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DELTA REPORT

10-Q

AWX - AVALON HOLDINGS CORP

10-Q - JUNE 30, 2023 COMPARED TO 10-Q - MARCH 31, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	594
CHANGES	198
DELETIONS	175
ADDITIONS	221

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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 June 30, 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 number 1-14105

AVALON HOLDINGS CORPORATION

(Exact name of registrant as specified in its charter)

Ohio	34-1863889
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One American Way, Warren, Ohio	44484-5555
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(330) 856-8800**

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, $0.01 par value	AWX	NYSE American

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

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

The registrant had 3,287,647 shares of its Class A Common Stock and 611,784 shares of its Class B Common Stock outstanding as of May 3, 2023 August 11, 2023.

AVALON HOLDINGS CORPORATION AND SUBSIDIARIES

INDEX

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

AVALON HOLDINGS CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Operations (Unaudited)

(in thousands, except per share amounts)

	Three Months Ended March 31,	Three Months Ended June 30,	Six Months Ended June 30,

	2023	2022	2023	2022	2023	2022
Net operating revenues:						
Waste management services	$ 12,652	$ 9,339	$ 10,298	$ 10,717	$ 22,950	$ 20,056
Food, beverage and merchandise sales	1,974	1,665	3,995	3,563	5,968	5,228
Other golf and related operations	3,749	3,305	6,328	5,242	10,077	8,547
Total golf and related operations	5,723	4,970	10,323	8,805	16,045	13,775
Total net operating revenues	18,375	14,309	20,621	19,522	38,995	33,831
Costs and expenses:						
Waste management services operating costs	10,380	7,578	8,224	8,492	18,604	16,070
Cost of food, beverage and merchandise	1,023	748	1,811	1,525	2,834	2,273
Golf and related operations operating costs	4,836	4,055	6,987	5,731	11,823	9,786
Depreciation and amortization expense	940	829	955	842	1,895	1,671
Selling, general and administrative expenses	2,530	2,265	2,501	2,340	5,030	4,605
Operating loss	(1,334)	(1,166)				
Operating income (loss)			143	592	(1,191)	(574)
Other income (expense):						
Interest expense	(515)	(278)	(529)	(274)	(1,044)	(552)
Other income, net	81	64	205	119	286	183
Loss before income taxes	(1,768)	(1,380)				
Income (loss) before income taxes			(181)	437	(1,949)	(943)
Provision for income taxes	31	20	23	33	54	53
Net loss	(1,799)	(1,400)				
Net income (loss)			(204)	404	(2,003)	(996)
Less net loss attributable to non-controlling interest in subsidiaries	(122)	(138)	(52)	(80)	(174)	(218)
Net loss attributable to Avalon Holdings Corporation common shareholders	$ (1,677)	$ (1,262)				
Net income (loss) attributable to Avalon Holdings Corporation common shareholders			$ (152)	$ 484	$ (1,829)	$ (778)
Loss per share attributable to Avalon Holdings Corporation common shareholders:						
Basic net loss per share	$ (0.43)	$ (0.32)				
Diluted net loss per share	$ (0.43)	$ (0.32)				

Income (loss) per share attributable to Avalon Holdings Corporation common shareholders:			Income (loss) per share attributable to Avalon Holdings Corporation common shareholders:			
Basic net income (loss) per share			$ (0.04)	$ 0.12	$ (0.47)	$ (0.20)
Diluted net income (loss) per share			$ (0.04)	$ 0.12	$ (0.47)	$ (0.20)
Weighted average shares outstanding - basic	3,899	3,899	3,899	3,899	3,899	3,899
Weighted average shares outstanding - diluted	3,899	3,899	3,899	3,922	3,899	3,899

See accompanying notes to unaudited condensed consolidated financial statements.

AVALON HOLDINGS CORPORATION AND SUBSIDIARIES

Condensed Consolidated Balance Sheets (Unaudited)

(in thousands, except per share amounts)

	March 31, 2023	**December 31, 2022**	**June 30, 2023**	**December 31, 2022**
Assets				
Current Assets:				
Cash and cash equivalents	$ 1,270	$ 1,624	$ 2,217	$ 1,624
Accounts receivable, less allowance for credit losses	13,427	11,127	11,081	11,127
Unbilled membership dues receivable	747	599	1,083	599
Inventories	1,731	1,461	1,830	1,461
Prepaid expenses	1,456	1,172	1,046	1,172
Other current assets	39	105	15	105
Total current assets	18,670	16,088	17,272	16,088
Property and equipment, net	57,038	56,805	57,112	56,805
Property and equipment under finance leases, net	5,156	5,001	5,187	5,001
Operating lease right-of-use assets	1,406	1,386	1,294	1,386
Restricted cash	10,438	10,426	10,450	10,426

Noncurrent deferred tax asset	8	8	8	8
Other assets, net	35	36	34	36
Total assets	$ 92,751	$ 89,750	$ 91,357	$ 89,750
Liabilities and Equity				
Current liabilities:				
Current portion of long-term debt	$ 511	$ 503	$ 520	$ 503
Current portion of obligations under finance leases	139	115	139	115
Current portion of obligations under operating leases	432	424	423	424
Accounts payable	13,202	10,995	11,614	10,995
Accrued payroll and other compensation	1,381	989	1,171	989
Accrued income taxes	96	103	91	103
Other accrued taxes	406	540	507	540
Deferred membership dues revenue	4,900	3,643	5,737	3,643
Other liabilities and accrued expenses	1,934	1,544	1,891	1,544
Total current liabilities	23,001	18,856	22,093	18,856
Long-term debt, net of current portion	29,622	29,758	29,489	29,758
Line of credit	2,200	1,550	2,200	1,550
Obligations under finance leases, net of current portion	509	381	463	381
Obligations under operating leases, net of current portion	974	962	871	962
Asset retirement obligation	100	100	100	100
Equity:				
Avalon Holdings Corporation Shareholders' Equity:				
Class A Common Stock, $.01 par value	33	33	33	33
Class B Common Stock, $.01 par value	6	6	6	6
Paid-in capital	59,206	59,205	59,206	59,205
Accumulated deficit	(22,431)	(20,754)	(22,583)	(20,754)
Total Avalon Holdings Corporation Shareholders' Equity	36,814	38,490	36,662	38,490
Non-controlling interest in subsidiaries	(469)	(347)	(521)	(347)
Total equity	36,345	38,143	36,141	38,143
Total liabilities and equity	$ 92,751	$ 89,750	$ 91,357	$ 89,750

See accompanying notes to unaudited condensed consolidated financial statements.

AVALON HOLDINGS CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statement of Shareholders' Equity (Unaudited)

(in thousands, except for share data)

	For the Three Months Ended March 31, 2023								
	Common Stock						Total		
	Shares		Amount		Paid-in	Accumulated	Avalon Shareholders'	Non-controlling Interest in	
	Class A	Class B	Class A	Class B	Capital	Deficit	Equity	Subsidiaries	Total
Balance at January 1, 2023	3,287,647	611,784	$ 33	$ 6	$ 59,205	$ (20,754)	$ 38,490	$ (347)	$ 38,143
Stock options - compensation costs	-	-	-	-	1	-	1	-	1
Net loss	-	-	-	-	-	(1,677)	(1,677)	(122)	(1,799)
Balance at March 31, 2023	3,287,647	611,784	$ 33	$ 6	$ 59,206	$ (22,431)	$ 36,814	$ (469)	$ 36,345

	For the Three Months Ended June 30, 2023								
	Common Stock						Total		
	Shares		Amount		Paid-in	Accumulated	Avalon Shareholders'	Non-controlling Interest in	
	Class A	Class B	Class A	Class B	Capital	Deficit	Equity	Subsidiaries	Total
Balance at April 1, 2023	3,287,647	611,784	$ 33	$ 6	$ 59,206	$ (22,431)	$ 36,814	$ (469)	$ 36,345
Net loss	-	-	-	-	-	(152)	(152)	(52)	(204)

Balance at June 30, 2023	3,287,647	611,784	$ 33	$ 6	$ 59,206	$ (22,583)	$ 36,662	$ (521)	$ 36,141

	For the Three Months Ended March 31, 2022								
	Common Stock						Total		
	Shares		Amount		Paid-in	Accumulated	Avalon Shareholders'	Non-controlling Interest in	
	Class A	Class B	Class A	Class B	Capital	Deficit	Equity	Subsidiary	Total
Balance at January 1, 2022	3,287,647	611,784	$ 33	$ 6	$ 59,201	$ (20,171)	$ 39,069	$ (92)	$ 38,977
Stock options - compensation costs	-	-	-	-	1	-	1	-	1
Investment in subsidiary from accredited investor	-	-	-	-	-	-	-	142	142
Net loss	-	-	-	-	-	(1,262)	(1,262)	(138)	(1,400)
Balance at March 31, 2022	3,287,647	611,784	$ 33	$ 6	$ 59,202	$ (21,433)	$ 37,808	$ (88)	$ 37,720

	For the Three Months Ended June 30, 2022								
	Common Stock						Total		
	Shares		Amount		Paid-in	Accumulated	Avalon Shareholders'	Non-controlling Interest in	
	Class A	Class B	Class A	Class B	Capital	Deficit	Equity	Subsidiary	Total

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Balance at April 1, 2022	3,287,647	611,784	$ 33	$ 6	$ 59,202	$ (21,433)	$ 37,808	$ (88)	$ 37,720
Stock options - compensation costs	-	-	-	-	1	-	1	-	1
Net income (loss)	-	-	-	-	-	484	484	(80)	404
Balance at June 30, 2022	3,287,647	611,784	$ 33	$ 6	$ 59,203	$ (20,949)	$ 38,293	$ (168)	$ 38,125

See accompanying notes to unaudited condensed consolidated financial statements.

AVALON HOLDINGS CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statement of Shareholders' Equity (Unaudited)

(in thousands, except for share data)

	For the Six Months Ended June 30, 2023								
	Common Stock						Total Avalon	Non-controlling	
	Shares		Amount		Paid-in	Accumulated	Shareholders'	Interest in	
	Class A	Class B	Class A	Class B	Capital	Deficit	Equity	Subsidiaries	Total
Balance at January 1, 2023	3,287,647	611,784	$ 33	$ 6	$ 59,205	$ (20,754)	$ 38,490	$ (347)	$ 38,143
Stock options - compensation costs	-	-	-	-	1	-	1	-	1
Net loss	-	-	-	-	-	(1,829)	(1,829)	(174)	(2,003)
Balance at June 30, 2023	3,287,647	611,784	$ 33	$ 6	$ 59,206	$ (22,583)	$ 36,662	$ (521)	$ 36,141
	For the Six Months Ended June 30, 2023								

	Common Stock								
	Shares		Amount				Total Avalon	Non-controlling	
	Class A	Class B	Class A	Class B	Paid-in Capital	Accumulated Deficit	Shareholders' Equity	Interest in Subsidiaries	Total
Balance at January 1, 2022	3,287,647	611,784	$ 33	$ 6	$ 59,201	$ (20,171)	$ 39,069	$ (92)	$ 38,977
Stock options - compensation costs	-	-	-	-	2	-	2	-	2
Investment in subsidiary from accredited investor	-	-	-	-	-	-	-	142	142
Net loss	-	-	-	-	-	(778)	(778)	(218)	(996)
Balance at June 30, 2022	3,287,647	611,784	$ 33	$ 6	$ 59,203	$ (20,949)	$ 38,293	$ (168)	$ 38,125

See accompanying notes to unaudited condensed consolidated financial statements.

AVALON HOLDINGS CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows (Unaudited)

(in thousands)

	Three Months Ended March 31,		Six Months Ended June 30,	
	2023	2022	2023	2022
Cash flows from operating activities:				
Net loss	$ (1,799)	$ (1,400)	$ (2,003)	$ (996)

Reconciliation of net loss to cash used in operating activities:				
Reconciliation of net income (loss) to cash provided by operating activities:				
Depreciation and amortization expense	940	829	1,895	1,671
Amortization of debt issuance costs	10	11	25	21
Compensation costs - stock options	1	1	1	2
Provision for losses on accounts receivable	3	2	10	6
Change in operating assets and liabilities:				
Accounts receivable	(2,303)	(806)	36	(527)
Unbilled membership dues receivable	(148)	(182)	(484)	(567)
Inventories	(270)	(253)	(369)	(425)
Prepaid expenses	(284)	(184)	126	57
Other assets, net	67	62	91	11
Accounts payable	2,131	(582)	595	(349)
Accrued payroll and other compensation	392	464	182	932
Accrued income taxes	(7)	7	(12)	28
Other accrued taxes	(134)	(67)	(33)	(200)
Deferred membership dues revenue	1,257	1,580	2,094	2,419
Other liabilities and accrued expenses	390	116	347	36
Net cash provided by (used in) operating activities	246	(402)		
Net cash provided by operating activities			2,501	2,119
Cash flows from investing activities:				
Capital expenditures	(1,098)	(1,284)	(2,210)	(3,304)
Net cash used in investing activities	(1,098)	(1,284)	(2,210)	(3,304)
Cash flows from financing activities:				
Proceeds from subsidiary private placement offering	-	142	-	142
Borrowings under line of credit facility			650	-
Principal payments on term loan facilities	(138)	(287)	(277)	(577)
Borrowings under line of credit facility	650	-		
Principal payments on finance lease obligations	(2)	(13)	(47)	(63)
Net cash provided by (used in) financing activities	510	(158)		
Net cash used in financing activities			326	(498)
Decrease in cash, cash equivalents and restricted cash	(342)	(1,844)		
Increase (decrease) in cash, cash equivalents and restricted cash			617	(1,683)
Cash, cash equivalents and restricted cash at beginning of period	12,050	4,950	12,050	4,950
Cash, cash equivalents and restricted cash at end of period	$ 11,708	$ 3,106	$ 12,667	$ 3,267
Supplemental disclosure of cash flow information:				

Significant non-cash operating and investing activities:				
Capital expenditures included in accounts payable	$ 76	$ 614	$ 24	$ 1,139
Significant non-cash investing and financing activities:				
Operating lease right-of-use assets in exchange for lease obligations	$ 35	$ 31	$ 47	$ 31
Finance lease obligations incurred	$ 154	$ -		
Finance lease obligation incurred			$ 154	$ -
Cash paid during the period for interest	$ 498	$ 264	$ 1,008	$ 525
Cash paid during the period for income taxes	$ 38	$ 13	$ 66	$ 25

See accompanying notes to unaudited condensed consolidated financial statements.

AVALON HOLDINGS CORPORATION AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements

March 31, June 30, 2023

Note 1. Description of Business

Avalon Holdings Corporation ("Avalon" or the "Company") was formed on April 30, 1998 as a subsidiary of American Waste Services, Inc. ("AWS"). On June 17, 1998, AWS distributed, as a special dividend, all of the outstanding shares of capital stock of Avalon to the holders of AWS common stock on a pro rata and corresponding basis.

Avalon provides waste management services to industrial, commercial, municipal and governmental customers in selected northeastern and midwestern U.S. markets, captive landfill management services and salt water injection well operations. In addition, Avalon owns Avalon Resorts and Clubs, Inc. ("ARCI"), which includes the operation and management of four golf courses and associated clubhouses, athletic and fitness centers, tennis courts, salon and spa services, dining and banquet facilities. facilities and a travel agency. ARCI also owns and operates a hotel and its related resort amenities including dining, banquet and conference facilities, salon and spa services, fitness center, outdoor resort pool, Roman Bath, indoor junior Olympic size swimming pool and tennis courts.

Note 2. Basis of Presentation

The unaudited condensed consolidated financial statements of Avalon and related notes included herein have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted consistent with such rules and regulations. The accompanying unaudited condensed consolidated financial statements and related notes should be read in conjunction with the consolidated financial statements and related notes included in Avalon's 2022 Annual Report to Shareholders.

The unaudited condensed consolidated financial statements include the accounts of Avalon, its wholly owned subsidiaries and those companies in which Avalon has managerial control. All significant intercompany accounts and transactions have been eliminated in consolidation.

In the opinion of management, these unaudited condensed consolidated financial statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the financial position of Avalon as of March 31, 2023June 30, 2023, and the results of its operations and cash flows for the interim periods presented.

The operating results for the interim periods are not necessarily indicative of the results to be expected for the full year.

The condensed consolidated financial statements presented herein reflect our current estimates and assumptions that affect the reported amounts of assets and liabilities and related disclosures as of the date of the financial statements and reported amounts of revenues and expenses during the reporting periods presented.

Note 3. Recent Accounting Pronouncements

As of March 31, 2023June 30, 2023, there were several new accounting pronouncements issued by the FASB. Each of these pronouncements, as applicable, has been or will be adopted by the Company. Management does not believe the adoption of any of these accounting pronouncements has had or will have a material impact on the Company's condensed consolidated financial statements.

Note 4. Cash, Cash Equivalents and Restricted Cash

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents for purposes of the Condensed Consolidated Balance Sheets. Avalon maintains its cash balances in various financial institutions. These balances may, at times, exceed federal insured limits. Avalon has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk relating to its cash and cash equivalents.

Cash and cash equivalents that are restricted as to withdrawal or use under the terms of certain contractual agreements are recorded in restricted cash on the Condensed Consolidated Balance Sheets. Restricted cash consists of loan proceeds deposited into a project fund account to fund costs associated with the renovation and expansion of The Grand Resort and Avalon Field Club at New Castle in accordance with the provisions of the loan and security agreement (See Note 9).

