

Covenant Health, Inc. and Subsidiaries

**Audited Consolidated Financial Statements,
Additional Information and Supplemental Information**

*Years Ended December 31, 2022 and 2021
With Independent Auditors' Report*

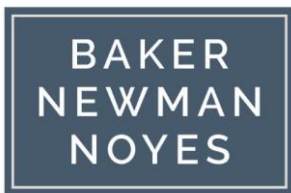
COVENANT HEALTH, INC. AND SUBSIDIARIES

Audited Consolidated Financial Statements, Additional Information and Supplemental Information

Years Ended December 31, 2022 and 2021

CONTENTS

Independent Auditors' Report	1
Audited Consolidated Financial Statements:	
Consolidated Balance Sheets	3
Consolidated Statements of Operations and Changes in Net Assets	5
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8
Additional Information:	
Independent Auditors' Report on Additional Information December 31, 2022:	34
Covenant Health, Inc.:	
Consolidating Balance Sheet	35
Consolidating Statement of Operations	39
St. Joseph Hospital of Nashua, NH:	
Consolidating Balance Sheet	41
Consolidating Statement of Operations	43
St. Mary's Health System:	
Consolidating Balance Sheet	44
Consolidating Statement of Operations	46
St. Joseph Healthcare Foundation:	
Consolidating Balance Sheet	47
Consolidating Statement of Operations	49
Mary Immaculate Health Care Services, Inc.:	
Consolidating Balance Sheet	50
Consolidating Statement of Operations	52
St. Mary's Villa Nursing Home, Inc.:	
Consolidating Balance Sheet	53
Consolidating Statement of Operations	55
Supplemental Information:	
Independent Auditors' Report on Supplemental Information December 31, 2022:	56
Financial Responsibility Supplemental Schedule	57



INDEPENDENT AUDITORS' REPORT

The Board of Directors
Covenant Health, Inc.

Opinion

We have audited the consolidated financial statements of Covenant Health, Inc. and Subsidiaries (the System), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, based on our audits and the reports of the other auditors, the accompanying financial statements present fairly, in all material respects, the financial position of the System as of December 31, 2022 and 2021, and the results of their operations and changes in net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Covenant Health Insurance, Ltd. and MI Residential Community, Inc., wholly-owned subsidiaries, whose statements reflect combined total assets constituting 10% and 9% of consolidated total assets at December 31, 2022 and 2021, respectively, and total combined revenues constituting 2% of consolidated total revenues for the years then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the report of the other auditors.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a period of one year from the issuance of the financial statements.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Baker Newman + Noyes LLC

Boston, Massachusetts
April 28, 2023

COVENANT HEALTH, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2022 and 2021

(In thousands)

ASSETS

	<u>2022</u>	<u>2021</u>
Current assets:		
Cash and cash equivalents	\$ 50,187	\$ 57,455
Patient accounts receivable (note 3)	90,112	84,335
Investments (note 4)	5,362	8,245
Inventories	10,395	11,285
Prepaid expenses and other current assets	22,838	18,817
Current portion of assets whose use is limited or restricted (note 4)	<u>1,358</u>	<u>1,219</u>
Total current assets	180,252	181,356
Assets whose use is limited or restricted (note 4):		
Funds held by trustees, less current portion	1,804	3,341
Deferred compensation	12,212	13,586
Board-designated funds and other long-term investments	259,309	395,935
Replacement reserve	8,220	7,441
Donor-restricted funds	<u>56,747</u>	<u>56,193</u>
Total assets whose use is limited or restricted	338,292	476,496
Other assets:		
Other assets	791	800
Investments in joint ventures (note 8)	<u>6,264</u>	<u>6,538</u>
Total other assets	7,055	7,338
Property, plant and equipment (note 5):		
Land and improvements	20,105	20,160
Buildings and improvements	441,704	430,165
Equipment	263,072	251,617
Construction in progress	5,874	11,095
Right-of-use assets	<u>10,341</u>	<u>10,157</u>
	741,096	723,194
Less accumulated depreciation	(419,326)	(395,182)
Less accumulated depreciation – right-of-use assets	<u>(4,433)</u>	<u>(3,261)</u>
Total property, plant and equipment	<u>317,337</u>	<u>324,751</u>
Total assets	\$ <u>842,936</u>	\$ <u>989,941</u>

LIABILITIES AND NET ASSETS

	<u>2022</u>	<u>2021</u>
Current liabilities:		
Accounts payable	\$ 43,385	\$ 22,087
Accrued expenses and other liabilities	64,282	62,338
Other current liabilities (note 2)	9,350	39,373
Estimated third-party payor settlements (note 3)	2,781	(15)
Current portion of lease liability (note 5)	3,650	2,729
Current portion of long-term debt (note 5)	<u>2,370</u>	<u>935</u>
Total current liabilities	125,818	127,447
Long-term debt, less current portion (note 5)	231,342	234,612
Long-term lease liability, less current portion (note 5)	7,341	6,706
Defined benefit pension obligation (note 6)	936	52
Other liabilities (note 2)	25,839	26,393
Professional liability loss reserves (note 2)	<u>29,058</u>	<u>32,109</u>
Total liabilities	420,334	427,319
Net assets:		
Without donor restrictions	361,131	501,941
With donor restrictions (note 7)	<u>61,471</u>	<u>60,681</u>
Total net assets	422,602	562,622
Total liabilities and net assets	<u>\$ 842,936</u>	<u>\$ 989,941</u>

See accompanying notes.

