's consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

Supplementary Information

We were engaged for the purpose of forming an opinion on the financial statements as a whole. The consolidating balance sheet – December 31, 2022, consolidating balance sheet – December 31, 2021, consolidating statement of operations – year ended December 31, 2022, and consolidating statement of operations – year ended December 31, 2021, are presented for the purposes of additional analysis and are not a required part of the financial statements. Because of the significance of the matter described above in the Basis for Disclaimer of Opinion section, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

Moss Adams LLP

Seattle, Washington
April 30, 2023

Consolidated Financial Statements

Astria Health and Subsidiaries
Consolidated Balance Sheets
December 31, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 4,499,315	$ 4,612,077
Patient accounts receivable	28,141,842	24,148,323
Other receivables	26,003	-
Inventory	5,559,088	5,339,991
Prepaid expenses and other assets	1,706,069	1,571,810
Total current assets	39,932,317	35,672,201
PROPERTY AND EQUIPMENT, net	25,995,950	27,695,625
OPERATING LEASE RIGHT-OF-USE ASSETS, net	6,777,185	-
FINANCE LEASE RIGHT-OF-USE ASSETS, net	314,434	-
OTHER ASSETS	858,022	1,252,851
Total assets	$ 73,877,908	$ 64,620,677
LIABILITIES AND NET DEFICIT		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 12,454,864	$ 14,452,207
Accrued compensation and benefits	5,968,581	5,978,505
Estimated third-party payor settlements	1,376,815	1,407,995
Other accrued liabilities	2,228,888	1,068,298
Current portion of long-term debt	10,998	1,024,756
Current portion of operating lease liabilities	1,110,709	-
Current portion of finance lease liabilities	50,573	-
Total current liabilities	23,201,428	23,931,761
LONG-TERM DEBT, net of current portion	75,147,867	77,007,294
OPERATING LEASE LIABILITIES, less current portion	5,628,798	-
FINANCE LEASE LIABILITIES, less current portion	266,572	-
OTHER LONG-TERM LIABILITIES	400,000	235,114
Total liabilities	104,644,665	101,174,169
NET DEFICIT		
Without donor restrictions	(30,766,757)	(36,553,492)
Total net deficit	(30,766,757)	(36,553,492)
Total liabilities and net deficit	$ 73,877,908	$ 64,620,677

See accompanying notes.

Astria Health and Subsidiaries
Consolidated Statements of Operations and Change in Net Deficit
Years Ended December 31, 2022 and 2021

	2022	2021
REVENUES, GAINS, AND OTHER SUPPORT		
Net patient service revenue	$ 160,268,604	$ 128,828,544
Other operating revenue	12,225,566	2,751,890
Grant income	1,626,376	11,051,099
Contributions in-kind	-	347,070
Total revenues, gains, and other support	174,120,546	142,978,603
OPERATING EXPENSES		
Salaries and wages	60,753,059	53,855,513
Employee benefits	13,226,561	9,491,838
Professional fees	19,390,100	15,692,362
Supplies	19,934,690	19,260,763
Purchased services	28,060,229	26,021,621
Depreciation and amortization	3,320,345	3,495,065
Interest expenses	7,179,293	7,221,966
Facility expenses	4,089,843	3,613,996
Insurance	3,213,426	2,937,625
Other expenses	8,070,698	5,074,438
Total operating expenses	167,238,244	146,665,187
OPERATING INCOME	6,882,302	(3,686,584)
OTHER INCOME (LOSS)		
(Loss) gain on bankruptcy settlements, net	(730,373)	1,161,662
Other loss, net	(59,807)	(85,920)
Total other income (loss), net	(790,180)	1,075,742
EXCESS OF REVENUES OVER EXPENSES FROM CONTINUING OPERATIONS	6,092,122	(2,610,842)
DISCONTINUED OPERATIONS		
Loss on discontinued operations (see Note 14)	(305,387)	(2,642,072)
Change in net deficit	5,786,735	(5,252,914)
NET DEFICIT WITHOUT DONOR RESTRICTIONS, beginning of year	(36,553,492)	(31,300,578)
NET DEFICIT WITHOUT DONOR RESTRICTIONS, end of year	$ (30,766,757)	$ (36,553,492)

See accompanying notes.

Astria Health and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net deficit	$ 5,786,735	$ (5,252,914)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization of property and equipment	3,320,345	3,495,065
Non-cash lease expense	1,399,167	-
Gain on forgiveness of PPP Loans	(2,743,300)	-
Loss on disposal of property and equipment	93,339	685,524
Loss on discontinued operations (see Note 14)	305,387	2,642,072
Changes in operating assets and liabilities		
Patient accounts receivable	(3,993,519)	(508,321)
Other receivables	(161,317)	153,357
Inventory	(219,097)	(1,619,308)
Prepaid expenses and other assets	260,570	(218,208)
Due from (to) intercompany for discontinued operations (see Note 13)	1,247,681	(243,665)
Accounts payable and accrued expenses	(1,955,855)	(983,301)
Accrued compensation and benefits	(9,924)	(2,405,040)
Estimated third-party payor settlements	(31,180)	(1,776,505)
Other accrued liabilities	950,867	(32,911,134)
Operating lease liabilities	(1,385,314)	-
Net cash provided by (used in) operating activities	2,864,585	(38,942,378)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	-	314,176
Purchase and construction of property and equipment	(2,798,642)	(1,845,210)
Net cash used in investing activities	(2,798,642)	(1,531,034)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	160,000	76,215,000
Repayment of long-term debt	(289,885)	(58,239,529)
Repayment on finance lease liabilities	(48,820)	-
Net cash (used in) provided by financing activities	(178,705)	17,975,471
NET CHANGE IN CASH AND CASH EQUIVALENTS	(112,762)	(22,497,941)
CASH AND CASH EQUIVALENTS, beginning of year	4,612,077	27,110,018
CASH AND CASH EQUIVALENTS, end of year	$ 4,499,315	$ 4,612,077

See accompanying notes.

Astria Health and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 7,218,833	$ 7,887,963
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Noncash impact of the implementation of ASC 842		
Operating lease right-of-use assets obtained in exchange for operating lease liabilities	$ 8,009,319	$ -
Finance lease right-of-use assets obtained in exchange for new finance lease liabilities	$ 365,875	$ -

See accompanying notes.

Note 1 – Organization and Principles of Consolidation

Astria Health (the Organization) is a nonprofit corporation operating hospitals, health clinics, home health services, and other healthcare services in Yakima, Toppenish, and Sunnyside, Washington, and the surrounding areas. The Organization is exempt under Section 501(c)(3) of the Internal Revenue Code from federal income taxes except for unrelated business income.