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the Condensed Consolidated Balance Sheets that sum to the total of the same such amounts shown in the Condensed Consolidated Statements of Cash Flows. Cash, cash equivalents and restricted cash consist of the following at March 31, 2023June 30, 2023 and December 31, 2022 (in thousands):

	March 31, 2023		December 31, 2022		June 30, 2023		December 31, 2022	
Cash and cash equivalents	$	1,270	$	1,624	$	2,217	$	1,624
Restricted cash		10,438		10,426		10,450		10,426
Cash, cash equivalents and restricted cash	$	11,708	$	12,050	$	12,667	$	12,050

Note 5. Revenues

Revenue Recognition

The Company identifies a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable. Revenue is recognized when obligations under the terms of the contract with our customer are satisfied; generally this occurs with the transfer of control of the good or service to the customer. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring goods or providing services. Sales and other taxes we collect concurrent with revenue-producing activities are excluded from revenue as the Company is a pass-through conduit for collecting and remitting sales taxes. revenue. The Company does not incur incremental costs to obtain contracts or costs to fulfill contracts that meet the criteria for capitalization. In addition, the Company does not have material significant payment terms as payment is received at or shortly after the point of sale.

Waste Management Services

Avalon's waste management services provide hazardous and nonhazardous waste brokerage and management services, captive landfill management services and salt water injection well operations. Waste management services are provided to industrial, commercial, municipal and governmental customers primarily in selected northeastern and midwestern United States markets.

Avalon's waste brokerage and management business assists customers with managing and disposing of wastes at approved treatment and disposal sites based upon a customer's needs. Avalon provides a service to its customers whereby Avalon, arranges for, and accepts responsibility for the removal, transportation and disposal of waste on behalf of the customer.

Avalon's landfill management business provides technical and operational services to customers owning captive disposal facilities. A captive disposal facility only disposes of waste generated by the owner of such facility. The Company provides turnkey services, including daily operations, facilities management and management reporting for its customers. Currently, Avalon manages one captive disposal facility located in Ohio. The net operating revenues of the captive landfill operations are almost entirely dependent upon the volume of waste generated by the owner of the landfill for whom Avalon manages the facility.

Avalon is a minority owner with managerial control over two salt water injection wells and its associated facility. Operations of the salt water injection wells have been suspended in accordance with the Chief of the Division of Oil and Gas Resources Management order (See Note 15). Due to the suspension of the salt water injection wells, there were no operating revenues for the three and six months ended March 31, 2023 June 30, 2023 and 2022.

For the three months ended March 31, 2023 June 30, 2023 and 2022, the net operating revenues related to waste management services represented approximately 69% 50% and 65% 55%, respectively, of Avalon's total consolidated net operating revenues. Net operating revenues related to waste management services represented approximately 59% of Avalon's total consolidated net operating revenues for the six months ended June 30, 2023 and 2022. For the three six months ended March 31, 2023 June 30, 2023, two customers accounted for 32% 25% of the waste management services segment's net operating revenues to external customers and 22% 14% of the consolidated net operating revenues. For the three six months ended March 31, 2022 June 30, 2022, two one customers customer accounted for 20% 10% of the waste management services segment's net operating revenues to external customers and 13% 6% of the consolidated net operating revenues.

For our waste management services contracts, the customer contracts with us to provide a series of distinct waste management services over time which integrates a set of tasks (i.e. removal, transportation and disposal of waste) into a single project. Avalon provides substantially the same service over time and the same method is used to measure the Company's progress toward complete satisfaction of the performance obligation to transfer each distinct service in the series to the customer. The series of distinct waste management services, which are the same over time, meets the series provision criteria, and as such, the Company treats that series as a single performance obligation. The Company allocates the transaction price to the single performance obligation and recognizes revenue by applying a single measure of progress to that performance obligation. Avalon transfers control of the service over time and, therefore, satisfies the performance obligation and recognizes the revenue over time as the customer simultaneously receives and consumes the benefits provided by Avalon's performance as we perform.

In addition, as the promise to provide services qualifies as a series accounted for as a single performance obligation, the Company applied the practical expedient guidance that allows an entity that is recognizing revenue over time by using an output method to recognize revenue equal to the amount that the entity has the right to invoice if the invoiced amount corresponds directly to the value transferred to the customer. The Company applied the standard's practical expedient that permits the omission of disclosures relating to unsatisfied performance obligations as most of the Company's waste management service contracts (i) have an original expected length of one year or less and (ii) the Company recognizes revenue at the amount to which the Company has the right to invoice for services performed.

Avalon evaluated whether we are the principal (i.e. report revenues on a gross basis) or agent (i.e. report revenues on a net basis). Avalon reports waste management services on a gross basis, that is, amounts billed to our customers are recorded as revenues, and amounts paid to vendors for providing those services are recorded as operating costs. As principal, Avalon is primarily responsible for fulfilling the promise to provide waste management services for the customer. Avalon accepts credit risk in the event of nonpayment by the customer and is obligated to pay vendors who provide the service regardless of whether the customer pays the Company. Avalon does have a level of discretion in establishing the pricing for its service.

Our payment terms vary by the type and location of our customer and the service offered. Avalon does not have any financing arrangements with its customers. The term between invoicing and when payment is due is not significant.

The Company assesses each contract amendment individually. Typically, amendments made to our contracts do not materially change the terms of the agreement or performance obligation of the Company. The Company accounts for such contract amendments as if it were part of the existing contract as the material terms contained in the contract do not change. In cases where Avalon views there is a material change in the terms of the agreement, the Company will reevaluate and determine if the contract should be viewed as an entirely new contract, replacement contract or a continuation of the existing contract.

Consideration promised in our waste management contracts do not typically include material variable amounts such as discounts, rebates, refunds, credits, price concessions, incentives, penalties or other such items, and, as such, no estimate is made by the Company for such items.

Golf and Related Operations

Avalon's golf and related operations include the operation and management of four golf courses and associated clubhouses, recreation and fitness centers, tennis courts, salon and spa services, dining and banquet facilities. facilities and a travel agency. The golf and related operations also include the operation of a hotel and its related amenities including dining, banquet and conference facilities, fitness center, indoor junior Olympic size swimming pool and tennis courts. Revenues for the golf and related operations consists primarily of food, beverage and merchandise sales, membership dues, greens fees and associated cart rentals, room rentals, fitness activities, salon and spa services. Due to adverse weather conditions, net operating revenues relating to the golf courses, which are located in northeast Ohio and western Pennsylvania, were minimal during the first three months of 2023 and 2022.

For the three months ended March 31, 2023June 30, 2023 and 2022, the net operating revenues related to the golf and related operations represented approximately 31% 50% and 35% 45%, respectively, of Avalon's total consolidated net operating revenues. For the six months ended June 30, 2023 and 2022, the net operating revenues related to the golf and related operations represented approximately 41% for both periods of Avalon's total consolidated net operating revenues. For both the three six months ended March 31, 2023June 30, 2023 and 2022, no one customer individually accounted for 10% or more of Avalon's golf and related operations segment revenues.

For Avalon's golf and related operations, the Avalon Golf and Country Club offers membership packages for use of the country club facilities and its related amenities. Membership agreements are a one year noncancellable commitment and pricing varies based on the membership type selected by the customer. Based on the terms and conditions of the membership contract, resignations received within the membership period do not relieve the member of their annual commitment. Memberships automatically renew on the member's anniversary date unless the member resigns for the upcoming membership period prior to the renewal date.

Membership for the Avalon Golf and Country Club does not contain up-front initiation fees or require monthly minimum spending at the facilities. Annual membership dues do not cover the cost of food, beverage or any other ancillary paid services which are made available to the member nor do they typically provide for discounts on these goods or services. Members have no obligation to purchase or utilize any of these additional goods or services. Avalon is not required to provide such goods or services unless requested and paid for at the point of sale by the member.

Under the terms of the contract, Avalon will provide unlimited use and access to the country club facilities. Avalon's performance obligation in the contract is the "stand ready obligation" to provide access to these facilities for the member for the entire membership term. Avalon providing the "stand ready obligation" for use of the facilities to the member over the entire term of the membership agreement represents a single performance obligation of which Avalon expects the member to receive and consume the benefits of its obligation throughout the membership term, and as such, the Company recognizes membership dues on a straight line basis over the term of the contract. The Company applied the standard's practical expedient that permits the omission of disclosures relating to unsatisfied performance obligations for contracts with an original expected length of one year or less as Avalon Golf and Country Club membership agreements are one year in length.

For our hotel operations, Avalon's performance obligation is to provide lodging facilities. The separate components of providing these services (hotel room, toiletry items, housekeeping, and amenities) are not distinct within the context of the contract as they are all highly dependent and interrelated as part of the obligation to provide the lodging facility. Room sales are driven by a fixed fee charged to a hotel guest to stay at The Grand Resort for an agreed upon period. The Company agrees to provide a room to the hotel guest for a specified time period for that agreed-upon rate. Our hotel room reservations are performance obligations satisfied over time as the hotel guest simultaneously receives and consumes the benefits provided by the hotel. For performance obligations satisfied over time, our hotel operations measure the progress toward complete satisfaction of the performance obligation and recognize revenue proportionately over the course of the customer's stay.

For food, beverage, and merchandise sales, greens fees and associated cart rental, fitness activities, salon and spa services and other ancillary services, the transaction price is the set price charged by the Company for those goods or services. Upon purchase of the good or service, the Company transfers control of the good or service to the customer and the customer immediately consumes the benefits of the Company's performance and, as such, we recognize revenue at the point of sale. Amounts paid in advance, such as deposits on overnight lodging or for banquet or conferences facilities, are recorded as a liability until the goods or services are provided to the customer (see Contract Liabilities below).

The following table presents our net operating revenues disaggregated by revenue source for the three and six months ended March 31, 2023 June 30, 2023 and 2022 (in thousands). Sales and other taxes are excluded from revenues.

	Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
Waste management and brokerage services	$ 11,872	$ 8,726	$ 9,427	$ 10,028	$ 21,299	$ 18,754
Captive landfill management operations	780	613	871	689	1,651	1,302
Total waste management services revenues	12,652	9,339	10,298	10,717	22,950	20,056
Food, beverage and merchandise sales	1,974	1,665	3,995	3,563	5,968	5,228
Membership dues revenue	1,847	1,714	1,833	1,794	3,680	3,508
Room rental revenue	874	735	1,768	1,469	2,642	2,204
Greens fees and cart rental revenue	56	55	1,186	950	1,242	1,005
Salon and spa services	600	408	883	478	1,483	886
Fitness and tennis lesson revenue	154	138	91	111	245	249
Other revenue	218	255	567	440	785	695
Total golf and related operations revenue	5,723	4,970	10,323	8,805	16,045	13,775

Total net operating revenues	$ 18,375	$ 14,309	$ 20,621	$ 19,522	$ 38,995	$ 33,831

Avalon does not have operations located outside the United States and, accordingly, geographical revenue information is not presented.

Receivables, Net

Receivables, net, include amounts billed and currently due from customers. The amounts due are stated at their net realizable value. At March 31, 2023June 30, 2023 and December 31, 2022, accounts receivable, net, related to our waste management services segment were approximately $10.7 million$8.7 million and $10.0 million$10 million, respectively. At March 31, 2023June 30, 2023, two customers accounted for approximately 37%18% of the waste management services segment's receivables and 29%14% of the consolidated receivables. At December 31, 2022, one customer accounted for approximately 18% of the waste management services segment's receivables and 16% of the consolidated receivables. Accounts receivable, net, related to our golf and related operations segment were approximately $2.7 million$2.3 million and $1.1 million at March 31, 2023June 30, 2023 and December 31, 2022, respectively. No one customer of the golf and related operations segment accounted for 10% or more of Avalon's golf and related operations segment or consolidated net receivables at March 31, 2023June 30, 2023 or December 31, 2022.

The Company maintains an allowance for credit losses to provide for the estimated amount of receivables that will not be collected. Customer accounts that are outstanding longer than the contractual payment terms are considered past due. Avalon determines its allowance by considering a number of factors, including the length of time trade accounts receivable are past due, Avalon's previous accounts receivable loss history, the customer's current ability to pay its obligation to Avalon and the condition of the general economy and the industry as a whole. Avalon writes off accounts receivable when they become uncollectible. Payments subsequently received on such receivables are credited to the allowance for credit losses, or to income, as appropriate under the circumstances. Allowance for credit losses was approximately $0.3 million at both March 31, 2023June 30, 2023 and December 31, 2022.

The following table presents changes in our allowance for credit losses during the three and six months ended March 31, 2023June 30, 2023 and 2022 (in thousands):

	Balance at Beginning of Period	Provision for Credit Losses	Write-offs less Recoveries	Balance at End of Period
Allowance for credit losses				
Three months ended March 31, 2023	$ 260	$ 3	$ (12)	$ 251
Three months ended March 31, 2022	$ 265	$ 2	$ (12)	$ 255

	Balance at Beginning of Period	Provision for Credit Losses	Write-offs less Recoveries	Balance at End of Period
Allowance for credit losses				
Three months ended June 30, 2023	$ 251	$ 7	$ (11)	$ 247

Three months ended June 30, 2022	$	255	$	5	$	(4)	$	256
Six months ended June 30, 2023	$	260	$	10	$	(23)	$	247
Six months ended June 30, 2022	$	265	$	6	$	(15)	$	256

Contract Assets

Contract assets include unbilled membership dues receivables related to the Avalon Golf and Country Club for the customers membership commitment which are billed on a monthly basis over the course of the annual agreement. Such amounts are stated at their net realizable value. Contract assets related to unbilled membership dues are classified as current as revenue related to such agreements is recognized within the annual membership period. Unbilled membership receivables in our Condensed Consolidated Balance Sheets were approximately $0.7 million $1.1 million at March 31, 2023 June 30, 2023 and $0.6 million at December 31, 2022.

The following table presents changes in our contract assets during the three and six months ended March 31, 2023 June 30, 2023 and 2022 (in thousands):

	Balance at Beginning of Period		Unbilled Membership Dues		Billings		Balance at End of Period	Balance at Beginning of Period		Unbilled Membership Dues		Billings		Balance at End of Period
Contract Assets:														
Unbilled membership dues receivable														
Three months ended March 31, 2023	$	599	$	620	$	(472)	$ 747							
Three months ended March 31, 2022	$	578	$	640	$	(458)	$ 760							
Three months ended June 30, 2023								$	747	$	849	$	(513)	$ 1,083
Three months ended June 30, 2022								$	760	$	965	$	(580)	$ 1,145
Six months ended June 30, 2023								$	599	$	1,470	$	(986)	$ 1,083

Six months ended June 30, 2022	$ 578	$ 1,605	$ (1,038)	$ 1,145

Contract Liabilities

Contract liabilities include unrecognized or deferred revenues relating to membership dues and customer advance deposits. We record deferred revenue when cash payments are received in advance of satisfying our performance obligation. We classify deferred membership dues revenue as current based on the timing of when we expect to recognize revenue for the membership commitment based on the Company satisfying the stand ready performance obligation throughout the annual membership period. The unrecognized or deferred revenues related to membership dues in our Condensed Consolidated Balance Sheets were approximately $4.9 million $5.7 million at March 31, 2023 June 30, 2023 and $3.6 million at December 31, 2022, respectively.

Customer advance deposits are recorded as a liability until the goods or services are provided to the customer. Generally, customer advances, and corresponding performance obligation are satisfied within 12 months of the date of receipt of advance payment. The unrecognized revenues related to customer advance deposits are recorded in "Other liabilities and accrued expenses" in our Condensed Consolidated Balance Sheets. Customer advance deposits were approximately $1.1 million at March 31, 2023 June 30, 2023 and $1.0 million at December 31, 2022.

The following table presents changes in our contract liabilities during the three and six months ended March 31, 2023 June 30, 2023 and 2022 (in thousands):

	Balance at Beginning of Period	Billings	Revenue Recognized	Balance at End of Period
Contract Liabilities:				
Deferred membership dues revenue				
Three months ended March 31, 2023	$ 3,643	$ 3,104	$ (1,847)	$ 4,900
Three months ended March 31, 2022	$ 3,363	$ 3,294	$ (1,714)	$ 4,943
Customer advance deposits				
Three months ended March 31, 2023	$ 965	$ 757	$ (640)	$ 1,082
Three months ended March 31, 2022	$ 795	$ 388	$ (263)	$ 920

	Balance at Beginning of Period	Billings	Revenue Recognized	Balance at End of Period
Contract Liabilities:				
Deferred membership dues revenue				
Three months ended June 30, 2023	$ 4,900	$ 2,671	$ (1,834)	$ 5,737
Three months ended June 30, 2022	$ 4,943	$ 2,633	$ (1,794)	$ 5,782

Six months ended June 30, 2023	$	3,643	$	5,775	$	(3,681)	$	5,737
Six months ended June 30, 2022	$	3,363	$	5,927	$	(3,508)	$	5,782
Customer advance deposits								
Three months ended June 30, 2023	$	1,082	$	1,115	$	(1,048)	$	1,149
Three months ended June 30, 2022	$	920	$	915	$	(843)	$	992
Six months ended June 30, 2023	$	965	$	1,820	$	(1,636)	$	1,149
Six months ended June 30, 2022	$	795	$	1,303	$	(1,106)	$	992

Note 6. Property and Equipment

Property and equipment is stated at cost and depreciated using the straight-line method over the estimated useful life of the asset which varies from 10 to 30 years for land improvements; 5 to 50 years in the case of buildings and improvements; and from 3 to 10 years for machinery and equipment, vehicles and office furniture and equipment.