COVENANT HEALTH, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
AND CHANGES IN NET ASSETS

Years Ended December 31, 2022 and 2021
(In thousands)

	<u>2022</u>	<u>2021</u>
Operating revenue:		
Patient service revenue (note 3)	\$ 737,075	\$722,328
Other revenue (note 2)	48,582	60,553
Net assets released from restrictions for operations	<u>2,971</u>	<u>1,031</u>
Total operating revenue	788,628	783,912
Operating expenses (note 11):		
Salaries and wages	376,705	359,513
Employee benefits (notes 2 and 6)	73,905	69,348
Supplies	100,465	94,424
Other expenses	264,512	213,675
Interest	9,656	9,454
Provider tax (note 3)	23,813	22,305
Depreciation and amortization	<u>27,095</u>	<u>25,497</u>
Total operating expenses	<u>876,151</u>	<u>794,216</u>
Loss from operations	(87,523)	(10,304)
Net periodic pension cost (note 6)	(3,549)	(601)
Nonoperating (losses) gains, net (notes 4 and 8)	<u>(50,623)</u>	<u>33,065</u>
(Deficiency) excess of revenue over expenses	\$ <u>(141,695)</u>	\$ <u>22,160</u>

Continued next page.

COVENANT HEALTH, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
AND CHANGES IN NET ASSETS (CONTINUED)

Years Ended December 31, 2022 and 2021
(In thousands)

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	Total <u>Net Assets</u>
Balances at January 1, 2021	\$ 474,611	\$ 61,115	\$ 535,726
Excess of revenue over expenses	22,160	—	22,160
Net change in unrealized gains on investments (note 4)	—	337	337
Restricted contributions and investment income	—	6,935	6,935
Net assets released from restrictions	7,201	(8,232)	(1,031)
Adjustment to defined benefit pension obligation (note 6)	(2,031)	—	(2,031)
Change in fair value of beneficial interest in perpetual trusts	<u>—</u>	<u>526</u>	<u>526</u>
	<u>27,330</u>	<u>(434)</u>	<u>26,896</u>
Balances at December 31, 2021	501,941	60,681	562,622
Deficiency of revenue over expenses	(141,695)	—	(141,695)
Net change in unrealized losses on investments (note 4)	—	(4,267)	(4,267)
Restricted contributions and investment income	—	8,721	8,721
Net assets released from restrictions	551	(3,522)	(2,971)
Adjustment to defined benefit pension obligation (note 6)	334	—	334
Change in fair value of beneficial interest in perpetual trusts	<u>—</u>	<u>(142)</u>	<u>(142)</u>
	<u>(140,810)</u>	<u>790</u>	<u>(140,020)</u>
Balances at December 31, 2022	\$ <u>361,131</u>	\$ <u>61,471</u>	\$ <u>422,602</u>

See accompanying notes.

COVENANT HEALTH, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2022 and 2021
(In thousands)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$(140,020)	\$ 26,896
Adjustments to reconcile change in net assets to cash used by operating activities:		
Net realized and unrealized loss (gains) on investments	59,714	(31,973)
Net gain from joint ventures	274	515
Gain on acquisition	—	(5,080)
Restricted contributions and investment income	(8,721)	(6,935)
Depreciation and amortization	27,095	25,497
Adjustment to defined benefit pension obligation	(334)	2,031
Gain on sale of property, plant and equipment	(271)	(1,535)
Loss on debt refinance	—	10,951
Changes in operating assets and liabilities:		
Patient accounts receivable	(5,777)	(8,356)
Inventories, prepaid expenses and other current assets	(3,131)	12,755
Other assets	1,227	(1,645)
Accounts payable, accrued expenses and other liabilities	(7,335)	(15,391)
Estimated third-party payor settlements, net	2,796	(11,036)
Professional liability loss reserves	<u>(3,051)</u>	<u>1,050</u>
Net cash used by operating activities	(77,534)	(2,256)
Cash flows from investing activities:		
Purchases of investments and assets whose use is limited or restricted	(158,133)	(579,315)
Sales of investments and assets whose use is limited or restricted	239,367	593,430
Purchases of property, plant and equipment	<u>(17,854)</u>	<u>(24,176)</u>
Net cash provided (used) by investing activities	63,380	(10,061)
Cash flows from financing activities:		
Payments on long-term debt and lease obligations	(1,835)	(230,820)
Proceeds from issuance of long-term debt	—	225,000
Amounts paid to refinance	—	2,040
Restricted contributions and investment income	<u>8,721</u>	<u>6,935</u>
Net cash provided by financing activities	<u>6,886</u>	<u>3,155</u>
Decrease in cash and cash equivalents	(7,268)	(9,162)
Cash and cash equivalents, beginning of year	<u>57,455</u>	<u>66,617</u>
Cash and cash equivalents, end of year	<u>\$ 50,187</u>	<u>\$ 57,455</u>
Supplemental disclosure:		
Cash paid for interest	<u>\$ 10,907</u>	<u>\$ 12,418</u>
Supplemental disclosures of noncash activity:		
The System adopted the provisions of ASU 2016-02 effective January 1, 2022, which required the System to record operating lease right-of-use assets and lease obligations totaling \$1,556.		

See accompanying notes.

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

(In thousands)

1. Organization

Covenant Health, Inc. (Covenant) is organized to coordinate the corporate, administrative, clinical and service strengths and potentials of its member organizations. Covenant functions as the parent company to its member organizations which include St. Joseph Hospital of Nashua NH, Inc. (Nashua, NH), St. Mary's Health System (Lewiston, ME), St. Joseph Healthcare Foundation (Bangor, ME), Youville House, St. Andre Health Care Facility, Mary Immaculate Health Care Services, Inc., Fanny Allen Corporation, Fanny Allen Holdings, St. Joseph Manor Health Care, Inc., CHS of Waltham, Inc. d/b/a Maristhill, CHS of Worcester, Inc. d/b/a St. Mary Health Care Center, St. Mary's Villa Nursing Home, Inc. (St. Mary's Villa), Covenant Health Insurance Ltd. (CHIL), Covenant Health Foundation, Covenant Health Master Trust, Mount St. Rita Health Centre, Penacook Place, Inc., Youville Place and Bangor Nursing and Rehabilitation Center, Inc. All member organizations are providers of health care services except CHIL, which is licensed to write professional and general liability insurance for the other member organizations; Fanny Allen Corporation (foundation with activities in Vermont); Fanny Allen Holdings (real estate in Vermont); and Covenant Health Master Trust, which is a unitized investment trust. Covenant and its member organizations, and their various related entities are collectively referred to herein as the "System." The System provides acute, long-term and other health care services to patients and residents in New England and Pennsylvania.

2. Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements of the System include the accounts of Covenant and its member organizations. Significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates are made in the areas of accounts receivable, fair value of financial instruments, estimated third-party payor settlements, professional liability loss reserves and self-insurance reserves.

COVENANT HEALTH, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021
(In thousands)

2. Significant Accounting Policies (Continued)

Concentration of Credit Risk

Financial instruments which subject the System to credit risk consist of cash and cash equivalents, accounts receivable, investments and estimated third-party payor settlements. At December 31, 2022 and 2021, the System had cash balances in several financial institutions that exceeded federal depository insurance limits. The System has not experienced any losses in such accounts and it believes it is not exposed to any significant risk. The risk with respect to cash equivalents is minimized by the System's policy of investing in financial instruments with short-term maturities issued by highly rated financial institutions. Accounts receivable represent receivables from patients and third-party payors for services provided by the System. Patient accounts receivable from the Medicare and Medicaid programs comprised approximately 33% and 39% of receivables for the years ended December 31, 2022 and 2021, respectively. The System's investments consist of diversified investments and, while subject to market risk, are not subject to concentrations in any sector. Estimated third-party payor settlements are primarily comprised of amounts due to state and federal agencies as well as commercial insurers. The System does not expect any credit losses from net recorded amounts. Revenue from the Medicare and Medicaid programs accounted for approximately 52% and 49%, respectively, of the System's patient service revenue for the years ended December 31, 2022 and 2021, and revenue from Anthem accounted for approximately 19% of patient service revenue for 2022 and 2021.

Income Taxes

Covenant and its member organizations are considered not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code, except as noted below.

St. Joseph Hospital Corporate Services, Inc., a wholly-owned subsidiary of Nashua, is a for-profit organization, which is subject to federal and state income taxes. St. Joseph Hospital Corporate Services, Inc. has net operating loss (NOL) carryforwards for tax purposes. The NOLs are not anticipated to be utilized so the amounts have been fully offset with a reserve.

CHIL, a wholly-owned subsidiary, is domiciled in the Cayman Islands. No income taxes are levied in the Cayman Islands and CHIL has been granted an exemption for any taxes that might be introduced. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Tax-exempt organizations could be required to record an obligation for income taxes as the result of a tax position they have historically taken on various tax exposure items including unrelated business income or tax status. Under guidance issued by the Financial Accounting Standards Board, assets and liabilities are established for uncertain tax positions taken or positions expected to be taken in income tax returns when such positions are judged to not meet the "more-likely-than-not" threshold, based upon the technical merits of the position.

The System has evaluated the position taken on its filed tax returns. The System has concluded no uncertain income tax positions exist at December 31, 2022.

COVENANT HEALTH, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021
(In thousands)

2. Significant Accounting Policies (Continued)

Net Assets With Donor Restrictions

Gifts are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (when a stipulated time restriction ends or purpose restriction is accomplished), restricted net assets are reclassified as net assets without donor restrictions and reported in the statement of operations as either net assets released from restrictions for operations (for noncapital-related items) or net assets released from restrictions for property, plant and equipment (for capital-related items). Some net assets with donor restrictions have been restricted by donors to be maintained by the System in perpetuity.

Statement of Operations

Transactions deemed by management to be ongoing, major or central to the provision of the services offered by the System are reported as operating revenue and operating expenses. Other transactions, which primarily include certain types of investment income and unrestricted contributions, are reported as nonoperating gains (losses).

Management has determined that the net result of the CHIL insurance operations should be reported in the consolidated nonoperating portion of the consolidated statements of operations and the actuarially determined premium paid by the insured (member organization) should remain as an operating expense. The operating results of Covenant Health Master Trust are the net result of investment operations and are reported in the nonoperating section of the consolidated statements of operations. The operations of Fanny Allen Corporation and Fanny Allen Holdings have been included in nonoperating (losses) gains on the consolidated statements of operations.

(Deficiency) Excess of Revenue Over Expenses

The consolidated statements of operations include (deficiency) excess of revenue over expenses. Changes in net assets without donor restrictions which are excluded from (deficiency) excess of revenue over expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions which, by donor restriction, were to be used for the purpose of acquiring such assets) and pension obligation adjustments.

Patient Service Revenue

Patient service revenue is reported at the estimated realizable amounts from patients, third-party payors and others for services rendered, including any estimated adjustments under reimbursement agreements with third-party payors due to audits, reviews or investigations. Adjustments are recorded as changes in estimates when final settlements are determined. Changes in estimated settlements from third-party payors and other changes from prior years resulted in a net increase of \$4,437 and \$2,631 to patient service revenue for the years ended December 31, 2022 and 2021, respectively.

COVENANT HEALTH, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021
(In thousands)

2. Significant Accounting Policies (Continued)

Charity Care

The System has a formal charity care policy under which patient care is provided to patients who meet certain criteria without charge or at amounts less than its established rates. The System does not pursue collection of amounts determined to qualify as charity care, therefore, they are not reported as revenue.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid instruments which have a maturity of three months or less when purchased.

Patient Accounts Receivable

Patient accounts receivable are stated at the amount management expects to collect from outstanding balances. Balances that are still outstanding after management has used reasonable collection efforts are written off.

