UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2023

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ___ to ___.

Commission File No. 001-37392

Apollo Medical Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware (State or Other Jurisdiction of Incorporation)	95-4472349 (I.R.S. Employer Identification Number)

1668 S. Garfield Avenue, 2nd Floor, Alhambra, California 91801
(Address of principal executive offices and zip code)

(626) 282-0288
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, $0.001 par value per share	AMEH	Nasdaq Capital Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): ☐ Yes ☒ No

As of May 2, 2023, there were 57,547,215 shares of common stock of the registrant, $0.001 par value per share, issued and outstanding.

APOLLO MEDICAL HOLDINGS, INC.

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Glossary

The following abbreviations or acronyms that may be used in this document shall have the adjacent meanings set forth below:

120 Hellman	120 Hellman LLC
Accountable Health Care	Accountable Health Care IPA, a Professional Medical Corporation
AAMG	All-American Medical Group
AHMC	AHMC Healthcare Inc.
AIPBP	All-Inclusive Population-Based Payments
AKM	AKM Medical Group, Inc.
Alpha Care	Alpha Care Medical Group, Inc.
AMG	AMG, a Professional Medical Corporation
AMG Properties	AMG Properties, LLC
AMH	ApolloMed Hospitalists, a Medical Corporation
AMM	Apollo Medical Management, Inc.
AP-AMH	AP-AMH Medical Corporation
AP-AMH 2	AP-AMH 2 Medical Corporation
APAACO	APA ACO, Inc.
APC	Allied Physicians of California, a Professional Medical Corporation
APCMG	Access Primary Care Medical Group
APC-LSMA	APC-LSMA Designated Shareholder Medical Corporation
BAHA	Bay Area Hospitalist Associates
CAIPA MSO	CAIPA MSO, LLC
CDSC	Concourse Diagnostic Surgery Center, LLC
CMS	Centers for Medicare & Medicaid Services
DMHC	California Department of Managed Healthcare
DMG	Diagnostic Medical Group of Southern California
GPDC	Global and Professional Direct Contracting
HSMSO	Health Source MSO Inc., a California corporation
ICC	AHMC International Cancer Center, a Medical Corporation
IPA	independent practice association
Jade	Jade Health Care Medical Group, Inc.
LMA	LaSalle Medical Associates
MMG	Maverick Medical Group, Inc.
MPP	Medical Property Partners, LLC
MSSP	Medicare Shared Savings Program
NGACO	Next Generation Accountable Care Organization
NMM	Network Medical Management, Inc.
PMIOC	Pacific Medical Imaging and Oncology Center, Inc.
SCHC	Southern California Heart Centers
Sun Labs	Sun Clinical Laboratories
Tag 6	Tag-6 Medical Investments Group, LLC
Tag 8	Tag-8 Medical Investments Group, LLC
UCAP	Universal Care Acquisition Partners, LLC
UCI	Universal Care, Inc.
VIE	variable interest entity
ZLL	ZLL Partners, LLC

INTRODUCTORY NOTE

Unless the context dictates otherwise, references in this Quarterly Report on Form 10-Q to the "Company," "we," "us," "our," and similar words are references to Apollo Medical Holdings, Inc., a Delaware corporation ("ApolloMed"), and its consolidated subsidiaries and affiliated entities, as appropriate, including its consolidated variable interest entities ("VIEs").

The Centers for Medicare & Medicaid Services ("CMS") have not reviewed any statements contained in this Report, including statements describing the participation of APA ACO, Inc. ("APAACO") in the Global and Professional Direct Contracting Model or the ACO Realizing Equity, Access, and Community Health Model.

Trade names and trademarks of ApolloMed and its subsidiaries referred to herein, and their respective logos, are our property. This Quarterly Report on Form 10-Q may contain additional trade names and/or trademarks of other companies, which are the property of their respective owners. We do not intend our use or display of other companies' trade names and/or trademarks, if any, to imply an endorsement or sponsorship of us by such companies, or any relationship with any of these companies.

NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical fact are "forward-looking statements" for purposes of federal and state securities laws, including, but not limited to, any statements about our business, financial condition, operating results, plans, objectives, expectations, and intentions, any projections of earnings, revenue, earnings before interest, taxes, depreciation, and amortization ("EBITDA"), Adjusted EBITDA, or other financial items, such as our projected capitation from CMS and our future liquidity; any statements of any plans, strategies, and objectives of management for future operations, such as the material opportunities that we believe exist for our Company; any statements concerning proposed services, developments, mergers, or acquisitions; any statements regarding the outlook on the GPDC Model, ACO REACH Model, or strategic transactions; any statements regarding management's view of future expectations and prospects for us; any statements about prospective adoption of new accounting standards or effects of changes in accounting standards; any statements regarding future economic conditions or performance; any statements of belief; any statements of assumptions underlying any of the foregoing; and other statements that are not historical facts. Forward-looking statements may be identified by the use of forward-looking terms, such as "anticipate," "could," "can," "may," "might," "potential," "predict," "should," "estimate," "expect," "project," "believe," "think," "plan," "envision," "intend," "continue," "target," "seek," "contemplate," "budgeted," "will," or "would," and the negative of such terms, other variations on such terms or other similar or comparable words, phrases, or terminology. These forward-looking statements present our estimates and assumptions only as of the date of this Quarterly Report on Form 10-Q and are subject to change.

Forward-looking statements involve risks and uncertainties and are based on the current beliefs, expectations, and certain assumptions of management. Some or all of such beliefs, expectations, and assumptions may not materialize or may vary significantly from actual results. Such statements are qualified by important economic, competitive, governmental, and technological factors that could cause our business, strategy, or actual results or events to differ materially from those in our forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the Securities and Exchange Commission (the "SEC") on March 1, 2023, including the risk factors discussed under the heading "Risk Factors" in Part I, Item IA thereof. Although we believe the expectations reflected in our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change, and significant risks and uncertainties that could cause actual conditions, outcomes, and results to differ materially from those indicated by such statements.

PART I - FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

APOLLO MEDICAL HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	March 31, 2023	December 31, 2022
	(Unaudited)	
Assets		
Current assets		
Cash and cash equivalents	$ 274,613	$ 288,027
Investments in marketable securities	4,114	5,567
Receivables, net	79,003	52,629
Receivables, net – related parties	74,877	65,147
Income taxes receivable	9	4,015
Other receivables	1,929	1,834
Prepaid expenses and other current assets	22,170	14,798
Loans receivable	973	996
Loan receivable – related party	—	2,125
Total current assets	457,688	435,138
Non-current assets		
Land, property, and equipment, net	113,361	108,536
Intangible assets, net	77,675	76,861
Goodwill	276,028	275,675
Investments in other entities – equity method	43,108	40,299
Investments in privately held entities	896	896
Operating lease right-of-use assets	18,431	20,444
Other assets	5,441	6,056
Total non-current assets	534,940	528,767
Total assets[(1)]	$ 992,628	$ 963,905
Liabilities, mezzanine equity and equity		
Current liabilities		
Accounts payable and accrued expenses	$ 49,486	$ 49,562
Fiduciary accounts payable	8,976	8,065
Medical liabilities	101,394	84,253
Dividend payable	664	664
Finance lease liabilities	579	594
Operating lease liabilities	3,234	3,572
Current portion of long-term debt	621	619

	March 31, 2023	December 31, 2022
	(Unaudited)	
Total current liabilities	164,954	147,329
Non-current liabilities		
Deferred tax liability	3,695	3,042
Finance lease liabilities, net of current portion	1,136	1,275
Operating lease liabilities, net of current portion	18,164	19,915
Long-term debt, net of current portion and deferred financing costs	204,944	203,389
Other long-term liabilities	21,806	20,260
Total non-current liabilities	249,745	247,881
Total liabilities[1]	414,699	395,210
Commitments and contingencies (Note 12)		
Mezzanine equity		
Non-controlling interest in Allied Physicians of California, a Professional Medical Corporation	14,729	13,682
Stockholders' equity		
Series A Preferred stock, $0.001 par value per share; 5,000,000 shares authorized (inclusive of all preferred stock, including Series B Preferred stock); 1,111,111 issued and zero outstanding	—	—
Series B Preferred stock, $0.001 par value per share; 5,000,000 shares authorized (inclusive of all preferred stock, including Series A Preferred stock); 555,555 issued and zero outstanding	—	—
Common stock, $0.001 par value per share; 100,000,000 shares authorized, 46,488,443 and 46,575,699 shares issued and outstanding, excluding 10,569,340 and 10,299,259 treasury shares, as of March 31, 2023 and December 31, 2022, respectively	47	47
Additional paid-in capital	352,697	360,097
Retained earnings	207,300	192,678
Total stockholders' equity	560,044	552,822
Non-controlling interest	3,156	2,191
Total equity	563,200	555,013
Total liabilities, mezzanine equity and equity	$ 992,628	$ 963,905

The accompanying notes are an integral part of these unaudited consolidated financial statements.

[1]The Company's consolidated balance sheets include the assets and liabilities of its consolidated VIEs. The consolidated balance sheets include total assets that can be used only to settle obligations of the Company's consolidated VIEs totaling $519.9 million and $505.8 million as of March 31, 2023 and December 31, 2022, respectively, and total liabilities of the Company's consolidated VIEs for which creditors do not have recourse to the general credit of the primary beneficiary of $131.8 million and $129.7 million as of March 31, 2023 and December 31, 2022, respectively. The VIE balances do not include $375.6 million of investment in affiliates and $34.0 million of amounts due from affiliates as of March 31, 2023 and $304.8 million of investment in affiliates and $30.3 million of amounts due from affiliates as of December 31, 2022 as these are eliminated upon consolidation and not presented within the consolidated balance sheets. See Note 16 — "Variable Interest Entities (VIEs)" for further detail.

APOLLO MEDICAL HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	Three Months Ended March 31,	
	2023	2022
Revenue		
Capitation, net	$ 300,204	$ 222,060
Risk pool settlements and incentives	13,462	18,075
Management fee income	9,896	10,473
Fee-for-service, net	12,062	11,095
Other income	1,620	1,555
Total revenue	337,244	263,258
Operating expenses		
Cost of services, excluding depreciation and amortization	289,397	220,730
General and administrative expenses	21,182	11,943
Depreciation and amortization	4,292	4,374
Total expenses	314,871	237,047
Income from operations	22,373	26,211
Other (expense) income		
Income from equity method investments	2,484	1,433
Interest expense	(3,269)	(1,073)
Interest income	3,009	46
Unrealized loss on investments	(6,392)	(8,962)
Other income	1,204	613
Total other expense, net	(2,964)	(7,943)
Income before provision for income taxes	19,409	18,268
Provision for income taxes	5,102	6,195
Net income	14,307	12,073
Net loss attributable to non-controlling interest	(315)	(2,191)
Net income attributable to Apollo Medical Holdings, Inc.	$ 14,622	$ 14,264
Earnings per share – basic	$ 0.31	$ 0.32
Earnings per share – diluted	$ 0.31	$ 0.31

The accompanying notes are an integral part of these unaudited consolidated financial statements.

APOLLO MEDICAL HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF MEZZANINE AND STOCKHOLDERS' EQUITY
(IN THOUSANDS, EXCEPT SHARE DATA)
(UNAUDITED)

	Mezzanine Equity – Non-controlling Interest in APC	Common Stock Outstanding		Additional Paid-in Capital	Retained Earnings	Non-controlling Interest	Stockholders' Equity
		Shares	Amount				
Balance at January 1, 2023	$ 13,682	46,575,699	$ 47	$ 360,097	$ 192,678	$ 2,191	$ 555,013
Net (loss) income	(1,400)	—	—	—	14,622	1,085	15,707
Shares issued for vesting of restricted stock awards	—	57,825	—	(109)	—	—	(109)
Shares issued for exercise of options and warrants	—	125,000	—	1,250	—	—	1,250
Purchase of treasury shares	—	(270,081)	—	(9,539)	—	—	(9,539)
Share-based compensation	—	—	—	3,445	—	—	3,445
Dividends	—	—	—	—	—	(120)	(120)
Transfer of common control entities	2,447	—	—	(2,447)	—	—	(2,447)
Balance at March 31, 2023	**$ 14,729**	**46,488,443**	**$ 47**	**$ 352,697**	**$ 207,300**	**$ 3,156**	**$ 563,200**

	Mezzanine Equity – Non-controlling Interest in APC	Common Stock Outstanding		Additional Paid-in Capital	Retained Earnings	Non-controlling Interest	Stockholders' Equity
		Shares	Amount				
Balance at January 1, 2022	$ 55,510	44,630,873	$ 45	$ 310,876	$ 143,629	$ 5,940	$ 460,490
Net (loss) income	(3,129)	—	—	—	14,264	938	15,202
Purchase of non-controlling interest	—	—	—	—	—	(200)	(200)
Sale of non-controlling interest	—	—	—	—	—	36	36
Share buy back	(230)	—	—	—	—	—	—
Shares issued for vesting of restricted stock awards	—	81,779	—	—	—	—	—
Shares issued for exercise of options and warrants	—	124,735	—	1,573	—	—	1,573
Share-based compensation	—	—	—	3,055	—	—	3,055
Issuance of shares for business acquisition	—	18,756	—	1,000	—	—	1,000
Cancellation of restricted stock awards	—	(11,084)	—	(457)	—	—	(457)
Dividends	—	—	—	—	—	(1,178)	(1,178)
Balance at March 31, 2022	**$ 52,151**	**44,845,059**	**$ 45**	**$ 316,047**	**$ 157,893**	**$ 5,536**	**$ 479,521**

The accompanying notes are an integral part of these unaudited consolidated financial statements.

APOLLO MEDICAL HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Cash flows from operating activities		
Net income	$ 14,307	$ 12,073
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,292	4,374
Amortization of debt issuance cost	237	237
Share-based compensation	3,445	3,055
Unrealized loss on investments	5,755	10,556
Income from equity method investments	(2,484)	(1,433)
Unrealized loss (gain) on interest rate swaps	637	(1,593)
Deferred tax	790	1,985
Changes in operating assets and liabilities, net of business combinations:		
Receivables, net	(26,373)	(44,673)
Receivables, net – related parties	(9,730)	(6,865)
Other receivables	(94)	(3,613)
Prepaid expenses and other current assets	(506)	4,171
Right-of-use assets	2,013	672
Other assets	(23)	2,016
Accounts payable and accrued expenses	(4,517)	3,735
Fiduciary accounts payable	911	(4,229)
Medical liabilities	17,141	39,974
Income taxes payable	4,007	4,241
Operating lease liabilities	(2,088)	(645)
Net cash provided by operating activities	7,720	24,038
Cash flows from investing activities		
Payments for business acquisition, net of cash acquired	—	(999)
Proceeds from repayment of loans receivable – related parties	2,141	19
Purchase of marketable securities	(1,000)	(21)
Purchase of investment – equity method	(325)	—
Purchases of property and equipment	(6,027)	(17,489)
Deposit for purchase of property	(8,824)	—
Distribution from investment - equity method	—	200
Contribution to investment - equity method	—	(1,435)
Net cash used in investing activities	(14,035)	(19,725)
Cash flows from financing activities		
Dividends paid	(120)	(1,178)
Repayment of long-term debt	(153)	(52)
Payment of finance lease obligations	(154)	(141)
Proceeds from the exercise of stock options and warrants	1,250	1,573
Repurchase of shares	—	(230)
Repurchase of treasury shares	(9,539)	—
Proceeds from sale of non-controlling interest	—	38

	Three Months Ended March 31,	
	2023	2022
Purchase of non-controlling interest	—	(200)
Borrowings on loans	1,617	722
Net cash (used in) provided by financing activities	(7,099)	532
Net (decrease) increase in cash and cash equivalents	(13,414)	4,845
Cash and cash equivalents beginning of period	288,027	233,097
Cash and cash equivalents end of period	$ 274,613	$ 237,942
Supplementary disclosures of cash flow information		
Cash paid for interest	2,991	845
Supplemental disclosures of non-cash investing and financing activities		
Non-cash business acquisition	$ 3,844	$ —
Fixed asset obtained in exchange for finance lease liabilities	$ —	$ 398
Common stock issued in business combination	$ —	$ 1,000

The accompanying notes are an integral part of these unaudited consolidated financial statements.

1. Description of Business

Overview

Apollo Medical Holdings, Inc. ("ApolloMed") is a leading physician-centric, technology-powered, risk-bearing healthcare company. Leveraging its proprietary end-to-end technology solutions, ApolloMed operates an integrated healthcare delivery platform that enables providers to participate successfully in value-based care arrangements, thus empowering them to deliver high-quality care to patients in a cost-effective manner. ApolloMed was merged with Network Medical Management ("NMM") in December 2017 (the "2017 Merger"). As a result of the 2017 Merger, NMM became a wholly owned subsidiary of ApolloMed, and the former NMM shareholders own a majority of the issued and outstanding common stock of ApolloMed and maintain control of the board of directors. Unless the context dictates otherwise, references in these notes to the financial statements, the "Company," "we," "us," "our," and similar words are references to ApolloMed and its consolidated subsidiaries and affiliated entities, as appropriate, including its consolidated variable interest entities ("VIEs").

Headquartered in Alhambra, California, ApolloMed's subsidiaries and VIEs include management services organizations ("MSOs"), affiliated independent practice associations ("IPAs"), an accountable care organization ("ACO") participating in the ACO Realizing Equity, Access, and Community Health ("ACO REACH") model, and clinical operations. Together, ApolloMed provides value-based care enablement services and care delivery with our consolidated care partners. The Company provides care coordination services to each major constituent of the healthcare delivery system, including patients, families, primary care physicians, specialists, acute care hospitals, alternative sites of inpatient care, physician groups, and health plans. The Company's physician network consists of primary care physicians, specialist physicians, and hospitalists.

The Company's reportable segments changed from one to three in the first quarter of 2023 as a result of certain changes to the information regularly provided to the Company's chief operating decision makers ("CODMs") when reviewing the Company's performance as well as an effort to provide additional transparency to investors and other financial statement users. The three segments are as follows:

Care Enablement

Our Care Enablement segment is an integrated, end-to-end clinical and administrative platform, powered by our proprietary technology suite, which provides operational, clinical, financial, technology, management, and strategic services in order to enable success in the delivery of high-quality, value-based care for providers and payers. We provide solutions to providers, including independent physicians, provider and medical groups, and accountable care organizations, and payers, including health plans and other risk-bearing organizations. Our platform meets providers and payers where they are, with a wide spectrum of solutions across the total cost of care risk spectrum, ranging from solutions for fee-for-service entities to global risk-bearing entities, and across patient type, including Medicare, Medicaid, commercial, and exchange-insured patients. This segment includes our wholly owned subsidiaries which operate as management services organizations, NMM and Apollo Medical Management ("AMM"), which enter into long-term management and/or administrative services agreements with providers and payers. By leveraging our care enablement platform, providers and payers can improve their ability to deliver high-quality care to their patients and achieve better patient outcomes.

On January 27, 2022, the Company acquired 100% of the capital stock of Orma Health, Inc., and Provider Growth Solutions, LLC (together, "Orma Health") (see Note 3 — "Business Combinations and Goodwill"). Orma Health's real-time Clinical AI platform ingests data from multiple sources and utilizes advanced risk-stratification models to identify patients for various clinical programs, including remote patient monitoring ("RPM"), mental health support, chronic care management, and more. Its clinical platform is also deeply integrated with Orma Health's proprietary RPM ecosystem, which consists of smart health devices and a suite of technology tools to manage patient health.

Care Partners

Our Care Partners segment is focused on building and managing high-quality and high-performance provider networks by partnering with, empowering, and investing in strong provider partners with a shared vision for coordinated care delivery. By leveraging our unique care enablement platform and ability to recruit, empower, and incentivize physicians to effectively manage total cost of care, we are able to organize partnered providers into successful multi-payer risk-bearing organizations which take on varying levels of risk based on total cost of care across membership in all lines of business, including Medicare, Medicaid, commercial, and exchange. Through our network of IPAs, ACOs, and Restricted Knox-Keen licensed health plan, our healthcare delivery entities are responsible for coordinating and delivering high quality care to our patients.

Our consolidated IPAs consist of the following: (i) Allied Physicians of California, a Professional Medical Corporation d.b.a. Allied Pacific of California IPA ("APC"), (ii) Alpha Care Medical Group, Inc. ("Alpha Care"), (iii) Accountable Health Care IPA, a Professional Medical Corporation ("Accountable Health Care"), (iv) Jade Health Care Medical Group, Inc. ("Jade"), (v) Access Primary Care Medical Group ("APCMG"), and (vi) All American Medical Group ("AAMG"). The Company's ACO operates under the APA ACO, Inc. ("APAACO") brand and participates in the Centers for Medicare & Medicaid Services ("CMS") program that allows provider groups to assume higher levels of financial risk and potentially achieve a higher reward from participation in the program's attribution-based risk-sharing model.