Major additions and improvements are charged to the property and equipment accounts while replacements, maintenance and repairs, which do not improve or extend the life of the respective asset, are expensed as incurred. The cost of assets retired or otherwise disposed of and the related accumulated depreciation is eliminated from the accounts in the year of disposal. Gains or losses resulting from the disposal of property and equipment are recorded in “Other income, net” in our Condensed Consolidated Statements of Operations.

Property and equipment at March 31, 2023 June 30, 2023 and December 31, 2022 consists of the following (in thousands):

	March 31, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Land and land improvements	$ 16,773	$ 16,764	$ 16,809	$ 16,764
Buildings and improvements	53,296	52,974	53,592	52,974
Machinery and equipment	9,043	8,567	9,225	8,567
Office furniture and fixtures	9,875	9,638	10,233	9,638
Vehicles	865	865	896	865
Construction in progress	10	11	10	11
	89,862	88,819	90,765	88,819
Less accumulated depreciation and amortization	(32,824)	(32,014)	(33,653)	(32,014)
Property and equipment, net	$ 57,038	$ 56,805	$ 57,112	$ 56,805

At March 31, 2023 June 30, 2023, the Company did not have any significant fixed contractual commitments for construction projects.

Avalon reviews the carrying value of its long-lived assets whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. If indicators of impairment exist, Avalon would determine whether the estimated undiscounted sum of the future cash flows of such assets and their eventual disposition is less than its carrying amount. If less, an impairment loss would be recognized if, and to the extent that the carrying amount of such assets exceeds their respective fair value. Avalon would determine the fair value by using quoted market prices, if available, for such assets; or if quoted market prices are not available, Avalon would discount the expected estimated future cash flows. During the first three six months of 2023 and 2022, no triggering events were present.

Note 7. Leases

Operating Leases

Avalon leases golf carts, machinery and associated GPS equipment for the landfill operations, furniture and fixtures for The Grand Resort and office copiers under operating leases. Our operating leases have remaining lease terms ranging from less than 1 year 2.5 years to 5.0 years. The weighted average remaining lease term on operating leases was approximately 3.7 3.4 years at March 31, 2023 June 30, 2023.

During the first three six months of 2023 and 2022, the Company entered into a new operating lease agreements agreement for golf carts and golf cart GPS equipment. During the first three six months of 2023 and 2022, the Company recorded operating lease right-of-use assets and corresponding obligations under the operating leases of approximately $35,000 $64,000 and $31,000, respectively.

Leased property and associated obligations under operating leases at March 31, 2023 June 30, 2023 and December 31, 2022 consists of the following (in thousands):

	March 31, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Operating lease right-of-use assets	$ 1,406	$ 1,386	$ 1,294	$ 1,386
Current portion of obligations under operating leases	$ 432	$ 424	$ 423	$ 424
Long-term portion of obligations under operating leases	974	962	871	962
Total obligations under operating leases	$ 1,406	$ 1,386	$ 1,294	$ 1,386

The weighted average discount rate on operating leases was 5.12% at June 30, 2023 and 5.0% at both March 31, 2023 and December 31, 2022 .

Finance Leases

In November 2003, Avalon entered into a long-term agreement with Squaw Creek Country Club to lease and operate its golf course and related facilities. The lease has an initial term of ten (10) years with four (4) consecutive ten (10) year renewal term options unilaterally exercisable by Avalon. Under the lease, Avalon is obligated to pay $15,000 in annual rent and make leasehold improvements of $150,000 per year. Amounts expended by Avalon for leasehold improvements during a given year in excess of $150,000 will be carried forward and applied to future leasehold improvement obligations. Based upon the amount of leasehold improvements already made, Avalon expects to exercise all its remaining renewal options. At March 31, 2023 June 30, 2023 there were approximately 30.6 30.3 years remaining on the golf course and related facilities finance lease.

In addition, the Company golf and related operations also entered into lease agreements for a vehicle, vehicles, golf course maintenance and restaurant equipment and the captive landfill operations entered into lease agreements for equipment which were determined to be finance leases. At March 31, 2023 June 30, 2023, the vehicle, vehicles, golf course maintenance and restaurant equipment and the landfill operations equipment have remaining lease terms ranging from less than 1 year to 4.6 4.3 years. The weighted average remaining lease term on the vehicles and equipment leases was approximately 3.3 3.0 years at March 31, 2023 June 30, 2023.

Leased property and associated obligations under finance leases at March 31, 2023 June 30, 2023 and December 31, 2022 consists of the following (in thousands):

	March 31, 2023	December 31, 2022	June 30, 2023	December 31, 2022
Leased property under finance leases	$ 12,280	$ 12,004	$ 12,437	$ 12,004
Less accumulated amortization	(7,124)	(7,003)	(7,250)	(7,003)
Leased property under finace leases, net	$ 5,156	$ 5,001	$ 5,187	$ 5,001
Current portion of obligations under finance leases	$ 139	$ 115	$ 139	$ 115
Long-term portion of obligations under finance leases	509	381	463	381
Total obligations under finance leases	$ 648	$ 496	$ 602	$ 496

The weighted average discount rate on finance leases was 6.5% 5.6% at March 31, 2023 June 30, 2023 and 5.2 % 5.2% at December 31, 2022.

For the three and six months ended March 31, 2023 June 30, 2023 and 2022, components of lease expense were as follows (in thousands):

	Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022	2023	2022
Operating lease cost:						
Rental expense	$ 74	$ 110	$ 294	$ 237	$ 368	$ 347
Finance lease cost:						

Depreciation expense	$ 121	$ 127	$ 122	$ 127	$ 250	$ 254
Interest expense	7	9	8	8	15	17
Total finance lease cost	$ 128	$ 136	$ 130	$ 135	$ 265	$ 271

For the twelve months ending March 31, June 30, future commitments under long-term, operating and finance leases are as follows (in thousands):

	Finance	Operating	Total	Finance	Operating	Total
2024	$ 172	$ 494	$ 666	$ 170	$ 487	$ 657
2025	163	409	572	159	393	552
2026	101	360	461	75	311	386
2027	75	188	263	67	165	232
2028	52	95	147	40	65	105
Thereafter	375	-	375	375	-	375
Total lease payments	938	1,546	2,484	886	1,421	2,307
Less: imputed interest	290	140	430	284	127	411
Total	648	1,406	2,054	602	1,294	1,896
Less: current portion of obligations under leases	139	432	571	139	423	562
Long-term portion of obligations under leases	$ 509	$ 974	$ 1,483	$ 463	$ 871	$ 1,334

Note 8. Basic and Diluted Net Loss Income (Loss) per Share

Basic net loss income (loss) per share attributable to Avalon Holdings Corporation common shareholders is computed by dividing the net loss income (loss) by the weighted average number of common shares outstanding. For both the three and six months ended March 31, 2023 June 30, 2023 and 2022, the weighted average number of common shares outstanding was 3,899,431.

Diluted net income (loss) per share attributable to Avalon Holdings Corporation common shareholders is computed by dividing net income (loss) by the weighted average number of common shares outstanding plus any weighted common equivalent shares determined to be outstanding during the period using the treasury method. The weighted common equivalent shares included in the calculation are related to stock options granted by Avalon where the weighted average market price of Avalon's common stock for the period presented is greater than the option exercise price of the stock option.

For both the three months ended March 31, 2023 and 2022, June 30, 2023, the diluted weighted average number of shares outstanding was 3,904,604. For the six months ended June 30, 2023, the diluted per share amount reported is equal to the basic per share amount because Avalon was in a net loss position and as a result, such dilution would be considered anti-dilutive. The diluted per share for the six months ended June 30, 2022 was equal to the total basic per share amount. Assuming dilution, the weighted average number of common shares outstanding for the three six months ended March 31, 2023 June 30, 2023 was 3,902,003.

For the three and 2022 six months ended June 30, 2022, the diluted weighted average number of shares outstanding was 3,915,947 3,921,656 and 3,924,788, 3,923,213, respectively.

Note 9. Term Loans and Line of Credit Agreements

2022 Term Loan Agreement

On August 5, 2022, Avalon and certain direct and indirect wholly owned subsidiaries entered into a loan and security agreement (the "2022 Term Loan Agreement") with Laurel Capital Corporation which provided for a $31.0 million term loan. At closing, $20.2 million of the proceeds were used to pay off and refinance amounts outstanding and associated interest under our 2019 Term Loan Agreement with Laurel Capital Corporation and $0.4 million of the proceeds were utilized to pay transaction costs. The remaining proceeds of approximately $10.4 million were deposited into a project fund account for which those proceeds are to fund future costs of renovating and expanding both The Grand Resort and Avalon Field Club at New Castle. At both March 31, 2023 June 30, 2023 and December 31, 2022, loan proceeds of $10.4 million $10.5 million are presented in the Condensed Consolidated Balance Sheets as "Restricted cash." The 2019 Term Loan Agreement was terminated in conjunction with the 2022 Term Loan Agreement.

The 2022 Term Loan Agreement is payable in 119 equal monthly installments of principal and interest based on a twenty-five (25) year maturity schedule which commenced September 5, 2022 followed by one final balloon payment of all remaining principal, interest and fees due on the maturity date of August 5, 2032. Upon request by Avalon, project fund proceeds can be utilized to pay debt service. Borrowings under the 2022 Term Loan Agreement bear interest at a fixed rate of 6.00% until the seventh anniversary date of the closing at which time the interest rate will be reset to a fixed rate equal to the greater of (a) 6.00% per annum or (b) the sum of the three year treasury rate on the date two (2) business days prior to the reset date plus 3.40%, provided that the applicable rate shall in no event exceed 8.50% per annum.

Avalon has the right to prepay the amount outstanding under the 2022 Term Loan Agreement, in whole or in part, at any time upon payment of the principal amount of the loan to be prepaid plus accrued unpaid interest thereon to the prepayment date, plus an applicable prepayment penalty. The prepayment penalty, expressed as a percentage of the principal of the loan being prepaid, is six percent (6%) on any prepayment in the first five years; four percent (4%) on any prepayment in the sixth and seventh year; three percent (3%) on any prepayment in the eighth and ninth year; and two percent (2%) on any prepayment in the tenth year.

Borrowings under the 2022 Term Loan Agreement are secured by certain real property and related business assets as defined in the agreement. The 2022 Term Loan Agreement contains a Fixed Charge Coverage Ratio requirement of at least 1.20 tested on an annual basis on December 31 of each year, commencing December 31, 2023. The 2022 Term Loan also contains other nonfinancial covenants, customary representations, warranties and events of default. Avalon was in compliance with the 2022 Term Loan Agreement covenants at March 31, 2023 June 30, 2023 and December 31, 2022.

The Company capitalized approximately $0.6 million of debt issuance costs in connection with the 2022 Term Loan Agreement in accordance with ASC Subtopic 470-50, *Debt-Modifications and Extinguishments*. The Company is amortizing these costs over the life of the 2022 Term Loan Agreement. In accordance with ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, these costs are presented in the Condensed Consolidated Balance Sheets as a direct reduction from the carrying amount of the term loan liability.

Line of Credit Agreement

On May 31, 2018, Avalon entered into a business loan agreement with Premier Bank (formerly Home Savings Bank), (the "Line of Credit Agreement") which provides for a line of credit of up to $5.0 million. On July 22, 2022, the Company amended the Line of Credit Agreement to extend the maturity date to July 31, 2024. Under the Line of Credit Agreement, borrowings in excess of $1.0 million are subject to a borrowing base which is calculated based off a specific level of eligible accounts receivable of the waste management business as defined in the agreement.

At March 31, 2023 June 30, 2023 and December 31, 2022, approximately $2.2 million and $1.6 million, respectively, was outstanding under the Line of Credit Agreement. At March 31, 2023 June 30, 2023 and December 31, 2022, approximately $2.8 million and $3.4 million, respectively was available under the Line of Credit Agreement. Outstanding borrowings under the Line of Credit Agreement bear interest at Prime Rate plus .25%. At March 31, 2023 June 30, 2023, the interest rate on the Line of Credit Agreement was 8.25% 8.50%.

Borrowings under the Line of Credit Agreement are secured by certain business assets of the Company including accounts receivable, inventory and equipment. The Line of Credit Agreement contains a Fixed Charge Coverage Ratio requirement of at least 1.20 tested on an annual basis on December 31 of each year. The Line of Credit Agreement also contains other nonfinancial covenants, customary representations, warranties and events of default. Avalon was in compliance with the Line of Credit Agreements covenants at March 31, 2023 June 30, 2023 and December 31, 2022.

During the three months ended March 31, 2023 June 30, 2023 and 2022, the weighted average interest rate on outstanding borrowings was 6.10% 6.16% and 5.00%, respectively.

Obligations under the Company's term loan agreement debt agreements at March 31, 2023 June 30, 2023 and December 31, 2022 consist of the following (in thousands):

	March 31, 2023		
	Gross Amount	Debt Issuance Costs	Net Amount
2022 Term Loan Agreement	$ 30,682	$ (549)	$ 30,133
Less current portion	571	(60)	511
Long-term debt	$ 30,111	$ (489)	$ 29,622

	December 31, 2023			June 30, 2023		
	Gross Amount	Debt Issuance Costs	Net Amount	Gross Amount	Debt Issuance Costs	Net Amount
2022 Term Loan Agreement	$ 30,820	$ (559)	$ 30,261			
Term Loan Agreement				$ 30,543	$ (534)	$ 30,009
Less current portion	563	(60)	503	580	(60)	520
Long-term debt	$ 30,257	$ (499)	$ 29,758	$ 29,963	$ (474)	$ 29,489

	December 31, 2022		
	Gross Amount	Debt Issuance Costs	Net Amount
Term Loan Agreement	$ 30,820	$ (559)	$ 30,261
Less current portion	563	(60)	503
Long-term debt	$ 30,257	$ (499)	$ 29,758

Obligations under the Company's Line of Credit agreement at March 31, 2023 June 30, 2023 and December 31, 2022 were approximately $2.2 million and $1.6 million, respectively, which matures on July 31, 2024.

For the twelve months ending March 31, June 30, future maturities under the Company's 2022 Term Loan and Line of Credit Agreements long-term debt are as follows (in thousands):

2024	$ 571	$ 580
2025	2,807	2,816
2026	644	654
2027	684	694
2028	726	737
Thereafter	27,450	27,262
Total	$ 32,882	$ 32,743

Note 10. Income Taxes

During the three months ended March 31, 2023 June 30, 2023, net loss attributable to Avalon Holdings Corporation shareholders was $0.2 million compared to net income attributable to Avalon Holdings Corporation shareholders of $0.5 million during the three months ending June 30, 2022. During the six months ended June 30, 2023 and 2022, net loss attributable to Avalon Holdings Corporation shareholders was $1.7 million and $1.3 million, respectively. $1.8 million compared to a net loss attributable to Avalon Holdings Corporation shareholders of $0.8 million during the six months ended June 30, 2022. Avalon recorded a state income tax provision in both the three and six month periods ended March 31, 2023 June 30, 2023 and 2022, which was related entirely to the waste management and brokerage operations. Due to the recording of a full valuation allowance against the Company's federal and state net deferred tax assets, the overall effective tax rate in both periods reflects taxes owed in certain U.S state jurisdictions. Avalon's income tax benefit on the loss income (loss) before taxes was offset by a change in the valuation allowance. A valuation allowance is provided when it is more likely than not that deferred tax assets relating to certain federal and state loss carryforwards will not be realized. Avalon continues to maintain a valuation allowance against the majority of its deferred tax amounts until it is evident that the deferred tax asset will be utilized in the future.

Note 11. Long-Term Incentive Plan

On March 14, 2019, the Board of Directors of Avalon approved the renewal of the expired 2009 Long-term Incentive Plan (the "2009 Plan"), which was set to expire in October of 2019. The 2009 Plan provides for the granting of options which are intended to be non-qualified stock options ("NQSO's") for federal income tax purposes except for those options designated as incentive stock options ("ISO's") which qualify under Section 422 of the Internal Revenue Code.

The name of the plan was changed to the 2019 Long-term Incentive Plan ("the Option Plan") to reflect the year of approval. The Option Plan represents the renewal of the 2009 Plan which had 1,300,000 shares of Class A Common Stock available for stock options to employees and non-employee directors. The Option Plan has 1,300,000 shares available for stock options, less any shares of stock issued pursuant to options exercised under the 2009 Plan. The total number of shares under the Option Plan and the 2009 Plan will not exceed 1,300,000. Shares of stock covered by options granted pursuant to the 2009 Plan which terminate or expire prior to exercise or have been surrendered or canceled shall be available for further option grants under the Option Plan. On April 25, 2019, at the Annual Meeting of Shareholders, the shareholders approved the Option Plan.