When the System has an unconditional right to payment, subject only to the passage of time, the right is treated as a receivable. Patient accounts receivable, including billed accounts and unbilled accounts for which there is an unconditional right to payment, and estimated amounts due from third-party payors for retroactive adjustments, are receivables if the right to consideration is unconditional and only the passage of time is required before payment of that consideration is due. For patient accounts receivable, the estimated uncollectable amounts are generally considered implicit price concessions that are a direct reduction to patient accounts receivable. Patient accounts receivable amounted to \$90,112, \$84,335 and \$75,614 as of December, 2022, 2021 and 2020, respectively.

Beneficial Interest in Perpetual Trust

The System is the beneficiary of several trust funds administered by trustees or other third parties. Trusts, wherein the System has an irrevocable right to receive the income earned on the trust assets in perpetuity, are recorded as net assets with donor restrictions at the fair value of the trust at the date of receipt and are included in donor-restricted funds in the consolidated balance sheet. Income distributions from the trusts are reported as investment income that increase net assets without donor restrictions, unless restricted by the donor. Annual changes in market value of the trusts are recorded as increases or decreases to net assets with donor restrictions.

Inventories

Inventories of pharmaceuticals and medical supplies are carried at the lower of cost (determined primarily by the first-in, first-out method) or net realizable value.

COVENANT HEALTH, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021
(In thousands)

2. Significant Accounting Policies (Continued)

Property, Plant and Equipment

Property, plant and equipment is stated at cost, or if donated or acquired, at fair market value at time of donation or acquisition, less accumulated depreciation. The System's policy is to capitalize expenditures for major improvements and charge maintenance and repairs currently for expenditures which do not extend the lives of the related assets. The provision for depreciation is determined by the straight-line method at rates intended to amortize the cost of related assets over their estimated useful lives.

The System reviews its long-lived assets when events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. Upon determination that an impairment has occurred, these assets are reduced to fair value. No such impairment losses have been recognized to date. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less the cost to dispose.

In 2021, the System engaged an independent third party to assist in evaluating the useful lives of certain property, plant and equipment as of January 1, 2021. The impact of changes to estimated useful lives for the System has been reported as a change in accounting estimate on a prospective basis to more accurately reflect estimated asset lives based on use. As a result of this change in estimate, depreciation expense was reduced by approximately \$5,300 in 2021.

Gifts of long-lived assets such as property or equipment are reported as contributions without donor restrictions and are excluded from the (deficiency) excess of revenue over expenses unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as contributions with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Conditional Asset Retirement Obligations

The System recognizes a liability for the cost of conditional obligations if the fair value can be reasonably estimated. When the liability is initially recorded, the cost of the asset retirement obligation is capitalized by increasing the carrying amount of the related long lived asset. The liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the consolidated statements of operations.

Financing Costs/Original Issue Discount

Costs associated with debt issuance and any original issue discount or premium related to the System's debt are being amortized by the interest method over the repayment period of the debt and classified net within outstanding debt balances.

COVENANT HEALTH, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021
(In thousands)

2. Significant Accounting Policies (Continued)

Assets Whose Use is Limited or Restricted

Assets whose use is limited or restricted include certain assets set aside by the Board of Directors to provide for the future replacement of property, plant and equipment and certain internal designations by members of the System. These assets are reported as Board-designated funds and other long-term investments. Donor-restricted funds include amounts donated for endowments and other special purpose funds.

Investments and Investment Income

Investments in equity securities with readily determinable market values and all investments in debt securities are recorded at fair market value. At December 31, 2022 and 2021, the System held interests in certain funds that do not have a readily determinable fair market value and are valued by investment advisors based upon net asset value (NAV). Interests in such investments are generally recorded at fair market value based on the System's ownership share and rights of the investments.

The valuation of the investments that do not have a readily determinable market value is estimated by management based on fair values (NAV) provided by external investment managers. The System reviews and evaluates the valuations provided by the investment managers and believes that these valuations are a reasonable estimate of fair value at December 31, 2022 and 2021, but are subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed and such differences could be material. The amount of gain or loss associated with these investments is reflected in the accompanying consolidated financial statements based on information provided by the management of the fund.

Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the (deficiency) excess of revenue over expenses unless the income or loss is restricted by donor or law. Realized gains or losses on the sale of investment securities are determined by the specific identification method.

Investment income on investments without donor restrictions is reported as nonoperating gains. Investment income on investments with donor restrictions is reported as nonoperating gains unless specifically restricted by the donor or state law, in which case it is reported as an increase in net assets with donor restrictions.

Market Volatility

Investments, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. As such, it is reasonably possible that changes in the value of the investment will occur in the near term and that such changes could materially affect the amounts reported in the consolidated balance sheet and statement of operations and changes in net assets.

COVENANT HEALTH, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021
(In thousands)

2. Significant Accounting Policies (Continued)

Donor-Restricted Gifts

Unconditional promises to give that are expected to be collected within one year are recorded at estimated net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value at the date the promise is received based on the present value of their estimated future cash flows. The discount on those amounts is computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue.

Conditional promises to give and indications of intentions to give are not recognized until the related conditions have been met. The gifts are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified to net assets without donor restrictions and reported in the consolidated statements of operations as net assets released from restrictions.

Professional Liability Loss Contingencies

CHIL is a wholly-owned captive insurance company incorporated and based in the Cayman Islands for the purpose of providing professional and general liability insurance. The System maintains insurance of its professional risks on a claims made basis and general liability risks on an occurrence basis through CHIL.