APC was incorporated in 1992 for the purpose of arranging healthcare services as an IPA. APC is owned by California-licensed physicians and professional medical corporations, and contracts with various health maintenance organizations ("HMOs") and other licensed healthcare service plans, as defined in the California Knox-Keene Health Care Service Plan Act of 1975. Each HMO negotiates a fixed amount per member per month ("PMPM") that is to be paid to APC. In return, APC arranges for the delivery of healthcare services by contracting with physicians or professional medical corporations for primary care and specialty care services. APC assumes the financial risk of the cost of delivering healthcare services in excess of the fixed amounts received. Some of the risk is transferred to the contracted physicians or professional corporations. The risk is subject to stop-loss provisions in contracts with HMOs.

In July 1999, APC entered into an amended and restated management and administrative services agreement with NMM (the initial management services agreement was entered into in 1997) for an initial fixed term of 30 years. Under this management arrangement, NMM performs only non-medical administrative services, does not represent that it offers medical services, and does not exercise influence or control over the practice of medicine by APC or its physicians. In accordance with relevant accounting guidance, APC is determined to be a VIE of the Company and is consolidated by NMM.

AP-AMH Medical Corporation ("AP-AMH") and AP-AMH 2 Medical Corporation ("AP-AMH 2") was formed in May 2019 and July 2021, respectively, as a designated shareholder professional corporation. Dr. Thomas Lam, a shareholder and the Chief Executive Officer and Chief Financial Officer of APC and Co-Chief Executive Officer of ApolloMed, is the sole shareholder of AP-AMH and AP-AMH 2. In accordance with relevant accounting guidance, AP-AMH and AP-AMH 2 are determined to be VIEs of ApolloMed and are consolidated by ApolloMed.

In September 2019, ApolloMed completed the following series of transactions with its affiliates, AP-AMH and APC:

1. A $545.0 million loan to AP-AMH, pursuant to a 10-year secured loan agreement (the "AP-AMH Loan"). The loan bears interest at a rate of 10% per annum simple interest, is not prepayable (except in certain limited circumstances), requires quarterly payments of interest only in arrears, and is secured by a first-priority security interest in all of AP-AMH's assets. To the extent that AP-AMH is unable to make any interest payment when due because it has received dividends on the APC Series A Preferred Stock insufficient to pay in full such interest payment, then the outstanding principal amount of the loan will be increased by the amount of any such accrued but unpaid interest, and any such increased principal amounts will bear interest at the rate of 10.75% per annum simple interest.

2. A $545.0 million private placement, where AP-AMH purchased 1,000,000 shares of APC Series A Preferred Stock which entitle AP-AMH to receive preferential, cumulative dividends that accrue on a daily basis.

3. A $300.0 million private placement, where APC purchased 15,015,015 shares of the Company's common stock and in connection therewith, the Company granted APC certain registration rights with respect to the purchased shares.

4. ApolloMed licensed to AP-AMH the right to use certain tradenames for specified purposes for a fee equal to a percentage of the aggregate gross revenues of AP-AMH. The license fee is payable out of any Series A Preferred Stock dividends received by AP-AMH from APC.

5. Through its subsidiary, NMM, the Company agreed to provide certain administrative services to AP-AMH for a fee equal to a percentage of the aggregate gross revenues of AP-AMH. The administrative fee is also payable out of any APC Series A Preferred Stock dividends received by AP-AMH from APC.

As part of the series of transactions, in September 2019, APC and AP-AMH entered into a Second Amendment to the Series A Preferred Stock Purchase Agreement clarifying the term excluded assets (“Excluded Assets”). Excluded Assets means (i) assets received from the sale of shares of the Series A Preferred equal to the Series A Purchase Price, (ii) the assets of the Company that are not Healthcare Services Assets, including the Company’s equity interests in Apollo Medical Holdings, Inc., and any entity that is primarily engaged in the business of owning, leasing, developing, or otherwise operating real estate, (iii) any assets acquired with the proceeds of the sale, assignment, or other disposition of any of the assets described in clauses (i) or (ii), and (iv) any proceeds of the assets described in clauses (i), (ii), and (iii).

APC’s ownership in ApolloMed was 18.06% as of March 31, 2023 and 18.12% as of December 31, 2022.

APC-LSMA Designated Shareholder Medical Corporation (“APC-LSMA”) was formed in October 2012 as a designated shareholder professional corporation. Dr. Thomas Lam, a stockholder and the Chief Executive Officer and Chief Financial Officer of APC and Co-Chief Executive Officer of ApolloMed, is a nominee shareholder of APC-LSMA. APC makes all investment decisions on behalf of APC-LSMA, funds all investments and receives all distributions from the investments. APC has the obligation to absorb losses and the right to receive benefits from all investments made by APC-LSMA. APC-LSMA’s sole function is to act as the nominee shareholder for APC in other California medical professional corporations. Therefore, APC-LSMA is controlled and consolidated by APC as the primary beneficiary of this VIE. The only activity of APC-LSMA is to hold the investments in medical corporations, including the IPA lines of business of LaSalle Medical Associates (“LMA”), Pacific Medical Imaging and Oncology Center, Inc. (“PMIOC”), Diagnostic Medical Group of Southern California (“DMG”), and AHMC International Cancer Center, a Medical Corporation (“ICC”). APC-LSMA also holds a 100% ownership interest in Maverick Medical Group, Inc. (“MMG”), Alpha Care, and Accountable Health Care.

Alpha Care, an IPA acquired by the Company in May 2019, has been operating in California since 1993 as a risk-bearing organization engaged in providing professional services under capitation arrangements with its contracted health plans through a provider network consisting of primary care and specialty care physicians. Alpha Care specializes in delivering high-quality healthcare to its enrollees and focuses on Medi-Cal/Medicaid, Commercial, and Medicare and Dual Eligible members in the Riverside and San Bernardino counties of Southern California.

Accountable Health Care is a California-based IPA that has served the local community in the greater Los Angeles County area through a network of physicians and healthcare providers for more than 20 years. Accountable Health Care provides quality healthcare services to its members through four federally qualified health plans and multiple product lines, including Medi-Cal, Commercial, and Medicare.

In July 2021, AP-AMH 2, a VIE of the Company, purchased an 80% equity interest (on a fully diluted basis) in Access Primary Care Medical Group (“APCMG”), a primary care physicians’ group focused on providing high-quality care to patients in the northern California cities of Daly City and San Francisco. As a result, APCMG is consolidated by the Company. As part of the transaction, the Company may pay APCMG additional consideration contingent on APCMG’s financial performance for fiscal year 2022 (“APCMG contingent consideration”). The APCMG contingent consideration will be met if gross revenue and earnings before interest, taxes, depreciation, and amortization (“EBITDA”) targets exceed a threshold for fiscal year 2022. The Company determined the fair value of the contingent consideration using a probability-weighted model that includes significant unobservable inputs (Level 3). Specifically, the Company considered various scenarios of gross revenue and EBITDA and assigned probabilities to each such scenario in determining fair value. As of March 31, 2023, the contingent consideration is valued at $1.0 million and was included within accounts payable and accrued expenses in the accompanying consolidated balance sheets.

On April 19, 2022, the AP-AMH 2 acquired 100% of the capital stock of Jade (see Note 3 — “Business Combinations and Goodwill”). Jade is a primary and specialty care physicians’ group focused on providing high-quality care to its patients in the San Francisco Bay Area in Northern California.

On October 31, 2022, AP-AMH 2, a VIE of the Company, acquired 100% of the equity interest in AAMG (see Note 3 — “Business Combinations and Goodwill”). AAMG is an IPA operating in Northern California. The purchase price consists of cash funded upon close of the transaction and additional cash and stock consideration contingent on AAMG meeting financial metrics for fiscal years 2023 and 2024.

APAACO began participating in the Next Generation Accountable Care Organization ("NGACO") Model of CMS in January 2017. The NGACO Model was a CMS program that allowed provider groups to assume higher levels of financial risk and potentially achieve a higher reward from participating in this new attribution-based risk-sharing model. With the termination of the NGACO Model on December 31, 2021, APAACO applied, and was selected by CMS to participate as a Direct Contracting Entity ("DCE") in the standard track of CMS's GPDC Model for Performance Year 2022 ("PY22"), beginning January 1, 2022. CMS has since redesigned the GPDC Model in response to the current Administration's health care priorities, including their commitment to advancing health equity, stakeholder feedback, and participant experience, and renamed the GPDC Model to ACO Realizing Equity, Access, and Community Health ("ACO REACH") Model. The ACO REACH Model began participation on January 1, 2023.

Care Delivery

Our Care Delivery segment is a patient-centric, data-driven care delivery organization focused on delivering high-quality and accessible care to all patients. Our care delivery organization includes primary care, multi-specialty care, and ancillary care services. This segment includes our primary care clinics, operating under the AMG, a Professional Medical Corporation ("AMG") and Valley Oaks Medical Group ("VOMG") brands, our multi-specialty care clinics and medical groups, operating under the ApolloMed Hospitalists, a Medical Corporation ("AMH"), Southern California Heart Centers, a Medical Corporation ("SCHC"), and AllCare Women's Health brands, and our ancillary service providers, operating under the 1 World Medicine Urgent Care Corporation ("1 World"), DMG, Concourse Diagnostic Surgery Center, LLC ("CDSC"), and Sun Clinical Laboratories ("Sun Labs") brands.

AMG is a network of family practice clinics operating out of three main locations in Southern California. AMG provides professional and post-acute care services to Medicare, Medi-Cal/Medicaid, and commercial patients through its network of doctors and nurse practitioners. On February 23, 2023, AP-AMH 2 purchased 100% of the shares of capital stock of AMG from APC-LSMA.

AMH, a consolidated VIE of AMM, provides hospitalist, intensivist, and physician advisory services. SCHC, a consolidated VIE of AMM, is a specialty clinic that focuses on cardiac care and diagnostic testing.

CDSC was formed in March 2010 in the state of California. CDSC is an ambulatory surgery center in City of Industry, California, organized by a group of highly qualified physicians, which utilizes some of the most advanced equipment in the eastern part of Los Angeles County and the San Gabriel Valley. The facility is Medicare-certified and accredited by the Accreditation Association for Ambulatory Healthcare. As of March 31, 2023, APC owned 44.00% of CDSC's capital stock. In accordance with relevant accounting guidance, CDSC is determined to be a VIE of APC and is consolidated by APC.

AP-AMH 2 purchased a 100% equity interest in 1 World and Eleanor Leung M.D., a Professional Medical Corporation from APC-LSMA. As a result of these purchases, these entities are consolidated entities of AP-AMH 2. 1 World is an urgent care center and Eleanor Leung M.D. provides specialized care for women's health operating as AllCare Women's Health.

DMG is a professional medical California corporation and a complete outpatient imaging center. APC accounted for its 40% investment in DMG under the equity method of accounting. In October 2021, DMG entered into an administrative services agreement with a subsidiary of the Company, causing the Company to reevaluate the accounting for the Company's investment in DMG. Based on the reevaluation and in accordance with relevant accounting guidance, DMG is determined to be a VIE of the Company and is consolidated by the Company. In addition, APC-LSMA is obligated to purchase the remaining equity interest within three years from the effective date. The purchase of the remaining equity value is considered a financing obligation with a carrying value of $8.5 million as of March 31, 2023. As the financing obligation is embedded in the non-controlling interest, the non-controlling interest is recognized in other long-term liabilities in the accompanying consolidated balance sheets.

In August 2021, Apollo Medical Holdings, Inc. acquired 49% of the aggregate issued and outstanding shares of capital stock of Sun Labs for an aggregate purchase price of $4.0 million. Sun Labs is a Clinical Laboratory Improvement Amendments certified full-service lab that operates across the San Gabriel Valley in Southern California. In accordance with relevant accounting guidance, Sun Labs is determined to be a VIE of the Company and is consolidated by the Company. The Company is obligated to purchase the remaining equity interest within three years from the effective date. The purchase of the remaining equity value is considered a financing obligation with a carrying value of $7.3 million and $5.8 million as of March 31, 2023 and December 31, 2022, respectively. For the three months ended March 31, 2023, the change in the fair value of this obligation is $1.4 million and is presented in unrealized loss on investments in the accompanying consolidated statement of income. As the financing obligation is embedded in the non-controlling interest, the non-controlling interest is recognized in other long-term liabilities in the accompanying consolidated balance sheets.

On October 14, 2022, a sole equity holder acquired 100% of the equity interest in Valley Oaks Medical Group ("VOMG"). Under the terms of the Physician Equity Holder Agreement (the "Equity Agreement") between ApolloMed and the equity holder, ApolloMed may designate a third party who is permitted under Nevada law to be an owner or equity holder of VOMG with the right (the "Acquisition Right") (a) to acquire equity holder's equity interest or (b) to acquire from VOMG. The Acquisition Right shall be exercisable by ApolloMed and equity holder shall be obligated to assign and transfer the equity interest or to cause VOMG to issue new equity interests (as applicable) to ApolloMed. As a result of the arrangement and in accordance with relevant accounting guidance, VOMG is determined to be a VIE of ApolloMed and is consolidated by the Company (see Note 3 — "Business Combinations and Goodwill"). VOMG owns nine primary care clinics consisting of seven in Nevada and two in Texas. The purchase price consists of cash funded upon close of the transaction and additional cash consideration contingent on VOMG meeting financial metrics for fiscal years 2023 and 2024.

Our other affiliates are not included as a reportable segment and primarily consist of real estate operations.

APC owns a 100% equity interest in each of Medical Property Partners, LLC ("MPP"), AMG Properties, LLC ("AMG Properties"), and ZLL Partners, LLC ("ZLL") and a 50% interest in each of One MSO, LLC ("One MSO"). These entities own buildings that are currently leased to tenants. MPP, AMG Properties, and ZLL are 100% owned subsidiaries of APC and are included in the consolidated financial statements. One MSO is accounted for as an equity method investment, as APC has the ability to exercise significant influence, but not control over, the operations of the entity. On August 31, 2022, using cash comprised solely of Excluded Assets, APC acquired the remaining 50% interest in Tag-8 Medical Investment Group, LLC ("Tag 8") and Tag-6 Medical Investment Group, LLC ("Tag 6") for $ 4.1 million and $4.9 million, respectively. As a result, Tag 8 and Tag 6 are 100% owned subsidiaries of APC and are included in the consolidated financial statements. Tag 6 owns a building that is currently leased to tenants and Tag 8 owns vacant land that is being developed. APC is a guarantor of Tag 8's loan with MUFG Union Bank N.A. and APC paid off Tag 6's loan when the remaining 50% equity interest of Tag 6 was acquired. As a result of these events, and in accordance with relevant accounting guidance, Tag 8 and Tag 6 are VIEs and consolidated by APC. These entities are deemed Excluded Assets that are solely for the benefit of APC and its shareholders. As such, any income pertaining to APC's interests in these properties has no impact on the Series A Dividend payable by APC to AP-AMH Medical Corporation, and consequently will not affect net income attributable to ApolloMed.

2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated balance sheet at December 31, 2022 has been derived from the Company's audited consolidated financial statements, but does not include all annual disclosures required by generally accepted accounting principles in the United States of America ("U.S. GAAP"). The accompanying unaudited consolidated financial statements as of March 31, 2023, and for the three months ended March 31, 2023 and 2022, have been prepared in accordance with U.S. GAAP for interim financial statements and with the instructions to Form 10-Q and Article 8 of Regulation S-X. Accordingly, these unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes to the financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022, as filed with the SEC on March 1, 2023. In the opinion of management, all material adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been made to make the consolidated financial statements not misleading as required by Regulation S-X, Rule 10-01. Operating results for the three months ended March 31, 2023 are not necessarily indicative of the results that may be expected for the year ending December 31, 2023, or any future periods.

Principles of Consolidation

The consolidated balance sheets as of March 31, 2023 and December 31, 2022, and the consolidated statements of income for the three months ended March 31, 2023 and 2022, include (i) ApolloMed, ApolloMed's consolidated subsidiaries, NMM, AMM, APAACO, Orma Health Inc, and Provider Growth Solutions, LLC and its VIEs, AP-AMH, AP-AMH 2, Sun Labs, DMG, and Valley Oaks Medical Group ("VOMG"); (ii) AP-AMH 2's consolidated subsidiaries, APCMG, Jade, AAMG, AMG, 1 World, and Eleanor Leung M.D., a Professional Medical Corporation; (iii) AMM's consolidated VIEs, SCHC and AMH; (iv) NMM's VIE, APC;(v) APC's consolidated subsidiaries, Universal Care Acquisition Partners, LLC ("UCAP"), MPP, AMG Properties, ZLL, ICC, 120 Hellman LLC ("120 Hellman") and its VIEs, CDSC, APC-LSMA, Tag 8, and Tag 6; and (vi) APC-LSMA's consolidated subsidiaries, Alpha Care and Accountable Health Care.

Use of Estimates

The preparation of the consolidated financial statements and related disclosures in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include collectability of receivables, recoverability of long-lived and intangible assets, business combination and goodwill valuation and impairment, accrual of medical liabilities (incurred but not reported ("IBNR") claims), determination of full-risk and shared-risk revenue and receivables (including constraints, completion factors and historical margins), income tax-valuation allowance, share-based compensation, and right-of-use assets and lease liabilities. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, and makes adjustments when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ materially from those estimates and assumptions.

Variable Interest Entities

On an ongoing basis, as circumstances indicate the need for reconsideration, the Company evaluates each legal entity that is not wholly owned by the Company in accordance with the consolidation guidance. The evaluation considers all of the Company's variable interests, including equity ownership, as well as management services agreements. To fall within the scope of the consolidation guidance, an entity must meet both of the following criteria:

- The entity has a legal structure that has been established to conduct business activities and to hold assets; such entity can be in the form of a partnership, limited liability company, or corporation, among others; and

- The Company has a variable interest in the legal entity; i.e., variable interests that are contractual, such as equity ownership, or other financial interests that change with changes in the fair value of the entity's net assets.

If an entity does not meet both criteria above, the Company applies other accounting guidance, such as the cost or equity method of accounting. If an entity does meet both criteria above, the Company evaluates such entity for consolidation under either the variable interest model if the legal entity meets any of the following characteristics to qualify as a VIE, or under the voting model for all other legal entities that are not VIEs.

A legal entity is determined to be a VIE if it has any of the following three characteristics:

- The entity does not have sufficient equity to finance its activities without additional subordinated financial support;

- The entity is established with non-substantive voting rights (i.e., where the entity deprives the majority economic interest holder(s) of voting rights); or

- The equity holders, as a group, lack the characteristics of a controlling financial interest. Equity holders meet this criterion if they lack any of the following:

    - The power, through voting rights or similar rights, to direct the activities of the entity that most significantly influence the entity's economic performance, as evidenced by:

        - Substantive participating rights in the day-to-day management of the entity's activities; or

        - Substantive kick-out rights over the party responsible for significant decisions;

        - The obligation to absorb the entity's expected losses; or

        - The right to receive the entity's expected residual returns.

If the Company determines that any of the three characteristics of a VIE are met, the Company will conclude that the entity is a VIE and evaluate it for consolidation under the variable interest model.

Variable Interest Model

If an entity is determined to be a VIE, the Company evaluates whether the Company is the primary beneficiary. The primary beneficiary analysis is a qualitative analysis based on power and economics. The Company consolidates a VIE if both power and benefits belong to the Company; that is, the Company (i) has the power to direct the activities of a VIE that most significantly influence the VIE's economic performance (power), and (ii) has the obligation to absorb losses of, or the right to receive benefits from, the VIE that could potentially be significant to the VIE (economics). The Company consolidates VIEs whenever it is determined that the Company is the primary beneficiary. Refer to Note 16 — "Variable Interest Entities (VIEs)" to the consolidated financial statements for information on the Company's consolidated VIEs. If there are variable interests in a VIE, but the Company is not the primary beneficiary, the Company may account for the investment using the equity method of accounting.

Business Combinations

The Company uses the acquisition method of accounting for all business combinations, which requires assets and liabilities of the acquiree to be recorded at fair value, to measure the fair value of the consideration transferred, including contingent consideration, to be determined on the acquisition date, and to account for acquisition-related costs separately from the business combination.

Reportable Segments

As of March 31, 2023, the Company operates inthree reportable segments: Care Enablement, Care Partners, and Care Delivery. Refer to Note 18 — "Segments" to the consolidated financial statements for information on the Company's segments.

Cash and Cash Equivalents

The Company's cash and cash equivalents primarily consist of money market funds and certificates of deposit. The Company considers all highly liquid investments that are both readily convertible into known amounts of cash and mature within ninety days from their date of purchase to be cash equivalents.