The purpose of the Avalon Holdings Corporation 2019 Long-term Incentive Plan (the "Plan") is (a) to improve individual employee performance by providing long-term incentives and rewards to employees of Avalon, (b) to assist Avalon in attracting, retaining and motivating employees and non-employee directors with experience and ability, and (c) to associate the interests of such employees and directors with those of the Avalon shareholders.

NQSO's may be granted with an exercise price which is not less than 100% of the fair market value of the Class A Common Stock on the date of grant. Options designated as ISO's shall not be less than 110% of fair market value for employees who are ten percent shareholders and not less than 100% of fair market value for other employees. The Board of Directors may, from time to time in its discretion, grant options to one or more outside directors, subject to such terms and conditions as the Board of Directors may determine, provided that such terms and conditions are not inconsistent with other applicable provisions of the Option Plan. Options shall have a term of no longer than ten years from the date of grant; except that for an option designated as an ISO which is granted to a ten percent shareholder, the option shall have a term no longer than five years.

No option shall be exercisable prior to one year after its grant, unless otherwise provided by the Option Committee of the Board of Directors (but in no event before 6 months after its grant), and thereafter options shall become exercisable in installments, if any, as provided by the Option Committee. Options must be exercised for full shares of common stock. To the extent that options are not exercised when they become initially exercisable, they shall be carried forward and be exercisable until the expiration of the term of such options. No option may be exercised by an optionee after his or her termination of employment for any reason with Avalon or an affiliate, except in certain situations provided by the Option Plan.

The stock options, vest ratably over a five year period and have a contractual term of ten years from the date of grant. At the end of each contractual vesting period, the share price of the Avalon common stock, traded on a public stock exchange (NYSE Amex), must reach a predetermined price within three years following such contractual vesting period before the stock options are exercisable (See table below). If the Avalon common stock price does not reach the predetermined price, the stock options will either be cancelled or the period will be extended at the discretion of the Board of Directors.

The grant-date fair values of the stock option awards were estimated using the Monte Carlo Simulation. The Monte Carlo Simulation was selected to determine the fair value because it incorporates six minimum considerations; 1) the exercise price of the option, 2) the expected term of the option, taking into account both the contractual term of the option, the effects of employees' expected exercise and post-vesting employment termination behavior, as well as the possibility of change in control events during the contractual term of the option agreements, 3) the current fair value of the underlying equity, 4) the expected volatility of the value of the underlying share for the expected term of the option, 5) the expected dividends on the underlying share for the expected term of the option and 6) the risk-free interest rate(s) for the expected term of the option.

The grant date fair value of the underlying equity was determined to be equal to Avalon's publicly traded stock price as of the grant dates times the sum of the Class A and Class B common shares outstanding.

The expected term, or time until the option is exercised, is typically based on historical exercising behavior of previous option holders of a company's stock. Due to the fact that the Company has had no historical exercising activity, prior to 2018, the simplified method was applied. Because of the nature of the vesting described above, the options are separated into five blocks, with each block having its own vesting period and expected term.

For stock option awards, the expected volatility was based on the observed historical volatility of Avalon common stock. There were no expected dividends and the risk-free interest rate was based on yield data for U. S. Treasury securities over a period consistent with the expected term.

In March 2023, options to purchase 36,000 shares previously granted under the 2009 Plan were cancelled as the options did not meet the predetermined stock price within the three years following the contractual vesting period. At March 31, 2023, options for Additionally, in May 2023, the remaining 18,000 shares remain outstanding. previously granted under the 2009 Plan expired.

The following table is a summary of the stock option activity during 2023:

	Number of Options Granted	Weighted Average Exercise Price	Weighted Average Fair Value at Grant Date
Outstanding at January 1, 2023	54,000	1.83	0.43
Options granted	-	-	-
Options exercised	-	-	-
Options expired	-	-	-
Options cancelled or forfeited	(36,000)	1.83	0.43
Outstanding at March 31, 2023	18,000	$ 1.83	$ 0.43
Options Vested	18,000	$ 1.83	$ 0.43
Exercisable at March 31, 2023	-	$ -	$ -

	Number of Options Granted	Weighted Average Exercise Price	Weighted Average Fair Value at Grant Date
Outstanding at January 1, 2023	54,000	1.83	0.43
Options granted	-	-	-
Options exercised	-	-	-
Options expired	-	-	-
Options cancelled or forfeited	(54,000)	1.83	0.43
Outstanding at June 30, 2023	-	$ 1.83	$ 0.43

The stock options vest and become exercisable based upon achieving two critical metrics as follows:
1) Contract Vesting Term: The stock options vest ratably over a five year period.
2) The Avalon common stock price traded on a public stock exchange (NYSE Amex) must reach the predetermined vesting price within three years after the options become vested under the contractual vesting term.

The table below represents the period and predetermined stock price needed for vesting.

	Begins Vesting	Ends Vesting	Predetermined Vesting Price
Block 1	12 months after Grant Dates	48 months after Grant Dates	$ 3.43
Block 2	24 months after Grant Dates	60 months after Grant Dates	$ 4.69
Block 3	36 months after Grant Dates	72 months after Grant Dates	$ 6.43
Block 4	48 months after Grant Dates	84 months after Grant Dates	$ 8.81
Block 5	60 months after Grant Dates	96 months after Grant Dates	$ 12.07

Compensation For the three months ended June 30, 2023 there were no compensation costs. For the three months ending June 30, 2022 compensation costs were $1,000. For the six months ended June 30, 2023 and 2022, compensation costs were approximately $1,000 for both the three month periods ended March 31, 2023 and 2022. $2,000, respectively. As of March 31, 2023June 30, 2023, there was approximately $2,000 of total were no unrecognized compensation costs related to non-vested share-based compensation arrangements granted under the Plan. That cost is expected to be recognized over a weighted-average period of 1.00 years.

Note 12. Legal Matters

In the ordinary course of conducting its business, Avalon becomes involved in lawsuits, administrative proceedings and governmental investigations, including those related to environmental matters. Some of these proceedings may result in fines, penalties or judgments being assessed against Avalon which, from time to time, may have an impact on its business and financial condition. Although the outcome of such lawsuits or other proceedings cannot be predicted with certainty, Avalon does not believe that any uninsured ultimate liabilities, fines or penalties resulting from such pending proceedings, individually or in the aggregate, will have a material adverse effect on its liquidity, financial position or results of operations.

Note 13. Business Segment Information

In determining the segment information, Avalon considered its operating and management structure and the types of information subject to regular review by its "chief operating decision maker." Using the criteria of FASB ASC 280 *Segment Reporting*, Avalon's reportable segments include waste management services and golf and related operations. Avalon accounts for intersegment net operating revenues as if the transactions were to third parties. The segment disclosures are presented on this basis for all periods presented.

Avalon's primary business segment, the waste management services segment, provides hazardous and nonhazardous brokerage and management services to industrial, commercial, municipal and governmental customers, captive landfill management for an industrial customer and salt water injection well operations.

Avalon's golf and related operations segment consists of four golf courses and associated clubhouses which provide dining and banquet facilities, a hotel which provides lodging and resort related amenities including dining, banquet and conference facilities, and a multipurpose recreation center. center and a travel agency. Revenue for the golf and related operations segment consists primarily of membership dues, greens fees, cart rentals, room rentals, merchandise sales, tennis and fitness activities, salon and spa services and food and beverage sales.

Avalon does not have operations located outside the United States and, accordingly, geographical segment information is not presented. For the three six months ended March 31, 2023 June 30, 2023, two customer customers accounted for 32% 25% of the waste management services segment's net operating revenues to external customers and 22% 14% of the consolidated net operating revenues. For the three six months ended March 31, 2022 June 30, 2022, two one customers customer accounted for 20% 10% of the waste management services segment's net operating revenues to external customers and 13% 6% of the consolidated net operating revenues.

The accounting policies of the segments are consistent with those described for the consolidated financial statements in the summary of significant accounting policies included in Avalon's 2022 Annual Report to Shareholders. Avalon measures segment profit for internal reporting purposes as income (loss) before income taxes.

Business segment information including the reconciliation of segment income (loss) to consolidated income (loss) before taxes is as follows (in thousands):

	Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022	2023	2022
Net operating revenues from:						
Waste management services:						

External customer revenues	$ 12,652	$ 9,339	$ 10,298	$ 10,717	$ 22,950	$ 20,056
Intersegment revenues	-	-				
Total waste management services	12,652	9,339				
Golf and related operations:						
External customer revenues	5,723	4,970	10,323	8,805	16,045	13,775
Intersegment revenues	9	3	17	30	26	31
Total golf and related operations	5,732	4,973	10,340	8,835	16,071	13,806
Segment operating revenues	18,384	14,312	20,638	19,552	39,021	33,862
Intersegment eliminations	(9)	(3)	(17)	(30)	(26)	(31)
Total net operating revenues	$ 18,375	$ 14,309	$ 20,621	$ 19,522	$ 38,995	$ 33,831
Income (loss) before income taxes:						
Waste management services	$ 949	$ 654				
Golf and related operations	(1,292)	(836)				
Segment loss before income taxes	(343)	(182)				
Corporate interest expense	(508)	(269)				
Corporate other income, net	12	1				
General corporate expenses	(929)	(930)				
Loss before income taxes	$ (1,768)	$ (1,380)				

	March 31, 2023	December 31, 2022
Identifiable assets:		
Waste management services	$ 37,608	$ 35,198
Golf and related operations	66,164	63,355
Corporate	65,506	65,630
Subtotal	169,278	164,183
Elimination of intersegment receivables	(76,527)	(74,433)
Total	$ 92,751	$ 89,750

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Income (loss) before income taxes:				
Waste management services	$ 844	$ 1,035	$ 1,793	$ 1,689
Golf and related operations	393	589	(902)	(247)

Segment income before income taxes	1,237	1,624	891	1,442
Corporate interest expense	(521)	(266)	(1,029)	(535)
Corporate other income, net	11	-	11	1
General corporate expenses	(908)	(921)	(1,822)	(1,851)
Income (loss) before income taxes	$ (181)	$ 437	$ (1,949)	$ (943)

	June 30, 2023	December 31, 2022
Identifiable assets:		
Waste management services	$ 35,952	$ 35,198
Golf and related operations	65,941	63,355
Corporate	65,639	65,630
Subtotal	167,532	164,183
Elimination of intersegment receivables	(76,175)	(74,433)
Total	$ 91,357	$ 89,750

In comparing total assets at March 31, 2023 June 30, 2023 with those at December 31, 2022, the increase in the total assets of the waste management services segment of approximately $2.4 million $0.8 million was primarily a result of an increase accounts receivable and in intersegment transactions, which are eliminated in consolidation. consolidation, partially offset by a decrease in accounts receivable. The increase in total assets of the golf and related operations segment of $2.8 million $2.6 million was primarily due to an increase in accounts receivable inventory and capital expenditures associated with The Grand Resort and Avalon Field Club at New Castle and, to a lesser extent, an increase in inventory, partially offset by current year depreciation on property and equipment. The decrease in corporate total assets of approximately $0.1 million was primarily due to a decrease in operating cash and cash equivalents, partially offset by an increase in intersegment transactions, which are eliminated in consolidation.

Note 14. Certain Relationships and Related Transactions

AWMS Holdings, LLC

In August 2013, Avalon created a new Ohio limited liability company, AWMS Holdings, LLC, to act as a holding company to form and own a series of wholly owned subsidiaries that will own and operate Class II salt water injection wells and facilities (together the “facilities”). AWMS Holdings, LLC, offers investment opportunities to accredited investors by selling membership units of AWMS Holdings, LLC through private placement offerings. The monies received from these offerings, along with internally contributed capital, are used to construct the facilities necessary for the operation of salt water injection wells. AWMS Water Solutions, LLC, a wholly owned subsidiary of Avalon, manages all the salt water injection well operations, including the marketing and sales function and all decisions regarding the well operations for a percentage of the gross revenues.

In 2014 and 2013, Avalon, through a wholly owned subsidiary made capital contributions totaling approximately $3.4 million, which included cash and certain well assets, including the permits, in exchange for membership units of AWMS Holdings, LLC. Through a private placement offering for the purchase of membership units, AWMS Holdings, LLC raised approximately $3.8 million from accredited investors in 2014 and 2013. Management and outside directors of Avalon, who qualified as accredited investors, invested approximately $1.0 million in AWMS Holdings, LLC.

As a result of a private placement offering, Avalon is not the majority owner of AWMS Holdings, LLC. At March 31, 2023 June 30, 2023 and December 31, 2022, respectively, Avalon owns approximately 47% of AWMS Holdings, LLC. In accordance with ASC 810-10 and related amendment, due to the managerial control of American Water Solutions, LLC, AWMS Holdings, LLC is a VIE, and the financial statements of AWMS Holdings, LLC and subsidiaries are included in Avalon's consolidated financial statements. ASC 810-10 requires noncontrolling interests to be reported as a separate component of equity. The amount of net loss attributable to the noncontrolling interest is recorded in "net loss attributable to noncontrolling interest" in our Condensed Consolidated Statements of Operations. During the three months ended March 31, 2023 June 30, 2023 and 2022, net loss attributable to the noncontrolling interest in AWMS Holdings, LLC was $68,000 $34,000 and $62,000, $10,000, respectively. During the six months ended June 30, 2023 and 2022, net loss attributable to the noncontrolling interest in AWMS Holdings, LLC was $103,000 and $72,000, respectively.

Avalon Med Spa, LLC

In March 2021, Avalon created a new Ohio limited liability company, Avalon Med Spa, LLC. Avalon Med Spa, LLC provides elective appearance improving nonsurgical aesthetic services under the supervision of a licensed physician. Avalon Med Spa, LLC, offers investment opportunities to accredited investors by selling membership units through private placement offerings. The monies received from these offerings, along with internally contributed capital, are used to purchase medical spa equipment and construct the facilities necessary for operation. Avalon operates and manages all decisions regarding the medical spa operations for a percentage of the gross revenues.

In 2021, Avalon made a capital contribution totaling $359,000, which included cash and certain equipment, in exchange for membership units of Avalon Med Spa, LLC. Through a private placement offering for the purchase of membership units, Avalon Med Spa, LLC raised $358,000 from accredited investors in August 2021. In March 2022, Avalon and accredited investors made additional capital contributions of $143,000 and $142,000, respectively. An outside director of Avalon, who qualified as an accredited investor, invested less than 10% of the total investment in Avalon Med Spa, LLC. Avalon is the majority owner of Avalon Med Spa, LLC owning 50.1% of the company at both March 31, 2023 June 30, 2023 and December 31, 2022.

In accordance with ASC 810-10 and related amendment, Avalon Med Spa, LLC is a VIE, and the financial statements of Avalon Med Spa, LLC are included in Avalon's consolidated financial statements. ASC 810-10 requires noncontrolling interests to be reported as a separate component of equity. The amount of net loss attributable to the noncontrolling interest is recorded in "net loss attributable to noncontrolling interest" in our Condensed Consolidated Statements of Operations. During the three months ended March 31, 2023 June 30, 2023 and 2022, net loss attributable to the noncontrolling interest in Avalon Med Spa, LLC was approximately $54,000 $18,000 and $76,000, $70,000, respectively. During the six months ended June 30, 2023 and 2022, net loss attributable to the noncontrolling interest in Avalon Med Spa, LLC was approximately $71,000 and $146,000, respectively.

Note 15. Injection Wells Suspension

As a result of a seismic event with a magnitude of 2.1 occurring on August 31, 2014, the Chief of the Division of Oil and Gas Resources Management (“Chief” or “Division”) issued Orders on September 3, 2014 to immediately suspend all operations of Avalon’s two saltwater injection wells until the Division could further evaluate the wells. The Orders were based on the findings that the two saltwater injection wells were located in close proximity to an area of known seismic activity and that the saltwater injection wells pose a risk of increasing or creating seismic activity.

On September 5, 2014, Avalon submitted the information required by the Chief’s Order in regards to its AWMS #1 injection well, and the Chief lifted the suspension for that well on September 18, 2014. On September 19, 2014, Avalon submitted information and a written plan required by the Chief’s Order proposing the establishment of certain operations and management controls on injections for the AWMS #2 injection well. To date, the Division has not responded to that plan despite Avalon’s requests for feedback.

On October 2, 2014, Avalon filed an appeal with the Ohio Oil and Gas Commission (the “Commission”) disputing the basis for suspending operations of AWMS #2 and also the authority of the Chief to immediately suspend such operations. On March 11, 2015, an appeal hearing was held. The Chief stated during the hearing that the suspension order is temporary, and he expects that AWMS #2 will be allowed to resume operations once the state’s final policymaking is complete.

On August 12, 2015, the Commission upheld the temporary suspension of injection operations of AWMS #2 stating that the temporary suspension would allow the Chief more time to fully evaluate the facts in anticipation of the Division’s implementation of a comprehensive regulatory plan that will specifically address injection-induced seismicity.

Avalon appealed that decision to the Franklin County Court of Common Pleas (the “Court”), and on November 1, 2016 an appeal hearing was held in that Court. On December 23, 2016, the Court issued its Decision and Order in Avalon’s favor, and vacated the Commission’s decision. The Court found that the Division’s suspension and refusal to work with the Company over the 26 month period was arbitrary and not in accordance with reason. Subsequent to the ruling, and in accordance with the Court’s Decision and Order, both Avalon and the Division submitted their proposed restart plans to the Court. Avalon’s plan sets forth both the initial volumes and pressures and increases in volume and pressure while continuously monitoring seismicity and addressing the concerns of public health and safety.