Estimated liability costs, as calculated by the System's consulting actuaries, consist of specific reserves to cover the estimated liability resulting from medical or general liability incidents or potential claims which have been reported, as well as a provision for claims incurred but not reported. Estimated malpractice liabilities include estimates of future trends in loss severity and frequency and other factors that could vary as the claims are ultimately settled. Although it is not possible to measure the degree of variability inherent in such estimates, management believes the reserves for claims are adequate. These estimates are periodically reviewed, and necessary adjustments are reflected in the consolidated statements of operations in the year the need for such adjustments becomes known. Management is unaware of any claims that would cause the ultimate expense for medical malpractice risks to vary materially from the amounts provided.

At December 31, 2022, there were no known malpractice claims outstanding which, in the opinion of management, will be settled for amounts in excess of insurance coverage, nor were there any unasserted claims or incidents which require loss accrual. The System intends to renew coverage on a claims made basis and anticipates that such coverage will be available.

COVENANT HEALTH, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021
(In thousands)

2. Significant Accounting Policies (Continued)

Workers' Compensation and Self-Insurance Reserves

A significant portion of the System's workers' compensation exposure is covered by an industry trust. All claims are paid and settled through the trust and the System has no significant exposure for claims covered by the trust.

Certain members of the System are self-insured for workers' compensation. These costs are accounted for on an accrual basis to include estimates of future payments on claims incurred.

Retirement Plans

The System's members sponsor several defined contribution retirement plans which cover substantially all employees who have met certain eligibility requirements of the respective plans. Contributions to the defined contribution plans are discretionary and are based upon certain percentages of eligible income. Expenses related to the defined contribution plans were \$5,176 and \$5,588 for 2022 and 2021, respectively. In addition, Nashua and Bangor have frozen defined benefit pension plans. See Note 6 for further information on the defined benefit plans. The System maintains a supplemental executive retirement plan (SERP) for certain executives. There was no expense related to the SERP for the years ended December 31, 2022 and 2021.

Deferred Compensation

The System has recorded its obligations under deferred compensation agreements with certain employees of \$12,184 and \$12,776 at December 31, 2022 and 2021, respectively, which are included in other liabilities on the accompanying consolidated balance sheets. Assets of \$12,212 and \$13,586 at December 31, 2022 and 2021, respectively, related to these obligations are segregated and included in assets whose use is limited or restricted on the accompanying consolidated balance sheets.

COVID-19 Pandemic, CARES Act and Other Relief Funding

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19, a disease caused by the novel coronavirus, a pandemic. This disease continues to spread throughout the United States and other parts of the world. The COVID-19 pandemic has significantly affected employees, patients, systems, communities and business operations, as well as the U.S. economy and financial markets.

In 2020, the federal government and certain state governments provided financial assistance to healthcare systems as a result of the COVID-19 pandemic. During the year ended December 31, 2020, the System received \$52.3 million of accelerated Medicare payments. Payments under the Medicare Accelerated and Advanced Payment program are advances that must be repaid. During 2021, the System repaid approximately \$17.1 million and, based on repayment guidelines, approximately \$35.2 million was recorded as a short-term liability as of December 31, 2021. The remaining balance was paid in full during the year ended December 31, 2022.

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

(In thousands)

2. Significant Accounting Policies (Continued)

In addition, the System received \$1.6 million and \$24.9 million in 2022 and 2021, respectively, in relief funds and grants from federal and state sources that is not required to be repaid, subject to use towards eligible expenses and lost revenue incurred as a result of the COVID-19 pandemic. The majority of the federal and state funds received is related to the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) Provider Relief Funds (PRF payments). The System has recognized \$1.6 and \$24.9 million in 2022 and 2021, respectively, in relief funding as revenue which is classified as other revenue on the consolidated statements of operations.

The CARES Act also provides for a deferral of payments of the employer portion of payroll tax incurred during the pandemic, allowing half of such payroll taxes to be deferred until December 2021, and the remaining half until December 2022. At December 31, 2021 approximately \$4.9 million in deferred payroll taxes was recorded as an other current liability. The remaining balance was paid in full during the year ended December 31, 2022.

Subsequent Events

Events occurring after the balance sheet date are evaluated by management to determine whether such events should be recognized or disclosed in the consolidated financial statements. Management has evaluated subsequent events through April 28, 2023 which is the date the consolidated financial statements were available to be issued.

3. Patient Service Revenue

Revenue generally relates to contracts with third-party payors representing patients in which the System's performance obligations are to provide health care services to patients. Revenues are recorded during the period obligations to provide health care services are satisfied. Performance obligations for inpatient services are generally satisfied over a period of days. Performance obligations for outpatient services are generally satisfied over a period of less than one day. The contractual relationships with patients, in most cases, also involve a third-party payor (Medicare, Medicaid, managed care health plans and commercial insurance companies, including plans offered through the health insurance exchanges) and the transaction prices for the services provided are dependent upon the terms provided by Medicare and Medicaid or negotiated with managed care health plans and commercial insurance companies, the third-party payors. The payment arrangements with third-party payors for the services provided to related patients typically specify payments at amounts less than standard charges. Medicare generally pays for inpatient and outpatient services at prospectively determined rates based on clinical, diagnostic and other factors. Services provided to patients having Medicaid coverage are generally paid at prospectively determined rates per discharge or per identified service. Agreements with commercial insurance carriers, managed care and preferred provider organizations generally provide for payments based upon predetermined rates per diagnosis, per diem rates or discounted fee-for-service rates. Management continually reviews the revenue recognition process to consider and incorporate updates to laws and regulations and the frequent changes in managed care contractual terms resulting from contract renegotiations and renewals.

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

(In thousands)

3. Patient Service Revenue (Continued)

Revenue is based upon estimated amounts that the System expects to be entitled to receive from patients and third-party payors. Revenue under managed care and commercial insurance plans is based upon the payment terms specified in the related contractual agreements. Revenues related to uninsured patients and uninsured copayment and deductible amounts for patients who have health care coverage may have discounts applied (uninsured discounts and contractual discounts) and the recorded revenue is based primarily on historical collection experience.