The Company maintains its cash in deposit accounts with several banks, which at times may exceed the insured limits of the Federal Deposit Insurance Corporation ("FDIC"). The Company believes it is not exposed to any significant credit risk with respect to its cash and cash equivalents. As of March 31, 2023 and December 31, 2022, the Company's deposit accounts with banks exceeded the FDIC's insured limit by approximately $306.5 million and $324.7 million, respectively. The Company has not experienced any losses to date and performs ongoing evaluations of these financial institutions to limit the Company's concentration of risk exposure.

Investments in Marketable Securities

Investments in marketable securities consist of equity securities and certificates of deposit with various financial institutions. The appropriate classification of investments is determined at the time of purchase, and such designation is reevaluated at each balance sheet date.

Certificates of deposit are reported at par value, plus accrued interest, with maturity dates greater thanninety days. As of March 31, 2023 and December 31, 2022, certificates of deposit amounted to approximately $1.0 million and $0, respectively. Investments in certificates of deposit are classified as Level 1 investments in the fair value hierarchy.

Equity securities are reported at fair value. These securities are classified as Level 1 in the valuation hierarchy, where quoted market prices from reputable third-party brokers are available in an active market and unadjusted. Equity securities with low trading volume are determined to not have an active market with buyers and sellers ready to trade. Accordingly, we classify such equity securities as Level 2 in the valuation hierarchy, and their valuation is based on weighted average share prices from observable market data.

Equity securities held by the Company are primarily comprised of common stock of a payor partner that completed its initial public offering ("IPO") in June 2021 and Nutex Health Inc. (formerly known as Clinigence Holdings, Inc.) ("Nutex"). The common stock of a payor partner was acquired as a result of UCAP selling its 48.9% ownership interest in Universal Care, Inc. ("UCI") in April 2020. In September 2021, ApolloMed and Nutex entered into a stock purchase agreement in which ApolloMed purchased shares of common stock, warrants, and potentially additional shares of common stock if certain metrics are not met (such additional shares, "contingent equity securities") for $3.0 million. The common stock is included in investments in marketable securities in the accompanying consolidated balance sheets. In May 2022, the Company exercised the warrants and subsequently recognized the shares within investments in marketable securities in the accompanying consolidated balance sheet. In March 2023, the contingent equity securities were settled and the Company received additional Nutex common stock. The additional common stock received from the contingent equity securities are included in investments in marketable securities in the accompanying consolidated balance sheets.

As of March 31, 2023 and December 31, 2022, the equity securities were approximately $3.1 million and $5.6 million, respectively, in the accompanying consolidated balance sheets. Gains and losses recognized on equity securities sold are recognized in the accompanying consolidated statements of income under other income. The components comprising total gains and losses on equity securities are as follows (in thousands) for the periods listed below:

	Three Months Ended March 31,	
	2023	2022
Total losses recognized on equity securities	$ (4,353)	$ (10,600)
Gains recognized on equity securities sold	—	—
Unrealized losses recognized on equity securities held at end of period	$ (4,353)	$ (10,600)

Receivables, Receivables – Related Parties, Other Receivables and Loan Receivable - Related Party

The Company's receivables are comprised of accounts receivable, capitation and claims receivable, risk pool settlements, incentive receivables, management fee income, and other receivables. Accounts receivable are recorded and stated at the amount expected to be collected.

The Company's receivables – related parties are comprised of risk pool settlements, management fee income, incentive receivables, and other receivables. Receivables – related parties are recorded and stated at the amount expected to be collected.

The Company's loan receivable and loan receivable – related party consists of promissory notes that accrue interest per annum. As of March 31, 2023, promissory notes are expected to be collected within 12 months.

Capitation and claims receivables relate to each health plan's capitation and are received by the Company in the month following the month of service. Risk pool settlements and incentive receivables mainly consist of the Company's full risk pool receivable that is recorded quarterly based on reports received from the Company's hospital partners and management's estimate of the Company's portion of the estimated risk pool surplus for open performance years. Settlement of risk pool surplus or deficits occurs approximately 18 months after the risk pool performance year is completed. Other receivables consist of receivables from fee-for-services ("FFS") reimbursement for patient care, certain expense reimbursements, transportation reimbursements from the hospitals, and stop-loss insurance premium reimbursements.

The Company maintains reserves for potential credit losses on accounts receivable. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer creditworthiness, current economic trends, and changes in customer payment patterns to evaluate the adequacy of these reserves. The Company also regularly analyzes the ultimate collectability of accounts receivable after certain stages of the collection cycle using a look-back analysis to determine the amount of receivables subsequently collected and adjustments are recorded when necessary. Reserves are recorded primarily on a specific identification basis.

Receivables are recorded when the Company is able to determine amounts receivable under applicable contracts and agreements based on information provided and collection is reasonably likely to occur. In regard to the credit loss standard, the Company continuously monitors its collections of receivables and our expectation is that the historical credit loss experienced across our receivable portfolio is materially similar to any current expected credit losses that would be estimated under the current expected credit losses ("CECL") model.

Concentrations of Credit Risks

The Company disaggregates revenue from contracts by service type and payor type. This level of detail provides useful information pertaining to how the Company generates revenue by significant revenue stream and by type of direct contracts. The consolidated statements of income present disaggregated revenue by service type. The following table presents disaggregated revenue generated by payor type for the three months ended March 31, 2023 and 2022 (in thousands):

	Three Months Ended March 31,	
	2023	2022
Commercial	$ 40,019	$ 42,140
Medicare	216,310	133,659
Medicaid	67,339	71,663
Other third parties	13,576	15,796
Revenue	$ 337,244	$ 263,258

The Company had major payors that contributed the following percentages of net revenue:

	Three Months Ended March 31,	
	2023	2022
Payor A	*	10.6 %
Payor B	41.5 %	30.4 %

*Less than 10% of total net revenues

The Company had major payors that contributed to the following percentages of receivables and receivables – related parties:

	As of March 31, 2023	As of December 31, 2022
Payor B	31.0 %	25.0 %
Payor C	44.0 %	50.0 %

Fair Value Measurements of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, fiduciary cash, investment in marketable securities, receivables, loans receivable, accounts payable, certain accrued expenses, finance lease obligations, and long-term debt. The carrying values of the financial instruments classified as current in the accompanying consolidated balance sheets are considered to be at their fair values, due to the short maturity of these instruments. The carrying amounts of finance lease obligations and long-term debt approximate fair value as they bear interest at rates that approximate current market rates for debt with similar maturities and credit quality.

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, *Fair Value Measurement* ("ASC 820"), applies to all financial assets and financial liabilities that are measured and reported on a fair value basis and requires disclosure that establishes a framework for measuring fair value and expands disclosure about fair value measurements. ASC 820 establishes a fair value hierarchy for disclosure of the inputs to valuations used to measure fair value.

This hierarchy prioritizes the inputs into three broad levels as follows:

Level 1 — Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 — Inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (i.e., interest rates and yield curves), and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).

Level 3 — Unobservable inputs that reflect assumptions about what market participants would use in pricing the asset or liability. These inputs would be based on the best information available, including the Company's own data.

The carrying amounts and fair values of the Company's financial instruments as of March 31, 2023, are presented below (in thousands):

	Fair Value Measurements			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Money market accounts*	$ 84,828	$ —	$ —	$ 84,828
Marketable securities – certificates of deposit	1,000	—	—	1,000
Marketable securities – equity securities	3,114	—	—	3,114
Interest rate swaps	—	2,527	—	2,527
Total assets	$ 88,942	$ 2,527	$ —	$ 91,469
Liabilities				
APCMG contingent consideration (see Note 1)	$ —	$ —	$ 1,000	$ 1,000
AAMG cash contingent consideration (see Note 3)	—	—	5,851	5,851
VOMG contingent consideration (see Note 3)	—	—	17	17
Total liabilities	$ —	$ —	$ 6,868	$ 6,868

* Included in cash and cash equivalents

The carrying amounts and fair values of the Company's financial instruments as of December 31, 2022, are presented below (in thousands):

	Fair Value Measurements			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Money market accounts*	$ 135,235	$ —	$ —	$ 135,235
Marketable securities – equity securities	5,567	—	—	5,567
Contingent equity securities	—	—	1,900	1,900
Interest rate swaps	—	3,164	—	3,164
Total assets	$ 140,802	$ 3,164	$ 1,900	$ 145,866
Liabilities				
APCMG contingent consideration	$ —	$ —	$ 1,000	$ 1,000
AAMG cash contingent consideration (see Note 3)	—	—	5,851	5,851
VOMG contingent consideration (see Note 3)	—	—	17	17
Total liabilities	$ —	$ —	$ 6,868	$ 6,868

* Included in cash and cash equivalents

There have been no changes in Level 1, Level 2, or Level 3 classification and no changes in valuation techniques for these assets for the three months ended March 31, 2023.

Intangible Assets and Long-Lived Assets

Intangible assets with finite lives include network-payor relationships, management contracts, member relationships, subscriber relationships, and developed technology and are stated at cost, less accumulated amortization and impairment losses. These intangible assets are amortized using the accelerated method based on the discounted cash flow rate or using the straight-line method.

Intangible assets with finite lives also include a patient management platform, as well as trade names and trademarks, whose valuations were determined using the cost to recreate method and the relief from royalty method, respectively. These assets are stated at cost, less accumulated amortization and impairment losses, and are amortized using the straight-line method.

Finite-lived intangibles and long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the expected future cash flows from the use of such assets (undiscounted and without interest charges) are less than the carrying value, a write-down would be recorded to reduce the carrying value of the asset to its estimated fair value. Fair value is determined based on appropriate valuation techniques. The Company determined that there was no impairment of its finite-lived intangible or long-lived assets during the three months ended March 31, 2023 and 2022.

Goodwill and Indefinite-Lived Intangible Assets

Under ASC 350, *Intangibles – Goodwill and Other*, goodwill and indefinite-lived intangible assets are reviewed at least annually for impairment.

At least annually, at the Company's fiscal year-end, or sooner if events or changes in circumstances indicate that an impairment has occurred, the Company performs a qualitative assessment to determine whether it is more likely than not that the fair value of each reporting unit is less than its carrying amount as a basis for determining whether it is necessary to complete quantitative impairment assessments for each of the Company's four reporting units (i) MSOs, (ii) IPAs, (iii) ACOs, and (iv) Clinics. The Company is required to perform a quantitative goodwill impairment test only if the conclusion from the qualitative assessment is that it is more likely than not that a reporting unit's fair value is less than the carrying value of its assets. Should this be the case, a quantitative analysis is performed to identify whether a potential impairment exists by comparing the estimated fair values of the reporting units with their respective carrying values, including goodwill.

An impairment loss is recognized if the implied fair value of the asset being tested is less than its carrying value. In this event, the asset is written down accordingly. The fair values of goodwill are determined using valuation techniques based on estimates, judgments, and assumptions management believes are appropriate in the circumstances.

At least annually, indefinite-lived intangible assets are tested for impairment. Impairment for intangible assets with indefinite lives exists if the carrying value of the intangible asset exceeds its fair value. The fair values of indefinite-lived intangible assets are determined using valuation techniques based on estimates, judgments and assumptions management believes are appropriate in the circumstances.

The Company had no impairment of its goodwill or indefinite-lived intangible assets during the three months ended March 31, 2023 and 2022.

Investments in Other Entities — Equity Method

The Company accounts for certain investments using the equity method of accounting when it is determined that the investment provides the Company with the ability to exercise significant influence, but not control, over the investee. Significant influence is generally deemed to exist if the Company has an ownership interest in the voting stock of the investee of between 20% and 50%, although other factors, such as representation on the investee's board of directors, are considered in determining whether the equity method of accounting is appropriate. Under the equity method of accounting, the investment, originally recorded at cost, is adjusted to recognize the Company's share of net earnings or losses of the investee and is recognized in the accompanying consolidated statements of income under "Income (loss) from equity method investments" and also is adjusted by contributions to, and distributions from, the investee.

Equity method investments are subject to impairment evaluation. There wasno impairment loss recorded related to equity method investments for the three months ended March 31, 2023 and 2022.

Investments in Privately Held Entities

The Company accounts for certain investments using the cost method of accounting when it is determined that the investment provides the Company with little or no influence over the investee. Under the cost method of accounting, the investment is measured at cost, adjusted for observable price changes and impairments, with changes recognized in net income. The investments in privately held entities that do not report net asset value are subject to qualitative assessment for indicators of impairments.

Medical Liabilities

APC, Alpha Care, Accountable Health Care, APCMG, Jade and AAMG (the "consolidated IPAs") and APAACO are responsible for integrated care that the associated physicians and contracted hospitals provide to their enrollees. The consolidated IPAs and APAACO provide integrated care to HMOs, Medicare, and Medi-Cal enrollees through a network of contracted providers under sub-capitation and direct patient service arrangements. Medical costs for professional and institutional services rendered by contracted providers are recorded as cost of services expenses in the accompanying consolidated statements of income.

An estimate of amounts due to contracted physicians, hospitals, and other professional providers is included in medical liabilities in the accompanying consolidated balance sheets. Medical liabilities include claims reported as of the balance sheet date and estimated IBNR claims. Such estimates are developed using actuarial methods and are based on numerous variables, including the utilization of healthcare services, historical payment patterns, cost trends, product mix, seasonality, changes in membership, and other factors. The estimation methods and the resulting reserves are periodically reviewed and updated. Many of the medical contracts are complex in nature and may be subject to differing interpretations regarding amounts due for the provision of various services. Such differing interpretations may not come to light until a substantial period of time has passed following the contract implementation.

Fiduciary Cash and Payable

The consolidated IPAs collect cash from health plans on behalf of their sub-IPAs and providers and pass the money through to them.The fiduciary cash balance of $9.0 million and $8.1 million as of March 31, 2023 and December 31, 2022, respectively, is presented within prepaid expenses and other current assets and the related payable is presented as fiduciary payable in the accompanying consolidated balance sheets.

Derivative Financial Instruments

Interest Rate Swap and Collar Agreements

The Company is exposed to interest rate risk on its floating-rate debt. The Company has entered into interest rate swap and collar agreements to effectively convert its floating-rate debt to a fixed-rate basis or to a rate within the agreed upon range. The principal objective of these contracts is to eliminate or reduce the variability of the cash flows in interest payments associated with the Company's floating-rate debt, thus reducing the impact of interest rate changes on future interest payment cash flows. Refer to Note 9 — "Credit Facility, Bank Loans, and Lines of Credit" for further information on our debt. Interest rate swap and collar agreements are not designated as hedging instruments. Changes in the fair value on these contracts are recognized as unrealized gain or loss on investments in the accompanying consolidated statements of income and reflected in the accompanying consolidated statements of cash flows as unrealized gain or loss on interest rate swaps.

The estimated fair value of the interest rate swap was determined using Level 2 inputs. As of March 31, 2023 and December 31, 2022, the fair value of the interest rate swap was $2.5 million and $3.2 million, respectively, and are presented within other assets in the accompanying consolidated balance sheets.

The Company's collar agreement is designed to limit the interest rate risk associated with the Company's Revolver Loan. Under the terms of the agreement, the ceiling is 5.0% and the floor is 2.34%. The estimated fair value of the collar is determined using Level 2. As of March 31, 2023 the fair value of the collar is deemed to have zero value.

Warrants

In September 2021, ApolloMed and Nutex entered into a stock purchase agreement in which ApolloMed purchased shares of common stock and warrants for $3.0 million. Purchased warrants are considered derivatives but are not designated as hedging instruments. Changes in the fair value of these contracts are recognized as unrealized gain or loss on investments in the accompanying consolidated statements of income and the accompanying consolidated statements of cash flows. The warrants were classified as a Level 2 instrument as the estimated fair value of the warrants were determined using the Black-Scholes option pricing model and inputs from observable market data. In May 2022, the Company exercised the warrants, and the shares were subsequently presented within investments in marketable securities on the accompanying consolidated balance sheets. The shares are classified as Level 1 since the quoted market prices from reputable third-party brokers are available in an active market and unadjusted.

Contingent Equity Securities

In addition to the common stock and warrants purchased under the stock purchase agreement between ApolloMed and Nutex, ApolloMed is entitled to additional common stock if Nutex did not pay NMM management fees exceeding a threshold by the end of December 31, 2022. The contingent equity securities are considered to be derivatives but are not designated as hedging instruments. Changes in the fair value on these contracts are recognized as unrealized gain or loss on investments in the accompanying consolidated statements of income and the accompanying consolidated statements of cash flows. The Company determined the fair value of the contingent equity security using a probability-weighted model, which includes significant unobservable inputs (Level 3). Specifically, the Company considered various scenarios of recognizing management fees and assigned probabilities to each such scenario in determining fair value. Based on the outcome, the metric was not achieved and the Company received additional common stock during the three months ended March 31, 2023. As of March 31, 2023, the common stock from the contingent equity securities is recognized within investments in marketable securities in the accompanying consolidated balance sheet. See Note 2 — “Basis of Presentation and Summary of Significant Accounting Policies - Investment in Marketable Securities” in the accompanying consolidated financial statements for information on the treatment of the marketable securities. As of December 31, 2022, the contingent equity securities were valued at $1.9 million, and were presented within prepaid and other current assets in the accompanying consolidated balance sheets.

Revenue Recognition

The Company receives payments from the following sources for services rendered: (i) commercial insurers; (ii) the federal government under the Medicare program administered by CMS; (iii) state governments under the Medicaid and other programs; (iv) other third-party payors (e.g., hospitals and IPAs); and (v) individual patients and clients.

<u>Nature of Services and Revenue Streams</u>

Revenue primarily consists of capitation revenue, risk pool settlements and incentives, GPDC/ACO REACH revenue, management fee income, and FFS revenue. Revenue is recorded in the period in which services are rendered or the period in which the Company is obligated to provide services. The form of billing and related risk of collection for such services may vary by type of revenue and the customer. The following is a summary of the principal forms of the Company’s billing arrangements and how revenue is recognized for each.

Capitation, Net

Managed care revenues of the Company consist primarily of capitated fees for medical services provided by the Company under a capitated arrangement directly made with various managed care providers, including HMOs. Capitation revenue is typically prepaid monthly to the Company based on the number of enrollees selecting the Company as their healthcare provider. Capitation revenue is recognized in the month in which the Company is obligated to provide services to plan enrollees under contracts with various health plans. Minor ongoing adjustments to prior months' capitation, primarily arising from contracted HMOs finalizing their monthly patient eligibility data for additions or subtractions of enrollees, are recognized in the month they are communicated to the Company. Additionally, Medicare pays capitation using a "Risk Adjustment" model, which compensates managed care organizations and providers based on each enrollee's health status (acuity). Health plans and providers with higher acuity enrollees will receive more and those with lower acuity enrollees will receive less. Under Risk Adjustment, capitation is determined based on health severity, measured using patient encounter data. Capitation is paid monthly based on data submitted for the enrollee for the preceding year and is adjusted in subsequent periods after the final data is compiled. Positive or negative capitation adjustments are made for Medicare enrollees with conditions requiring more or fewer healthcare services than assumed in the interim payments. Since the Company cannot reliably predict these adjustments, periodic changes in capitation amounts earned as a result of Risk Adjustment are recognized when those changes are communicated by the health plans to the Company.

PMPM managed care contracts generally have a term of one year or longer. All managed care contracts have a single performance obligation that constitutes a series for the provision of managed healthcare services for a population of enrolled members for the duration of the contract. The transaction price for PMPM contracts is variable as it primarily includes PMPM fees associated with unspecified membership that fluctuates throughout the contract. In certain contracts, PMPM fees also include adjustments for items such as performance incentives, performance guarantees and risk sharing. The Company generally estimates the transaction price using the most likely amount methodology and amounts are only included in the net transaction price to the extent that it is probable that a significant reversal of cumulative revenue will not occur once any uncertainty is resolved. The majority of the Company's net PMPM transaction price relates specifically to the Company's efforts to transfer the service for a distinct increment of the series (e.g., day or month) and is recognized as revenue in the month in which members are entitled to service.

GPDC/ACO REACH Capitation Revenue

CMS contracts with Direct Contracting Entities ("DCEs"), which are composed of healthcare providers operating under a common legal structure and accept financial accountability for the overall quality and cost of medical care furnished to Medicare FFS beneficiaries aligned to the entity. The combination of the FFS model and the GPDC and ACO REACH model changes the distribution of responsibilities, risks, costs, and rewards among CMS, DCEs, and providers. By entering into a contract with CMS, a DCE voluntarily takes on operational, financial, and legal responsibilities and risks that no party has, individually or collectively, under the existing FFS model. Each DCE bears the economic costs, and reaps the economic rewards, of fulfilling its responsibilities and managing its risks as a DCE. APAACO participated in the GPDC Model for Performance Year 2022 and is currently participating in the ACO REACH model for Performance Year 2023, beginning January 1, 2023.