On February 21, 2017, the Court issued its Final Decision and Order. The Court’s Final Decision and Order set forth conditions for restarting the AWMS #2 salt water injection well in accordance with the proposed restart plans filed by Avalon with minor revisions. On February 22, 2017, the Division appealed the Final Decision and Order and filed a Motion to Stay the Court Order. The Motion to Stay was granted by the Ohio 10th District Court of Appeals on March 21, 2017.

On September 14, 2017, an appeal hearing was held in the Ohio 10th District Court of Appeals and on July 31, 2018 a decision was issued on the appeal. The decision reinstated the previous Ohio Oil and Gas Commission decision in this matter.

On September 12, 2018, the Company appealed the Ohio 10th District Court of Appeals decision to the Supreme Court of Ohio. On November 21, 2018, the Company received notice from the Supreme Court of Ohio that the court would not accept for review the Company’s appeal of the Ohio 10th District Court of Appeals decision on the Division of Oil and Gas Resources Management’s appeal of the Franklin County Court of Common Pleas February 21, 2017 entry allowing restart of the Company's AWMS Water Solutions, LLC #2 salt water injection well.

On April 5, 2019, Avalon filed with the Oil and Gas Commission a motion to vacate its prior decisions in this matter. The Oil and Gas Commission scheduled a hearing on this motion for August 13, 2019. Before the hearing began, and in response to the Division's motion to dismiss the Company's motion to vacate, the Commission dismissed the matter. The Company appealed that decision to the Franklin County Court of Common Pleas. In April 2020, the Division's motion to dismiss and the Company's opposition were reviewed by the Court. Following the restart orders received on May 24, 2021, and discussed below, the Court dismissed the complaint.

Concurrently with the filing of the appeal with the Franklin County Court of Common Pleas, the Company filed a writ of mandamus in the 10th District Court of Appeals on August 30, 2019 to compel the chief of the Division to issue restart orders, or alternative orders that would allow the Company to either restart the AWMS #2 well, or appeal said orders to the Oil and Gas Commission in accordance with Ohio Law. On October 6, 2020 and in response to a motion from the Division, the Court dismissed this complaint for writ of mandamus.

In addition, on August 26, 2016, Avalon filed a complaint in the 11th Appellate District Court in Trumbull County, Ohio for a Peremptory Writ of Mandamus to compel the Director of the Ohio Department of Natural Resources ("ODNR") to initiate appropriations procedures to determine damages from the illegal regulatory taking of the Company's property, or issue an alternative remedy at law. The Company believes that the actions, and lack of responsible actions, by the ODNR is a clear violation of the Company's property rights and a violation of the Fifth and Fourteenth Amendments to the U.S. Constitution; Article I, Section 19 of the Ohio Constitution; and Ohio Revised Code Chapter 163.

On March 18, 2019, Avalon received notice that the 11th Appellate District Court in Trumbull County, Ohio issued summary judgment in favor of the Ohio Department of Natural Resources in the writ of mandamus action that resulted from the suspension order of the Company's salt water injection well. The decision was appealed to the Supreme Court of Ohio on April 5, 2019. Oral arguments in the case occurred on April 7, 2020. On September 23, 2020, the Supreme Court of Ohio ruled in favor of the Company. The Supreme Court of Ohio reversed the decision of the 11th Appellate District Court and remanded the case back to that court for a trial on the merits. The trial occurred in September and October 2021. On December 19, 2022, The Company is currently awaiting judgment from the 11th Appellate District Court denied the Company's writ of mandamus action. The Court determined that the Company failed to establish a cognizable property interest that would necessitate a just compensation/takings analysis and accordingly denied the Company's petition for writ of mandamus. The decision was appealed to the Supreme Court of Ohio on January 30, 2023. Briefing to the Supreme Court of Ohio is underway. Court.

On May 24, 2021, the Company received Chief's Orders from the Division vacating the September 3, 2014 suspension orders for AWMS #2 and setting conditions for restart of that well. Among these conditions was a limit placed on the seismicity within three miles of the well. Under the Order, if a seismic event with a magnitude 2.1 or above occurs, the well must cease operations for an indefinite period of time until concurrence for subsequent restart is received from the Division. The Company appealed the May 2021 Chief's Order to the Ohio Oil and Gas Commission, seeking reasonable operating conditions that will allow the facility to operate profitably while protecting human health and property. A hearing in this matter occurred in February 2022. On September 30, 2022 June 30, 2022, the Oil and Gas Commission rendered their decision for the Division in this matter, once again deferring to the Division in their decision. The Company appealed the decision to the Franklin County Ohio Court of Common Pleas on August 9, 2022 August 3, 2022. The briefings in this matter are complete and the Company is awaiting a decision.

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

The following discussion provides information which management believes is relevant to an assessment and understanding of the operations and financial condition of Avalon Holdings Corporation and its subsidiaries. As used in this report, the term "Avalon" or the "Company" means Avalon Holdings Corporation, its wholly owned subsidiaries and variable interest entities when it has been determined that Avalon is the primary beneficiary of those company's operations, taken as a whole, unless the context indicates otherwise.

Statements included in Management's Discussion and Analysis of Financial Condition and Results of Operations which are not historical in nature are intended to be, and are hereby identified as, "forward looking statements". Avalon cautions readers that forward looking statements, including, without limitation, those relating to Avalon's future business prospects, revenues, working capital, liquidity, capital needs, interest costs, and income, are subject to certain risks and uncertainties that could cause actual results to differ materially from those indicated in the forward looking statements, due to risks and factors identified herein and from time to time in Avalon's reports filed with the Securities and Exchange Commission.

Liquidity and Capital Resources

For the three six months ended March 31, 2023 June 30, 2023, Avalon utilized existing cash and cash provided by operations to meet operating needs, fund capital expenditures and make required monthly payments on our term loan facility. Borrowings under our Cash from the line of credit were also was utilized to fund capital expenditures which included the continued renovation of The Grand Resort and Avalon Field Club at New Castle as further described below.

2022 Term Loan Agreement

On December 20, 2019, Avalon and certain direct and indirect wholly owned subsidiaries entered into a loan and security agreement (the "Term Loan Agreement") with Laurel Capital Corporation which provided for a $23.0 million term loan. At closing, $13.8 million of the proceeds were used to pay off and refinance amounts outstanding under our then existing term loan and commercial mortgage agreements, $1.7 million of the proceeds were used to pay down the outstanding balance and associated interest on our existing line of credit agreement and $0.3 million of the proceeds were utilized to pay related transaction costs. The remaining proceeds of approximately $7.2 million were deposited into a project fund account for which those proceeds are required to fund future costs of renovating and expanding both The Grand Resort and Avalon Field Club at New Castle. Restricted cash in the project fund account was fully utilized at June 30, 2022. At December 31, 2021, loan proceeds of $1.7 million remained in the project fund account. The then existing term loan and commercial mortgage agreements were terminated in conjunction with the Term Loan Agreement.

The Term Loan Agreement is payable in 119 equal monthly installments of principal and interest**,** based on a fifteen (15) year maturity schedule which commenced January 20, 2020 followed by one final balloon payment of all remaining principal, interest and fees due on the maturity date of December 20, 2029. Borrowings under the Term Loan Agreement bear interest at a fixed rate of 5.00% until the fifth anniversary date of the closing at which time the interest rate will be reset to a fixed rate equal to the greater of (a) 5.00% per annum or (b) the sum of the five year treasury rate on the date two (2) business days prior to the reset date plus 3.60%, provided that the applicable rate shall in no event exceed 7.35% per annum.

Avalon has the right to prepay the amount outstanding under the Term Loan Agreement, in whole or in part, at any time upon payment of the principal amount of the loan to be prepaid plus accrued unpaid interest thereon to the prepayment date, plus an applicable prepayment penalty. The prepayment penalty, expressed as a percentage of the principal of the loan being prepaid, is five percent (5%) on any prepayment in the first five years; four percent (4%) on any prepayment in the sixth and seventh year; three percent (3%) on any prepayment in the eighth and ninth year; and two percent (2%) on any prepayment in the tenth year.
Borrowings under the Term Loan Agreement are secured by certain real property and related business assets as defined in the agreement. The Term Loan Agreement contains a Fixed Charge Coverage Ratio requirement of at least 1.20 tested on an annual basis on December 31 of each year. The Term Loan also contains other nonfinancial covenants, customary representations, warranties and events of default. Avalon was in compliance with the Term Loan Agreement covenants at June 30, 2023 and December 31, 2022.

New Term Loan Agreement

On August 5, 2022, Avalon and certain direct and indirect wholly owned subsidiaries entered into a loan and security agreement (the "2022 "New Term Loan Agreement") with Laurel Capital Corporation which provided for a $31.0 million term loan. At closing, $20.2 million of the proceeds were used to pay off and refinance amounts outstanding and associated interest under our 2019 Term Loan Agreement existing term loan agreement with Laurel Capital Corporation and $0.4 million of the proceeds were utilized to pay transaction costs. The remaining proceeds of approximately $10.4 million were deposited into a project fund account for which those proceeds are to fund future costs of renovating and expanding both The Grand Resort and Avalon Field Club at New Castle. At March 31, 2023 and December 31, 2022, The existing term loan proceeds of $10.4 million remained in the project fund account. The 2019 Term Loan Agreement was terminated in conjunction with the 2022 New Term Loan Agreement.

The 2022 New Term Loan Agreement is payable in 119 equal monthly installments of principal and interest**,** based on a twenty-five (25) year maturity schedule which commenced commencing September 5, 2022 followed by one final balloon payment of all remaining principal, interest and fees due on the maturity date of August 5, 2032. Upon request by Avalon, project fund proceeds can be utilized to pay debt service. Borrowings under the 2022 New Term Loan Agreement bear interest at a fixed rate of 6.00% until the seventh anniversary date of the closing at which time the interest rate will be reset to a fixed rate equal to the greater of (a) 6.00% per annum or (b) the sum of the three year treasury rate on the date two (2) business days prior to the reset date plus 3.40%, provided that the applicable rate shall in no event exceed 8.50% per annum.

Avalon has the right to prepay the amount outstanding under the 2022 New Term Loan Agreement, in whole or in part, at any time upon payment of the principal amount of the loan to be prepaid plus accrued unpaid interest thereon to the prepayment date, plus an applicable prepayment penalty. The prepayment penalty, expressed as a percentage of the principal of the loan being prepaid, is six percent (6%) on any prepayment in the first five years; four percent (4%) on any prepayment in the sixth and seventh year; three percent (3%) on any prepayment in the eighth and ninth year; and two percent (2%) on any prepayment in the tenth year.

Borrowings under the 2022 New Term Loan Agreement are secured by certain real property and related business assets as defined in the agreement. The 2022 New Term Loan Agreement contains a Fixed Charge Coverage Ratio requirement of at least 1.20 tested on an annual basis on December 31 of each year, commencing December 31, 2023. The 2022 New Term Loan also contains other nonfinancial covenants, customary representations, warranties and events of default. Avalon was in compliance with the 2022 Term Loan Agreement covenants at March 31, 2023 and December 31, 2022.

Line of Credit Agreement

On May 31, 2018, Avalon entered into a business loan agreement with Premier Bank (formerly Home Savings Bank), (the "Line of Credit Agreement") which provides for a line of credit of up to $5.0 million. On July 22, 2022, the Company amended the Line of Credit Agreement to extend the maturity date to July 31, 2024. Under the Line of Credit Agreement, borrowings in excess of $1.0 million are subject to a borrowing base which is calculated based off a specific level of eligible accounts receivable of the waste management business as defined in the agreement.

At March 31, 2023 June 30, 2023 and December 31, 2022, approximately $2.2 million and $1.6 million, respectively, was outstanding borrowings under the Line of Credit Agreement. Agreement were approximately $2.2 million and $1.6 million respectively. At March 31, 2023 June 30, 2023 and December 31, 2022, approximately $2.8 million and $3.4 million, respectively was were available under the Line of Credit Agreement. Outstanding borrowings under the Line of Credit Agreement bear interest at Prime Rate plus .25%. At March 31, 2023 June 30, 2023, the interest rate on the Line of Credit Agreement was 8.25% 8.50%.

Borrowings under the Line of Credit Agreement are secured by certain business assets of the Company including accounts receivable, inventory and equipment. The Line of Credit Agreement contains a Fixed Charge Coverage Ratio requirement of at least 1.20 tested on an annual basis on December 31 of each year. The Line of Credit Agreement also contains other nonfinancial covenants, customary representations, warranties and events of default. Avalon was in compliance with the Line of Credit Agreements covenants at March 31, 2023 June 30, 2023 and December 31, 2022.

During the three months ended March 31, 2023 June 30, 2023 and 2022, the weighted average interest rate on outstanding borrowings was 6.10% 6.16% and 5.00% 4.92%, respectively. During the six months ended June 30, 2023 and 2022, the weighted average interest rate on outstanding borrowings was 6.13% and 4.86%, respectively.

Squaw Creek Country Club Lease Agreement

In November 2003, Avalon entered into a long-term agreement with Squaw Creek Country Club to lease and operate its golf course and related facilities. The lease has an initial term of ten (10) years with four (4) consecutive ten (10) year renewal term options unilaterally exercisable by Avalon. Under the lease, Avalon is obligated to pay $15,000 in annual rent and make leasehold improvements of $150,000 per year. Amounts expended by Avalon for leasehold improvements during a given year in excess of $150,000 will be carried forward and applied to future leasehold improvement obligations. Based upon the amount of leasehold improvements already made, Avalon expects to exercise all of its remaining renewal options.

Capital Expenditures

During the three six months ended March 31, 2023 June 30, 2023, Avalon incurred capital expenditures of $1.3 million $2.4 million of which $1.1 million $ 2.2 million of such expenditures was paid to vendors during the period. In addition, during 2023, approximately $0.2 million of such expenditures related to golf course maintenance equipment acquired under a new finance lease agreement. During the three six months ended March 31, 2022 June 30, 2022, Avalon incurred capital expenditures of $1.9 million $4.4 million of which $1.3 million $3.3 million of such expenditures was paid to vendors during the period. For both the three six months ended March 31, 2023 June 30, 2023 and 2022, expenditures primarily related to the continued renovation of The Grand Resort and the clubhouse at Avalon Field Club at New Castle.

In 2023 and 2022, The Grand Resort was in operation but certain existing hotel rooms were in the process of being renovated. In addition, in 2022, the Avalon Field Club at New Castle was in operation but the club house was in the process of being renovated. During the third quarter of 2022, the club house renovation was substantially completed. Avalon's aggregate capital expenditures in 2023 are expected to be in the range of $3.5 million to $4.5 million, funded with cash from our project fund account, proceeds from our line of credit, existing operating cash and cash generated from operations. Capital expenditures principally relate to the expansion and continued hotel room renovations at The Grand Resort, continued renovations at Avalon Field Club at New Castle, building improvements and equipment purchases.

Working Capital

At March 31, 2023 June 30, 2023 and December 31, 2022, there was a working capital deficit of approximately $4.3 million $4.8 million and $2.8 million, respectively. Working capital was negatively impacted primarily by an increase in accounts payable, accrued payroll, deferred membership dues revenue, accounts payable and other accrued liabilities. payroll. The negative impact was partially offset by an increase in accounts receivable, unbilled membership dues receivables, inventory receivable and prepaid assets. inventory.

Accounts receivable increased to $13.4 million at March 31, 2023 compared with remained $11.1 million at both June 30, 2023 and December 31, 2022. Accounts receivable related to our waste management services segment increased approximately $0.7 million at March 31, 2023 compared with December 31, 2023 as a result of the timing of receipt on the receivables. Accounts receivable related to the golf and related operations segment increased approximately $1.6 million $1.7 million at March 31, 2023 June 30, 2023 compared to December 31, 2022 due to the associated timing of annual membership renewals. The increase in accounts receivable related to our golf and related operations segment was offset by a decrease in accounts receivable related to our waste management services segment. Accounts receivable related to our waste management services segment decreased approximately $1.5 million at June 30, 2023 compared with December 31, 2022 as a result of the decrease in net operating revenues in the second quarter of 2023 compared with the fourth quarter of 2022 and the timing of receipt on those associated receivables.

Unbilled membership dues receivable was approximately $0.7 million $1.1 million at March 31, 2023 June 30, 2023 compared to $0.6 million at December 31, 2022. The increase was primarily due to the timing of annual membership renewals related to the Avalon Golf and Country Club and associated monthly billing over the course of the annual agreement.

Inventory was approximately $1.7 million $1.8 million at March 31, 2023 June 30, 2023 compared to $1.5 million at December 31, 2022. The increase is related to merchandise, food and beverage inventory related to as a result of the increase in business operations for our golf and related operations segment.

Accounts payable was approximately $13.2 million $11.6 million at March 31, 2023 June 30, 2023 compared to $11.0 million at December 31, 2022. Approximately $0.6 million Accounts payable related to the golf and related operations increased as a result of the unpaid construction bills at June 30, 2023 related to The Grand Resort and Avalon Field Club at New Castle. The increase in accounts payable between periods related to our golf and related operations segment was due partially offset by a decrease in accounts payable related to the our waste management services segment. Accounts payable related to our waste management segment increased decreased as a result of a decrease in amounts due to disposal facilities and transportation carriers in the second quarter of 2023 compared to the fourth quarter of 2022 and the associated timing of those vendor payments in the ordinary course of business. Accounts payable related to our golf and related operations increased $1.6 million at March 31, 2023 compared to December 31, 2022, due to the associated timing of vendor payments in the ordinary course of business.