Astria Sunnyside Hospital consists of the following entities:

Astria Sunnyside Hospital (Sunnyside) is a critical access hospital with 25 set-up beds. Services offered at the hospital include medical, surgical, labor/delivery and nursery care, 24-hour emergency, laboratory, imaging services, physical therapy, cardiac rehabilitation, urgent care, oncology, cardiology, and clinics. Members of the medical staff include specialists in emergency medicine, family practice, internal medicine, general surgery, pediatrics, obstetrics/gynecology, orthopedics, otolaryngology, radiology, and inpatient hospitalization. Astria Health is the sole member of Sunnyside.

A wholly owned subsidiary of Sunnyside, Sunnyside Professional Services, LLC (SPS), a for-profit limited liability corporation, has an investment in a corporation that owns two medical office buildings. It manages these buildings for Sunnyside.

Sunnyside Hospital Foundation (the Foundation) is a nonprofit organization that provides contributions to Sunnyside. The Foundation is exempt under Section 501(c)(3) of the Internal Revenue Code from federal income taxes except for unrelated business income. The Foundation is an affiliated organization, and its activity is consolidated with the Organization.

Astria Home Health is a nonprofit organization working toward establishing home health services in Sunnyside and does not currently provide patient care services. Astria Home Health is exempt under Section 501(c)(3) of the Internal Revenue Code from federal income taxes except for unrelated business income. Astria Home Health is a wholly owned subsidiary of Sunnyside.

Astria Home Medical Supply is a for-profit organization providing durable medical equipment and supplies to the community the Organization serves.

SHC Holdco, LLC, whose sole member is Astria Health, consists of the following entities:

Astria Toppenish Hospital (Toppenish) is a 78-bed facility located in Toppenish, Washington. Toppenish has an expanded surgery capability, pediatrics area, and a Family Maternity Center.

A wholly owned subsidiary, Yakima Home Care Holdings, LLC (YHCH), a for-profit limited liability corporation, owns and operates Yakima HMA Home Health, LLC, (YHHH), which provides home health and hospice services throughout Yakima County, Washington.

Astria Regional Medical Center (ARMC) was closed in January 2020 (see Note 14).

The consolidated financial statements reflect the consolidated operations of Astria Health, Sunnyside, and SHC Holdco, LLC, collectively referred herein as the “Organization.” All significant intercompany transactions and balances have been eliminated.

Note 2 – Significant Accounting Policies

Use of estimates – The preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents – Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding assets limited as to use.

Patient accounts receivables – Patient receivables are uncollateralized patient, customer, and third-party payor obligations. Payments of patient receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim. The carrying amount of patient receivables is reduced by implicit and explicit price concessions that reflects management's estimate of amounts that will not be collected from patients, residents, and third-party payors.

Management reviews patient receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients due to implicit price concessions. Management considers historical write-off and recovery information in determining the estimated implicit price concession.

Inventory – Inventory, consisting principally of surgical, medical, and pharmaceutical supplies, are stated at the lower of cost (first-in, first-out) or market.

Prepaid expenses – Prepaid expenses are expenses paid during the fiscal year relating to expenses to be incurred in future periods.

Property and equipment – Property and equipment acquisitions equal to or greater than $5,000 and having more than a one-year useful life are capitalized and recorded at cost. The cost of property and equipment, and the related accumulated depreciation, are removed from the accounts when sold or retired, and any resulting gain or loss is recognized. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. The estimated useful lives of property and equipment are as follows:

Buildings and improvements	3 to 40 years
Equipment	1 to 15 years

The Organization assesses potential impairment to its long-lived assets when there is evidence that events or changes in circumstances have made recovery of the carrying value of the assets unlikely.

Leases – For the year ended December 31, 2021, the Company followed Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 840, *Leases*. Under that guidance, the Company classified leases as either operating or capital. Capital leases resulted in the recognition of the assets and liabilities, whereas operating leases did not.

As of January 1, 2022, the Company adopted FASB ASC 842, *Leases*. The Company implemented this standard utilizing the modified retrospective transition approach and electing to not adjust comparative periods. As a result, the consolidated financial statements for the year ended December 31, 2021, were not changed related to this implementation.

The following lease accounting policies were followed for year ended December 31, 2022:

At lease inception, the Company determines whether an arrangement is or contains a lease. Operating leases and Finance leases are included in property and equipment, current portion of long-term lease obligation, and lease obligation, net of current under long-term liabilities in the consolidated balance sheets. Right-of-use (ROU) assets represent the Company's right to use leased assets over the term of the lease. Lease liabilities represent the Company's contractual obligation to make lease payments arising from the lease.

For operating leases, ROU assets and lease liabilities are recognized at the commencement date. The lease liability is measured as the present value of the lease payments over the lease term. The Company uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, the Company uses its incremental borrowing rate to determine the present value of the lease payments. Operating ROU assets are calculated as the present value of the lease payments plus initial direct costs, plus any repayments less any lease incentives received. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. Factors considered in determining whether an option is reasonably certain of exercise include, but are not limited to, the value of leasehold improvements, the value of renewal rates, and the presence of factors that would cause a significant economic penalty to the Company if the option were not exercised. Lease expenses are recognized on a straight-line basis over the lease term. The Company has elected not to recognize an ROU asset and obligation for leases with an initial term of 12 months or less. The expense associated with short-term leases is included in rent expense in the consolidated statements of operations.

For finance leases, upon lease commencement, the lease liability is measured on an amortized cost basis and increased to reflect interest on the liability and decreased to reflect the lease payment made during the period. Interest on the lease liability is determined each period during the lease term as the amount that results in a constant period discount rate on the remaining balance of the liability. The ROU asset is subsequently measured at cost, less any accumulated amortization and any accumulated impairment losses. Amortization on the ROU asset is recognized over the period from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The Company uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, the Company uses its incremental borrowing rate to determine the present value of the lease payments.

Self-insurance reserves – The provisions for the reserves in the self-insured health plan and the workers' compensation trust include estimates of the ultimate costs for both the reported claims and the claims incurred but not reported.

Basis of presentation – The Organization's consolidated financial statements are presented in accordance with GAAP, as codified by the Financial Accounting Standards Board (FASB). Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net (deficit) assets without donor restrictions – Net (deficit) assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. These are reported as reclassifications between the applicable classes of net assets. There were no net assets with donor restrictions for the years ended December 31, 2022 and 2021.

Net patient service revenue – Patient care service revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Organization bills the patients and third-party payors several days after the services are performed or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Charity care – Patients who meet the Organization's criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue. The costs the Organization incurred to provide charity care were approximately $1,441,732 and $982,000 for the year ended December 31, 2022 and 2021, respectively. The Organization has estimated these costs by multiplying its ratio of costs to gross charges to the gross uncompensated charges associated with providing charity care.