For each performance year, CMS will pay a total benchmark amount, determined unilaterally by CMS in advance but subject to prospective adjustments throughout the year, for the totality of care provided to the DCE's population of aligned beneficiaries over the course of that year. The benchmark is net of a quality withholding applied by CMS. At the end of each performance year, a portion, or all, of the quality withholding can be earned based on APAACO's performance. GPDC/ACO REACH capitation revenue is recognized based on the estimated transaction price to transfer the service for a distinct increment of the series (i.e., month) and is recognized net of quality incentives/penalties.

Risk Pool Settlements and Incentives

APC and Accountable Health Care enter into full-risk capitation arrangements with certain health plans and local hospitals, which are administered by a third party, where the hospital is responsible for providing, arranging, and paying for institutional risk and the IPA is responsible for providing, arranging and paying for professional risk. Under a full-risk pool sharing agreement, the IPA generally receives a percentage of the net surplus from the affiliated hospital's risk pools with HMOs after deductions for the affiliated hospital's costs. Advance settlement payments are typically made quarterly in arrears if there is a surplus. The Company's risk pool settlements under arrangements with health plans and hospitals are recognized using the most likely amount methodology and amounts are only included in revenue to the extent that it is probable that a significant reversal of cumulative revenue will not occur once any uncertainty is resolved. The assumptions for historical margin, IBNR completion factors and constraint percentages were used by management in applying the most likely amount methodology.

Under capitated arrangements with certain HMOs, APC, Accountable Health Care, and Alpha Care participate in one or more shared risk arrangements relating to the provision of institutional services to enrollees and thus can earn additional revenue or incur losses based upon the enrollee utilization of institutional services. Shared risk arrangements are entered into with certain health plans, which are administered by the health plan, where the IPA is responsible for rendering professional services, but the health plan does not enter into a capitation arrangement with a hospital, and therefore the health plan retains the institutional risk. Shared risk deficits, if any, are not payable until and unless (and only to the extent) risk-sharing surpluses are generated. At the termination of the HMO contract, any accumulated deficit will be extinguished.

The Company's risk pool settlements under arrangements with HMOs are recognized, using the most likely methodology, and only included in revenue to the extent that it is probable that a significant reversal of cumulative revenue will not occur. Given the lack of access to the health plans' data and control over the members assigned to the IPA, the adjustments and/or the withheld amounts are unpredictable, and as such, APC, Accountable Health Care, and Alpha Care's risk share revenues are deemed to be fully constrained until they are notified of the amount by the health plan. Final settlement of risk pools for prior contract years generally occurs in the third or fourth quarter of the following year.

In addition to risk-sharing revenues, the Company also receives incentives under "pay-for-performance" programs for quality medical care, based on various criteria. As an incentive to control enrollee utilization and to promote quality care, certain HMOs have designed quality incentive programs and commercial generic pharmacy incentive programs to compensate the Company for its efforts to improve the quality of services and efficient and effective use of pharmacy supplemental benefits provided to HMO members. The incentive programs track specific performance measures and calculate payments to the Company based on the performance measures. The Company's incentives under "pay-for-performance" programs are recognized using the most likely methodology. However, as the Company does not have sufficient insight from the health plans on the amount and timing of the shared risk pool and incentive payments, these amounts are considered to be fully constrained and only recorded when such payments are known and/or received.

Generally, for the foregoing arrangements, the final settlement is dependent on each distinct day's performance within the annual measurement period, but cannot be allocated to specific days until the full measurement period has occurred and performance can be assessed. As such, this is a form of variable consideration estimated at contract inception and updated through the measurement period (i.e., the contract year), to the extent the risk of reversal does not exist, and the consideration is not constrained.

Management Fee Income

Management fee income encompasses fees paid for management, physician advisory, healthcare staffing, administrative and other non-medical services provided by the Company to IPAs, hospitals, and other healthcare providers. Such fees may be in the form of billings at agreed-upon hourly rates, percentages of gross revenue or fee collections, or amounts fixed on a monthly, quarterly, or annual basis. The revenue may include variable arrangements measuring factors such as hours staffed, patient visits, or collections per visit against benchmarks, and, in certain cases, may be subject to achieving quality metrics or fee collections. The Company recognizes such variable supplemental revenues in the period when such amounts are determined to be fixed and contractually obligated as payable by the customer under the terms of the applicable agreement.

The Company provides a significant service of integrating the services selected by the Company's clients into one overall output for which the client has contracted. Therefore, such management contracts generally contain a single performance obligation. The nature of the Company's performance obligation is to stand ready to provide services over the contractual period. Also, the Company's performance obligation forms a series of distinct periods of time over which the Company stands ready to perform. The Company's performance obligation is satisfied as the Company completes each period's obligations.

Consideration from management contracts is variable in nature because the majority of the fees are generally based on revenue or collections, which can vary from period to period. The Company has control over pricing. Contractual fees are invoiced to the Company's clients generally monthly and payment terms are typically due within 30 days. The variable consideration in the Company's management contracts meets the criteria to be allocated to the distinct period of time to which it relates because (i) it is due to the activities performed to satisfy the performance obligation during that period, and (ii) it represents the consideration to which the Company expects to be entitled.

The Company's management contracts generally have terms ranging from one to ten years, although they may be terminated earlier under the terms of the applicable contracts. Since the remaining variable consideration will be allocated to a wholly unsatisfied promise that forms part of a single performance obligation recognized under the series guidance, the Company has applied the optional exemption to exclude disclosure of the allocation of the transaction price to remaining performance obligations.

Fee-for-Service Revenue

FFS revenue represents revenue earned under contracts in which the professional component of charges for medical services rendered by the Company's affiliated physician-owned medical groups are billed and collected from third-party payors, hospitals, and patients. FFS revenue related to the patient care services is reported net of contractual allowances and policy discounts and is recognized in the period in which the services are rendered to specific patients. All services provided are expected to result in cash flows and are therefore reflected as net revenue in the consolidated financial statements. The recognition of net revenue (gross charges, less contractual allowances) from such services is dependent on such factors as proper completion of medical charts following a patient visit, the forwarding of such charts to the Company's billing center for medical coding and entering into the Company's billing system, and the verification of each patient's submission or representation at the time services are rendered as to the payor(s) responsible for payment of such services. Revenue is recorded based on the information known at the time of entering of such information into the Company's billing systems, as well as an estimate of the revenue associated with medical services.

The Company is responsible for confirming member eligibility, performing program utilization review, potentially directing payment to the provider and accepting the financial risk of loss associated with services rendered, as specified within the Company's client contracts. The Company has the ability to adjust contractual fees with clients and possess the financial risk of loss in certain contractual obligations. These factors indicate the Company is the principal and, as such, the Company records gross fees contracted with clients in revenues.

Consideration from FFS arrangements is variable in nature because fees are based on patient encounters, credits due to clients and reimbursement of provider costs, all of which can vary from period to period. Patient encounters and related episodes of care and procedures qualify as distinct goods and services, provided simultaneously together with other readily available resources, in a single instance of service, and thereby constitute a single performance obligation for each patient encounter and, in most instances, occur at readily determinable transaction prices. As a practical expedient, the Company adopted a portfolio approach for the FFS revenue stream to group together contracts with similar characteristics and analyze historical cash collection trends. The contracts within the portfolio share the characteristics conducive to ensuring that the results do not materially differ under the new standard if it were to be applied to individual patient contracts related to each patient encounter.

Estimating net FFS revenue is a complex process, largely due to the volume of transactions, the number and complexity of contracts with payors, the limited availability at times of certain patient and payor information at the time services are provided, and the length of time it takes for collections to fully mature. These expected collections are based on fees and negotiated payment rates in the case of third-party payors, the specific benefits provided for under each patient's healthcare plans, mandated payment rates in the case of Medicare and Medicaid programs, and historical cash collections (net of recoveries) in combination with expected collections from third-party payors.

The relationship between gross charges and the transaction price recognized is significantly influenced by payor mix, as collections on gross charges may vary significantly, depending on whether the patients, to whom services are provided, in the period are insured and the contractual relationships with those payors. Payor mix is subject to change as additional patient and payor information is obtained after the period services are provided. The Company periodically assesses the estimates of unbilled revenue, contractual adjustments and discounts, and payor mix by analyzing actual results, including cash collections, against estimates. Changes in these estimates are charged or credited to the consolidated statements of income in the period that the assessment is made. Significant changes in payor mix, contractual arrangements with payors, specialty mix, acuity, general economic conditions, and healthcare coverage provided by federal or state governments or private insurers may significantly impact estimates and significantly affect the results of operations and cash flows.

Contract Assets

Revenues and receivables are recognized once the Company has satisfied its performance obligation. Accordingly, the Company's contract assets are comprised of receivables and receivables – related parties.

The Company's billing and accounting systems provide historical trends of cash collections and contractual write-offs, accounts receivable aging, and established fee adjustments from third-party payors. These estimates are recorded and monitored monthly as revenues are recognized. The principal exposure for an uncollectible fee for service visits is from self-pay patients and, to a lesser extent, for co-payments and deductibles from patients with insurance.

Contract Liabilities (Deferred Revenue)

Contract liabilities are recorded when cash payments are received in advance of the Company's performance. The Company's contract liability balance was $1.7 million and $0.5 million as of March 31, 2023 and December 31, 2022, respectively, and is presented within accounts payable and accrued expenses in the accompanying consolidated balance sheets. During the three months ended March 31, 2023, $0.5 million of the Company's contract liability accrued in 2022 has been recognized as revenue.

Income Taxes

Federal and state income taxes are computed at currently enacted tax rates less tax credits using the asset and liability method. Deferred taxes are adjusted for both items that do not have tax consequences and for the cumulative effect of any changes in tax rates from those previously used to determine deferred tax assets or liabilities. Tax provisions include amounts that are currently payable, changes in deferred tax assets and liabilities that arise because of temporary differences between the timing of when items of income and expense are recognized for financial reporting and income tax purposes, changes in the recognition of tax positions and any changes in the valuation allowance caused by a change in judgment about the realizability of the related deferred tax assets. A valuation allowance is established when necessary to reduce deferred tax assets to amounts expected to be realized.

The Company uses a recognition threshold of more-likely-than-not and a measurement attribute on all tax positions taken or expected to be taken in a tax return in order to be recognized in the consolidated financial statements. Once the recognition threshold is met, the tax position is then measured to determine the actual amount of benefit to recognize in the consolidated financial statements.

Share-Based Compensation

The Company maintains a stock-based compensation program for employees, non-employees, directors, and consultants. From time to time, the Company issues shares of its common stock to its employees, directors, and consultants, which shares may be subject to the Company's repurchase right (but not obligation), that lapses based on time-based and performance-based vesting schedules. The value of share-based awards is recognized as compensation expense and adjusted for forfeitures as they occur. Compensation expense for time-based awards are recognized on a cumulative straight-line basis over the vesting period of the awards. Share-based awards with performance conditions are recognized to the extent the performance conditions are probable of being achieved. Compensation expense for performance-based awards are recognized on an accelerated attribution method. The fair value of options granted is determined using the Black-Scholes option pricing model and includes several assumptions, including expected term, expected volatility, expected dividends, and risk-free rates. The expected term is presumed to be the midpoint between the vesting date and the end of the contractual term. The expected stock price volatility is determined based on an average of historical volatility. The expected dividend yield is based on the Company's expected dividend payouts. The risk-free interest rate is based on the U.S. Constant Maturity curve over the expected term of the option at the time of grant.

Basic and Diluted Earnings Per Share

Basic earnings per share ("EPS") is computed by dividing net income attributable to holders of the Company's common stock by the weighted average number of shares of common stock outstanding during the periods presented. Diluted earnings per share is computed using the weighted average number of shares of common stock outstanding, plus the effect of dilutive securities outstanding during the periods presented, using the treasury stock method. Refer to Note 15 — "Earnings Per Share" for a discussion of shares treated as treasury shares for accounting purposes.

Non-controlling Interests

The Company consolidates entities in which the Company has a controlling financial interest. The Company consolidates subsidiaries in which the Company holds, directly or indirectly, more than 50% of the voting rights, and VIEs in which the Company is the primary beneficiary. Non-controlling interests represent third-party equity ownership interests (including equity ownership interests held by certain VIEs) in the Company's consolidated entities. Net income attributable to non-controlling interests is disclosed in the consolidated statements of income.

Mezzanine Equity

Pursuant to APC's shareholder agreements, in the event of a disqualifying event, as defined in the agreements, APC could be required to repurchase its shares from the respective shareholders based on certain triggers outlined in the shareholder agreements. As the redemption feature of the shares is not solely within the control of APC, the equity of APC does not qualify as permanent equity and has been classified as mezzanine or temporary equity. Accordingly, the Company recognizes non-controlling interests in APC as mezzanine equity in the consolidated financial statements. As of March 31, 2023 and December 31, 2022, APC's shares were not redeemable, nor were they to become redeemable.

Leases

The Company determines if an arrangement is a lease at its inception. The expected term of the lease used for computing the lease liability and right-of-use asset and determining the classification of the lease as operating or financing may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. The Company elected practical expedients for ongoing accounting that is provided by the new standard comprised of the following: (i) the election for classes of the underlying asset to not separate non-lease components from lease components, and (ii) the election for short-term lease recognition exemption for all leases under a 12-month term. The present value of the lease payments is calculated using a rate implicit in the lease when readily determinable. However, as most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate to determine the present value of the lease payments for the majority of its leases.

3. Business Combinations and Goodwill

Chinese Community Health Care Association ("CCHCA")

On March 1, 2023, the Company acquired certain healthcare assets from Chinese Community Health Care Association. CCHCA is a non-profit independent physician association in the San Francisco Community. The purchase price consists of cash funded on May 1, 2023. As the cash was not paid on closing date, the purchase price was accrued and presented within accounts payable and accrued expenses in the accompanying consolidated balance sheets. The Company accounted for this assets acquisition as a business combination under relevant accounting rules and is in the process of finalizing its purchase price allocation.

Orma Health

On January 27, 2022, the Company acquired 100% of the capital stock of Orma Health, Inc., and Provider Growth Solutions, LLC (together, "Orma Health"). The purchase was paid in cash and the Company's capital stock.

***Jade Health Care Medical Group, Inc.* (“Jade”)**

On April 19, 2022, the Company acquired 100% of the capital stock of Jade. The purchase was paid in cash. Jade is a primary and specialty care physicians' group focused on providing high-quality care to its patients in the San Francisco Bay Area in Northern California.

VOMG

On October 14, 2022, a sole equity holder acquired 100% of the equity interest in VOMG. In accordance with relevant accounting guidance, VOMG is determined to be a VIE of ApolloMed and is consolidated by the Company. VOMG owns nine primary care clinics in Nevada and Texas. The purchase price consists of cash funded upon the close of transaction and additional cash consideration ("VOMG contingent consideration") contingent on VOMG meeting financial metrics for fiscal years 2023 and 2024. The Company determined the fair value of the contingent consideration using a probability-weighted model that includes significant unobservable inputs (Level 3). The contingent consideration is included within other long-term liabilities in the accompanying consolidated balance sheets.

AAMG

On October 31, 2022, AP-AMH 2, a VIE of the Company, acquired 100% of the equity interest in AAMG. AAMG is an IPA operating in Northern California. The purchase price consists of cash funded upon close of the transaction and additional cash consideration ("AAMG cash contingent consideration") and stock consideration ("AAMG stock contingent consideration") contingent on AAMG meeting revenue and capitated member metrics for fiscal years 2023 and 2024. The Company determined the fair value of the cash and stock contingent consideration using a probability-weighted model that includes significant unobservable inputs (Level 3). Specifically, the Company considered various scenarios of revenue and assigned probabilities to each such scenario in determining fair value. As of March 31, 2023, the cash contingent consideration is valued at $5.9 million and was included within other long-term liabilities in the accompanying consolidated balance sheets. The stock contingent consideration is valued at $5.6 million and is included in additional paid-in capital in the accompanying consolidated balance sheets.

The acquisitions were accounted for under the acquisition method of accounting. The fair value of the consideration for the acquired companies was allocated to acquired tangible and intangible assets and liabilities based upon their fair values. The excess of the purchase consideration over the fair value of the net tangible and identifiable intangible assets acquired was recorded as goodwill. The determination of the fair value of assets and liabilities acquired requires the Company to make estimates and use valuation techniques when market value is not readily available. The results of operations from the acquisitions have been included in the Company's financial statements from the date of acquisition. Transaction costs associated with business acquisitions are expensed as they are incurred.

At the time of acquisition, the Company estimates the amount of the identifiable intangible assets based on a valuation and the facts and circumstances available at the time. The Company determines the final value of the identifiable intangible assets as soon as information is available, but not more than one year from the date of acquisition.

Goodwill is not deductible for tax purposes.

The change in the carrying value of goodwill for the three months ended March 31, 2023 was as follows (in thousands):

Balance, January 1, 2023	$	275,675
Adjustments		353
Balance, March 31, 2023	$	276,028

4. Intangible Assets, Net

At March 31, 2023, the Company's intangible assets, net, consisted of the following (in thousands):

	Useful Life (Years)	Gross March 31, 2023	Accumulated Amortization	Net March 31, 2023
Indefinite lived assets:				
Trademarks	N/A	$ 2,150	$ —	$ 2,150
Amortized intangible assets:				
Network relationships	11-21	150,679	(97,882)	52,797
Management contracts	15	22,832	(15,595)	7,237
Member relationships	12	20,477	(5,813)	14,664
Patient management platform	5	2,060	(2,060)	—
Tradename/trademarks	20	1,011	(270)	741
Developed technology	6	107	(21)	86
		$ 199,316	$ (121,641)	$ 77,675

At December 31, 2022, the Company's intangible assets, net, consisted of the following (in thousands):

	Useful Life (Years)	Gross December 31, 2022	Accumulated Amortization	Net December 31, 2022
Indefinite lived assets:				
Trademarks	N/A	$ 2,150	$ —	$ 2,150
Amortized intangible assets:				
Network relationships	11-21	150,679	(95,451)	55,228
Management contracts	15	22,832	(15,208)	7,624
Member relationships	12	16,633	(5,619)	11,014
Patient management platform	5	2,060	(2,060)	—
Tradename/trademarks	20	1,011	(257)	754
Developed technology	6	107	(16)	91
		$ 195,472	$ (118,611)	$ 76,861

Included in depreciation and amortization on the accompanying consolidated statements of income are amortization expenses of $3.0 million and $3.7 million for the three months ended March 31, 2023 and 2022, respectively.

Future amortization expense is estimated to be as follows for the following years ending December 31 (in thousands):

	Amount
2023 (excluding the three months ended March 31, 2023)	$ 8,917
2024	11,841
2025	10,915
2026	9,675
2027	8,390
Thereafter	25,787
Total	$ 75,525

5. Investments in Other Entities

Equity Method

Investments in other entities – equity method consisted of the following (in thousands):

	December 31, 2022	Initial Investment	Allocation of Income (Loss)	Funding	Distribution	March 31, 2023
LaSalle Medical Associates – IPA Line of Business	$ 5,684	$ —	$ 2,165	$ —	$ —	$ 7,849
Pacific Medical Imaging & Oncology Center, Inc.	1,878	—	8	—	—	1,886
531 W. College, LLC	17,281	—	(90)	—	—	17,191
One MSO, LLC	2,718	—	115	—	—	2,833
CAIPA MSO, LLC	12,738	—	249	—	—	12,987
James Song, M.D., A Professional Corporation	—	325	37	—	—	362
	$ 40,299	$ 325	$ 2,484	$ —	$ —	$ 43,108

LaSalle Medical Associates — IPA Line of Business

LMA was founded by Dr. Albert Arteaga in 1996 and operates as an IPA delivering high-quality care. In September 2021, APC-LSMA sold 21.25% of its interest in LMA back to Dr. Arteaga for $ 6.4 million, which resulted in APC-LSMA owning a 25% interest in LMA as of March 31, 2023. The investment is deemed Excluded Assets that are solely for the benefit of APC and its shareholders.

APC accounts for its investment in LMA under the equity method as APC has the ability to exercise significant influence but not control over LMA's operations. For the three months ended March 31, 2023 and 2022, APC recognized income from this investment of $2.2 million and $1.3 million, respectively, in the accompanying consolidated statements of income. The accompanying consolidated balance sheets include the related investment balances of $7.8 million and $5.7 million at March 31, 2023 and December 31, 2022, respectively.