Deferred revenue relating to membership dues was approximately $4.9 million $5.7 million at March 31, 2023 June 30, 2023 compared to $3.6 million at December 31, 2022. The increase in deferred revenues was primarily due to the associated timing of annual membership renewals and, to a lesser extent, an increase in the number of members in 2023 and an increase in membership dues rates. The number of members at March 31, 2023 was 5,073 compared to 4,983 at December 31, 2022. rates during 2023.

Accrued payroll and other compensation was approximately $1.4 million $1.2 million at March 31, 2023 June 30, 2023 compared to $1.0 million at December 31, 2022. The increase is primarily due to the associated timing of payment employee payroll payments in the ordinary course of certain earned employee incentives relating business related to our waste management services segment. golf and related operations.

Management believes that anticipated cash provided from future operations will be sufficient to meet operating requirements and make required monthly payments under our term loan facility. If business conditions warrant additional monies needed, Avalon will take all available actions to fund operating requirements including borrowing from our existing line of credit.

Growth Strategy

Waste Management Services Segment

Our growth strategy for the waste management services segment focuses on increasing revenue, gaining market share and enhancing shareholder value through internal growth. Although we are a waste management services company, we do not own any landfills or provide waste collection services. However, because of our many relationships with various disposal facilities and transporters, we are able to be more flexible and provide alternative solutions to a customer's waste disposal or recycling needs. We intend to capitalize on our management and sales staff which has extensive experience in all aspects of the waste business. As such, we intend to manage our internal growth as follows:

- ***Sales and Marketing Activities***. We will focus on retaining existing customers and obtaining new business through our well-managed sales and marketing activities. We seek to manage our sales and marketing activities to enable us to capitalize on our position in many of the markets in which we operate. We provide a tailored program to all of our customers in response to their particular needs. We accomplish this by centralizing services to effectively manage their needs, such as minimizing their procurement costs.

We currently have a number of professional sales and marketing employees in the field who are compensated using a commission structure that is focused on generating high levels of quality revenue. For the most part, these employees directly solicit business from existing and prospective customers. We emphasize our rate and cost structures when we train new and existing sales personnel. We intend to hire additional qualified professional sales personnel to expand into different geographical areas.

- ***Development Activities***. We will seek to identify opportunities to further position us as an integrated service provider in markets where we provide services. In addition, we will continue to utilize the extensive experience of our management and sales staff to bid on significant one-time projects and those that require special expertise. Where appropriate, we may seek to obtain permits that would provide vertically integrated waste services or expand the service offerings or leverage our existing volumes with current vendors to provide for long term, cost competitive strategic positioning within our existing markets.

Golf and Related Operations Segment

In August 2014, the Company acquired The Grand Resort which was integrated into the golf and related operations segment. The acquisition is consistent with the Company's business strategy in that The Grand Resort provides guests with a self-contained vacation experience, offering hotel guests golf packages to all of the golf courses of the Avalon Golf and Country Club and allows its guests to utilize the facilities at each of the clubhouses. Members of the Avalon Golf and Country Club also have access to all of the amenities offered by The Grand Resort. The Grand Resort is open year-round and provides a consistent, comfortable environment where our guests can enjoy our various amenities and activities. Avalon believes that the combination of its four golf facilities and The Grand Resort will result in additional memberships in the Avalon Golf and Country Club.

In addition, several private country clubs in the northeast Ohio area are experiencing economic difficulties. Avalon believes some of these clubs may represent an attractive investment opportunity. While Avalon has not entered into any pending agreements for acquisitions, it may do so at any time and will continue to consider acquisitions that make economic sense.

Results of Operations

Avalon's primary business segment, the waste management services segment, provides hazardous and nonhazardous waste brokerage and management services, captive landfill management services and salt water injection well operations. The golf and related operations segment includes the operation and management of four golf courses and related country clubs and facilities, a hotel and its associated resort amenities, and a multipurpose recreation center. center and a travel agency.

Performance in the first second quarter of 2023 compared with the first second quarter of 2022

Overall Performance

Net operating revenues increased to $18.4 million $20.6 million in the first second quarter of 2023 compared with $14.3 million $19.5 million in the first second quarter of 2022. Net operating revenues of the waste management services segment were approximately $12.7 million $10.3 million in the first second quarter of 2023 compared to $9.3 million $10.7 million in the first second quarter of 2022. The increase decrease in net operating revenues of the waste management services segment was a result of an increase decreases in both continuous and event work projects during the first second quarter of 2023 compared to the first second quarter of 2022. Net operating revenues of the golf and related operations segment were approximately $5.7 million $10.3 million in the first second quarter of 2023 compared to $5.0 million $8.8 million in the first second quarter of 2022. The increase in net operating revenues of the golf and related operations was a result of increased business operations related to both The Grand Resort and the country clubs during the first second quarter of 2023 compared to the first second quarter of 2022.

Total cost of operations related to the waste management services segment increased decreased to $10.4 million $8.2 million in the first second quarter of 2023 compared with $7.6 million $8.5 million in the first second quarter of 2022. The increase decrease in the cost of operations between periods for the waste management services segment is primarily due to the increased decrease in net operating revenues as these costs vary directly with the associated revenues.

Total cost of operations related to the golf and related operations segment increased to $5.8 million $8.8 million in the first second quarter of 2023 compared to $4.8 million $7.3 million in the first second quarter of 2022. The increase between periods was primarily a result of higher product costs and employee related costs associated with an increase in business operations and wage increases during the period and increased cost of food, beverage and merchandise. period.

Depreciation and amortization expense was approximately $0.9 million $1.0 million and $0.8 million in the first second quarter of 2023 compared to $0.8 million in the first quarter of 2022. The increase is due to a higher depreciable asset base primarily related to the renovation of The Avalon Field Club at New Castle and The Grand Resort and equipment purchases for the med spa. 2022, respectively.

Consolidated selling, general and administrative expenses were approximately $2.5 million in the first second quarter of 2023 compared to $2.3 million in the first second quarter of 2022. The increase was primarily due to higher employee related costs.

Interest expense was approximately $0.5 million and $0.3 million in the first second quarter of 2023 compared to $0.3 million in the first quarter of 2022. and 2022, respectively. During the first second quarter of 2023, the increase in interest expense was due to both the higher average debt outstanding and the increased weighted average interest rate on the associated borrowings. During the three months ended March 31, 2023 June 30, 2023 and 2022, the weighted average interest rate on outstanding borrowings was 6.10% 6.16% and 5.00%, respectively.

Net loss attributable to Avalon Holdings Corporation common shareholders was $1.7 million $0.2 million, or $0.43 $0.04 per share, in the first second quarter of 2023 compared with a net loss income attributable to Avalon Holdings Corporation common shareholders of $1.3 million $0.5 million, or $0.32 $0.12 per share, in the first quarter of 2022.

Segment Performance

Segment performance should be read in conjunction with Note 13 to the Condensed Consolidated Financial Statements.

Waste Management Services Segment

The net operating revenues of the waste management services segment increased to $12.7 million in the first quarter of 2023 compared with $9.3 million in the first quarter of 2022. The waste management services segment includes waste disposal brokerage and management services, captive landfill management operations and salt water injection well operations.

The net operating revenues of the waste disposal brokerage and management services business were approximately $11.9 million in the first quarter of 2023 compared to $8.7 million in the first quarter of 2022. Event work net operating revenues related to multiple projects increased by approximately $2.9 million during first quarter of 2023 when compared to first quarter of 2022. Event work is defined as bid projects under contract that occurs on a one-time basis over a short period of time. Such work can fluctuate significantly from period to period. Event work net operating revenues were approximately $6.0 million in the first quarter of 2023 compared with $3.1 million in the first quarter of 2022. In addition, continuous work of the waste disposal brokerage business increased approximately $0.3 million between periods as a result of increased work from multiple customers. Net operating revenues related to continuous work were approximately $5.9 million in the first quarter of 2023 compared with $5.6 million in the first quarter of 2022.

The net operating revenues of the captive landfill management operations were approximately $0.8 million in the first quarter of 2023 compared to $0.6 million in the first quarter of 2022. The net operating revenues of the captive landfill operations are almost entirely dependent upon the volume of waste generated by the owner of the landfill for whom Avalon manages the facility.

Costs of operations related to the waste management services segment increased to $10.4 million in the first quarter of 2023 compared with $7.6 million in the first quarter of 2022. The increase in the cost of operations between periods for the waste management segment is primarily due to the increased net operating revenues as these costs vary directly with the associated revenues. The overall gross margin percentage of the waste brokerage and management services business was approximately 18% in the first quarter of 2023 compared to 19% in the first quarter of 2022. The decrease in the overall gross margin percentage was primarily attributable to the lower gross profit event work projects during first quarter of 2023.

Income before income taxes for the waste management services segment were approximately $0.9 million in the first quarter of 2023 compared to $0.7 million in the first quarter of 2022. Income before income taxes of the waste brokerage and management services business was approximately $0.9 million in the first quarter of 2023 compared to $0.7 million in the first quarter of 2022. The increased income before income taxes was primarily attributable to the increased net operating revenues and associated gross profit during the first quarter of 2023 compared to the first quarter of 2022. Income before income taxes of the captive landfill operations were approximately $0.1 million in both the first quarter of 2023 and 2022. During both the first quarter of 2023 and 2022, the salt water injection wells incurred a loss before income taxes of approximately $0.1 million primarily due to legal and professional costs incurred relating to Avalon's appeal and mandamus processes.

Golf and Related Operations Segment

Net operating revenues of the golf and related operations segment were approximately $5.7 million in the first quarter of 2023 compared to $5.0 million in the first quarter of 2022. Avalon's golf and related operations segment consists of the operation and management of four golf courses and related country clubs which provide dining and banquet facilities, a hotel which provides lodging, dining, banquet and conference facilities and other resort related amenities and a multipurpose recreation center.

Food, beverage and merchandise sales increased to approximately $2.0 million in the first quarter of 2023 compared to $1.7 million in the first quarter of 2022. Food, beverage and merchandise sales increased between periods as a result of an increase in business activity at both The Grand Resort and the country clubs.

Other net operating revenues related to the golf and related operations were approximately $3.7 million in the first quarter of 2023 compared to $3.3 million in the first quarter of 2022. Membership dues revenue was approximately $1.8 million in the first quarter of 2023 compared to $1.7 million in the first quarter of 2022. The increase in membership dues revenue was attributable to an increase in membership dues rates. Net operating revenues related to room rental was approximately $0.9 million in the first quarter of 2023 compared to $0.7 million in the first quarter of 2022. The increase in room revenue was a result of both higher occupancy and an increase in average room rates when compared to the prior period. Other revenues consisting of athletic, fitness, salon and spa related activities were approximately $0.9 million in the first quarter of 2023 compared to $0.8 million in the first quarter of 2022. The increase between periods was primarily due to an increase in salon and spa revenue. Greens fees and associated cart rentals were approximately $0.1 million in both the first quarter of 2023 and 2022. Due to adverse weather conditions, net operating revenues relating to the golf courses, which are located in northeast Ohio and western Pennsylvania, were minimal during the first three months of 2023 and 2022.

Total cost of operations for the golf and related operations segment were $5.8 million in the first quarter of 2023 compared with $4.8 million in the first quarter of 2022. Cost of food, beverage and merchandise was approximately $1.0 million in the first quarter of 2023 compared to $0.7 million in the first quarter of 2022. The increase in total food, beverage and merchandise costs between periods is due to both an increase in business operations and higher product costs. The cost of food, beverage and merchandise sales was approximately 52% of associated revenue in the first quarter of 2023 compared to 45% in the first quarter of 2022. Golf and related operations operating costs increased to approximately $4.8 million in the first quarter of 2023 compared with $4.1 million in the first quarter of 2022. The increase in operating costs between periods, primarily employee related costs, was directly attributable to both an increase in business operations and higher employee wages paid per hour during the first quarter of 2023 compared to the first quarter of 2022.

The golf and related operations recorded a loss before income taxes of $1.3 million in the first quarter of 2023 compared with a loss before income taxes of $0.8 million in the first quarter of 2022. The change between periods was primarily a result of higher product and employee related costs in the first quarter of 2023 compared to the first quarter of 2022.

General Corporate Expenses

General corporate expenses were $0.9 million in both the first quarter of 2023 and 2022.

Interest Expense

Interest expense was approximately $0.5 million in the first quarter of 2023 compared to $0.3 million in the first quarter of 2022. During the first quarter of 2023, the increase in interest expense was due to both the higher average debt outstanding and the increased weighted average interest rate on the associated borrowings. During the three months ended March 31, 2023 and 2022, the weighted average interest rate on outstanding borrowings was 6.10% and 5.00%, respectively.

Net Loss

Net loss attributable to Avalon Holdings Corporation common shareholders was $1.7 million in the first quarter of 2023 compared to a net loss attributable to Avalon Holdings Corporation common shareholders of $1.3 million in the first second quarter of 2022. Avalon recorded a state income tax provision in both the first quarter second quarters of 2023 and 2022, which was related entirely to the waste management and brokerage operations. Due to the recording of a full valuation allowance against the Company's federal net deferred tax assets, the overall effective tax rate in both periods reflect taxes owed in certain U.S state jurisdictions. Avalon's income tax benefit on the loss before taxes was offset by a change in the valuation allowance. A valuation allowance is provided when it is more likely than not that deferred tax assets relating to certain federal and state loss carryforwards will not be realized. Avalon continues to maintain a valuation allowance against the majority of its deferred tax amounts until it is evident that the deferred tax asset will be utilized in the future.

Segment Performance

Segment performance should be read in conjunction with Note 13 to the Condensed Consolidated Financial Statements.

Waste Management Services Segment

The net operating revenues of the waste management services were approximately $10.3 million in the second quarter of 2023 compared with $10.7 million in the second quarter of 2022. The waste management services segment includes waste disposal brokerage and management services, captive landfill management operations and salt water injection well operations.

The net operating revenues of the waste disposal brokerage and management services business were approximately $9.4 million in the second quarter of 2023 compared to $10.0 million in the second quarter of 2022. Continuous work in the waste disposal brokerage business decreased by approximately $0.8 million between periods. Net operating revenues related to continuous work were approximately $5.7 million in the second quarter of 2023 compared with $6.5 million in the second quarter of 2022. In addition, event work net operating revenues related to multiple projects increased by approximately $0.2 million during second quarter of 2023 when compared to second quarter of 2022. Event work is defined as bid projects under contract that occurs on a one-time basis over a short period of time. Such work can fluctuate significantly from period to period. Event work net operating revenues were approximately $3.7 million in the second quarter of 2023 compared with $3.5 million in the second quarter of 2022.

The net operating revenues of the captive landfill management operations were approximately $0.9 million in the second quarter of 2023 compared to $0.7 million in the second quarter of 2022. The net operating revenues of the captive landfill operations are almost entirely dependent upon the volume of waste generated by the owner of the landfill for whom Avalon manages the facility.

Costs of operations related to the waste management services segment were approximately $8.2 million in the second quarter of 2023 compared with $8.5 million in the second quarter of 2022. The decrease in the cost of operations between periods for the waste management segment is primarily due to the decreased net operating revenues as these costs vary directly with the associated revenues. The overall gross margin percentage of the waste brokerage and management services business was approximately 20% in the second quarter of 2023 compared to 21% in the second quarter of 2022. The slight decrease in the overall gross margin percentage was primarily attributable to the higher gross profit generated from event work projects during second quarter of 2022.

Income before income taxes for the waste management services segment was approximately $0.8 million in the second quarter of 2023 compared to $1.0 million in the second quarter of 2022. Income before income taxes of the waste brokerage and management services business was approximately $0.7 million in the second quarter of 2023 compared to $1.0 million in the second quarter of 2022. The decreased income before income taxes was primarily attributable to the decreased net operating revenues and associated lower gross profit during the second quarter of 2023 compared to the second quarter of 2022. Income before income taxes of the captive landfill operations were approximately $0.1 million in both the second quarter of 2023 and 2022. During both the second quarter of 2023 and 2022, the salt water injection wells incurred a loss before income taxes of less than $0.1 million primarily due to legal and professional costs incurred relating to Avalon's appeal and mandamus processes.

Golf and Related Operations Segment

Net operating revenues of the golf and related operations segment were approximately $10.3 million in the second quarter of 2023 compared to $8.8 million in the second quarter of 2022. Avalon's golf and related operations segment consists of the operation and management of four golf courses and related country clubs which provide dining and banquet facilities, a hotel which provides lodging, dining, banquet and conference facilities and other resort related amenities, a multipurpose recreation center and a travel agency.

Food, beverage and merchandise sales increased to approximately $4.0 million in the second quarter of 2023 compared to $3.6 million in the second quarter of 2022. Food, beverage and merchandise sales increased between periods as a result of an increase in business activity at both The Grand Resort and the country clubs.