Grant income – Grant income primarily includes revenues generated primarily from U.S. Department of Health and Human Services' Provider Relief Fund (PRF) (see Note 4).

Other operating revenue – Other operating revenue primarily includes revenues generated from cafeteria, rentals, vendor rebates, other ancillary services, and joint venture gains and losses.

Other operating expenses – Other operating expenses primarily include expenses related to taxes, repairs and maintenance, travel, education, professional dues, subscriptions, recruiting, and licenses.

Performance indicator – Deficiency/excess of revenues over expenses from continuing operations, as reflected in the accompanying consolidated statement of operations and change in net deficit, is the performance indicator. Deficiency/excess of revenues over expenses from continuing operations includes all changes in net deficit except for activity of discontinued operations.

Hospital safety net assessment – The state of Washington has a safety net assessment program involving Washington State hospitals to increase funding from other sources and obtain additional federal funds to support increased payments to providers for Medicaid services. In connection with this program, the Organization recorded increases in patient service revenue of $1,724,381 and $1,284,932 for 2022 and 2021, respectively and incurred assessments of $1,196,012 and $776,628, respectively, which were recorded in other operating expenses in the accompanying consolidated statement of operations and change in net deficit. The Organization has outstanding receivables of $524,646 and $99,935 associated with this program as of December 31, 2022 and 2021, respectively, which are included with patient accounts receivable on the consolidated balance sheet.

Federal income tax – The Organization comprises several corporations that are exempt from federal income tax under Section 501(c)(3) of the IRC (see Note 1), except to the extent of unrelated business taxable income as defined under IRC Sections 511 through 515, and several limited liability companies. The Organization has adopted accounting for uncertain tax positions, which is an accounting standard that prescribes a recognition threshold and measurement process for uncertain tax positions. The Organization had no uncertain tax positions as of December 31, 2022.

Subsequent events – Subsequent events are events or transactions that occur after the consolidated balance sheet date but before the consolidated financial statements are issued. The Organization recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated balance sheet, including the estimates inherent in the process of preparing the consolidated financial statements. The Organization's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated balance sheets but arose after the consolidated balance sheet date and before the consolidated financial statements are available to be issued.

The Organization has evaluated subsequent events through April 30, 2023, which is the date the consolidated financial statements are available to be issued, and concluded that there were no events or transactions that need to be disclosed.

Note 3 – Going Concern

The Organization, in accordance with FASB ASC Subtopic 205-40, *Presentation of Financial Statements—Going Concern*, has identified conditions that raise substantial doubt about the ability of the Organization to continue as a going concern in the near future. The following is the evaluation of this condition and management's plan: The principal conditions that raised substantial doubt about the Organization's ability to continue as a going concern is the days cash on hand ratio of 10 days and 12 days, negative operating cash flows, and a net deficit of $30,766,757 and $36,553,492 as of and for the years ended December 31, 2022 and 2021, respectively. The Organization's $75,000,000 note payable matures in December 2025 and the Organization was not in compliance with its financial covenants and received a waiver (see Note 7) as of and for the years ended December 31, 2022 and 2021. The Organization is actively working to improve cash flows to provide adequate liquidity for operations and prevent an event of default on the long-term debt obligations.

Note 4 – Coronavirus (COVID-19) Impact

The Organization received funds under the PRF, administered by the U.S. Department of Health & Human Services (HHS), of $221,916 and $3,926,219 in 2022 and 2021, of which the Organization has recognized grant income of $221,916 and $3,926,219 and deferred revenue, which is included in other accrued liabilities, of $0and $0, as of and for the years ended December 31, 2022 and 2021, respectively. The Organization was required to agree to the terms and conditions of payments. Those terms and conditions include measures to help prevent fraud and misuse. Documentation is required to ensure that these funds are to be used for expenses or lost revenue attributable to coronavirus. Also, anti-fraud monitoring and auditing will be done by HHS and the Office of the Inspector General.

The Organization received funds under the Payroll Protection Program (PPP or Program) loans (see Note 7), administered by the Small Business Administration (SBA), The PPP loans may be fully forgiven if (i) proceeds are used to pay eligible payroll costs or other eligible costs and (ii) full-time employee headcount and salaries are either maintained during the eight-week period following disbursement or restored by December 31, 2020. If not maintained or restored, any forgiveness of the PPP loan would be reduced in accordance with the regulations. All the proceeds of the PPP loans were used by the Organization to pay eligible payroll costs and the Organization maintained its headcount and otherwise complied with the terms of the PPP loans.

PPP loan payments were deferred during the Deferral Period. The Deferral Period is the period beginning on the date of the loans and ending 10 months after the last day of the covered period (Deferral Expiration Date). Any amounts not forgiven under the Program will be payable in equal installments of principal plus any interest owed on the payment date from the Deferral Expiration Date through the Maturity Date. Additionally, any accrued interest that is not forgiven under the Program will be due on the First Payment Date.

While the Organization believes that it has acted in compliance with the program and did seek forgiveness of the PPP loans, no assurance can be provided that the Organization will obtain forgiveness of the PPP loans in whole or in part. As a result, the funding provided under the PPP program was recorded as a liability rather than grant revenue as of and for the year ended December 31, 2021. The PPP loans were forgiven in 2022 and gain on forgiveness has been recognized as is included in other operating revenue.

Note 5 – Net Patient Service Revenue

Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in the hospitals receiving inpatient acute care services or patients receiving services in the outpatient centers or in their homes (home care). The Organization measures the performance obligation from admission into the hospital, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to the patients and customers in a retail setting (for example, pharmaceuticals and medical equipment) and the Organization does not believe it is required to provide additional goods or services related to that sale.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a); therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization’s policy, and implicit price concessions provided to uninsured patients. The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

Contractual agreements with third-party payors provide for payments at amounts less than the Organization’s established charges. A summary of the payment arrangements with major third-party payors is as follows:

Medicare – Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge, which provides for reimbursement based on Medicare Severity Diagnosis-Related Groups (MS-DRGs). These rates vary according to a patient classification system that is based on clinical diagnosis, acuity, and expected use of hospital resources. The majority of Medicare outpatient services is reimbursed under a prospective payment methodology, the Ambulatory Payment Classification System (APCs), or fees schedules.

Medicaid – Inpatient services rendered to Medicaid program beneficiaries are reimbursed under a prospective payment system similar to Medicare; however, Medicaid utilizes All Payor Refined Diagnosis-Related Groups (APR-DRGs) as opposed to Medicare's MS-DRGs. The Majority of Medicaid outpatient services are reimbursed under a prospective payment methodology, the Enhanced Ambulatory Patient Groups (EAPG), or fee schedules.