Revenue from third-party payors and private pay/self-pay is summarized as follows at December 31:

	<u>2022</u>	<u>2021</u>
Medicare	\$230,397	\$217,458
Medicaid	155,747	134,008
Commercial	305,126	327,479
Patients (private pay/self pay)	<u>45,805</u>	<u>43,383</u>
	<u>\$737,075</u>	<u>\$722,328</u>

The collection of outstanding receivables for Medicare, Medicaid, managed care payors, other third-party payors and patients is the System's primary source of operating cash and is critical to operating performance. The primary collection risks relate to uninsured patient accounts, including patient accounts for which the primary insurance carrier has paid the amounts covered by the applicable agreement, but patient responsibility amounts (deductibles and copayments) remain outstanding. Implicit price concessions relate primarily to amounts due directly from patients. Estimated implicit price concessions are recorded for all uninsured accounts, regardless of the aging of those accounts. Accounts are written off when all reasonable internal and external collection efforts have been performed. The estimates for implicit price concessions are based upon management's assessment of historical writeoffs and expected net collections, business and economic conditions, trends in federal, state and private employer health care coverage and other collection indicators. Management relies on the results of detailed reviews of historical writeoffs and collections at facilities that represent a majority of the System's revenues and accounts receivable as a primary source of information in estimating the collectability of accounts receivable.

Under the State of New Hampshire's tax code, the State imposes a Medicaid Enhancement Tax (MET) equal to 5.4% of patient service revenue, with certain exclusions for the years ended December 31, 2022 and 2021. The amount of tax incurred by Nashua for fiscal 2022 and 2021 was \$11,046 and \$10,283, respectively.

The State of Maine enacted legislation establishing a health care provider tax (State tax). As a result, the System was subjected to and recorded \$9,085 and \$8,100 of State tax for the years ended December 31, 2022 and 2021, respectively.

Additional provider taxes paid by the long term care facilities totalled \$3,682 and \$3,922 for the years ended December 31, 2022 and 2021, respectively.

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

(In thousands)

3. Patient Service Revenue (Continued)

In the fall of 2010, to remain in compliance with stated federal regulations, the State of New Hampshire adopted a new approach related to Medicaid disproportionate share funding (DSH) retroactive to July 1, 2010. Unlike the former funding method, the State's approach led to a payment that was not directly based on, and did not equate to, the level of tax imposed. As a result, the legislation created some level of losses at certain New Hampshire hospitals, while other hospitals realized gains. DSH payments from the State are recorded within patient service revenue and amounted to \$5,498 in 2022 and \$4,850 in 2021.

The Centers for Medicare and Medicaid Services (CMS) has completed audits of the State's program and the disproportionate share payments made by the State in 2011 and 2012, the first years that those payments reflected the amount of uncompensated care provided by New Hampshire hospitals. It is possible that subsequent years will also be audited by CMS. The System has recorded reserves to address any potential exposure based on the audit results to date.

The estimated third-party payor settlements reflected on the balance sheet represent the estimated net amounts to be received or paid under reimbursement contracts with CMS, Medicaid and any commercial payors with settlement provisions. Settlements have been issued through 2019 for Medicare and through 2017 for Medicaid for Bangor. Settlements have been issued through 2019 for Medicare and through 2018 for Medicaid for Nashua. Medicare has been settled through 2019, and Medicaid settled through 2018 for Lewiston.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The System believes that it is substantially in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing specific to the System. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs. Differences between amounts previously estimated and amounts subsequently determined to be recoverable or payable are included in patient service revenue in the year that such amounts become known.

Community Benefits

The System does not pursue collection of amounts determined to qualify as charity care; therefore, they are not reported as revenue. The System determines the costs associated with providing charity care by calculating a ratio of cost to gross charges, and then multiplying that ratio by the gross uncompensated charges associated with providing care to patients eligible for free care. Under this methodology, the estimated costs of caring for charity care patients for the years ended December 31, 2022 and 2021 were \$8,401 and \$9,710, respectively.

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

(In thousands)

3. Patient Service Revenue (Continued)

As part of the System's charitable mission, its member organizations also provide services which primarily benefit the medically under-served in their communities. The System prepares an annual report utilizing the methodology contained in the Catholic Health Association's Guide to Planning and Reporting Community Benefit. The net unsponsored costs of charity care including clinics, unreimbursed Medicaid cost, outreach programs and community health education programs provided by the System for the years ended December 31, 2022 and 2021 were \$178,515 and \$100,875, respectively.

4. Investments

Investments, which are reported at fair value, consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Investments	\$ 5,362	\$ 8,245
Assets whose use is limited, restricted or board designated	339,650	477,715
Less pledges receivable	<u>(807)</u>	<u>(1,089)</u>
Total investments	<u>\$344,205</u>	<u>\$484,871</u>

Fair Value Measurements

Financial assets carried at fair value are classified and disclosed in one of the following three categories:

Level 1 – Assets classified as Level 1 represent items that are traded in active exchange markets and for which valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities. Assets classified as Level 1 include cash and cash equivalents, marketable equity securities, mutual funds, accrued interest, and other.

Level 2 – Valuations for assets traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities. Assets classified as Level 2 include U.S. Government securities, corporate bonds and cash surrender value of life insurance policies.

Level 3 – Valuations for assets that are derived from other valuation methodologies not based on market exchange, dealer or broker traded transactions. Level 3 valuations incorporate certain assumptions in determining the fair value assigned to such assets. Assets classified as Level 3 include beneficial interests in perpetual and other trusts.

In determining the appropriate levels, the System performs a detailed analysis of the valuation methodology of the assets. At each reporting period, all assets for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

Investments which do not have a readily determinable market value and which are valued based upon NAV are not evaluated based upon the above criteria for purposes of the following disclosure and have been excluded from the leveling tables.