LMA's summarized balance sheets at March 31, 2023 and December 31, 2022, and summarized statements of income for the three months ended March 31, 2023 and 2022, with respect to its IPA line of business are as follows (in thousands):

Balance Sheets

	March 31, 2023 (unaudited)	December 31, 2022 (unaudited)
Assets		
Cash and cash equivalents	$ 14,873	$ 15,671
Receivables, net	12,526	5,064
Prepaid assets	6,952	5,032
Loan receivable	2,250	2,250
Restricted cash	703	700
Total assets	$ 37,304	$ 28,717
Liabilities and stockholders' equity		
Current liabilities	$ 30,260	$ 30,331
Stockholders’ equity (deficit)	7,044	(1,614)
Total liabilities and stockholders’ equity	$ 37,304	$ 28,717

Statements of Income

	Three months ended March 31, 2023 (unaudited)	2022 (unaudited)
Revenues	$ 67,619	$ 67,566
Expenses	58,964	61,786
Income from operations	8,655	5,780
Other Income	3	—
Net income	$ 8,658	$ 5,780

Pacific Medical Imaging and Oncology Center, Inc.

APC-LSMA and PMIOC entered into a share purchase agreement whereby APC-LSMA purchased a 40% ownership interest in PMIOC. Incorporated in California in 2004, PMIOC provides comprehensive diagnostic imaging services using state-of-the-art technology. PMIOC offers high-quality diagnostic services, such as MRI/MRA, PET/CT, CT, nuclear medicine, ultrasound, digital X-rays, bone densitometry, and digital mammography, at its facilities. The investment is deemed Excluded Assets that are solely for the benefit of APC and its shareholders.

APC accounts for its investment in PMIOC under the equity method of accounting as APC has the ability to exercise significant influence, but not control over PMIOC’s operations. For the three months ended March 31, 2023 and 2022, APC recognized income from this investment of approximately $8,000 and $6,700, respectively, in the accompanying consolidated statements of income. The accompanying consolidated balance sheets had investment balances of $1.9 million and $1.9 million at March 31, 2023 and December 31, 2022, respectively.

531 W. College LLC

APC has a 50% ownership in 531 W. College LLC and accounts for its investment in 531 W. College, LLC under the equity method of accounting as APC has the ability to exercise significant influence, but not control over the operations of this joint venture. 531 W. College, LLC owns a former hospital campus in Los Angeles that is now leased to tenants. The investment is deemed Excluded Assets that are solely for the benefit of APC and its shareholders.

For the three months ended March 31, 2023 and 2022, APC recognized a loss from this investment of $90,000 and $0.2 million, respectively, in the accompanying consolidated statements of income. The accompanying consolidated balance sheets include the related investment balances of $17.2 million and $17.3 million at March 31, 2023 and December 31, 2022, respectively.

One MSO, LLC

APC has a 50% interest in One MSO. One MSO owns an office building in Monterey Park, California that is leased to tenants, including NMM. For the three months ended March 31, 2023 and 2022, APC recognized income of $0.1 million and $0.1 million, respectively, in the accompanying consolidated statements of income. The accompanying consolidated balance sheets include the related investment balances of $2.8 million and $2.7 million at March 31, 2023 and December 31, 2022, respectively.

CAIPA MSO, LLC

In August 2021, ApolloMed purchased a 30% interest in CAIPA MSO, LLC for $11.7 million. CAIPA MSO is a New York-based management services organization affiliated with Chinese-American IPA d/b/a Coalition of Asian-American IPA ("CAIPA"), a leading independent practice association serving the greater New York City area.

ApolloMed accounts for its investment in CAIPA MSO under the equity method of accounting as ApolloMed has the ability to exercise significant influence, but not control over CAIPA MSO's operations. For the three months ended March 31, 2023 and 2022, ApolloMed recognized income from investment of $ 0.2 million and $0.1 million, respectively, in the accompanying consolidated statements of income. The accompanying consolidated balance sheets include the related investment balances of $13.0 million and $12.7 million as of March 31, 2023 and December 31, 2022, respectively.

James Song, M.D., A Professional Corporation

In January 2023, AP-AMH 2 purchased a 25% interest in James Song, M.D., a Professional Corporation ("Song PC"), a medical corporation located in Hacienda Heights, California.

AP-AMH 2 accounts for its investment in Song PC under the equity method of accounting as AP-AMH 2 has the ability to exercise significant influence, but not control over Song PC's operations. For the three months ended March 31, 2023, AP-AMH 2 recognized income of $37,000 in the accompanying consolidated statements of income. The accompanying consolidated balance sheets include the related investment balances of $0.4 million as of March 31, 2023.

Investments in privately held entities that do not report net asset value

MediPortal, LLC

In May 2018, APC purchased 270,000 membership interests of MediPortal LLC, a New York limited liability company, for $0.4 million or $1.50 per membership interest, which represented an approximately 2.8% ownership interest. In connection with the initial purchase, APC received a five-year warrant to purchase an additional 270,000 membership interests. A five-year option to purchase an additional 380,000 membership interests and a five-year warrant to purchase 480,000 membership interests were contingent upon the portal completion date. However, APC did not exercise the option after completion of the portal. As APC does not have the ability to exercise significant influence, and lacks control over the investee, this investment is accounted for using a measurement alternative, which allows the investment to be measured at cost, adjusted for observable price changes and impairments, with changes recognized in net income.

AchievaMed

In July 2019, NMM and AchievaMed, Inc., a California corporation ("AchievaMed"), entered into an agreement in which NMM would purchase 50% of the aggregate shares of capital stock of AchievaMed over a period of time not to exceed five years. As a result of this transaction, NMM invested $0.5 million for a 10% interest. The related investment balance of $0.5 million is included in investments in privately held entities in the accompanying consolidated balance sheets as of March 31, 2023. As NMM does not have the ability to exercise significant influence, and lacks control, over the investee, this investment is accounted for using a measurement alternative, which allows the investment to be measured at cost, adjusted for observable price changes and impairments, with changes recognized in net income.

6. Loan Receivable and Loan Receivable – Related Parties

Loan receivable

Pacific6

In October 2020, NMM received a promissory note from 6 Founder LLC, a California limited liability company doing business as Pacific6 Enterprises totaling $0.5 million as a result of the sale of the Company's interest in an equity method investment. Interest accrues at a rate of 5% per annum and is payable monthly through the maturity date of December 1, 2023.

Loan receivable** – **related party

LaSalle Medical Associates Loan ("LMA Loan")

LaSalle Medical Associates ("LMA") issued a promissory note to APC-LSMA for a principal amount of $2.1 million with an August 2023 maturity date. The contractual interest rate on the LMA Loan is 1.0% above the prime rate of interest for commercial customers. In March 2023, LMA paid off the full balance of the promissory note and all interest. APC's investment in LMA is accounted for under the equity method based on the 25% equity ownership interest held by APC-LSMA in LMA's IPA line of business (see Note 5 — "Investments in Other Entities — Equity Method").

The Company assessed the outstanding loan receivable and loan receivable — related parties under the CECL model by assessing the party's ability to pay by reviewing their interest payment history quarterly, financial history annually, and reassessing any insolvency risk that is identified. If a failure to pay occurs, the Company assesses the terms of the notes and estimates an expected credit loss based on the remittance schedule of the note.

7. Accounts Payable and Accrued Expenses

The Company's accounts payable and accrued expenses consisted of the following (in thousands):

	March 31, 2023	December 31, 2022
Accounts payable and other accruals	$ 13,887	$ 10,473
Capitation payable	4,077	4,229
Subcontractor IPA payable	2,870	2,415
Professional fees	2,396	2,709
Due to related parties	2,848	3,304
Contract liabilities	1,695	531
Accrued compensation	8,789	15,301
Other provider payable	12,924	10,600
Total accounts payable and accrued expenses	$ 49,486	$ 49,562

8. Medical Liabilities

The Company's medical liabilities consisted of the following (in thousands):

	March 31, 2023	March 31, 2022
Medical liabilities, beginning of period	$ 84,253	$ 55,783
Components of medical care costs related to claims incurred:		
Current period	223,713	153,535
Prior periods	(8,950)	(175)
Total medical care costs	214,763	153,360
Payments for medical care costs related to claims incurred:		
Current period	(136,743)	(70,120)
Prior periods	(61,736)	(44,035)
Total paid	(198,479)	(114,155)
Adjustments	857	770
Medical liabilities, end of period	$ 101,394	$ 95,758

9. Credit Facility, Bank Loans, and Lines of Credit

Credit Facility

The Company's debt balance consists of the following (in thousands):

	March 31, 2023	December 31, 2022
Revolver Loan	$ 180,000	$ 180,000
Real Estate Loans	23,015	23,168
Construction Loans	5,632	4,159
Total debt	208,647	207,327
Less: Current portion of debt	(621)	(619)
Less: Unamortized financing costs	(3,082)	(3,319)
Long-term debt	$ 204,944	$ 203,389

The estimated fair value of our long-term debt was determined using Level 2 inputs primarily related to comparable market prices. As of March 31, 2023 and December 31, 2022, the carrying value was not materially different from fair value, as the interest rates on the Company's debt approximated rates currently available to the Company.

The following are the future commitments of the Company's debt for the years ending December 31 (in thousands):

		Amount
2023 (excluding the three months ended March 31, 2023)	$	466
2024		6,274
2025		7,184
2026		180,454
2027		472
Thereafter		13,797
Total	$	208,647

Amended Credit Agreement

On June 16, 2021, the Company entered into an amended and restated credit agreement (the "Amended Credit Agreement" and the credit facility thereunder, the "Amended Credit Facility") with Truist Bank, in its capacity as administrative agent for the lenders, issuing bank, swingline lender and lender, Truist Securities, Inc., JPMorgan Chase Bank, N.A., MUFG Union Bank, N.A., Preferred Bank, Royal Bank of Canada, and Fifth Third Bank, National Association, in their capacities as joint lead arrangers and/or lenders, and the lenders from time to time party thereto, to, among other things, amend and restate that certain credit agreement, dated September 11, 2019, by and among the Company, Truist Bank, and certain lenders thereto (the credit facility thereunder, the "Credit Facility"), in its entirety. The Amended Credit Agreement provides for a five-year revolving credit facility to the Company of $400.0 million, which includes a letter of credit sub-facility of up to $25.0 million and a swingline loan sub-facility of $25.0 million. The revolving credit facility will be used to, among other things, refinance certain existing indebtedness of the Company and certain subsidiaries, finance certain future acquisitions and investments, and provide for working capital needs and other general corporate purposes. Under the Amended Credit Agreement, the terms and conditions of the Guaranty and Security Agreement (the "Guaranty and Security Agreement") between the Company, NMM and Truist Bank remain in effect.

The Company is required to pay an annual agent fee of $50,000 and an annual facility fee of 0.175% to 0.350% on the available commitments under the Amended Credit Agreement, regardless of usage, with the applicable fee determined on a quarterly basis based on the Company's leverage ratio. The Company will pay fees for standby letters of credit at an annual rate equal to 1.25% to 2.50%, as determined on a quarterly basis based on the Company's leverage ratio, plus facing fees and standard fees payable to the issuing bank on the respective letter of credit. The Company is also required to pay customary fees between the Company and Truist Bank, the lead arranger of the Amended Credit Agreement.

Generally, amounts borrowed under the Amended Credit Agreement bore interest at an annual rate equal to either, at the Company's option, (a) the rate for Eurocurrency deposits for the corresponding deposits of U.S. dollars appearing on LIBOR, adjusted for any reserve requirement in effect, plus a spread determined on a quarterly basis or (b) a base rate, plus a spread determined on a quarterly basis. On December 20, 2022, an amendment was made to the Amended Credit Facility, in which all amounts borrowed under the Amended Credit Agreement as of the effective date shall be automatically converted from LIBOR Loans to SOFR Loans with an initial interest period of one month on and as of the amendment effective date. As such, amounts borrowed under the Amended Credit Agreement bear interest at an annual rate equal to either, at the Company's option, (a) the Term SOFR Reference Rate, calculated two U.S. Government Securities Business Days prior to the first day of such interest period, as such rate is published by the Term SOFR Administrator (Federal Reserve Bank of New York), adjusted for any Term SOFR Adjustment, plus a spread of from 1.25% to 2.50%, as determined on a quarterly basis based on the Company's leverage ratio, or (b) a base rate, plus a spread of 0.25% to 1.50%, as determined on a quarterly basis based on the Company's leverage ratio. As of March 31, 2023, the interest rate on the Credit Agreement was 6.36%.

The Amended Credit Agreement requires the Company to comply with two key financial ratios, each calculated on a consolidated basis. The Company must maintain a maximum consolidated total net leverage ratio of not greater than 3.75 to 1.00 as of the last day of each fiscal quarter, provided that for any fiscal quarter during which the Company or certain subsidiaries consummate a permitted acquisition or investment, the aggregate purchase price is greater than $75.0 million, the maximum consolidated total net leverage ratio may temporarily increase by 0.25 to 1.00 to 4.00 to 1.00. The Company must maintain a minimum consolidated interest coverage ratio of not less than3.25 to 1.00 as of the last day of each fiscal quarter.

Pursuant to the Guaranty and Security Agreement, the Company and NMM have granted the lenders under the Amended Credit Agreement a security interest in all of their assets, including, without limitation, all stock and other equity issued by their subsidiaries (including NMM) and all rights with respect to the AP-AMH Loan.

In the ordinary course of business, certain of the lenders under the Amended Credit Agreement and their affiliates have provided to the Company and its subsidiaries and the associated practices, and may in the future provide, (i) investment banking, commercial banking, cash management, foreign exchange, or other financial services, and (ii) services as a bond trustee and other trust and fiduciary services, for which they have received compensation and may receive compensation in the future.

Deferred Financing Costs

In September 2019, the Company recorded deferred financing costs of $6.5 million related to its entry into the Credit Facility. In June 2021, the Company recorded additional deferred financing costs of $0.7 million related to its entry into the Amended Credit Facility. Deferred financing costs are recorded as a direct reduction of the carrying amount of the related debt liability using straight-line amortization. The remaining unamortized deferred financing costs related to the Credit Facility and the new costs related to the Amended Credit Facility are amortized over the life of the Amended Credit Facility. At March 31, 2023 and December 31, 2022, the unamortized deferred financing cost was $3.1 million and $3.3 million, respectively.

Real Estate Loans

MPP

On July 3, 2020, MPP entered into a loan agreement with East West Bank with a maturity date of August 5, 2030. As of March 31, 2023, the principal on the loan was $5.9 million with a variable interest rate of 0.50% less than the independent index, which is the daily *Wall Street Journal* “Prime Rate.” If the index is unavailable, East West Bank may designate a substitute index after notifying MPP. Monthly payments on the principal and any accrued interest rate not yet paid began in September 2020. MPP must maintain a Debt Coverage Ratio (defined as net operating income divided by current portion of long-term debt, plus interest expense) of not less than 1.25 to 1.

AMG Properties

On August 5, 2020, AMG Properties entered into a loan agreement with East West Bank with a maturity date of August 5, 2030. As of March 31, 2023, the principal on the loan was $0.6 million with a variable interest rate of 0.30% less than the independent index, which is the daily *Wall Street Journal* “Prime Rate.” If the index is unavailable, East West Bank may designate a substitute index after notifying AMG Properties. Monthly payments on the principal and any accrued interest rate not yet paid began in September 2020. AMG Properties must maintain a Debt Coverage Ratio (defined as net operating income divided by current portion of long-term debt, plus interest expense) of not less than 1.25 to 1.

ZLL

On July 27, 2020, ZLL entered into a loan agreement with East West Bank with a maturity date of August 5, 2030. As of March 31, 2023, the principal on the loan was $0.6 million with a variable interest rate of 0.50% less than the independent index, which is the daily *Wall Street Journal* “Prime Rate.” If the index is unavailable, East West Bank may designate a substitute index after notifying ZLL. Monthly payments on the principal and any accrued interest rate not yet paid began in

September 2020. ZLL must maintain a Debt Coverage Ratio (defined as net operating income divided by current portion of long-term debt, plus interest expense) of not less than 1.25 to 1.

120 Hellman LLC

On January 25, 2022, 120 Hellman LLC ("120 Hellman"), a subsidiary of APC, entered into a loan agreement with MUFG Union Bank N.A. with the principal on the loan of $16.3 million and a maturity date of March 1, 2032. The loan was used to purchase property in Monterey Park, California. As of March 31, 2023, the principal on the loan was $15.9 million. The variable interest rate is 2.0% in excess of Daily Simple SOFR, which is the daily rate per annum equal to the secured overnight financing rate as administered by the Federal Reserve Bank of New York. If the index is unavailable, MUFG Union Bank N.A. may designate a substitute index after notifying 120 Hellman. Monthly payments on the principal and interest began on April 1, 2022. Should interest not be paid when due, it shall become part of the principal and bear interest. 120 Hellman must maintain a Cash Flow to Debt Service ratio (defined as net profit after taxes, to which depreciation, amortization and other non-cash items are added and divided by the current portion of long-term debt and capital leases) of not less than 1.25 to 1 and 35% or more of the property must also be occupied by APC.

Construction Loans

In April 2021, Tag 8 entered into a construction loan agreement with MUFG Union Bank N.A. ("Construction Loan"). Tag 8 is a VIE consolidated by the Company.

The Construction Loan allows Tag 8 to borrow up to $10.7 million. In December 2022, the Construction loan was amended to extend the maturity date to March 1, 2024 ("Construction Loan Term"). If construction is completed and there are no events of default or substantial deterioration in the financial condition of Tag 8 or APC, guarantor on the loan agreement, at the maturity date of the Construction Loan Term, the loan shall convert to an amortizing loan with an amended extended maturity date of March 1, 2034 ("Permanent Loan Term"). Under the amended Construction Loan, upon conversion to the Permanent Loan Term, monthly principal and interest payments shall be made beginning April 1, 2024. The principal balance will bear interest at the SOFR reference rate. As of March 31, 2023, the likelihood of the construction being completed by the maturity date is probable. The loan balance as of March 31, 2023 was $5.6 million and was recorded as long-term debt, net of current portion and deferred financing costs in the accompanying consolidated balance sheets. Once the loan converts to the Permanent Loan Term, APC, as Tag 8's guarantor, must maintain a Cash Flow Coverage Ratio (defined as consolidated EBITDA minus unfinanced capital expenditures and distributions paid divided by the sum of current portion of long-term debt, plus interest expense) of not less than 1.25 to 1.

Effective Interest Rate

The Company's average effective interest rate on its total debt during the three months ended March 31, 2023 and 2022, was 5.69% and 1.78%, respectively. Interest expense in the consolidated statements of income included amortization of deferred debt issuance costs for the three months ended March 31, 2023 and 2022, of $0.2 million and $0.2 million, respectively.

Lines of Credit

APC Business Loan

On September 10, 2019, the APC Business Loan Agreement with Preferred Bank (the "APC Business Loan Agreement") was amended to, among other things, decrease loan availability to $4.1 million, limit the purpose of the indebtedness under the APC Business Loan Agreement to the issuance of standby letters of credit, and include as a permitted lien, the security interest in all of its assets that APC granted to NMM under a Security Agreement dated on or about September 11, 2019, securing APC's obligations to NMM under their management services agreement dated as of July 1, 1999, as amended.

Standby Letters of Credit

The Company established irrevocable standby letters of credit with Truist Bank under the Amended Credit Agreement for a total of $21.1 million for the benefit of CMS. Unless the institution provides notification that the standby letters of credit will be terminated prior to the expiration date, the letters will be automatically extended without amendment for additional one-year periods from the present, or any future expiration date.

APC established irrevocable standby letters of credit with Preferred Bank under the APC Business Loan Agreement for a total of $0.3 million for the benefit of certain health plans. The standby letters of credit are automatically extended without amendment for additional one-year periods from the present or any future expiration date, unless notified by the institution in advance of the expiration date that the letter will be terminated.

Alpha Care established irrevocable standby letters of credit with Preferred Bank under the APC Business Loan Agreement for a total of $3.8 million for the benefit of certain health plans. The standby letters of credit are automatically extended without amendment for additional one-year periods from the present or any future expiration date, unless notified by the institution in advance of the expiration date that the letter will be terminated.

10. Mezzanine and Stockholders' Equity

Mezzanine Equity

APC

As the redemption feature of the APC shares (see Note 2 — "Basis of Presentation and Summary of Significant Accounting Policies — Mezzanine Equity") is not solely within the control of APC, the equity of APC does not qualify as permanent equity and has been classified as non-controlling interests in APC as mezzanine or temporary equity. APC's shares were not redeemable, and it was not probable that the shares would become redeemable, as of March 31, 2023 and December 31, 2022.

Stockholders' Equity

As of March 31, 2023, 140,954 holdback shares have not been issued to certain former NMM shareholders who were NMM shareholders at the time of closing of the 2017 Merger, as they have yet to submit properly completed letters of transmittal to ApolloMed in order to receive their pro rata portion of ApolloMed common stock and warrants as contemplated under the 2017 merger agreement. Pending such receipt, such former NMM shareholders have the right to receive, without interest, their pro rata share of dividends or distributions with a record date after the effectiveness of the 2017 Merger. The consolidated financial statements have treated such shares of common stock as outstanding, given the receipt of the letter of transmittal is considered perfunctory and the Company is legally obligated to issue these shares in connection with the 2017 Merger.