Other golf and related operation revenues were approximately $6.3 million in the second quarter of 2023 compared to $5.2 million in the second quarter of 2022. Membership dues revenue was approximately $1.8 million in both the second quarter of 2023 and 2022. Net operating revenues related to room rental was approximately $1.8 million in the second quarter of 2023 compared to $1.5 million in the second quarter of 2022. The increase in room revenue was a result of both higher occupancy and an increase in average room rates when compared to the prior period. Greens fees and associated cart rentals were approximately $1.2 million in the second quarter of 2023 compared to $0.9 million in the second quarter of 2022. The increase is green fees and associated cart rentals were a result of both increased bookings and higher green fees compared to the prior period. Other revenues consisting of athletic, fitness, salon and spa related activities were approximately $1.5 million in the second quarter of 2023 compared to $1.0 million in the second quarter of 2022. The increase between periods was primarily due to an increase in salon and spa revenue associated with The Grand Resort.

Total cost of operations for the golf and related operations segment were $8.8 million in the second quarter of 2023 compared with $7.3 million in the second quarter of 2022. Cost of food, beverage and merchandise was approximately $1.8 million in the second quarter of 2023 compared to $1.5 million in the second quarter of 2022. The increase in total food, beverage and merchandise costs between periods is primarily due to higher revenues from increased business operations and higher product costs. The cost of food, beverage and merchandise sales was approximately 45% of associated revenue in the second quarter of 2023 compared to 43% in the second quarter of 2022. Golf and related operations operating costs increased to approximately $7.0 million in the second quarter of 2023 compared with $5.7 million in the second quarter of 2022. The increase in operating costs between periods is primarily related to an increase in business operations along with higher employee wages paid per hour during the second quarter of 2023 compared to the second quarter of 2022.

The golf and related operations recorded income before income taxes of $0.4 million in the second quarter of 2023 compared with income before income taxes of $0.6 million in the second quarter of 2022. The change between periods was primarily a result of higher employee related costs in the second quarter of 2023 and, in the second quarter of 2022.

General Corporate Expenses

General corporate expenses were $0.9 million in both the second quarter of 2023 and 2022.

Interest Expense

Interest expense was approximately $0.5 million in both second quarter of 2023 compared to $0.3 million in the first quarter of 2022. During the second quarter of 2023, the increase in interest expense was due to both the higher average debt outstanding and the increased weighted average interest rate on the associated borrowings. During the three months ended June 30, 2023 and 2022, the weighted average interest rate on outstanding borrowings was 6.16% and 5.00%, respectively.

Net Income (Loss)

Net loss attributable to Avalon Holdings Corporation common shareholders was $0.2 million in the second quarter of 2023 compared to net income attributable to Avalon Holdings Corporation common shareholders of $0.5 million in the second quarter of 2022. Avalon recorded a state income tax provision in both the second quarter of 2023 and 2022, which was related entirely to the waste management and brokerage operations. Due to the recording of a full valuation allowance against the Company's federal net deferred tax assets, the overall effective tax rate in both periods reflect taxes owed in certain U.S state jurisdictions. Avalon's income tax on the income before taxes was offset by a change in the valuation allowance. A valuation allowance is provided when it is more likely than not that deferred tax assets relating to certain federal and state loss carryforwards will not be realized. Avalon continues to maintain a valuation allowance against the majority of its deferred tax amounts until it is evident that the deferred tax asset will be utilized in the future.

Performance in the first six months of 2023 compared with the first six months of 2022

Overall Performance

Net operating revenues increased to $39.0 million in the first six months of 2023 compared with $33.8 million in the first six months of 2022. Net operating revenues of the waste management services segment were approximately $22.9 million in the first six months of 2023 compared to $20.0 million in the first six months of 2022. The increase in net operating revenues of the waste management services segment was a result of an increase in event work projects partially offset by a decrease in continuous work during the first six months of 2023 compared to the first six months of 2022. Net operating revenues of the golf and related operations segment were approximately $16.1 million in the first six months of 2023 compared to $13.8 million in the first six months of 2022. The increase in net operating revenues of the golf and related operations was a result of increased business operations related to both The Grand Resort and the country clubs during the first six months of 2023 compared to the first six months of 2022.

Total cost of operations related to the waste management services segment increased to $18.6 million in the first six months of 2023 compared with $16.1 million in the first six months of 2022. The increase in the cost of operations between periods for the waste management services segment is primarily due to higher waste disposal transportation expense.

Total cost of operations related to the golf and related operations segment increased to $14.7 million in the first six months of 2023 compared to $12.1 million in the first six months of 2022. The increase in total golf and related operations costs between periods is primarily due to higher revenues from increased business operations and higher product costs.

Depreciation and amortization expense was approximately $1.9 million in the first six months of 2023 compared to $1.7 million in the first six months of 2022. The increase is due to the higher depreciable asset base primarily due to the renovation and expansion of The Grand Resort.

Consolidated selling, general and administrative expenses were approximately $5.0 million in the first six months of 2023 compared to $4.6 million in the first six months of 2022. Increase is mainly attributed to increased incentive compensation for salesman of waste management services segment.

Interest expense was approximately $1.0 million in the first six months of 2023 compared to $0.6 million in the first six months of 2022 as a result of the higher average outstanding debt along with a higher weighted average interest rate on the outstanding borrowings. During the six months ended June 30, 2023 and 2022, the weighted average interest rate on outstanding borrowings was 6.13% and 5.00%, respectively.

Net loss attributable to Avalon Holdings Corporation common shareholders was $1.8 million, or $0.47 per share, in the first six months of 2023 compared with net income attributable to Avalon Holdings Corporation common shareholders of $.8 million, or $0.20 per share, in the first six months of 2022.

Segment Performance

Segment performance should be read in conjunction with Note 13 to the Condensed Consolidated Financial Statements.

Waste Management Services Segment

The net operating revenues of the waste management services segment increased to $23.0 million in the first six months of 2023 compared with $20.0 million in the first six months of 2022.

The net operating revenues of the waste disposal brokerage and management services business were approximately $21.3 million in the first six months of 2023 compared to $18.7 million in the first six months of 2022. Continuous work of the waste disposal brokerage business decreased by approximately $0.4 million between periods. Net operating revenues related to continuous work were approximately $11.7 million in the first six months of 2023 compared with $12.1 million in the first six months of 2022. The decrease in net operating revenues from continuous work was partially offset by an increase in event work projects. Event work net operating revenues related to multiple projects increased by approximately $3.0 million during first six months of 2023 when compared to first six months of 2022. Event work is defined as bid projects under contract that occurs on a one-time basis over a short period of time. Such work can fluctuate significantly from year to year. Event work net operating revenues were approximately $9.6 million in the first six months of 2023 compared with $6.6 million in the first six months of 2022.

The net operating revenues of the captive landfill management operations were approximately $1.7 million in the first six months of 2023 compared to $1.3 million in the first six months of 2022. The net operating revenues of the captive landfill operations are almost entirely dependent upon the volume of waste generated by the owner of the landfill for whom Avalon manages the facility.

Costs of operations related to the waste management services segment increased to $18.6 million in the first six months of 2023 compared with $16.1 million in the first six months of 2022. The increase in the cost of operations between periods for the waste management services segment is primarily due to higher waste disposal transportation expense. The overall gross margin percentage of the waste brokerage and management services business was approximately 19% in the first six months of 2023 compared to 20% in the first six months of 2022. The decrease in the overall gross margin percentage was primarily attributable to the lower gross profit generated from event work projects during first six months of 2023.

Income before income taxes for the waste management services segment were approximately $1.8 million in the first six months of 2023 compared to $1.7 million in the first six months of 2022. Income before income taxes of the waste brokerage and management services business was approximately $1.6 million in the first six months of 2023 compared to $1.7 million in the first six months of 2022. The increased income before income taxes was primarily attributable to increased event work projects during the first six months of 2023 compared to the first six months of 2022. Income before income taxes of the captive landfill operations were approximately $0.2 million for the first six months of 2023 and $0.1 million for the first six months of 2022. During both the first six months of 2023 and 2022, the salt water injection wells incurred a loss before income taxes of approximately $0.1 million primarily due to legal and professional costs incurred relating to Avalon’s mandamus processes.

Golf and Related Operations Segment

Net operating revenues of the golf and related operations segment were approximately $16.1 million in the first six months of 2023 compared to $13.8 million in the first six months of 2022.

Food, beverage and merchandise sales increased to approximately $6.0 million in the first six months of 2023 compared to $5.2 million in the first six months of 2022. Food, beverage and merchandise sales increased between periods as a result of an increase in business activity at both The Grand Resort and the country clubs.

Other net operating revenues related to the golf and related operations were approximately $10.0 million in the first six months of 2023 compared to $8.6 million in the first six months of 2022. Membership dues revenue was approximately $3.7 million in the first six months of 2023 compared to $3.5 million in the first six months of 2022. The increase in membership dues revenue was attributable to both an increase in membership dues rates and the average number of members between periods. Net operating revenues related to room rental was approximately $2.6 million in the first six months of 2023 compared to $2.2 million in the first six months of 2022. The increase in room revenue was a result of both higher occupancy and an increase in average room rates when compared to the prior period. Other revenues consisting of athletic, fitness, travel agency, salon and spa related activities were approximately $2.5 million in the first six months of 2023 compared to $1.9 million in the first six months of 2022. The increase between periods was primarily due to an increase in salon and spa revenue associated with The Grand Resort. Greens fees and associated cart rentals were approximately $1.2 million in the first six months of 2023 and $1.0 million in the first six months of 2022. Due to adverse weather conditions, net operating revenues relating to the golf courses, which are located in northeast Ohio and western Pennsylvania, were minimal during the first three months of 2023 and 2022.

Total cost of operations for the golf and related operations segment were $14.7 million in the first six months of 2023 compared with $12.1 million in the first six months of 2022. Cost of food, beverage and merchandise was approximately $2.8 million in the first six months of 2023 compared to $2.3 million in the first six months of 2022. The increase in total food, beverage and merchandise costs between periods is primarily due to higher revenues from increased business operations, and to a lesser extent, higher product costs. The cost of food, beverage and merchandise sales was approximately 47% of associated revenue in the first six months of 2023 compared to 43% in the first six months of 2022. Golf and related operations operating costs increased to approximately $11.9 million in the first six months of 2023 compared with $9.8 million in the first six months of 2022. The increase in operating costs between periods, primarily employee related costs, was directly attributable to both an increase in business operations and higher employee wages paid per hour during the first six months of 2023 compared to the first six months of 2022.

The golf and related operations recorded a loss before income taxes of $0.9 million in the first six months of 2023 compared with income before income taxes of $.2 million in the first six months of 2022. The change between periods was primarily a result of increased operational and employee related costs in the first six months of 2023 and, in the first six months of 2022.

The ability to attract new members and retain members is very important to the success of the golf and related operations segment. Avalon is continually using different marketing strategies to attract and retain members, such as local television advertising and/or various membership promotions. A significant decline in members could adversely impact the financial results of the golf and related operations segment.

General Corporate Expenses

General corporate expenses were $1.8 million in the first six months of 2023 compared to $1.9 million in the first six months of 2022. In the first six months of 2022, certain discretionary employee bonuses were paid by the Company.

Interest Expense

Interest expense was approximately $1.0 million for the first six months in 2023 and $0.6 million in the first six months of 2022. During first six months of 2023, the increase in interest expense due to the higher average outstanding debt and a higher weighted average interest rate on the outstanding borrowings. During the six months ended June 30, 2023 and 2022, the weighted average interest rate on outstanding borrowings was 6.13% and 5.00%, respectively.

Net Loss

Net loss attributable to Avalon Holdings Corporation common shareholders was $1.8 million in the first six months of 2023 compared to a net loss attributable to Avalon Holdings Corporation common shareholders of $0.8 million in the first six months of 2022. Avalon recorded a state income tax provision in both the first six months of 2023 and 2022, which was related entirely to the waste management and brokerage operations. Due to the recording of a full valuation allowance against the Company's federal net deferred tax assets, the overall effective tax rate in both periods reflect taxes owed in certain U.S state jurisdictions. Avalon's income tax on the income (loss) before taxes was offset by a change in the valuation allowance. A valuation allowance is provided when it is more likely than not that deferred tax assets relating to certain federal and state loss carryforwards will not be realized. Avalon continues to maintain a valuation allowance against the majority of its deferred tax amounts until it is evident that the deferred tax asset will be utilized in the future.

Trends and Uncertainties

Government regulations

A portion of Avalon's waste brokerage and management services revenues is derived from the disposal and/or transportation of out-of-state waste. Any law or regulation restricting or impeding the transportation of waste or the acceptance of out-of-state waste for disposal could have a negative effect on Avalon.

Legal matters

In the ordinary course of conducting its business, Avalon becomes involved in lawsuits, administrative proceedings and governmental investigations, including those relating to environmental matters. Some of these proceedings may result in fines, penalties or judgments being assessed against Avalon which, from time to time, may have an impact on its business and financial condition. Although the outcome of such lawsuits or other proceedings cannot be predicted with certainty, management assesses the probability of loss and accrues a liability as appropriate. Avalon does not believe that any uninsured ultimate liabilities, fines or penalties resulting from such pending proceedings, individually or in the aggregate, will have a material adverse effect on its liquidity, financial position or results of operations.

Credit and collections

Economic challenges throughout the industries served by Avalon may result in payment defaults by customers. While Avalon continuously endeavors to limit customer credit risks, customer-specific financial downturns are not controllable by management. Significant customer payment defaults would have a material adverse impact upon Avalon's future financial performance.

Competitive pressures

Avalon's waste brokerage and management services business obtains and retains customers by providing services and identifying cost-efficient disposal options unique to a customer's needs. Consolidation within the solid waste industry has resulted in reducing the number of disposal options available to waste generators and may cause disposal pricing to increase. Avalon's waste brokerage and management services business may not be able to pass these price increases onto some of its customers, which, in turn, may adversely impact Avalon's future financial performance.

Unfavorable general economic conditions could adversely affect our business and financial results

Our operations are substantially affected by economic conditions, including inflation, inflationary pressures, which can impact consumer disposable income levels and spending habits. Economic conditions can also be impacted by a variety of factors including epidemics, pandemics and actions taken by governments to manage economic matters, whether through initiatives intended to control wages, unemployment, inflation, taxation and other economic drivers. Adverse economic conditions could pressure Avalon's business and operating performance and financial results may suffer.

Numerous economic factors, including a recession, other economic downturns, inflation and the potential for a decrease in consumer spending, could adversely affect us

Various adverse economic conditions, including a recession, other economic downturns and inflation could decrease consumer discretionary spending and adversely affect our financial performance. Rising inflation rates have led to increased interest rates. A recession or other economic downturn could have a material adverse effect on our financial results. The products and services that are golf and related operations offer are products or services that consumers may view as discretionary rather than necessities. Our results of operations are sensitive to changes in macroeconomic conditions that impact consumer spending, including discretionary spending. Other factors, including consumer confidence, employment levels, interest rates, fuel and energy costs, tax rates, and consumer debt levels could reduce consumer spending or change consumer purchasing habits. Slowdowns in the U.S. or global economy, or an uncertain economic outlook, could materially adversely affect consumer spending habits and could have a material adverse effect on our business, results of operations and financial condition.

Challenges with respect to labor, including availability and cost, could impact our business and results of operations

Avalon's success depends in part on our ability to recruit, motivate and retain qualified individuals to work in an intensely competitive labor market. We have experienced, and may continue to experience, challenges in adequately staffing, which can negatively impact operations. Our ability to meet labor needs is generally subject to external factors, including the availability of sufficient workforce, unemployment levels and prevailing wages in the markets in which we operate. Increased costs and competition associated with recruiting, motivating and retaining qualified employees could have a negative impact on Avalon's operating margins and profitability.

Changes in commodity and other operating costs could adversely affect our results of operations

The profitability of our golf and related operations segment depends on our ability to anticipate and react to changes in commodity costs, including food, supplies, fuel, utilities and other operating costs, including labor. We continuously monitor supply and cost trends of these commodities. During the first three months of 2023 and 2022, we experienced higher commodity costs compared to the prior year period. These increases are primarily driven by overall market demand and inflationary pressures. Volatility in certain commodity prices and fluctuations in labor costs have adversely affected, and in the future, could adversely affect Avalon's operating results. We anticipate commodity costs to continue to remain elevated throughout 2023 due to inflationary pressures. An increase in commodity costs could have an adverse impact on our profitability.

Global conflict, increasing tensions between the United States and Russia, and other effects of the ongoing conflict in Ukraine, could negatively impact our business, results of operations and financial condition

Global conflict could increase costs and limit availability of fuel, energy, and other resources we depend upon for our business operations. For example, while we do not operate in Russia or Ukraine, the increasing tensions between the United States and Russia and the other effects of the ongoing conflict in Ukraine, have resulted in many broader economic impacts such as the United States imposing sanctions and bans against Russia and Russian products imported into the United States. Such sanctions and bans have impacted and may continue to impact commodity pricing such as fuel and energy costs. Further sanctions, bans or other economic actions in response to the ongoing conflict in Ukraine or in response to any other global conflict could result in an increase in costs and negatively impact our business, results of operations and financial condition.

Effective succession planning is important to our continued success

Effective succession planning is important to our long-term success. Failure to effectively identify, develop and retain key personnel, recruit high-quality candidates and ensure smooth management and personnel transitions could disrupt our business and adversely affect our results.