Other – The Organization has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Organization under these agreements includes prospectively determined rates per discharge, discounts form established charges, and prospectively determined daily rates and fee schedules.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements with the government. Compliance with such laws and regulations may also be subject to future government exclusion from the related programs. There can be no assurance that regulatory or government authorities will not challenge the Organization's compliance with these laws and regulations, and it is not possible to determine the impact, if any, that such claims or penalties would have upon the Organization. In addition, the contracts with commercial payors also provide for retroactive audit and review of claims that can reduce the amount of revenue ultimately received.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Organization's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in the transaction price were not significant in 2022 or 2021.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization also provides services to uninsured patients and offers those uninsured patients a discount, either by policy or law, from standard charges. The Organization estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. For the years ended December 31, 2022 and 2021, no significant additional revenue was recognized due to changes in the Organization's estimates of implicit price concessions, discounts, and contractual adjustments for performance obligations satisfied in prior years. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as changes in the Organization's estimates of implicit price concessions.

Consistent with the Organization's mission, care is provided to patients regardless of their ability to pay. Therefore, the Organization has determined that it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Organization expects to collect based on its collection history with those patients.

The Organization has determined that the best depiction of its revenue is by mix of payors as this shows the amount of revenue recognized from each portfolio and by lines of business.

Patient service revenue disaggregated by payor for the years ended December 31, 2022 and 2021, is as follows:

	2022	2021
Medicare	$ 50,288,489	$ 35,338,693
Medicaid	39,983,368	37,551,399
Commercial	61,350,279	55,682,127
Self-pay	8,646,468	256,325
	$ 160,268,604	$ 128,828,544

Patient service revenue disaggregated by line of business for the years ended December 31, 2022 and 2021, is as follows:

	2022	2021
Hospital	$ 138,625,161	$ 112,529,394
Clinics	17,895,586	13,282,046
Home Health	3,747,857	3,017,104
	$ 160,268,604	$ 128,828,544

The Organization has elected to apply the practical expedient under ASC 340-40-25-4 and therefore, all incremental customer contract acquisition costs are expenses as incurred, as the amortization period of the asset that the Organization would have otherwise recognized is one year or less in duration.

Note 6 – Property and Equipment

A summary of property and equipment at December 31, 2022 and 2021, follows:

	2022	2021
Land and improvements	$ 7,080,212	$ 8,174,095
Buildings and improvements	33,559,474	32,194,317
Fixed, major movable, and minor equipment	34,602,580	34,173,224
Construction in progress	1,174,571	325,899
	76,416,837	74,867,535
Less accumulated depreciation	(50,420,887)	(47,171,910)
Net property and equipment	$ 25,995,950	$ 27,695,625

Depreciation expense on property and equipment was $3,320,345 and $3,495,065 for the years ended December 31, 2022 and 2021, respectively.

Note 7 – Long-Term Debt

Long-term debt consists of the following at December 31, 2022 and 2021:

	2022	2021
MultiCare note payable (a)	$ 75,000,000	$ 75,000,000
PPP loan payable - Toppenish (b)	-	2,358,900
PPP loan payable - YHHH (c)	-	384,400
Other notes payable (d)	-	288,750
Note payable (e)	158,865	-
	75,158,865	78,032,050
Net of current portion	(10,998)	(1,024,756)
	$ 75,147,867	$ 77,007,294

(a) *MultiCare note payable* – In January 2021, the Organization entered into a $75,000,000 note payable to MultiCare, a Washington nonprofit corporation, which was amended in December 2022 to extend the maturity date (MultiCare Note). The MultiCare Note bears a fixed interest rate of 9.5% with payments due on June 30 and December 31 of each year, secured by all assets of the Organization, and matures in December 2025. MultiCare has an option to acquire all of the assets and operations and assume the liabilities arising after the effective date of the note payable (Purchase Option). The Purchase Option may be exercised at any time up to the later of (i) the maturity date, and (ii) the date on which the MultiCare Note is satisfied in full (Option Period). The Purchase Option can be exercised by MultiCare providing written notice to the Organization prior to the expiration of the Option Period. MultiCare has not exercised the Purchase Option as of April 30, 2023, which is the date the consolidated financial statements are available to be issued.

(b) PPP loan payable – Toppenish – In July 2020, Toppenish entered into a PPP loan totaling $2,358,900 with a financial institution. The loan included interest at 1.0% and had an original maturity date of five years in June 2025. Monthly payments of $57,534 were scheduled to commence in February 2022 but were deferred pending outcome of application for forgiveness. This PPP loan was forgiven in 2022.

(c) PPP loan payable – YHHH – In July 2020, YHHH entered into a PPP loan totaling $384,400 with a financial institution. The loan included interest at 1.0% and had an original maturity date of five years in June 2025. Monthly payments of $9,376 were scheduled to commence in February 2022 but were deferred pending outcome of application for forgiveness. This PPP loan was forgiven in 2022.

(d) Other notes payable – In 2021, the Organization entered into two notes payable totaling $1,215,000 with third parties. The unsecured notes payable included fixed interest ranging from 3.0% to 7.5% with monthly payments that totaled $101,250 and matured in 2022.

(e) Note payable – In 2022, the Organization entered into a note payable totaling $160,000 with third parties. The note is secured by real property and bears interest at 8.0% with monthly payments of $1,941 and matures in November 2032.

Long-term debt maturities are as follows:

2023	$ 10,998
2024	75,011,895
2025	12,883
2026	13,952
2027	15,110
Thereafter	94,027
	$ 75,158,865

The note payable to MultiCare is subject to certain covenants regarding certain financial statement amounts, ratios, and activities of the Organization. The Organization received a waiver for minimum days in accounts payable, minimum earnings before interest, tax, depreciation, and amortization, minimum days cash on hand, and 120-day deadline for audited consolidated financial statements covenants as of December 31, 2022, and through March 31, 2023.

Note 8 – Leases

The Company is in engaged in leases for portions of the Company's hospital space, office space, and hospital equipment. These leases have been evaluated and are accounted for under ASC 840 for the year ended December 31, 2021, and under ASC 842 for the year ended December 31, 2022.

Pre-adoption of ASC 842 for the year ended December 31, 2021:

Operating leases – The Organization leased certain equipment under noncancelable long-term operating lease agreements. Total lease expense for the year ended December 31, 2021, for all operating leases, was $2,031,469.

The following is a maturity analysis of the annual undiscounted cash flows of operating lease liabilities as of December 31, 2021:

2022	$ 1,834,633
2023	1,229,459
2024	917,531
2025	918,858
2026	803,507
Thereafter	2,821,253
	$ 8,525,241

Post-adoption of ASC 842 for the year ended December 31, 2022:

The Organization leased certain equipment under noncancelable long-term operating lease agreements.