Treasury Stock

APC owned 10,299,259 and 10,299,259 shares of ApolloMed's common stock, respectively, as of March 31, 2023 and December 31, 2022. While such shares of ApolloMed's common stock are legally issued and outstanding, they are treated as treasury shares for accounting purposes and excluded from shares of common stock outstanding in the consolidated financial statements.

During the three months ended March 31, 2023 the Company bought back 270,081 of its common stock. These are included in as treasury stock.

As March 31, 2023 and December 31, 2022, the total treasury stock was 10,569,340 and 10,299,259 respectively.

Dividends

During the three months ended March 31, 2023 and 2022, CDSC paid dividends of $0 and $1.5 million, respectively.

11. Stock-Based Compensation

The following table summarizes the stock-based compensation expense recognized under all of the Company's stock plans for the three months ended March 31, 2023 and 2022, and associated with the issuance of restricted shares of common stock and vesting of stock options that are included in general and administrative expenses in the accompanying consolidated statements of income (in thousands):

	Three Months Ended March 31,	
	2023	2022
Stock options	$ 566	$ 780
Restricted stock	2,879	2,275
Total stock-based compensation expense	$ 3,445	$ 3,055

Unrecognized compensation expense related to total share-based payments outstanding as of March 31, 2023 was $21.4 million.

Options

The Company's outstanding stock options consisted of the following:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in millions)
Options outstanding at January 1, 2023	859,850	$ 25.88	2.19	$ 10.3
Options granted	—	—	—	—
Options exercised	(125,000)	10.00	—	3.3
Options outstanding at March 31, 2023	734,850	$ 28.58	2.26	$ 11.5
Options exercisable at March 31, 2023	637,906	$ 20.21	1.82	$ 11.2

During the three months ended March 31, 2023, options were exercised for125,000 shares of the Company's common stock, resulting in proceeds of $1.3 million. During the three months ended March 31, 2022, options were exercised for 38,500 shares of the Company's common stock, resulting in proceeds of $0.7 million.

Restricted Stock

The Company grants restricted stock to officers and employees, which are earned based on service conditions. The grant date fair value of the restricted stock is that day's closing market price of the Company's common stock. During the three months ended March 31, 2023, no restricted stocks were granted.

Warrants

All warrants issued by the Company have expired as of December 31, 2022. As a result, there are no outstanding warrants as of March 31, 2023 and December 31, 2022. During the three months ended March 31, 2022, common stock warrants were exercised for 86,235 shares of the Company's common stock, which resulted in proceeds of approximately $0.9 million. The exercise price ranged from $10.00 to $11.00 per share for the exercises during the three months ended March 31, 2022.

12. Commitments and Contingencies

Regulatory Matters

Laws and regulations governing the Medicare program and healthcare generally are complex and subject to interpretation. The Company believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medi-Cal programs.

As a risk-bearing organization, the Company is required to follow regulations of the Department of Managed Health Care ("DMHC"). The Company must comply with a minimum working capital requirement, tangible net equity ("TNE") requirement, cash-to-claims ratio, and claims payment requirements prescribed by the DMHC. TNE is defined as net assets less intangibles, less non-allowable assets (which include amounts due from affiliates), plus subordinated obligations.

Many of the Company's payor and provider contracts are complex in nature and may be subject to differing interpretations regarding amounts due for the provision of medical services. Such differing interpretations may not come to light until a substantial period of time has passed following contract implementation. Liabilities for claims disputes are recorded when the loss is probable and can be estimated. Any adjustments to reserves are reflected in current operations.

Standby Letters of Credit

The Company established irrevocable standby letters of credit with Truist Bank for a total of $21.1 million for the benefit of CMS (see Note 9 — "Credit Facility, Bank Loans, and Lines of Credit — Standby Letters of Credit").

APC and Alpha Care established irrevocable standby letters of credit with a Preferred Bank for a total of $0.3 million and $3.8 million, respectively, for the benefit of certain health plans (see Note 9 — "Credit Facility, Bank Loans, and Lines of Credit — Standby Letters of Credit").

Litigation

From time to time, the Company is involved in various legal proceedings and other matters arising in the normal course of its business. The resolution of any claim or litigation is subject to inherent uncertainty and could have a material adverse effect on the Company's financial condition, cash flows, or results of operations.

Liability Insurance

The Company believes that its insurance coverage is appropriate based upon the Company's claims experience and the nature and risks of the Company's business. In addition to the known incidents that have resulted in the assertion of claims, the Company cannot be certain that its insurance coverage will be adequate to cover liabilities arising out of claims asserted against the Company, the Company's affiliated professional organizations or the Company's affiliated hospitalists in the future where the outcomes of such claims are unfavorable. The Company believes that the ultimate resolution of all pending claims, including liabilities in excess of the Company's insurance coverage, will not have a material adverse effect on the Company's financial position, results of operations, or cash flows; however, there can be no assurance that future claims will not have such a material adverse effect on the Company's business. Contracted physicians are required to obtain their own insurance coverage.

Although the Company currently maintains liability insurance policies on a claims-made basis, which are intended to cover malpractice liability and certain other claims, the coverage must be renewed annually, and may not continue to be available to the Company in future years at acceptable costs, and on favorable terms.

13. Related-Party Transactions

During the three months ended March 31, 2023 and 2022, NMM recognized approximately $5.0 million and $6.3 million, respectively, in management fees from LMA. LMA is accounted for under the equity method based on the 25% equity ownership interest held by APC in LMA's IPA line of business (see Note 5 — "Investments in Other Entities - Equity Method").

During the three months ended March 31, 2023 and 2022, NMM recognized approximately $0.5 million and $0.4 million, respectively, in management fees from Arroyo Vista Family Health Center ("Arroyo Vista"). Arroyo Vista's chief executive officer is a member of the Company's board of directors.

APC and PMIOC have an Ancillary Service Contract together whereby PMIOC provides covered services on behalf of APC to enrollees of the plans of APC. During the three months ended March 31, 2023 and 2022, APC paid approximately $0.6 million and $0.7 million, respectively, to PMIOC for provider services, which is accounted for under the equity method based on the 40% equity ownership interest held by APC (see Note 5 — "Investments in Other Entities — Equity Method").

During the three months ended March 31, 2023 and 2022, APC paid approximately $56,000 and $39,000, respectively, to Advanced Diagnostic Surgery Center for services as a provider. Advanced Diagnostic Surgery Center shares common ownership with certain board members of APC.

During the three months ended March 31, 2023 and 2022, APC paid approximately $8,000 and $0.1 million, respectively, to Fulgent Genetics, Inc. for services as a provider. One of the Company's board members is a board member of Fulgent Genetics, Inc.

During the three months ended March 31, 2023 and 2022, APC paid approximately $64,000 and $55,000, respectively, to Arroyo Vista for services as a provider. Arroyo Vista's chief executive officer is a member of the Company's board of directors.

During the three months ended March 31, 2023 and 2022, the Company paid approximately $0.2 million and $0.9 million, respectively, to Sunny Village Care Center for services as a provider. Sunny Village Care Center shares common ownership with certain ApolloMed officers and board members of APC.

During the three months ended March 31, 2023, ApolloMed paid $9.5 million, to purchase ApolloMed's stock from a board member.

During the three months ended March 31, 2023 and 2022, NMM paid approximately $0.4 million and $0.4 million, respectively, to One MSO for an office lease, which is accounted for under the equity method based on 50% equity ownership interest held by APC (see Note 5 — "Investments in Other Entities — Equity Method").

During the three months ended March 31, 2023 and 2022, Advanced Diagnostic and Surgical Center paid approximately $0.1 million and $0.1 million, respectively, to MPP for rent. Advanced Diagnostic Surgery Center shares common ownership with certain board members of APC.

During the three months ended March 31, 2023, Sunny Village Care Center paid approximately $0.3 million to Tag 6 for rent. Tag 6 was consolidated by APC in August 2022. Sunny Village Care Center shares common ownership with certain ApolloMed officers and board members of APC.

The Company has agreements with Health Source MSO Inc., a California corporation ("HSMSO"), Aurion Corporation ("Aurion"), and AHMC for services provided to the Company. One of the Company's board members is an officer of AHMC, HSMSO, and Aurion. Aurion is also partially owned by one of the Company's board members. The following table sets forth fees incurred and income received related to AHMC, HSMSO, and Aurion (in thousands):

	Three Months Ended March 31,	
	2023	2022
AHMC – Risk pool, capitation, claims payment	$ 8,084	$ 11,366
HSMSO – Management fees, net	146	(80)
Aurion – Management fees	(50)	(75)
Receipts, net	$ 8,180	$ 11,211

The Company and AHMC have a risk-sharing agreement with certain AHMC hospitals to share the surplus and deficits of each of the hospital pools. Under this agreement, during the three months ended March 31, 2023 and 2022, the Company has recognized risk pool revenue of $13.0 million and $12.0 million, respectfully, and has a risk pool receivable balance of $66.9 million and $58.7 million as of March 31, 2023 and December 31, 2022, respectively.

During the three months ended March 31, 2023 and 2022, APC paid an aggregate of approximately $9.4 million and $9.3 million, respectively, to board members for provider services which included approximately $1.3 million and $1.9 million, respectively, to board members who are also officers of APC.

In addition, affiliates wholly owned by the Company's officers, including Dr. Thomas Lam, ApolloMed's Co-CEO and President, are reported in the accompanying consolidated statements of operations on a consolidated basis, together with the Company's subsidiaries, and therefore, the Company does not separately disclose transactions between such affiliates and the Company's subsidiaries as related-party transactions.

For equity method investments and loans receivable from related parties, see Note 5 — "Investment in Other Entities — Equity Method" and Note 6 — "Loan Receivable and Loan Receivable — Related Parties," respectively.

14. Income Taxes

The Company uses the liability method of accounting for income taxes as set forth in ASC 740 *Income Taxes*. Under the liability method, deferred taxes are determined based on differences between the financial statement and tax bases of assets and liabilities using enacted tax rates.

On an interim basis, the Company estimates what its anticipated annual effective tax rate will be and records a quarterly income tax provision in accordance with the estimated annual rate, plus the tax effect of certain discrete items that arise during the quarter. As the fiscal year progresses, the Company refines its estimates based on actual events and financial results during the quarter. This process can result in significant changes to the Company's estimated effective tax rate. When this occurs, the income tax provision is adjusted during the quarter in which the estimates are refined so that the year-to-date provision reflects the estimated annual effective tax rate. These changes, along with adjustments to the Company's deferred taxes and related valuation allowance, may create fluctuations in the overall effective tax rate from quarter to quarter.

As of March 31, 2023, due to the overall cumulative losses incurred in recent years, the Company maintained a full valuation allowance against its deferred tax assets related to loss entities the Company cannot consolidate under the federal tax consolidation rules, as realization of these assets is uncertain.

The Company's effective income tax rate for the three months ended March 31, 2023 and 2022, was 26.3% and 34.0%, respectively. The tax rate for the three months ended March 31, 2023, differed from the U.S. federal statutory rate primarily due to state income taxes, income from flow-through entities, non-deductible permanent items, and change in valuation allowance.

As of March 31, 2023, the Company does not have any unrecognized tax benefits related to various federal and state income tax matters. The Company will recognize accrued interest and penalties related to unrecognized tax benefits in income tax expense.

The Company is subject to U.S. federal income tax as well as income tax in California. The Company and its subsidiaries' state and federal income tax returns are open to audit under the statute of limitations for the years ended December 31, 2019 through December 31, 2022, and for the years ended December 31, 2018 through December 31, 2022, respectively. The Company does not anticipate material changes to the unrecognized tax benefits within the next 12 months.

15. Earnings Per Share

Basic earnings per share is calculated using the weighted average number of shares of the Company's common stock issued and outstanding during a certain period, and is calculated by dividing net income attributable to ApolloMed by the weighted average number of shares of the Company's common stock issued and outstanding during such period. Diluted earnings per share is calculated using the weighted average number of shares of common stock and potentially dilutive shares of common stock outstanding during the period, using the as-if converted method for secured convertible notes, preferred stock, and the treasury stock method for options and common stock warrants.

As of March 31, 2023 and December 31, 2022, APC held 10,299,259 and 10,299,259 shares of ApolloMed's common stock, respectively, which are treated as treasury shares for accounting purposes and not included in the number of shares of common stock outstanding used to calculate earnings per share.

For the three months ended March 31, 2023 and 2022, restricted stock of 136,932 and 0, respectively, were excluded from the computation of diluted weighted average common shares outstanding because the assumed proceeds, as calculated under the treasury stock method, resulted in these awards being antidilutive.

For the three months ended March 31, 2023 and 2022, 395,472 and 0 of contingently issuable shares were excluded from the computation of diluted weighted average common shares outstanding because these conditions were not achieved as of March 31, 2023 and 2022, respectively.

Below is a summary of the earnings per share computations:

Three Months Ended March 31,	2023	2022
Earnings per share – basic	$ 0.31	$ 0.32
Earnings per share – diluted	$ 0.31	$ 0.31
Weighted average shares of common stock outstanding – basic	46,555,406	44,681,218
Weighted average shares of common stock outstanding – diluted	46,954,687	45,994,868

Below is a summary of the shares included in the diluted earnings per share computations:

Three Months Ended March 31,	2023	2022
Weighted average shares of common stock outstanding – basic	46,555,406	44,681,218
Stock options	306,933	482,337
Warrants	—	729,422
Restricted stock awards	48,191	101,891
Contingently issuable shares	44,157	—
Weighted average shares of common stock outstanding – diluted	46,954,687	45,994,868

16. Variable Interest Entities (VIEs)

A VIE is defined as a legal entity whose equity owners do not have sufficient equity at risk, or, as a group, the holders of the equity investment at risk lack any of the following three characteristics: decision-making rights, the obligation to absorb losses, or the right to receive the expected residual returns of the entity. The primary beneficiary is identified as the variable interest holder that has both the power to direct the activities of the VIE that most significantly affect the entity's economic performance and the obligation to absorb expected losses or the right to receive benefits from the entity that could potentially be significant to the VIE.

The Company follows guidance on the consolidation of VIEs that requires companies to utilize a qualitative approach to determine whether it is the primary beneficiary of a VIE. See Note 2 — "Basis of Presentation and Summary of Significant Accounting Policies — Variable Interest Entities" to the accompanying consolidated financial statements for information on how the Company determines VIEs and their treatment.

The following table includes assets that can only be used to settle the liabilities of APC and its consolidated entities and VIEs, including Alpha Care and Accountable Health Care, and to which the creditors of ApolloMed have no recourse, and liabilities to which the creditors of APC, including Alpha Care and Accountable Health Care, have no recourse to the general credit of ApolloMed, as the primary beneficiary of the VIEs. These assets and liabilities, with the exception of the investment in a privately held entity that does not report net asset value per share and amounts due to affiliates, which are eliminated upon consolidation with NMM, are included in the accompanying consolidated balance sheets (in thousands). The assets and liabilities of the Company's other consolidated VIEs were not considered significant.

	March 31, 2023	December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	$ 96,018	$ 97,669
Investment in marketable securities	1,538	4,543
Receivables, net	14,369	11,503
Receivables, net – related party	70,565	62,190
Other receivables	1,268	1,236
Prepaid expenses and other current assets	18,241	9,289
Loan receivable	—	22
Loan receivable – related party	—	2,125
Amount due from affiliates*	33,979	30,340
Total current assets	235,978	218,917
Non-current assets		
Land, property, and equipment, net	110,829	106,486
Intangible assets, net	51,667	53,964
Goodwill	116,804	118,161
Investment in affiliates*	375,614	304,755
Investments in other entities – equity method	29,758	27,561
Investment in privately held entities	405	405
Operating lease right-of-use assets	4,961	6,503
Other assets	3,513	4,169
Total non-current assets	693,551	622,004
Total assets	$ 929,529	$ 840,921
Current liabilities		
Accounts payable and accrued expenses	$ 22,823	$ 23,632
Fiduciary accounts payable	8,923	7,853
Medical liabilities	43,948	48,100
Income taxes payable	8,065	1,083
Dividends payable	638	638
Current portion of long-term debt	621	619
Finance lease liabilities	579	594
Operating lease liabilities	1,489	1,800

	March 31, 2023	December 31, 2022
Total current liabilities	87,086	84,319
Non-current liabilities		
Long-term debt, net of current portion and deferred financing costs	27,965	26,645
Deferred tax liability	813	1,465
Finance lease liabilities, net of current portion	1,136	1,275
Operating lease liabilities, net of current portion	6,136	7,484
Other long-term liabilities	8,686	8,542
Total non-current liabilities	44,736	45,411
Total liabilities	$ 131,822	$ 129,730

*Investment in affiliates includes APC's investment in ApolloMed, which is reflected as treasury shares and eliminated upon consolidation. Amount due from affiliates are receivables with ApolloMed's subsidiaries and consolidated VIEs. As a result, these balances are eliminated upon consolidation and are not reflected on ApolloMed's consolidated balance sheets as of March 31, 2023 and December 31, 2022.

17. Leases

The Company has operating and finance leases for corporate offices, physicians' offices, and certain equipment. These leases have remaining lease terms offive months to twelve years. Some of the leases may include options to extend the lease terms for up toten years, and some of the leases may include options to terminate the leases withinone year. As of March 31, 2023 and December 31, 2022, assets recorded under finance leases were $1.7 million and $1.8 million, respectively, and accumulated depreciation associated with finance leases were $1.2 million and $1.0 million, respectively.

Also, the Company rents or subleases certain real estate to third parties, which are accounted for as operating leases.

Leases with an initial term of 12 months or less are not recorded on the balance sheets.

The components of lease expense were as follows (in thousands):

	Three Months Ended March 31,	
	2023	2022
Operating lease cost	$ 1,751	$ 1,574
Finance lease cost		
Amortization of lease expense	154	141
Interest on lease liabilities	22	20
Sublease income	(248)	(126)
Total lease cost, net	$ 1,679	$ 1,609

Other information related to leases was as follows (in thousands):

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Supplemental Cash Flow Information		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 1,742	$ 1,547
Operating cash flows from finance leases	154	20
Financing cash flows from finance leases	22	141

	Three months ended March 31, 2023	Three months ended March 31, 2022
Weighted Average Remaining Lease Term		
Operating leases	6.64 years	6.09 years
Finance leases	3.22 years	3.31 years
Weighted Average Discount Rate		
Operating leases	5.63 %	6.10 %
Finance leases	4.95 %	4.31 %

The following are future minimum lease payments under non-cancellable leases for the years ending December 31 (in thousands) below:

	Operating Leases	Finance Leases
2023 (excluding the three months ended March 31, 2023)	$ 3,337	$ 497
2024	4,058	607
2025	3,683	444
2026	3,454	190
2027	3,092	132
Thereafter	8,413	—
Total future minimum lease payments	26,037	1,870
Less: imputed interest	4,639	155
Total lease liabilities	21,398	1,715
Less: current portion	3,234	579
Long-term lease liabilities	$ 18,164	$ 1,136

As of March 31, 2023, the Company does not have additional operating and finance leases that have not yet commenced.

18. Segments

The Company evaluates the performance of its operating segments based on segment revenue growth as well as operating income. Management uses revenue growth and total segment operating income as a measure of the performance of operating businesses separate from non-operating factors. The Company's reportable segments changed from one to three in the first quarter of 2023 as a result of certain changes to the information regularly provided to the Company's chief operating decision makers ("CODMs") when reviewing the Company's performance as well as an effort to provide additional transparency to investors and other financial statement users which the Company believes will assist in the evaluation of changes in the operating results of the Company's segments separate from non-operational factors that affect net income, thus providing insight into both operations and other factors impacting reported results. As of March 31, 2023, we report our business results around the following segments: Care Enablement, Care Partners, and Care Delivery.

Our Care Enablement segment is integrated, end-to-end clinical and administrative platform, powered by our proprietary technology suite, which provides operational, clinical, financial, technology, management, and strategic services in order to enable success in the delivery of high-quality, value-based care for providers and payers. Revenue for this segment is primarily comprised of management and software fees, charged as a percentage of gross revenue or on a per-member-per-month basis.

Our Care Partners segment is focused on building and managing high-quality and high-performance provider networks by partnering with, empowering, and investing in strong provider partners with a shared vision for coordinated care delivery. Through our network of IPAs, ACOs, and Restricted Knox-Keen licensed health plan, our healthcare delivery entities are responsible for coordinating and delivering high quality care to our patients. Under relevant accounting guidance, while our IPAs and ACO are two operating segments, they share similar economic characteristics and meet other criteria which permit us to aggregate them into a single reportable segment, which we have done. Revenue for this segment is primarily comprised of capitation and risk pool settlements and incentives.