A majority of Avalon's business is not subject to long-term contracts

A significant portion of Avalon's business is generated from waste brokerage and management services provided to customers that are not subject to long-term contracts. In light of current economic, regulatory and competitive conditions, there can be no assurance that Avalon's current customers will continue to transact business with Avalon at historical levels. Failure by Avalon to retain its current customers or to replace lost business could adversely impact the future financial performance of Avalon.

Avalon's captive landfill management business is dependent upon a single customer as its sole source of revenue. If the captive landfill management business is unable to retain this customer, Avalon's future financial performance could be adversely impacted.

A significant source of the golf and related operations revenues is derived from the members of the Avalon Golf and Country Club. Members are obligated to pay dues for a one year period. As such, the golf and related operations is primarily dependent on the sale and renewal of memberships in the Avalon Golf and Country Club, on a year to year basis.

Avalon's loan and security agreement may obligate it to repay debt before its maturity

The Company's loan and security agreement contains certain covenants and events of default. Should Avalon be unable to meet one or more of these covenants, its lender may require it to repay any outstanding balance prior to the expiration date of the agreement. Our ability to comply with the financial and other covenants in our loan and security agreement may be affected by worsening economic or business conditions, or other events that may be beyond our control. Although the Company believes that cash generated from operations will be sufficient to meet obligations under our loan and security agreement, we We cannot provide assurance that our business will generate sufficient cash flow from operating activities in amounts sufficient to enable us to service debt and meet these covenants. We may need to refinance all or a portion of our indebtedness, on or before maturity. The Company cannot assure that additional sources of financing would be available to pay off any long-term borrowings under the loan and security agreement, so as to avoid default.

Saltwater disposal wells

Saltwater disposal wells are regulated by the Ohio Department of Natural Resources ("ODNR"), with portions of the disposal facilities regulated by the Ohio EPA. As exploitation of the Marcellus and Utica shale formations by the hydrofracturing process develops, regulatory and public awareness of the environmental risks of saltwater brine and its disposal in saltwater disposal wells is growing and consequently, it is expected that regulation governing the construction and operation of saltwater disposal wells will increase in scope and complexity. Increased regulation may result in increased construction and/or operating costs, which could adversely affect the financial results of Avalon.

There is a continuing risk during the saltwater disposal well's operation of an environmental event causing contamination to the water tables in the surrounding area, or seismic events. The occurrence of a spill or contamination at a disposal well site could result in remedial expenses and/or result in the operations at the well site being suspended and/or terminated by the Ohio EPA or the ODNR. Incurring remedial expenses and /or a suspension or termination of Avalon's right to operate one or more saltwater disposal wells at the well site could have an adverse effect on Avalon's financial results.

As a result of a seismic event with a magnitude of 2.1 occurring on August 31, 2014, the Chief of the Division of Oil and Gas Resources Management ("Chief" or "Division") issued Orders on September 3, 2014 to immediately suspend all operations of Avalon's two saltwater injection wells until the Division could further evaluate the wells. The Orders were based on the findings that the two saltwater injection wells were located in close proximity to an area of known seismic activity and that the saltwater injection wells pose a risk of increasing or creating seismic activity.

On September 5, 2014, Avalon submitted the information required by the Chief's Order in regards to its AWMS #1 injection well, and the Chief lifted the suspension for that well on September 18, 2014. On September 19, 2014, Avalon submitted information and a written plan required by the Chief's Order proposing the establishment of certain operations and management controls on injections for the AWMS #2 injection well. To date, the Division has not responded to that plan despite Avalon's requests for feedback.

On October 2, 2014, Avalon filed an appeal with the Ohio Oil and Gas Commission (the "Commission") disputing the basis for suspending operations of AWMS #2 and also the authority of the Chief to immediately suspend such operations. On March 11, 2015, an appeal hearing was held. The Chief stated during the hearing that the suspension order is temporary, and he expects that AWMS #2 will be allowed to resume operations once the state's final policymaking is complete.

On August 12, 2015, the Commission upheld the temporary suspension of injection operations of AWMS #2 stating that the temporary suspension would allow the Chief more time to fully evaluate the facts in anticipation of the Division's implementation of a comprehensive regulatory plan that will specifically address injection-induced seismicity.

Avalon appealed that decision to the Franklin County Court of Common Pleas (the "Court"), and on November 1, 2016 an appeal hearing was held in that Court. On December 23, 2016, the Court issued its Decision and Order in Avalon's favor, and vacated the Commission's decision. The Court found that the Division's suspension and refusal to work with the Company over the 26 month period was arbitrary and not in accordance with reason. Subsequent to the ruling, and in accordance with the Court's Decision and Order, both Avalon and the Division submitted their proposed restart plans to the Court. Avalon's plan sets forth both the initial volumes and pressures and increases in volume and pressure while continuously monitoring seismicity and addressing the concerns of public health and safety.

On February 21, 2017, the Court issued its Final Decision and Order. The Court's Final Decision and Order set forth conditions for restarting the AWMS #2 salt water injection well in accordance with the proposed restart plans filed by Avalon with minor revisions. On February 22, 2017, the Division appealed the Final Decision and Order and filed a Motion to Stay the Court Order. The Motion to Stay was granted by the Ohio 10th District Court of Appeals on March 21, 2017.

On September 14, 2017, an appeal hearing was held in the Ohio 10th District Court of Appeals and on July 31, 2018 a decision was issued on the appeal. The decision reinstated the previous Ohio Oil and Gas Commission decision in this matter.

On September 12, 2018, the Company appealed the Ohio 10th District Court of Appeals decision to the Supreme Court of Ohio. On November 21, 2018, the Company received notice from the Supreme Court of Ohio that the court would not accept for review the Company's appeal of the Ohio 10th District Court of Appeals decision on the Division of Oil and Gas Resources Management's appeal of the Franklin County Court of Common Pleas February 21, 2017 entry allowing restart of the Company's AWMS Water Solutions, LLC #2 salt water injection well.

On April 5, 2019, Avalon filed with the Oil and Gas Commission a motion to vacate its prior decisions in this matter. The Oil and Gas Commission scheduled a hearing on this motion for August 13, 2019. Before the hearing began, and in response to the Division's motion to dismiss the Company's motion to vacate, the Commission dismissed the matter. The Company appealed that decision to the Franklin County Court of Common Pleas. In April 2020, the Division's motion to dismiss and the Company's opposition were reviewed by the Court. Following the restart orders received on May 24, 2021, and discussed below, the Court dismissed the complaint.

Concurrently with the filing of the appeal with the Franklin County Court of Common Pleas, the Company filed a writ of mandamus in the 10th District Court of Appeals on August 30, 2019 to compel the chief of the Division to issue restart orders, or alternative orders that would allow the Company to either restart the AWMS #2 well, or appeal said orders to the Oil and Gas Commission in accordance with Ohio Law. On October 6, 2020 and in response to a motion from the Division, the Court dismissed this complaint for writ of mandamus.

In addition, on August 26, 2016, Avalon filed a complaint in the 11th Appellate District Court in Trumbull County, Ohio for a Peremptory Writ of Mandamus to compel the Director of the Ohio Department of Natural Resources ("ODNR") to initiate appropriations procedures to determine damages from the illegal regulatory taking of the Company's property, or issue an alternative remedy at law. The Company believes that the actions, and lack of responsible actions, by the ODNR is a clear violation of the Company's property rights and a violation of the Fifth and Fourteenth Amendments to the U.S. Constitution; Article I, Section 19 of the Ohio Constitution; and Ohio Revised Code Chapter 163.

On March 18, 2019, Avalon received notice that the 11th Appellate District Court in Trumbull County, Ohio issued summary judgment in favor of the Ohio Department of Natural Resources in the writ of mandamus action that resulted from the suspension order of the Company's salt water injection well. The decision was appealed to the Supreme Court of Ohio on April 5, 2019. Oral arguments in the case occurred on April 7, 2020. On September 23, 2020, the Supreme Court of Ohio ruled in favor of the Company. The Supreme Court of Ohio reversed the decision of the 11th Appellate District Court and remanded the case back to that court for a trial on the merits. The trial occurred in September and October 2021. On December 19, 2022, The Company is currently awaiting judgment from the 11th Appellate District Court denied the Company's writ of mandamus action. The Court determined that the Company failed to establish a cognizable property interest that would necessitate a just compensation/takings analysis and accordingly denied the Company's petition for writ of mandamus. The decision was appealed to the Supreme Court of Ohio on January 30, 2023. Briefing to the Supreme Court of Ohio is underway. Court.

On May 24, 2021, the Company received Chief's Orders from the Division vacating the September 3, 2014 suspension orders for AWMS #2 and setting conditions for restart of that well. Among these conditions was a limit placed on the seismicity within three miles of the well. Under the Order, if a seismic event with a magnitude 2.1 or above occurs, the well must cease operations for an indefinite period of time until concurrence for subsequent restart is received from the Division. The Company appealed the May 2021 Chief's Order to the Ohio Oil and Gas Commission, seeking reasonable operating conditions that will allow the facility to operate profitably while protecting human health and property. A hearing in this matter occurred in February 2022. On September 30, 2022June 30, 2022, the Oil and Gas Commission rendered their decision for the Division in this matter, once again deferring to the Division in their decision. The Company appealed the decision to the Franklin County Ohio Court of Common Pleas on August 9, 2022August 3, 2022. The briefings in this matter are complete and the Company is awaiting a decision.

Golf memberships and liquor licenses

The Avalon Golf and Country Club operates four golf courses and related country clubs and a multipurpose recreation center. The Avalon Golf and Country Club facilities also offer swimming pools, fitness centers, tennis courts, dining and banquet facilities, salon and spa services. In addition, The Grand Resort provides guests with a self-contained vacation experience, offering hotel guests golf packages to all of the golf courses of the Avalon Golf and Country Club and allows its guests to utilize the facilities at each of the clubhouses. Members of the Avalon Golf and Country Club also have access to all of the amenities offered by The Grand Resort. The Avalon Golf and Country Club competes with many public courses and country clubs in the area. Although the golf courses continue to be available to the general public, the primary source of revenues is derived from the members of the Avalon Golf and Country Club. Avalon believes that the combination of its golf facilities and The Grand Resort will result in additional memberships in the Avalon Golf and Country Club. The ability to retain current members and attract new members has been an ongoing challenge. Although Avalon was able to increase the number of members of the Avalon Golf and Country Club, as of June 30, 2022, Avalon has not attained its membership goals. There can be no assurance as to when such goals will be attained. Avalon is continually using different marketing strategies to attract new members, such as local television advertising and various membership promotions. A significant decline in members could adversely affect the future financial performance of Avalon.

Avalon's golf course operations, The Grand Resort and multipurpose recreation center currently hold liquor licenses for their respective facilities. If, for some reason, any one of these facilities were to lose their liquor license, the financial performance of the golf and related operations would be adversely affected.

Seasonality

Avalon's operations are somewhat seasonal in nature since a significant portion of those operations are primarily conducted in selected northeastern and midwestern states. Additionally, Avalon's golf courses are located in northeast Ohio and western Pennsylvania and are significantly dependent upon weather conditions during the golf season. As a result, Avalon's financial performance is adversely affected by adverse weather conditions.

Inflation

The Federal Reserve continues to pursue efforts to lower inflation by raising interest rates. The Federal Reserve increased its key interest rate twice four times in 2023 and seven times in 2022 as consumer goods prices continued to rise throughout the year. Our operations are substantially affected by economic conditions, including inflation, which can impact consumer disposable income levels and spending habits. Although Avalon has not entered into any long-term fixed price contracts that could have a material adverse impact upon its financial performance in periods of inflation, adverse economic conditions could pressure Avalon's business and operating performance and financial results may suffer. In general, management believes that rising costs resulting from inflation could be passed on to customers; however, Avalon may need to absorb all or a portion of these cost increases depending upon competitive conditions at the time.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Avalon does not have significant exposure to changing interest rates.

Borrowings under our New Term Loan Agreement bear interest at a fixed rate of 6.00% until the seventh anniversary date of the closing at which time the interest rate will be reset to a fixed rate equal to the greater of (a) 6.00% per annum or (b) the sum of the three year treasury rate on the date two (2) business days prior to the reset date plus 3.40%, provided that the applicable rate shall in no event exceed 8.50% per annum.

Outstanding borrowings under our Line of Credit Agreement bear interest at Prime Rate plus .25%. At March 31, 2023June 30, 2023, the interest rate on the Line of Credit Agreement was 8.25%8.50%. At March 31, 2023June 30, 2023, approximately $2.2 million was outstanding under the Line of Credit Agreement.

Avalon does not undertake any specific actions to cover its exposure to interest rate risk and Avalon is not a party to any interest rate risk management transactions. Avalon does not purchase or hold any derivative financial instruments.

Item 4. Controls and Procedures

As required by Rule 13a-15 under the Securities Exchange Act of 1934 (the "Exchange Act"), Avalon's management conducted an evaluation, under the supervision and with the participation of the Chief Executive Officer and Interim Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2023June 30, 2022. For purposes of the foregoing, the term disclosure controls and procedures means controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's ("SEC") rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Avalon's disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives as outlined above. Based upon that evaluation, the Chief Executive Officer and Interim Chief Financial Officer have concluded that they believe that, as of March 31, 2023June 30, 2023, our disclosure controls and procedures were effective at a reasonable assurance level.

Changes in Internal Controls over Financial Reporting.

There were no changes in our internal controls over financial reporting during the fiscal quarter ended March 31, 2023June 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Reference is made to "Item 3. Legal Proceedings" in Avalon's Annual Report on Form 10-K for the year ended December 31, 2022 for a description of legal proceedings.

Item 2. Changes in Securities and Use of Proceeds

None

Item 3. Defaults upon Senior Securities

None

Item 4. Mine Safety Disclosures

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit 31.1 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 31.2 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 32.2 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 101.INS Inline XBRL Instance Document (the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document) (1)

Exhibit 101.SCH Inline XBRL Taxonomy Extension Schema Document (1)

Exhibit 101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document (1)

Exhibit 101.DEF Inline XBRL Taxonomy Extension Definition Linkbase Document (1)

Exhibit 101.LAB Inline XBRL Taxonomy Extension Label Linkbase Document (1)

Exhibit 101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document (1)

Exhibit 104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

(1) These interactive data files shall not be deemed filed for purposes of Section 11 or 12 of the Securities Act of 1933, as amended, or Section 18 of the Securities Exchange Act, as amended, or otherwise subject to liability under those sections.

(b) Reports on Form 8-K

On April 28, 2023, Avalon reported that on April 26, 2023, the resignation of Bryan P. Saksa resigned as Chief Financial Officer, Treasurer, Secretary and Secretary Director of Avalon Holdings Corporation and from all director and officer positions the appointment of all subsidiaries of the Company.

Avalon also reported that on April 26, 2023, Avalon appointed Stefanie Villella, the Corporate Controller of Avalon, to serve as interim Interim Chief Financial Officer and Treasurer.

On May 11, 2023, Avalon reported the voting results from the Annual Meeting held on May 10, 2023.
On June 28, 2023 Avalon reported the approval and appointment of Michael J. Havalo as Chief Financial Officer and Treasurer of Avalon. effective June 26, 2023.

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.

AVALON HOLDINGS CORPORATION

(Registrant)

Date: Date: May 10, 2023 August 11, 2023

By: /s/ Stefanie Villella Michael J. Havalo

Stefanie Villella, Interim Michael J. Havalo, Chief Financial Officer and

Treasurer (Principal Financial and Accounting

Officer and Duly Authorized Officer)

Exhibit 31.1

AVALON HOLDINGS CORPORATION

CERTIFICATION PURSUANT TO
SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

CERTIFICATION

I, Ronald E. Klingle, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Avalon Holdings Corporation;

2. Based on my knowledge, this quarterly 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 officer 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 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 officer 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 function):

a) All significant deficiencies and material weaknesses in the design or operation of internal controls 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 controls over financial reporting.

Date: May 10, 2023 August 11, 2023

/s/ Ronald E. Klingle
Ronald E. Klingle
Chief Executive Officer

Exhibit 31.2

AVALON HOLDINGS CORPORATION
CERTIFICATION PURSUANT TO
SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

CERTIFICATION

I, Stefanie Villella, Michael J. Havalo, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Avalon Holdings Corporation;

2. Based on my knowledge, this quarterly 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 officer 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 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 officer 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 function):

a) All significant deficiencies and material weaknesses in the design or operation of internal controls 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 controls over financial reporting.

Date: May 10, 2023 August 11, 2023

/s/ Stefanie Villella Michael J. Havalo
Stefanie Villella Michael J. Havalo
Interim Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Avalon Holdings Corporation on Form 10-Q for the period ending March 31, 2023 June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ronald E. Klingle, Chief Executive Officer of Avalon Holdings Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Avalon Holdings Corporation.

/s/ Ronald E. Klingle
Ronald E. Klingle
Chief Executive Officer
May 10, August 11, 2023

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Avalon Holdings Corporation on Form 10-Q for the period ending March 31, 2023 June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stefanie Villella, Interim Michael J. Havalo, Chief Financial Officer of Avalon Holdings Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Avalon Holdings Corporation.

/s/ Stefanie Villella Michael J. Havalo
Stefanie Villella Michael J. Havalo
Interim Chief Financial Officer
May 10, August 11, 2023

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