The Organization recognized the following non-cash expense associated with leases for the year ended December 31, 2022:

Operating leases	
Amortization of ROU assets	$ 1,341,717
Short-term lease expense	1,000,086
Finance leases	
Amortization of ROU assets	51,441
interest on lease liabilities	6,009
Total lease cost	$ 2,399,253

During the year ended December 31, 2022, the Organization had the following cash, noncash activities, and other information associated with leases:

Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$	1,379,395
Operating cash flows from finance leases	$	5,919
Financing cash flows from finance leases	$	48,820
Supplemental disclosures on cash flow information		
Noncash impact of the implementation of ASC 842		
Operating lease ROU assets and liabilities recognized	$	8,009,319
Finance lease ROU assets obtained in exchange for new finance lease liabilities	$	365,875
Weighted-average remaining lease term (years)		
Operating leases		6.8
Finance leases		6.8
Weighted-average discount rate		
Operating leases		1.5%
Finance leases		1.8%

The undiscounted future payments due under operating and finance leases as of December 31, 2022, were as follows:

	Operating leases	Finance leases	Total
2023	$ 1,204,185	$ 55,705	$ 1,259,890
2024	1,104,320	55,705	1,160,025
2025	1,076,302	55,705	1,132,007
2026	937,711	55,705	993,416
2027	732,797	55,705	788,502
Thereafter	2,051,580	55,705	2,107,285
Total lease payments	7,106,895	334,230	7,441,125
Less imputed interest	(367,388)	(17,085)	(384,473)
Less current obligations	(1,110,709)	(50,573)	(1,161,282)
Long-term lease obligations	$ 5,628,798	$ 266,572	$ 5,895,370

Note 9 – Retirement Plan

The Organization sponsors the Regional Health 401(k) Plan (the 401(k) Plan), a defined contribution plan that covers all employees with a minimum of three months' service. Employees are 100 percent vested upon entering the 401(k) Plan. The Organization makes matching contributions to the 401(k) Plan up to 3% of employee compensation plus additional matching of 50%of employee contributions between 3% and 5% of compensation. Total expenses for the years ended December 31, 2022 and 2021, were $1,739,573 and $1,586,093, respectively.

Note 10 – Concentrations of Credit Risk

Patient accounts receivable – The Organization grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors and patients at December 31, 2022 and 2021, were as follows:

	2022	2021
Medicare	31%	31%
Medicaid	27%	25%
Commercial insurance	36%	37%
Self-pay	6%	7%
	100%	100%

Physicians – The Organization is dependent on local physicians practicing in its service area to provide admissions and utilize hospital services on an outpatient basis. A decrease in the number of physicians providing these services or change in their utilization patterns may have an adverse effect on hospital operations.

Cash and cash equivalents – At times, deposits with financial institutions exceed Federal Deposit Insurance Corporation insured limits.

Collective bargaining units – Sunnyside and Toppenish both have agreements with Washington State Nurses Association (WSNA). The nurses assigned to YHHH are covered by the Toppenish WSNA agreement. At December 31, 2022, there were 129 nurses of the 689 total employees of the Organization covered by WSNA agreements. At December 31, 2021, there were 193 nurses of the 847 total employees of the Organization covered by WSNA agreements.

At December 31, 2022, the following status for both contracts with WSNA is as follows:

WSNA agreement with Sunnyside has been negotiated and ratified for an effective date of January 1, 2022. The Sunnyside agreement calls for a 7.5% increase in beginning scale rate for registered nurses and keeps in place the existing scale for Sunnyside with a 3% increase in year two and year three scale rates. WSNA agreement with Toppenish has been negotiated and ratified for an effective date of August 1, 2022. The Toppenish agreement calls for a 22% increase in beginning scale rate for registered nurses and keeps in place the existing scale for Sunnyside with a 3% increase in year two and year three scale rates. In August 2022, the Sunnyside agreement was amended with an effective date of October 1, 2022, to increase the beginning scale rate an additional 15%, with no additional changes to year two and year three.

Note 11 – Liquidity and Availability

Financial assets available for general expenditure that are without donor or other restrictions limiting their use within one year of December 31, 2022 and 2021, comprise the following:

	2022	2021
Cash and cash equivalents	$ 4,499,315	$ 4,612,077
Patient accounts receivable	28,141,842	24,148,323
	$ 32,641,157	$ 28,760,400

The Organization has $4,499,315 and $4,612,077 of cash and equivalents available within one year of the balance sheet date at December 31, 2022 and 2021, respectively, to meet cash needs for general expenditures. Those financial assets represent 10 days and 12 days of normal operating expenses, which are, on average, approximately $449,000 and $393,000 per day for the years ended December 31, 2022 and 2021, respectively. The Organization is actively working to improve cash flows (see Note 3). There are certain debt covenant compliances that the Organization must adhere to per its debt agreements, and as of December 31, 2022 and 2021, the Organization was not in compliance with its debt covenants and received a waiver (see Note 7).

Note 12 – Functional Expenses

The Organization provides health care services to patients within its geographic location. Expenses related to providing these services by functional class for the years ended December 31, 2022 and 2021, were as follows:

	Year Ended December 31, 2022		
	Patient Health Care and Program	General and Administrative	Total
Salaries and wages	$ 44,955,655	$ 15,797,404	$ 60,753,059
Employee benefits	4,748,875	8,477,686	13,226,561
Professional fees	20,016,253	(626,153)	19,390,100
Supplies	18,483,187	1,451,503	19,934,690
Purchased services	16,050,199	12,010,030	28,060,229
Depreciation and amortization	-	3,320,345	3,320,345
Interest expense	99,319	7,079,974	7,179,293
Facility expenses	1,613,740	2,476,103	4,089,843
Insurance	51,917	3,161,509	3,213,426
Other expenses	483,897	7,586,801	8,070,698
	$ 106,503,042	$ 60,735,202	$ 167,238,244

	Year Ended December 31, 2021		
	Patient Health Care and Program	General and Administrative	Total
Salaries and wages	$42,071,725	$11,783,788	$ 53,855,513
Employee benefits	7,414,988	2,076,850	9,491,838
Professional fees	12,676,667	3,015,695	15,692,362
Supplies	17,898,021	1,362,742	19,260,763
Purchased services	12,247,116	13,774,505	26,021,621
Depreciation and amortization	559	3,494,506	3,495,065
Interest expense	87,659	7,134,307	7,221,966
Facility expenses	1,683,098	1,930,898	3,613,996
Insurance	34,820	2,902,805	2,937,625
Other expenses	1,719,644	3,354,794	5,074,438
	$ 95,834,297	$ 50,830,890	$ 146,665,187

No significant allocations of expenses are made from general and administrative expenses to patient health care and program services.