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

(In thousands)

4. Investments (Continued)

The following presents the balances of assets measured at fair value on a recurring basis at December 31:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
2022:				
Cash and cash equivalents	\$ 25,021	\$ —	\$ —	\$ 25,021
U.S. Government securities	—	11,080	—	11,080
Corporate bonds	—	12,601	—	12,601
Marketable equity securities	87,267	—	—	87,267
Mutual funds:				
Fixed income funds	74,959	—	—	74,959
Domestic equity funds	84,997	—	—	84,997
Accrued interest and other	228	—	—	228
Beneficial interest in perpetual and other trusts	—	—	10,364	10,364
Cash surrender value of life insurance policies	<u>—</u>	<u>5,681</u>	<u>—</u>	<u>5,681</u>
	<u>\$272,472</u>	<u>\$29,362</u>	<u>\$10,364</u>	312,198
Investments valued at NAV not classified by level:				
Fixed income				23,825
Real assets				<u>8,182</u>
				<u>32,007</u>
Total investments				<u>\$344,205</u>
2021:				
Cash and cash equivalents	\$ 41,450	\$ —	\$ —	\$ 41,450
U.S. Government securities	—	15,955	—	15,955
Corporate bonds	—	20,430	—	20,430
Marketable equity securities	110,971	—	—	110,971
Mutual funds:				
Fixed income funds	123,346	—	—	123,346
Domestic equity funds	111,847	—	—	111,847
International equity funds	3,147	—	—	3,147
Accrued interest and other	282	—	—	282
Beneficial interest in perpetual and other trusts	—	—	6,256	6,256
Cash surrender value of life insurance policies	<u>—</u>	<u>5,234</u>	<u>—</u>	<u>5,234</u>
	<u>\$391,043</u>	<u>\$41,619</u>	<u>\$ 6,256</u>	438,918
Investments valued at NAV not classified by level:				
Fixed income				36,287
Real assets				<u>9,666</u>
				<u>45,953</u>
Total investments				<u>\$484,871</u>

COVENANT HEALTH, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021
(In thousands)

4. Investments (Continued)

The alternative investments are subject to certain redemption terms based upon NAV. Amounts may be redeemed monthly with notification periods ranging from 5 – 15 days. There are no commitments to purchase additional units.

Investment Strategies

Fixed Income Investments

The purpose of the fixed income allocation is to provide a hedge against deflation, to increase current income relative to an all-equity fund, and to reduce overall volatility of the fund. The purpose of including fixed income assets such as, but not limited to, inflation-linked bonds, global and high yield securities in the portfolio is to enhance the overall risk-return characteristics of the fund.

Real Assets

Real assets include investments in liquid instruments, such as inflation-linked bonds, master limited partnership income funds and commodity futures. Investments are made in financial assets which are related to or strongly influenced by the value of one or more underlying tangible assets. The purpose of the real asset allocation is to provide a source of growth in an inflationary environment when other investments may underperform.

The principal components of total investment return for the years ended December 31 include:

	<u>2022</u>	<u>2021</u>
Investment income:		
Interest and dividends	\$ 5,762	\$ 6,251
Net realized gains on sales of securities	2,217	60,799
Net unrealized losses on investments	<u>(61,931)</u>	<u>(28,826)</u>
Net realized and unrealized (losses) gains on investments	<u>(59,714)</u>	<u>31,973</u>
Investment (losses) and income	<u>\$ (53,952)</u>	<u>\$ 38,224</u>

All unrestricted investment income and (losses) gains including unrealized (losses) gains are included as part of nonoperating (losses) gains.

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

(In thousands)

5. Lines of Credit, Long-Term Debt and Lease Liability

The System maintains a line of credit totaling \$5,000, which had no outstanding balances at December 31, 2022 and 2021. The line of credit expired pursuant to its terms on December 31, 2022 and the System elected not to renew it.

Long-Term Debt

Long-term debt at December 31 consists of the following:

	<u>2022</u>	<u>2021</u>
In August 2021, Covenant on behalf of the Obligated Group, privately placed \$225,000 of notes (2021 Notes). The proceeds of the 2021 Notes were used to refinance all of the System's publicly traded municipal bonds, certain privately placed bonds and a taxable loan. The 2021 Notes were issued in two tranches. The first tranche in the amount of \$125,000 matures in 2041 and bears interest at 3.47%. The second tranche of \$100,000 matures in 2051 and bears interest at 4.48%	\$225,000	\$225,000
St. Mary's Residences has a mortgage payable to Maine State Housing Authority with an interest rate of 7.5%. The mortgage matures in July 2023 and is collateralized by real property	1,778	1,857
MI Residential Communities, Inc. has a mortgage payable to the Department of Housing and Urban Development and Midland Loans Services, Inc., collateralized by their real property. The note bears interest at 4.05% through March 2053	6,939	7,050
Additional mortgages payable to various financial institutions are held primarily at St. Joseph Manor and M&J	<u>1,939</u>	<u>3,652</u>
	235,656	237,559
Deferred financing costs	<u>(1,944)</u>	<u>(2,012)</u>
Long-term debt	233,712	235,547
Less current portion	<u>(2,370)</u>	<u>(935)</u>
Long-term debt, less current portion	<u>\$231,342</u>	<u>\$234,612</u>

Debt Refinance

In August 2021, Covenant, on behalf of the Obligated Group, privately placed \$225,000 of notes (2021 Notes). The proceeds of the 2021 Notes were used to refinance all of Covenant's publicly traded municipal bonds, certain privately placed bonds and a taxable loan. The 2021 Notes were issued in two tranches. The first tranche in the amount of \$125,000 matures in 2041 and bears interest at 3.47%, interest only payments are due semiannually through 2026. The second tranche of \$100,000 matures in 2051 and bears interest at 4.48%, interest only payments are due semiannually through 2026. Principal and interest payments ranging from \$10,904 to \$12,335 commence in 2027 for both tranches and call for amortization over 20 years. In conjunction with the refinancing, the System realized a loss of \$10,591, which is recorded as part of nonoperating (losses) gains on the consolidated statement of operations.