Our Care Delivery segment is a patient-centric, data-driven care delivery organization focused on delivering high-quality and accessible care to all patients. Our care delivery organization includes primary care, multi-specialty care, and ancillary care services. Revenue is primarily earned based on fee-for-service reimbursements, capitation, and performance-based incentives.

Other is not a reportable segment and primarily consists of real estate operations and other entities that are individually immaterial. Revenue is comprised of equipment sales and subscription service to our Clinical AI platform. Real estate revenue is presented in other income.

In the normal course of business, our reportable segments enter into transactions with each another. While intersegment transactions are treated like third-party transactions to determine segment performance, the revenues recognized by a segment and expenses incurred by the counterparty are eliminated in consolidation and do not affect consolidated results.

Corporate costs are unallocated and primarily include corporate initiatives, corporate infrastructure costs and corporate shared costs, such as finance, human resources, legal, and executives.

Prior periods have been recast to conform to the current presentation. Our segments are not evaluated using asset information.

The following table presents information about our segments (in thousands):

	Three months ended March 31, 2023						
	Care Enablement	Care Partners	Care Delivery	Other	Intersegment Elimination	Corporate Costs	Consolidated Total
Total revenues	$ 30,566	$ 314,653	$ 25,383	$ 240	$ (33,598)	$ —	$ 337,244
Cost of services	15,621 —	286,078 —	21,363 —	63 —	(33,728)	—	289,397
General and administrative[(1)]	9,199	6,254	4,986	660	(1,034)	5,409	25,474
Total expenses	24,820	292,332	26,349	723	(34,762)	5,409	314,871
Income (loss) from operations	$ 5,746	$ 22,321	$ (966)	$ (483)	$ 1,164 [(2)]	$ (5,409)	$ 22,373

	Three months ended March 31, 2022						
	Care Enablement	Care Partners	Care Delivery	Other	Intersegment Elimination	Corporate Costs	Consolidated Total
Total revenues	$ 29,390	$ 241,293	$ 20,326	$ 89	$ (27,840)	$ —	$ 263,258
Cost of services	13,517	218,673	16,192	45	(27,697)	—	220,730
General and administrative[(1)]	4,529	5,213	3,043	476	(619)	3,675	16,317
Total expenses	18,046	223,886	19,235	521	(28,316)	3,675	237,047
Income (loss) from operations	$ 11,344	$ 17,407	$ 1,091	$ (432)	$ 476 [(2)]	$ (3,675)	$ 26,211

[(1)] Balance includes general and administrative expenses and depreciation and amortization.

[(2)] Income from operations for the intersegment elimination represents rental income from segments renting from other segments. Rental income is presented within other income which is not presented in the table.

19. Subsequent Events

On May 1, 2023, the Company closed its purchase of For Your Benefit Inc. ("FYB"). FYB is affiliated with AAMG and is licensed by the California Department of Managed Health Care as a full-service Restricted Knox-Keene licensed health plan, which enables FYB to assume full financial responsibility, including both professional and institutional risk, for the medical costs of its members under the Knox-Keene Health Care Service Plan Act of 1975.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the unaudited consolidated financial statements and the notes thereto included in Part I, Item 1, "Financial Statements" of this Quarterly Report on Form 10-Q. In addition, reference is made to our audited consolidated financial statements and notes thereto and related Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on March 1, 2023.

Overview

Apollo Medical Holdings, Inc. is a leading physician-centric, technology-powered, risk-bearing healthcare management company. Leveraging its proprietary population health management and healthcare delivery platform, ApolloMed operates an integrated, value-based healthcare model, which aims to empower the providers in its network to deliver the highest quality of care to its patients in a cost-effective manner. Together with our affiliated physician groups and consolidated entities, we provide coordinated outcomes-based medical care in a cost-effective manner.

The majority of our patients are covered by private or public insurance provided through Medicare, Medicaid, and health maintenance organizations (“HMOs”). However, a small portion of our revenue comes from non-insured patients. We provide care coordination services to each major constituent of the healthcare delivery system, including patients, families, primary care physicians, specialists, acute care hospitals, alternative sites of inpatient care, physician groups, and health plans. Our physician network consists of primary care physicians, specialist physicians, physician and specialist extenders, and hospitalists. We operate primarily through Apollo Medical Holdings, Inc. (“ApolloMed”) and the following subsidiaries: NMM, AMM, and APAACO and their consolidated entities, including consolidated VIEs. Refer to Note 2 — “Basis of Presentation and Summary of Significant Accounting Policies” to our consolidated financial statements under Item 1 in this Quarterly Report on Form 10-Q for all consolidated entities.

Led by a management team with several decades of experience, we focus on physicians providing high-quality medical care, population health management, and patient care coordination. As a result, we are well-positioned to take advantage of the shift in the U.S. healthcare industry toward providing value-based and results-oriented healthcare with a focus on patient satisfaction, high-quality care, and cost efficiency.

Through our accountable care organization and a network of IPAs with more than 12,000 contracted physicians, we are responsible for coordinating care in value-based care arrangements for approximately 1.3 million patients primarily in California as of March 31, 2023.

Recent and Other Developments

On May 1, 2023, the Company closed its purchase of For Your Benefit Inc. (“FYB”). FYB is affiliated with AAMG and is licensed by the California Department of Managed Health Care as a full-service Restricted Knox-Keene licensed health plan, which enables FYB to assume full financial responsibility, including both professional and institutional risk, for the medical costs of its members under the Knox-Keene Health Care Service Plan Act of 1975.

Key Financial Measures and Indicators

Operating Revenues

Our revenue, which is recorded in the period in which services are rendered and earned, primarily consists of capitation revenue, risk pool settlements and incentives, GPDC/ACO REACH revenue, management fee income, and fee-for-services (“FFS”) revenue. The form of billing and related risk of collection for such services may vary by type of revenue and the customer.

Operating Expenses

Our largest expenses consist of the cost of: (i) patient care paid to contracted providers; (ii) information technology equipment and software, and; (iii) hiring staff to provide management and administrative support services to our affiliated physician groups, as further described in the following sections. These services include claims processing, utilization management, contracting, accounting, credentialing, and administrative oversight.

Results of Operations

Apollo Medical Holdings, Inc.
Consolidated Statements of Income
(In thousands)
(Unaudited)

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022	$ Change	% Change
Revenue				
Capitation, net	$ 300,204	$ 222,060	$ 78,144	35 %
Risk pool settlements and incentives	13,462	18,075	(4,613)	(26) %
Management fee income	9,896	10,473	(577)	(6) %
Fee-for-services, net	12,062	11,095	967	9 %
Other income	1,620	1,555	65	4 %
Total revenue	337,244	263,258	73,986	28 %
Operating expenses				
Cost of services, excluding depreciation and amortization	289,397	220,730	68,667	31 %
General and administrative expenses	21,182	11,943	9,239	77 %
Depreciation and amortization	4,292	4,374	(82)	(2) %
Total expenses	314,871	237,047	77,824	33 %
Income from operations	22,373	26,211	(3,838)	(15) %
Other expense				
Income from equity method investments	2,484	1,433	1,051	73 %
Interest expense	(3,269)	(1,073)	(2,196)	205 %
Interest income	3,009	46	2,963	*
Unrealized loss on investments	(6,392)	(8,962)	2,570	(29) %
Other income	1,204	613	591	96 %
Total other expense, net	(2,964)	(7,943)	4,979	(63) %
Income before provision for income taxes	19,409	18,268	1,141	6 %
Provision for income taxes	5,102	6,195	(1,093)	(18) %
Net income	14,307	12,073	2,234	19 %
Net loss attributable to non-controlling interest	(315)	(2,191)	1,876	(86) %
Net income attributable to Apollo Medical Holdings, Inc.	$ 14,622	$ 14,264	$ 358	3 %

* Percentage change of over 500%

Net Income Attributable to Apollo Medical Holdings, Inc.

Our net income attributable to Apollo Medical Holdings, Inc. for the three months ended March 31, 2023 was $14.6 million, as compared to $14.3 million for the same period in 2022, an increase of $0.4 million.

Physician Groups and Patients

As of March 31, 2023 and 2022, we managed a total of 15 and 12 independent physician groups that are affiliated and non-affiliated, respectively. The total number of patients for whom we managed the delivery of healthcare services was approximately 1.3 million and 1.2 million, respectively.

Revenue

Our revenue for the three months ended March 31, 2023 was $337.2 million, as compared to $263.3 million for the three months ended March 31, 2022, an increase of $74.0 million, or 28%. The increase in revenue was primarily attributable to the capitation revenue. Capitation revenue increased by approximately $78.1 million driven by organic membership growth in our core IPAs and increased participation in a value-based Medicare fee-for-service model.

Cost of Services, Excluding Depreciation and Amortization

Expenses related to cost of services for the three months ended March 31, 2023 were $289.4 million, as compared to $220.7 million for the same period in 2022, an increase of $68.7 million. The overall increase was primarily due to increased participation in a value-based Medicare fee-for-service model and growth in membership, which was commensurate to our increase in revenue.

General and Administrative Expenses

General and administrative expenses for the three months ended March 31, 2023 were $21.2 million, as compared to $11.9 million for the same period in 2022, an increase of $9.2 million, or 77%. The increase is primarily due to an increase in headcount and other general and administrative expenses to support operational growth.

Depreciation and Amortization

Depreciation and amortization expenses for the three months ended March 31, 2023 were $4.3 million, as compared to $4.4 million for the same period in 2022. This amount includes depreciation of property and equipment and the amortization of intangible assets.

Income (Loss) From Equity Method Investments

Income from equity method investments for the three months ended March 31, 2023 was $2.5 million, as compared to $1.4 million for the same period in 2022, an increase of $1.1 million. The increase in income from equity method investments was primarily due to APC's equity method investment in LMA. For the three months ended March 31, 2023 and 2022, APC recognized income from this investment of $2.2 million and $1.3 million, an increase of $0.9 million.

Interest Expense

Interest expense for the three months ended March 31, 2023 was $3.3 million, as compared to $1.1 million for the same period in 2022, an increase of $2.2 million. The increase in interest expense was due to higher interest rates. On March 31, 2023, the interest rate on the Amended Credit Agreement was 6.36% compared to 2.38% on March 31, 2022.

Interest Income

Interest income for the three months ended March 31, 2023 was $3.0 million compared to $46,000 for the three months ended March 31, 2022. The increase in interest income is due to more bank accounts becoming interest-bearing. Interest income reflects interest earned on cash held in bank accounts, money market and certificate of deposit accounts and the interest from notes receivable.

Unrealized Loss on Investments

Unrealized loss for the three months ended March 31, 2023 was $6.4 million, as compared to $9.0 million for the same period in 2022, a decrease in unrealized loss of $2.6 million. The decrease in unrealized loss on investments was primarily driven by fluctuations in the stock price from one of the investments we hold shares in. The change in the stock price was smaller for the three months ended March 31, 2023 compared to the three months ended March 31, 2022, resulting in the decrease.

Other Income

Other income for the three months ended March 31, 2023 was $1.2 million, as compared to other income of $0.6 million for the same period in 2022, an increase of $0.6 million. The increase in other income was primarily due to an increase in rental income from APC's consolidated entities.

Provision for Income Taxes

Provision for income taxes was $5.1 million for the three months ended March 31, 2023 as compared to provision for income taxes of $6.2 million for the same period in 2022, a decrease of $1.1 million. The decrease in provision for income taxes was due to a lower effective tax rate.

Net Loss Attributable to Non-controlling Interests

Net loss attributable to non-controlling interests for the three months ended March 31, 2023 was $0.3 million, as compared to net loss attributable to non-controlling interests for the three months ended March 31, 2022 of $2.2 million, respectively, an increase in net income attributable to non-controlling interest of $1.9 million. The increase was primarily driven by a decrease in unrealized loss resulting from the change in the fair value of our marketable securities related to shares held of a payor partner.

2023 Guidance

ApolloMed is reiterating the following guidance for total revenue, net income, EBITDA, Adjusted EBITDA, and EPS - diluted, based on the Company's existing business, current view of existing market conditions and assumptions for the year ending December 31, 2023.

($ in millions)	2023 Guidance Range	
	Low	**High**
Total revenue	$ 1,300.0	$ 1,500.0
Net income	$ 49.5	$ 71.5
EBITDA	$ 89.5	$ 129.5
Adjusted EBITDA	$ 120.0	$ 160.0
EPS – diluted	$ 0.95	$ 1.20

See "Guidance Reconciliation of Net Income to EBITDA and Adjusted EBITDA" and "Use of Non-GAAP Financial Measures" below for additional information. There can be no assurance that actual amounts will not be materially higher or lower than these expectations. See "Forward-Looking Statements" below for additional information.

Guidance Reconciliation of Net Income to EBITDA and Adjusted EBITDA

	2023 Guidance Range	
(in thousands)	Low	High
Net income	$ 49,500	$ 71,500
Interest expense	1,000	1,000
Provision for income taxes	23,000	38,000
Depreciation and amortization	16,000	19,000
EBITDA	89,500	129,500
Loss (income) from equity method investments	(750)	(750)
Other, net	3,250	3,250
Stock-based compensation	16,000	16,000
APC excluded assets costs	12,000	12,000
Adjusted EBITDA	$ 120,000	$ 160,000

Set forth below are reconciliations of Net Income to EBITDA and Adjusted EBITDA for the three months ended March 31, 2023 and 2022:

Reconciliation of Net Income to EBITDA and Adjusted EBITDA

	Three Months Ended March 31,	
(in thousands)	2023	2022
Net income	$ 14,307	$ 12,073
Interest expense	3,269	1,073
Interest income	(3,009)	(46)
Provision for income taxes	5,102	6,195
Depreciation and amortization	4,292	4,374
EBITDA	23,961	23,669
Income from equity method investments	(249)	(148)
Other, net	1,402 (1)	—
Stock-based compensation	3,445	3,055
APC excluded assets costs	1,266	7,784
Adjusted EBITDA	$ 29,825	$ 34,360 (2)

(1) Other, net for the three months ended March 31, 2023 relates to changes in the fair value of our financing obligation to purchase the remaining equity interest in one of our investments.

(2) Adjusted EBITDA under the historical method for the three months ended March 31, 2022 was $38.2 million. See “Use of Non-GAAP Financial Measures” below for additional information on change of methodology.

Use of Non-GAAP Financial Measures

This Quarterly Report on Form 10-Q contains the non-GAAP financial measures EBITDA and Adjusted EBITDA, of which the most directly comparable financial measure presented in accordance with U.S. generally accepted accounting principles ("GAAP") is net income. These measures are not in accordance with, or alternatives to GAAP, and may be different from other non-GAAP financial measures used by other companies. The Company uses Adjusted EBITDA as a supplemental performance measure of our operations, for financial and operational decision-making, and as a supplemental means of evaluating period-to-period comparisons on a consistent basis. Adjusted EBITDA is calculated as earnings before interest, taxes, depreciation, and amortization, excluding income or loss from equity method investments, non-recurring and non-cash transactions, stock-based compensation, and APC excluded assets costs. Beginning in the third quarter ended September 30, 2022, the Company has revised the calculation for Adjusted EBITDA to exclude provider bonus payments and losses from recently acquired IPAs, which it believes to be more reflective of its business.

The Company believes the presentation of these non-GAAP financial measures provides investors with relevant and useful information, as it allows investors to evaluate the operating performance of the business activities without having to account for differences recognized because of non-core or non-recurring financial information. When GAAP financial measures are viewed in conjunction with non-GAAP financial measures, investors are provided with a more meaningful understanding of the Company's ongoing operating performance. In addition, these non-GAAP financial measures are among those indicators the Company uses as a basis for evaluating operational performance, allocating resources, and planning and forecasting future periods. Non-GAAP financial measures are not intended to be considered in isolation, or as a substitute for, GAAP financial measures. To the extent this release contains historical or future non-GAAP financial measures, the Company has provided corresponding GAAP financial measures for comparative purposes. The reconciliation between certain GAAP and non-GAAP measures is provided above.

Liquidity and Capital Resources

Cash, cash equivalents, and investment in marketable securities at March 31, 2023 totaled $278.7 million as compared to $293.6 million at December 31, 2022. Working capital totaled $292.7 million at March 31, 2023, as compared to $287.8 million at December 31, 2022, an increase of $4.9 million.

We have historically financed our operations primarily through internally generated funds. We generate cash primarily from capitation contracts, risk pool settlements and incentives, fees for medical management services provided to our affiliated physician groups, and FFS reimbursements. We generally invest cash in money market accounts, which are classified as cash and cash equivalents. We believe we have sufficient liquidity to fund our operations through at least the next 12 months.

Our cash and cash equivalents decreased by $13.4 million from $288.0 million at December 31, 2022, to $274.6 million at March 31, 2023. Cash provided by operating activities for the three months ended March 31, 2023 was $7.7 million, as compared to cash provided by operating activities of $24.0 million for the three months ended March 31, 2022. The decrease in cash provided by operating activities was primarily driven by changes in net income and working capital. For the three months ended March 31, 2023, net income exclusive of depreciation and amortization, amortization of debt issuance cost, share-based compensation, unrealized gains or losses, income or loss from equity method investments, and deferred tax was $27.0 million compared to $29.3 million for the three months ended March 31, 2022. Working capital for the three months ended March 31, 2023 decreased operating cash flow by $19.3 million, compared to a $5.2 million decrease in operating cash flow at March 31, 2022. The change in working capital for the three months ended March 31, 2023 was mainly driven by an increase in receivables, net, and increase in medical liabilities related to the Company's participation in value-based Medicare fee-for-service model, increase in related party receivables primarily related to risk pool settlements, decrease in accounts payable and accrued liabilities, and decrease in income tax receivable

Cash used in investing activities during the three months ended March 31, 2023 was $14.0 million, primarily due to deposit for purchase of property of $8.8 million, purchases of property and equipment of $6.0 million, purchase of marketable securities of $1.0 million, and purchase of an equity method investment of $0.3 million. The cash used in investing activities was partially offset by proceeds from repayment of a loan receivable of $2.1 million. Cash used in investing activities during the three months ended March 31, 2022 was $19.7 million, primarily due to purchases of property and equipment of $17.5 million, payments for business acquisition of $1.0 million, and funding for an equity method investment of $1.4 million. The cash used in investing activities was partially offset by a distribution received from an equity method investment of $0.2 million.

Cash used in financing activities during the three months ended March 31, 2023 was $7.1 million as compared to cash provided by financing activities of $0.5 million for the three months ended March 31, 2022. Cash used in financing activities during the three months ended March 31, 2023 was primarily due to repurchase of treasury stock of $9.5 million, dividend payments of $0.1 million, repayment of debt of $0.2 million, and a repayment of finance lease obligations of $0.2 million. This was partially offset by borrowings from bank loans totaling $1.6 million and proceeds from the exercise of options of $1.3 million. Cash provided by financing activities for the three months ended March 31, 2022 was primarily due to a borrowing on Tag 8's Construction Loan for $0.7 million and proceeds from the exercise of options and warrants of $1.6 million. This was partially offset by dividend payment of $1.2 million, repurchase of shares of $0.2 million, purchase of non-controlling interest of $0.2 million and repayment of finance lease obligations of $0.1 million.

Excluded Assets

In September 2019, APC and AP-AMH entered into Second Amendment to Series A Preferred Stock Purchase Agreement, which clarified the term excluded assets ("Excluded Assets"). Excluded Assets means (i) assets received from the sale of shares of the Series A Preferred Stock equal to the Series A Purchase Price (as defined in the purchase agreement), (ii) the assets of APC that are not Healthcare Services Assets (as defined in the purchase agreement), including APC's equity interests in Apollo Medical Holdings, Inc., and any entity that is primarily engaged in the business of owning, leasing, developing, or otherwise operating real estate, (iii) any assets acquired with the proceeds of the sale, assignment, or other disposition of any of the assets described in clauses (i) or (ii), and (iv) any proceeds of the assets described in clauses (i), (ii), and (iii).