Note 13 – Commitments and Contingencies

Professional liability – The Organization has professional liability insurance coverage with Physicians Insurance Mutual Group. The policy provides coverage on a claims-made basis. Claims filed in the current year are covered by the current policy. If there are unreported incidents that result in a malpractice claim for the current year, these will only be covered in the year the claim is reported to the insurance carrier if the Organization purchases claims-made coverage in that year or if the Organization purchases insurance to cover prior acts.

Physicians Insurance Mutual Group (PIMG) malpractice insurance provides $1,000,000 per claim of primary coverage with an annual aggregate limit of $5,000,000 to the Organization. The annual aggregate limit of was reduced to $3,000,000 during 2021. The Organization's policy has no deductible per claim or in the aggregate except for Toppenish, which changed the policy to include a deductible of $250,000 per claim with no aggregate effective June 15, 2021. Sunnyside also maintained excess liability coverage with limits of $10,000,000 per claim and $10,000,000 aggregate with PIMG, which expired June 15, 2021. Toppenish also maintained excess liability coverage with limits of $5,000,000 per claim and $5,000,000 aggregate with PIMG, which expired June 15, 2021. Management is not aware of any pending claims that exceed the coverage limitations provided by their policy. Management is of the opinion that the impact, if any, is immaterial, and any settlement would not have a material adverse effect on the Organization's consolidated balance sheets.

Workers' compensation – The Organization, except for Sunnyside, participates in the Washington State Department of Labor & Industries Workers' Compensation Trust (Trust). Sunnyside participates in a group purchasing pool with Washing State Hospital Association (WHSA) for workers' compensation. The Organization pays monthly premiums to the Trust and WHSA based the number of employee hours by risk class of as defined by the Trust and WHSA. Management is not aware of any pending claims that exceed the coverage limitations provided by their policy. Management is of the opinion that the impact, if any, is immaterial, and any settlement would not have a material adverse effect on the Organization's consolidated balance sheets.

Employee health plan – The Organization partially self-insures the cost of employee healthcare benefits as it purchases annual stop-loss insurance coverage for all claims in excess of $150,000 per claim.

Liabilities on the consolidated balance sheet include an accrual for claims that have been incurred but not reported of approximately $1,292,700 and $925,000 at December 31, 2022 and 2021, which are included in accrued compensation and benefits in the consolidated balance sheet. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, frequency of claims, and other economic and social factors.

Litigation, claims, and disputes – The Organization is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs. In the opinion of management, the ultimate settlement of litigation, claims, and disputes in process will not be material to the consolidated balance sheet of the Organization.

Industry regulations – The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Organization's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Organization. In addition, the contracts the Organization has with commercial payors also provide for retroactive audit and review of claims. Management believes that the Organization is in substantial compliance with current laws and regulations.

Note 14 – Discontinued Operations

In January 2020, the Organization ceased providing patient services at ARMC. In August 2022, the Organization ceased providing durable medical equipment and supplies at Medical Supply. The assets and liabilities of the discontinued operation included in the consolidated balance sheet as of the years ended December 31, 2022 and 2021, were as follows:

	December 31, 2022		
	ARMC	Medical Supply	2021
ASSETS			
Due from (to) intercompany	$ 1,004,016	$ -	$ 1,004,016

	December 31, 2021		
	ARMC	Medical Supply	2021
ASSETS			
Patient accounts receivable	$ 135,314	$ -	$ 135,314
Due from (to) intercompany	-	(243,665)	(243,665)
Property and equipment, net	1,058,400	26,233	1,084,633
	1,193,714	(217,432)	976,282
LIABILITIES			
Accounts payable and accrued expenses	420,169	-	420,169
Other accrued liabilities	(374,609)	-	(374,609)
	45,560	-	45,560
	$ 1,148,154	$ (217,432)	$ 930,722

The operating results of the discontinued operation consists of the following for the years ended December 31, 2022 and 2021:

	Year ended December 31, 2022		
	ARMC	Medical Supply	2021
Major classes			
Net patient service revenue	$ -	$ 384,629	$ 384,629
Other operating revenue	2,672	-	2,672
Salaries and wages	2,399	(72,737)	(70,338)
Employee benefits	(5,424)	(6,927)	(12,351)
Professional fees	(962)	-	(962)
Supplies	4,622	(61,767)	(57,145)
Purchased services	157	-	157
Depreciation and amortization	(50)	(4,465)	(4,515)
Interest expenses	-	(346)	(346)
Facility expenses	(26,400)	(8,114)	(34,514)
Insurance	(9,948)	-	(9,948)
Other	(489,885)	(12,841)	(502,726)
	$ (522,819)	$ 217,432	$ (305,387)

	Year ended December 31, 2021		
	ARMC	Medical Supply	2021
Major classes			
Net patient service revenue	$ 135,311	$ 22,837	$ 158,148
Salaries and wages	32,564	(101,664)	(69,100)
Employee benefits	34,855	(37,964)	(3,109)
Professional fees	(1,928)	-	(1,928)
Supplies	(71,769)	(90,574)	(162,343)
Purchased services	(15,198)	(5,263)	(20,461)
Depreciation and amortization	-	(558)	(558)
Interest expenses	(86,284)	-	(86,284)
Facility expenses	(139,250)	(12,690)	(151,940)
Insurance	(19,490)	(250)	(19,740)
Other	(516,966)	(32,488)	(549,454)
Loss on bankruptcy settlements	(1,735,303)	-	(1,735,303)
	$ (2,383,458)	$ (258,614)	$ (2,642,072)

Significant cash flows and noncash items from operating and investing activities of the discontinued operation for the year ended December 31, 2022 and 2021, were as follows:

	ARMC	Medical Supply	2021
Operating cash flow items			
Changes in operating assets and liabilities			
Other receivables	$ 135,314	$ -	$ 135,314
Due from (to) intercompany	$ 54,384	$ (217,432)	$ (163,048)
Accounts payable and accrued expenses	$ (420,169)	$ -	$ (420,169)
Other accrued liabilities	$ 374,609	$ -	$ 374,609

There were no other capital expenditures or significant noncash investing cash flows during the years ended December 31, 2022 and 2021.

Supplementary Information

Astria Health and Subsidiaries
Consolidating Balance Sheet
December 31, 2022

	Astria Health	Sunnyside	Toppenish	ARMC	Astria Home Health	YHCH	Medical Supply	Foundation	Eliminations	Consolidated Total
ASSETS										
CURRENT ASSETS										
Cash and cash equivalents	$ 527,038	$ 2,897,039	$ 307,312	$ -	$ -	$ -	$ -	$ 767,926	$ -	$ 4,499,315
Patient accounts receivable	-	16,664,604	10,850,256	-	225,275	401,707	-	-	-	28,141,842
Other receivables	-	26,003	-	-	-	-	-	-	-	26,003
Inventory	-	2,828,936	2,730,152	-	-	-	-	-	-	5,559,088
Prepaid expenses and other assets	818,267	306,230	378,612	-	-	17,247	-	185,713	-	1,706,069
Due from (to) intercompany	8,139,896	15,363,452	(25,171,592)	1,004,016	519,907	144,321	-	-	-	-
Total current assets	9,485,201	38,086,264	(10,905,260)	1,004,016	745,182	563,275	-	953,639	-	39,932,317
PROPERTY AND EQUIPMENT, net	1,122,018	16,845,601	8,028,331	-	-	-	-	-	-	25,995,950
OPERATING LEASE RIGHT-OF-USE ASSETS, net	495,318	2,410,244	3,871,623	-	-	-	-	-	-	6,777,185
FINANCE LEASE RIGHT-OF-USE ASSETS, net	-	248,693	65,741	-	-	-	-	-	-	314,434
OTHER ASSETS	-	858,022	-	-	-	-	-	-	-	858,022
Total assets	$ 11,102,537	$ 58,448,824	$ 1,060,435	$ 1,004,016	$ 745,182	$ 563,275	$ -	$ 953,639	$ -	$ 73,877,908
LIABILITIES AND NET (DEFICIT) ASSETS										
CURRENT LIABILITIES										
Accounts payable and accrued expenses	$ 2,088,306	$ 5,406,846	$ 4,931,802	$ -	$ 3,231	$ 24,679	$ -	$ -	$ -	$ 12,454,864
Accrued compensation and benefits	945,728	2,886,792	1,994,113	-	-	141,948	-	-	-	5,968,581
Estimated third-party payor settlements	-	1,878,006	(501,191)	-	-	-	-	-	-	1,376,815
Other accrued liabilities	853,050	1,345,960	25,182	-	-	4,696	-	-	-	2,228,888
Current portion of long-term debt	-	-	10,998	-	-	-	-	-	-	10,998
Current portion of operating lease liabilities	117,184	460,057	533,468	-	-	-	-	-	-	1,110,709
Current portion of finance lease liabilities	-	39,975	10,598	-	-	-	-	-	-	50,573
Total current liabilities	4,004,268	12,017,636	7,004,970	-	3,231	171,323	-	-	-	23,201,428
LONG-TERM DEBT, net of current portion	75,000,000	-	147,867	-	-	-	-	-	-	75,147,867
OPERATING LEASE LIABILITIES, less current portion	380,182	1,894,488	3,354,128	-	-	-	-	-	-	5,628,798
FINANCE LEASE LIABILITIES, less current portion	-	210,897	55,675	-	-	-	-	-	-	266,572
OTHER LONG-TERM LIABILITIES	400,000	-	-	-	-	-	-	-	-	400,000
Total liabilities	79,784,450	14,123,021	10,562,640	-	3,231	171,323	-	-	-	104,644,665
NET (DEFICIT) ASSETS										
Without donor restrictions	(68,681,913)	44,325,803	(9,502,205)	1,004,016	741,951	391,952	-	953,639	-	(30,766,757)
Total net (deficit) assets	(68,681,913)	44,325,803	(9,502,205)	1,004,016	741,951	391,952	-	953,639	-	(30,766,757)
Total liabilities and net (deficit) assets	$ 11,102,537	$ 58,448,824	$ 1,060,435	$ 1,004,016	$ 745,182	$ 563,275	$ -	$ 953,639	$ -	$ 73,877,908

See report of independent auditors.

Astria Health and Subsidiaries
Consolidating Balance Sheet
December 31, 2021

	Astria Health	Sunnyside	Toppenish	ARMC	Astria Home Health	YHCH	Medical Supply	Foundation	Eliminations	Consolidated Total
ASSETS										
CURRENT ASSETS										
Cash and cash equivalents	$ 848,693	$ 3,260,687	$ 114,438	$ -	$ -	$ -	$ -	388,259	-	$ 4,612,077
Patient accounts receivable	-	14,479,183	8,865,278	135,314	95,288	573,260	-	-	-	24,148,323
Inventory	-	2,889,559	2,450,432	-	-	-	-	-	-	5,339,991
Prepaid expenses and other assets	832,754	193,519	305,615	-	-	14,514	-	225,408	-	1,571,810
Due from (to) intercompany	151,961	14,698,896	(14,576,096)	-	237,137	(268,233)	(243,665)	-	-	-
Total current assets	1,833,408	35,521,844	(2,840,333)	135,314	332,425	319,541	(243,665)	613,667	-	35,672,201
PROPERTY AND EQUIPMENT, net	397,520	18,456,463	7,757,009	1,058,400	-	-	26,233	-	-	27,695,625
OTHER ASSETS	-	897,331	-	-	-	-	-	355,520	-	1,252,851
Total assets	$ 2,230,928	$ 54,875,638	$ 4,916,676	$ 1,193,714	$ 332,425	$ 319,541	$ (217,432)	$ 969,187	$ -	$ 64,620,677
LIABILITIES AND NET (DEFICIT) ASSETS										
CURRENT LIABILITIES										
Accounts payable and accrued expenses	$ 3,845,569	$ 6,469,357	$ 3,686,794	$ 420,169	$ -	$ 30,318	$ -	$ -	$ -	$ 14,452,207
Accrued compensation and benefits	812,124	3,445,283	1,569,082	-	-	152,016	-	-	-	5,978,505
Estimated third-party payor settlements	-	1,974,956	(566,961)	-	-	-	-	-	-	1,407,995
Other accrued liabilities	412,476	982,333	38,005	(374,609)	-	10,093	-	-	-	1,068,298
Current portion of long-term debt	80,417	208,333	632,874	-	-	103,132	-	-	-	1,024,756
Total current liabilities	5,150,586	13,080,262	5,359,794	45,560	-	295,559	-	-	-	23,931,761
LONG-TERM DEBT, net of current portion	75,000,000	-	1,726,026	-	-	281,268	-	-	-	77,007,294
OTHER LONG-TERM LIABILITIES	235,114	-	-	-	-	-	-	-	-	235,114
Total liabilities	80,385,700	13,080,262	7,085,820	45,560	-	576,827	-	-	-	101,174,169
NET (DEFICIT) ASSETS										
Without donor restrictions	(78,154,772)	41,795,376	(2,169,144)	1,148,154	332,425	(257,286)	(217,432)	969,187	-	(36,553,492)
Total net (deficit) assets	(78,154,772)	41,795,376	(2,169,144)	1,148,154	332,425	(257,286)	(217,432)	969,187	-	(36,553,492)
Total liabilities and net (deficit) assets	$ 2,230,928	$ 54,875,638	$ 4,916,676	$ 1,193,714	$ 332,425	$ 319,541	$ (217,432)	$ 969,187	$ -	$ 64,620,677

See report of independent auditors.