The Excluded Assets as of March 31, 2023 are primarily comprised of assets and liabilities from operating real estate and proceeds from the sale of UCI. Any dividends issued to APC shareholders are paid using cash from Excluded Assets. As of March 31, 2023 and December 31, 2022, the Excluded Assets balance consisted of the following (in thousands):

	March 31, 2023	December 31, 2022
Cash and cash equivalents	$ 16,141	$ 30,163
Investment in marketable securities	1,538	4,543
Land, property, and equipment, net	106,299	101,349
Investments in other entities – equity method	29,758	27,561
Other receivables and assets	12,495	3,907
Other liabilities	(3,314)	(4,754)
Long-term debt	(28,586)	(27,264)
Total Excluded Assets	$ 134,331	$ 135,505

	March 31, 2023	March 31, 2022
Total operating expenses	$ 919	$ 541
Total other (expense) income, net	$ (878)	$ (7,534)
Excluded Assets net loss	$ (1,798)	$ (8,075)

Credit Facilities

The Company's debt balance consisted of the following (in thousands):

		March 31, 2023
Revolver Loan	$	180,000
Real Estate Loans		23,015
Construction Loans		5,632
Total debt		208,647
Less: Current portion of debt		(621)
Less: Unamortized financing costs		(3,082)
Long-term debt	$	204,944

The following are the future commitments of the Company's debt for the years ending December 31 (in thousands) below:

		Amount
2023 (excluding the three months ended March 31, 2023)	$	466
2024		6,274
2025		7,184
2026		180,454
2027		472
Thereafter		13,797
Total	$	208,647

Credit Agreement

On June 16, 2021, the Company entered into an amended and restated credit agreement (the "Amended Credit Agreement" and the credit facility thereunder, the "Amended Credit Facility") with Truist Bank, in its capacities as administrative agent for the lenders (in such capacity, the "Agent"), issuing bank, swingline lender and a lender, Truist Securities, Inc., JPMorgan Chase Bank, N.A., MUFG Union Bank, N.A., Preferred Bank, Royal Bank of Canada, and Fifth Third Bank, National Association, in their capacities as joint lead arrangers and/or lenders (the "Lenders"), and Bank of the West, The Toronto-Dominion Bank, New York Branch, Well Fargo, National Association, and City National Bank in their capacities as Lenders, to, among other things, amend and restate that certain credit agreement, dated September 11, 2019, by and among the Company, certain Lenders and the Agent (the credit facility thereunder, the "Credit Facility"), in its entirety.

The Amended Credit Agreement provides for a five-year revolving credit facility ("Revolver Loan") to the Company of $400.0 million, which includes a letter of credit sub-facility of up to $25.0 million and a swingline loan sub-facility of $25.0 million. The revolving credit facility will be used to, among other things, refinance certain existing indebtedness of the Company and certain subsidiaries, finance certain future acquisitions and investments, and provide for working capital needs and other general corporate purposes. Under the Amended Credit Agreement, the terms and conditions of the Guaranty and Security Agreement remain in effect.

The Amended Credit Agreement requires the Company to comply with two key financial ratios, each calculated on a consolidated basis.

On December 20, 2022, an amendment was made to the Amended Credit Facility, in which all amounts borrowed under the Amended Credit Agreement as of the effective date shall be automatically converted from LIBOR Loans to SOFR Loans with an initial interest period of one month on and as of the amendment effective date.

Refer to Note 9 — "Credit Facility, Bank Loans, and Lines of Credit" to our consolidated financial statements under Item 1 in this Quarterly Report on Form 10-Q for additional information.

Deferred Financing Costs

In September 2019, the Company recorded deferred financing costs of $6.5 million related to its entry into the Credit Facility. In June 2021, the Company recorded additional deferred financing costs of $0.7 million related to its entry into the Amended Credit Facility. Deferred financing costs are recorded as a direct reduction of the carrying amount of the related debt liability using straight-line amortization. The remaining unamortized deferred financing costs related to the Credit Facility and the new costs related to the Amended Credit Facility are amortized over the life of the Amended Credit Facility.

Effective Interest Rate

The Company's average effective interest rate on its total debt during the three months ended March 31, 2023 and 2022 was 5.69% and 1.78%, respectively. Interest expense in the consolidated statements of income included amortization of deferred debt issuance costs for the three months ended March 31, 2023 and 2022 of $0.2 million and $0.2 million, respectively.

Real Estate Loans

On December 31, 2020, using cash comprised solely of Excluded Assets, APC purchased a 100% interest in MPP, AMG Properties, and ZLL. As a result of the purchase on the date of acquisition, APC assumed $6.4 million, $0.7 million, and $0.7 million of existing loans held by MPP, AMG Properties, and ZLL, respectively. Refer to Note 9 — "Credit Facility, Bank Loans, and Lines of Credit" to our consolidated financial statements under Item 1 in this quarterly report on Form 10-Q for additional information.

On January 25, 2022, 120 Hellman entered into a real estate loan agreement with MUFG Union Bank N.A. and borrowed $16.3 million. Refer to Note 9 — "Credit Facility, Bank Loans, and Lines of Credit" to our consolidated financial statements under Item 1 in this quarterly report on Form 10-Q for additional information.

Construction Loans

In April 2021, Tag 8 entered into a construction loan agreement with MUFG Union Bank N.A. ("Construction Loan") that allows Tag 8 to borrow up to $10.7 million. Tag 8 is a VIE consolidated by the Company. Refer to Note 9 — "Credit Facility, Bank Loans, and Lines of Credit" to our consolidated financial statements under Item 1 in this quarterly report on Form 10-Q for additional information.

Intercompany Loans

Each of AMH, MMG, AKM Medical Group, Inc. (“AKM”), SCHC, and Bay Area Hospitalist Associates (“BAHA”) has entered into an Intercompany Loan Agreement with AMM under which AMM has agreed to provide a revolving loan commitment to each such affiliated entity in an amount set forth in each Intercompany Loan Agreement. Each Intercompany Loan Agreement with AMM provides that AMM’s obligation to make any advances automatically terminates upon the termination of the management agreement with the applicable affiliated entity. In addition, each Intercompany Loan Agreement provides that (i) any material breach by the shareholder of record of the applicable Physician Shareholder Agreement, or (ii) the termination of the management agreement with the applicable affiliated entity constitutes an event of default under the Intercompany Loan Agreement. All the intercompany loans have been eliminated in consolidation (in thousands).

Jade entered into an Intercompany Loan Agreement with NMM, pursuant to which NMM agreed to provide a revolving loan commitment to Jade. The Intercompany Loan agreement between NMM and Jade matures on June 1, 2024.

			Three months ended March 31, 2023			
Entity	**Intercompany Credit Facility**	**Interest Rate per Annum**	**Maximum Balance During Period**	**Ending Balance**	**Principal Paid During Period**	**Interest Paid During Period**
AMH	$ 10,000	10 %	$ 6,588	$ 6,588	$ —	$ —
MMG	3,000	10 %	3,663	3,663	—	—
AKM	5,000	10 %	—	—	—	—
SCHC	5,000	10 %	5,362	5,362	—	—
BAHA	250	10 %	4,066	3,945	—	—
Jade	10,000	5 %	5,000	5,000	—	—
	$ 33,250		$ 24,679	$ 24,558	$ —	$ —

Critical Accounting Policies and Estimates

The preparation of financial statements and related disclosures in conformity with U.S. GAAP requires our management to make judgments, assumptions, and estimates that affect the amounts of revenue, expenses, income, assets, and liabilities, reported in our consolidated financial statements and accompanying notes. Actual results and the timing of recognition of such amounts could differ from those judgments, assumptions, and estimates. In addition, judgments, assumptions, and estimates routinely require adjustment based on changing circumstances and the receipt of new or better information. Understanding our accounting policies and the extent to which our management uses judgment, assumptions, and estimates in applying these policies, therefore, is integral to understanding our financial statements. Critical accounting policies and estimates are defined as those that are reflective of significant judgments and uncertainties, and potentially result in materially different results under different assumptions and conditions. We summarize our most significant accounting policies in relation to the accompanying consolidated financial statements in Note 2 — “Basis of Presentation” thereto. Please also refer to the Critical Accounting Policies section of Management’s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

Off-Balance Sheet Arrangements

As of March 31, 2023, we had no off-balance sheet arrangements that are or have been reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources that are material to investors.

Inflation

Inflation and changing prices have had a *de minimis* effect on our continuing operations over our two most recent fiscal years.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Borrowings under our Amended Credit Agreement exposed us to interest rate risk. As of March 31, 2023, we had $180.0 million in outstanding borrowings under our Amended Credit Agreement. The amount borrowed under the Amended Credit Agreement bears interest at an annual rate equal to either, at the Company's option, (a) the Term SOFR Reference Rate, calculated two U.S. Government Securities Business Days prior to the first day of such interest period, as such rate is published by the Term SOFR Administrator (Federal Reserve Bank of New York), adjusted for any Term SOFR Adjustment, plus a spread of from 1.25% to 2.50%, as determined on a quarterly basis based on the Company's leverage ratio, or (b) a base rate, plus a spread of 0.25% to 1.50%, as determined on a quarterly basis based on the Company's leverage ratio. In addition, as of March 31, 2023, Tag 8, a VIE consolidated by the Company, had $5.6 million in outstanding borrowings for the Construction Loan. Interest rate on the Construction Loan is equal to an index rate determined by the bank. Furthermore, as of March 31, 2023, APC had $23.0 million in outstanding borrowings for real estate loans related to ZLL, MPP, AMG Properties, and 120 Hellman ("Real Estate Loans").The Real Estate Loans with ZLL, MPP, and AMG Properties bear interest that is subject to change from time to time based on changes in an independent index, which is the daily *Wall Street Journal* "Prime Rate", as quoted in the "Money Rates" column of The *Wall Street Journal* (Western edition) as determined by the Lender (the "Index"). On the dates of the agreement, the Index is 3.25% per annum. Under no circumstances will the interest rate on this loan be less than 3.50% per annum or more than the maximum rate allowed by applicable law. 120 Hellman's Real Estate Loan has a variable interest rate of 2.0% in excess of Daily Simple SOFR, which is the daily rate per annum equal to the secured overnight financing rate as administered by the Federal Reserve Bank of New York. The Company has entered into interest rate swap agreements and collar agreements for certain agreements to effectively convert its floating-rate debt to a fixed-rate basis or to a rate within the agreed upon range. The principal objective of these contracts is to eliminate or reduce the variability of the cash flows in interest payments associated with the Company's floating-rate debt, thus reducing the impact of interest rate changes on future interest payment cash flows. A hypothetical 1% change in our interest rates for our outstanding borrowings under our Credit Agreement, Construction Loans, and Real Estate Loans would have increased or decreased our interest expense for the year ended March 31, 2023 by $2.1 million.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of March 31, 2023, we carried out an evaluation, under the supervision and with the participation of our management, including our Co-Chief Executive Officers and Interim Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, our management, including Co-Chief Executive Officers and Interim Chief Financial Officer, concluded that our disclosure controls and procedures as defined in Rules 13a-15(e) and 15(d)-15(e) under the Exchange Act, were effective as of March 31, 2023 to ensure that information required to be disclosed by us in this Quarterly Report on Form 10-Q or submitted under the Exchange Act is (i) recorded, processed, summarized, and reported within the time periods specified in the SEC rules and forms, and (ii) accumulated and communicated to our management, including our principal executive officers and principal financial officer, as appropriate, to allow timely decisions regarding required disclosures.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under Exchange Act) during our first fiscal quarter of 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the ordinary course of our business, we, from time to time, become involved in pending and threatened legal actions and proceedings. Many of the Company's payor and provider contracts are complex in nature and may be subject to differing interpretations regarding amounts due for the provision of medical services, which may not come to light until a substantial period of time has passed following contract implementation. We may also become subject to other lawsuits which could involve significant claims and/or significant defense costs, but as of the date of this Quarterly Report on Form 10-Q, except as disclosed, we are not a party to any lawsuit or proceeding which management expects to, individually or in the aggregate, have a material adverse effect on us or our business. The resolution of any claim or litigation is subject to inherent uncertainty and could have a material adverse effect on the Company's financial condition, cash flows, or results of operations.

ITEM 1A. RISK FACTORS

Our business, financial condition, and operating results are affected by a number of factors, whether currently known or unknown, including risks specific to us or the healthcare industry, as well as risks that affect businesses in general. In addition to the information and risk factors set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed in Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on March 1, 2023. The risks disclosed in such Annual Report and in this Quarterly Report could materially adversely affect our business, financial condition, cash flows, or results of operations and thus our stock price. We believe there have been no material changes in our risk factors from those disclosed in the Annual Report. However, additional risks and uncertainties not currently known or which we currently deem to be immaterial may also materially adversely affect our business, financial condition, or results of operations.

These risk factors may be important to understanding other statements in this Quarterly Report and should be read in conjunction with the consolidated financial statements and related notes in Part I, Item 1, "Financial Statements" and Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Quarterly Report on Form 10-Q. Because of such risk factors, as well as other factors affecting the Company's financial condition and operating results, past financial performance should not be considered to be a reliable indicator of future performance, and investors should not use historical trends to anticipate results or trends in future periods.

We currently, and may in the future, have assets held at financial institutions that exceed the insurance coverage offered by the Federal Deposit Insurance Corporation, the loss of such assets would have a severe negative affect on our operations and liquidity.

We maintain our cash assets at certain financial institutions in the U.S. in amounts that are significantly in excess of the FDIC insurance limit of $250,000. As of March 31, 2023, our deposit accounts with banks exceeded the FDIC's insured limit by approximately $306.5 million. In the event of a failure of any financial institutions where we maintain our deposits or other assets, we may incur a significant loss to the extent such loss exceeds the FDIC insurance limitation, which could have a material adverse effect upon our liquidity, financial condition and our results of operations.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table provides information about purchases made by the Company of shares of the Company's common stock during the three months ended March 31, 2023.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs [1]	Approximate Dollar Value of Shares that May Yet be Purchased Under the Program [1]
January 1, 2023 to January 31, 2023	—	$ —	—	$ —
February 1, 2023 to February 28, 2023	—	$ —	—	$ —
March 1, 2023 to March 31, 2023	270,081	$ 35.32	270,081	$ 40,460,739
Total	270,081	$ 35.32	270,081	$ 40,460,739

[1] In December 2022, ApolloMed's Board of Directors approved a share repurchase plan authorizing the Company to repurchase up to $50.0 million of its shares of common stock on the open market and through privately negotiated transactions. This share repurchase plan does not have an expiration date. The Board may suspend or discontinue the repurchase program at any time. This repurchase program does not obligate the Company to make additional repurchases at any specific time or in any specific situation.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The following exhibits are either incorporated by reference into or filed or furnished with this Quarterly Report on Form 10-Q, as indicated below.

Exhibit No.	Description
2.1†	Agreement and Plan of Merger, dated December 21, 2016, among Apollo Medical Holdings, Inc., Network Medical Management, Inc., Apollo Acquisition Corp., and Kenneth Sim, M.D. (the "Merger Agreement") (incorporated herein by reference to Annex A to the joint proxy statement/prospectus filed pursuant to Rule 424(b)(3) on November 15, 2017, that is a part of a Registration Statement on Form S-4)
2.2	Amendment to the Merger Agreement, dated March 30, 2017, among Apollo Medical Holdings, Inc., Network Medical Management, Inc., Apollo Acquisition Corp., and Kenneth Sim, M.D. (incorporated herein by reference to Annex A to the joint proxy statement/prospectus filed pursuant to Rule 424(b)(3) on November 15, 2017 that is a part of a Registration Statement on Form S-4)
2.3	Amendment No. 2 to the Merger Agreement, dated October 17, 2017, among Apollo Medical Holdings, Inc., Network Medical Management, Inc., Apollo Acquisition Corp. and Kenneth Sim, M.D. (incorporated herein by reference to Annex A to the joint proxy statement/prospectus filed pursuant to Rule 424(b)(3) on November 15, 2017 that is a part of a Registration Statement on Form S-4)
2.4†	Stock purchase agreement dated March 15, 2019 (incorporated herein by reference to Exhibit 2.4 to the Company's Quarterly Report on Form 10-Q filed on May 10, 2019)

3.1	Restated Certificate of Incorporation (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on January 21, 2015)
3.2	Certificate of Amendment of Restated Certificate of Incorporation (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on April 27, 2015)
3.3	Certificate of Amendment of Restated Certificate of Incorporation (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on December 13, 2017)
3.4	Certificate of Amendment of Restated Certificate of Incorporation (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed June 21, 2018)
3.5	Restated Bylaws (incorporated herein by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q filed on November 16, 2015)
3.6	Amendment to Sections 3.1 and 3.2 of Article III of Bylaws (incorporated herein by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on December 13, 2017)
3.7	Amendment to Sections 3.1 and 3.2 of Article III of Bylaws (incorporated herein by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed on June 21, 2018)
4.1	Certificate of Designation of Series A Convertible Preferred Stock (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on October 19, 2015).
4.2	Amended and Restated Certificate of Designation of Apollo Medical Holdings, Inc. (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on April 4, 2016).
4.3	Form of Certificate for Common Stock of Apollo Medical Holdings, Inc., par value $0.001 per share (incorporated herein by reference to Exhibit 4.1 to the Company's Annual Report on Form 10-K filed on April 2, 2018).
4.4	Form of Warrant issued as Merger Consideration pursuant to the Merger Agreement for the purchase of Common Stock of Apollo Medical Holdings, Inc., exercisable at $11.00 per share (incorporated herein by reference to Exhibit 4.3 to the Company's Annual Report on Form 10-K filed on April 2, 2018).
4.5	Form of Warrant issued as Merger Consideration pursuant to the Merger Agreement for the purchase of Common Stock of Apollo Medical Holdings, Inc., exercisable at $10.00 per share (incorporated herein by reference to Exhibit 4.4 to the Company's Annual Report on Form 10-K filed on April 2, 2018).
4.6	Common Stock Purchase Warrant ("Series A Warrant") dated October 14, 2015, originally issued by Apollo Medical Holdings, Inc. to Network Medical Management, Inc. to purchase 1,111,111 shares of common stock and subsequently issued as Merger Consideration pursuant to the Merger Agreement (incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on October 19, 2015).
4.7	Form of Assignment of Series A Warrant as Merger Consideration pursuant to the Merger Agreement (incorporated herein by reference to Exhibit 4.6 to the Company's Annual Report on Form 10-K filed on April 2, 2018).
4.8	Common Stock Purchase Warrant ("Series B Warrant") dated March 30, 2016, originally issued by Apollo Medical Holdings, Inc. to Network Medical Management, Inc. to purchase 555,555 shares of common stock and subsequently issued as Merger Consideration pursuant to the Merger Agreement (incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on April 4, 2016).
4.9	Form of Assignment of Series B Warrant as Merger Consideration pursuant to the Merger Agreement (incorporated herein by reference to Exhibit 4.8 to the Company's Annual Report on Form 10-K filed on April 2, 2018).
4.10	Description of Registered Securities
31.1*	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.3*	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32**	Certification of Principal Executive Officers and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document

101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)
*	Filed herewith.
**	Furnished herewith
+	Management contract or compensatory plan, contract or arrangement
†	The schedules and exhibits thereof have been omitted pursuant to Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule or exhibit will be furnished to the SEC upon request.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

APOLLO MEDICAL HOLDINGS, INC.

Dated: May 10, 2023	By:	/s/ Thomas Lam
		Thomas Lam, M.D., M.P.H. Co-Chief Executive Officer & President (Principal Executive Officer)
Dated: May 10, 2023	By:	/s/ Brandon Sim
		Brandon Sim Co-Chief Executive Officer (Principal Executive Officer)
Dated: May 10, 2023	By:	/s/ Chandan Basho
		Chandan Basho Chief Financial Officer (Principal Financial Officer)

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

PURSUANT TO

SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Thomas Lam, M.D., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Apollo Medical Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2023

/s/ Thomas Lam

Thomas Lam
Co-Chief Executive Officer and President
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

PURSUANT TO

SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Brandon Sim, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Apollo Medical Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	May 10, 2023	/s/ Brandon Sim
		Brandon Sim Co-Chief Executive Officer (Principal Executive Officer)

EXHIBIT 31.3

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

PURSUANT TO

SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Chandan Basho, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Apollo Medical Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	May 10, 2023	/s/ Chandan Basho
		Chandan Basho Chief Financial Officer (Principal Financial Officer)

EXHIBIT 32

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICERS AND PRINCIPAL FINANCIAL OFFICER

PURSUANT TO

18 U.S.C. SECTION 1350.

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Thomas Lam, M.D., certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Apollo Medical Holdings, Inc. for the quarter ended March 31, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of Apollo Medical Holdings, Inc.

Date: May 10, 2023

/s/ Thomas Lam

Thomas Lam
Co-Chief Executive Officer and President
(Principal Executive Officer)

I, Brandon Sim, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Apollo Medical Holdings, Inc. for the quarter ended March 31, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of Apollo Medical Holdings, Inc.

Date: May 10, 2023

/s/ Brandon Sim

Brandon Sim
Co-Chief Executive Officer
(Principal Executive Officer)

I, Chandan Basho, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Apollo Medical Holdings, Inc. for the quarter ended March 31, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of Apollo Medical Holdings, Inc.

Date: May 10, 2023

/s/ Chandan Basho

Chandan Basho
Chief Financial Officer
(Principal Financial Officer)