Astria Health and Subsidiaries
Consolidating Statement of Operations
Year Ended December 31, 2022

	Astria Health	Sunnyside	Toppenish	ARMC	Astria Home Health	YHCH	Medical Supply	Foundation	Eliminations	Consolidated Total
REVENUES, GAINS, AND OTHER SUPPORT										
Net patient service revenue	$ -	$ 102,776,838	$ 53,743,909	$ -	$ 1,054,421	$ 2,693,436	$ -	$ -	$ -	$ 160,268,604
Other operating revenue	42,774,286	296,360	2,635,817	-	3,801	731,788	-	-	(34,216,486)	12,225,566
Grant income	-	412,915	1,213,461	-	-	-	-	-	-	1,626,376
Total unrestricted revenues, gains, and other support	42,774,286	103,486,113	57,593,187	-	1,058,222	3,425,224	-	-	(34,216,486)	174,120,546
OPERATING EXPENSES										
Salaries and wages	6,800,472	30,739,421	21,035,919	-	413,321	1,763,926	-	-	-	60,753,059
Employee benefits	5,696,146	7,911,476	4,468,667	-	57,292	252,107	-	-	(5,159,127)	13,226,561
Professional fees	(927,833)	8,580,384	11,710,352	-	750	26,447	-	-	-	19,390,100
Supplies	112,748	13,733,954	5,974,751	-	22,490	82,162	-	10,076	(1,491)	19,934,690
Purchased services	11,243,717	12,081,527	4,497,938	-	126	236,921	-	-	-	28,060,229
Depreciation and amortization	339,680	2,265,107	715,558	-	-	-	-	-	-	3,320,345
Interest expense	7,133,925	4,629,848	2,483,700	-	-	65,745	-	-	(7,133,925)	7,179,293
Facility expenses	489,761	1,848,448	1,706,893	-	2,928	41,813	-	-	-	4,089,843
Insurance	723,621	1,919,361	575,024	-	-	5,019	-	349	(9,948)	3,213,426
Other expenses	989,027	16,741,291	11,757,446	-	151,475	340,161	-	3,293	(21,911,995)	8,070,698
Total operating expenses	32,601,264	100,450,817	64,926,248	-	648,382	2,814,301	-	13,718	(34,216,486)	167,238,244
OPERATING INCOME (LOSS)	10,173,022	3,035,296	(7,333,061)	-	409,840	610,923	-	(13,718)	-	6,882,302
OTHER INCOME (LOSS)										
Loss on bankruptcy settlements, net	(730,373)	-	-	-	-	-	-	-	-	(730,373)
Other income (loss), net	66	(58,043)	-	-	-	-	-	(1,830)	-	(59,807)
Total other income (loss), net	(730,307)	(58,043)	-	-	-	-	-	(1,830)	-	(790,180)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FROM CONTINUING OPERATIONS	9,442,715	2,977,253	(7,333,061)	-	409,840	610,923	-	(15,548)	-	6,092,122
DISCONTINUED OPERATIONS										
Loss on discontinued operations	30,144	(446,826)	-	(144,138)	(314)	38,315	217,432	-	-	(305,387)
Changes in net (deficit) assets	$ 9,472,859	$ 2,530,427	$ (7,333,061)	$ (144,138)	$ 409,526	$ 649,238	$ 217,432	$ (15,548)	$ -	$ 5,786,735

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Astria Health and Subsidiaries
Consolidating Statement of Operations
Year Ended December 31, 2021

	Astria Health	Sunnyside	Toppenish	ARMC	Astria Home Health	YHCH	Medical Supply	Foundation	Eliminations	Consolidated Total
REVENUES, GAINS, AND OTHER SUPPORT										
Net patient service revenue	$ -	$ 76,623,198	$ 49,188,242	$ -	$ 894,602	$ 2,122,502	$ -	$ -	$ -	$ 128,828,544
Other operating revenue	33,534,726	390,473	2,360,816	-	-	481	-	-	(33,534,606)	2,751,890
Grant income	-	10,636,714	414,385	-	-	-	-	-	-	11,051,099
Contributions in-kind	-	215,385	131,685	-	-	-	-	-	-	347,070
Total unrestricted revenues, gains, and other support	33,534,726	87,865,770	52,095,128	-	894,602	2,122,983	-	-	(33,534,606)	142,978,603
OPERATING EXPENSES										
Salaries and wages	5,896,580	26,555,480	19,210,314	-	538,292	1,654,847	-	-	-	53,855,513
Employee benefits	5,785,910	4,902,631	3,684,680	-	149,781	318,437	-	-	(5,349,601)	9,491,838
Professional fees	1,943,054	5,858,615	7,930,545	-	-	16,962	-	-	(56,814)	15,692,362
Supplies	216,665	14,535,484	4,582,215	-	37,736	76,664	-	-	(188,001)	19,260,763
Purchased services	10,811,932	23,748,125	11,085,736	-	94,093	372,892	-	-	(20,091,157)	26,021,621
Depreciation and amortization	397,105	2,441,048	656,912	-	-	-	-	-	-	3,495,065
Interest expense	7,121,315	4,580,014	2,566,238	-	-	75,050	-	-	(7,120,651)	7,221,966
Facility expenses	256,050	1,872,822	1,449,609	-	3,324	32,696	-	-	(505)	3,613,996
Insurance	831,352	1,704,229	419,970	-	-	1,621	-	349	(19,896)	2,937,625
Other expenses	1,002,549	2,285,917	2,269,662	-	53,109	170,637	-	545	(707,981)	5,074,438
Total operating expenses	34,262,512	88,484,365	53,855,881	-	876,335	2,719,806	-	894	(33,534,606)	146,665,187
OPERATING INCOME (LOSS)	(727,786)	(618,595)	(1,760,753)	-	18,267	(596,823)	-	(894)	-	(3,686,584)
OTHER INCOME (LOSS)										
Gain on bankruptcy settlements, net	1,161,662	-	-	-	-	-	-	-	-	1,161,662
Other income (loss), net	5,202	(137,105)	1	-	-	-	-	45,982	-	(85,920)
Total other income (loss), net	1,166,864	(137,105)	1	-	-	-	-	45,982	-	1,075,742
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FROM CONTINUING OPERATIONS	439,078	(755,700)	(1,760,752)	-	18,267	(596,823)	-	45,088	-	(2,610,842)
DISCONTINUED OPERATIONS										
Loss on discontinued operations	(462,321)	-	-	(1,921,137)	-	-	(258,614)	-	-	(2,642,072)
Changes in net (deficit) assets	$ (23,243)	$ (755,700)	$ (1,760,752)	$ (1,921,137)	$ 18,267	$ (596,823)	$ (258,614)	$ 45,088	$ -	$ (5,252,914)

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