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

(In thousands)

5. Lines of Credit, Long-Term Debt and Lease Liability (Continued)

In March 2023, Covenant, on behalf of the Obligated Group, privately placed \$89,520 of tax-exempt revenue bonds (2023 Bonds). The proceeds of the 2023 Bonds were used to refinance \$92,000 of Covenant's privately placed 2021 Notes. The 2023 Bonds were issued in two series. The first series was issued by the New Hampshire Health and Education Facilities Authority in the amount of \$56,060, matures in 2037 and bears interest at 4.0%. The second series was issued by the Maine Health and Higher Educational Facilities Authority in the amount of \$33,460, matures in 2037 and bears interest at 4.0%. In conjunction with the refinancing, the System realized a gain of approximately \$11.5 million.

Obligated Group

Covenant and certain member organizations are collectively referred to as the "Obligated Group" or as "Members," and each individually is sometimes referred to herein as a "Member." The Obligated Group is established pursuant to a Master Indenture of Trust, dated August 31, 2021, as supplemented to date (the Master Indenture), between the Obligated Group and U.S. Bank National Association, as successor master trustee (the Master Trustee). Each Member of the Obligated Group is jointly and severally liable for obligations issued pursuant to, and outstanding under, the Master Indenture (Obligations).

Each Obligated Group Member has granted a security interest in its gross receivables for the benefit of the Master Trustee to secure Obligations issued pursuant to the Master Indenture. In addition, each of St. Joseph Hospital of Nashua, N.H. (Nashua), St. Mary's Regional Medical Center (Lewiston) and St. Joseph Hospital (Bangor) has granted a mortgage on its hospital facility in favor of the Master Trustee to secure Obligations issued pursuant to the Master Indenture.

The Master Indenture contains restrictive covenants, including maintenance of a debt ratio, liquidity covenant, limitations on the amount of any additional borrowings, and limitations on the disposal or transfer of assets. As of December 31, 2022, the Obligated Group was not in compliance with the debt service coverage covenant under the Obligations. The System has hired a consultant as a remedy to the noncompliance as required in the Master Indenture.

Maturities of long-term debt for the five years ending December 31 and thereafter are as follows:

2023	\$ 2,370
2024	346
2025	356
2026	363
2027	6,862
Thereafter	<u>223,415</u>
Long-term debt	<u>\$233,712</u>

COVENANT HEALTH, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021
(In thousands)

5. Lines of Credit, Long-Term Debt and Lease Liability (Continued)

Lease Liability

The System utilizes operating leases for the use of certain medical office buildings and medical equipment. All lease agreements generally require the System to pay maintenance, repairs, property taxes and insurance costs, which are variable amounts based on actual costs incurred during each applicable period. Such costs are not included in the determination of the right-of-use (ROU) asset or lease liability. Variable lease cost also includes escalating rent payments that are not fixed at commencement but are based on an index that is determined in future periods over the lease term based on changes in the Consumer Price Index or other measure of cost inflation. Most leases include one or more options to renew the lease at the end of the initial term, with renewal terms that generally extend the lease at the then market rate of rental payment. All such options are at the System's discretion and are evaluated at the commencement of the lease, with only those that are reasonably certain of exercise included in determining the appropriate lease term.

In 2019, the System adopted ASU 2016-02, *Leases*. The System recorded the cost of ROU assets in the amount of \$10,341 and \$10,157 as of December 31, 2022 and 2021, respectively. The cost of these assets has been included with property, plant and equipment. Amortization expense for assets under lease liability was \$1,172 and \$1,329 for the years ended December 31, 2022 and 2021, respectively, and has been included with depreciation expense in the accompanying consolidated financial statements. Accumulated amortization associated with the lease totaled \$4,433 and \$3,261 as of December 31, 2022 and 2021, respectively.

Lease obligations at December 31 consist of the following:

	<u>2022</u>	<u>2021</u>
Total of future lease payments	\$ 11,368	\$ 10,088
Amounts representing interest	<u>(377)</u>	<u>(653)</u>
Present value of minimum lease payments	10,991	9,435
Less current portion	<u>(3,650)</u>	<u>(2,729)</u>
Long-term lease liability, less current portion	<u>\$ 7,341</u>	<u>\$ 6,706</u>

A summary of the future lease payments under lease liabilities is as follows at December 31, 2022:

2023	\$ 3,650
2024	3,867
2025	2,589
2026	<u>1,262</u>
Total	<u>\$ 11,368</u>

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

(In thousands)

6. Defined Benefit Pension Plan

The System maintains two noncontributory defined benefit plans in Nashua and Bangor. The total accumulated benefit obligation, plan assets and funded status is summarized below as of December 31:

	<u>2022</u>	<u>2021</u>
Accumulated benefit obligation (ABO)	\$26,066	\$50,741
Plan assets	<u>25,130</u>	<u>50,689</u>
Funded status	\$ <u>(936)</u>	\$ <u>(52)</u>

Nashua

Nashua maintains a noncontributory defined benefit plan. The measurement date is December 31. Effective June 2, 2007, plan participation was frozen. Benefit service and plan compensation have been frozen effective December 31, 2007.

Net periodic pension cost includes the following components for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Interest cost on projected benefit obligation	\$ 740	\$ 732
Expected return on plan assets	(1,320)	(1,307)
Amortization of loss	1,059	1,285
Recognition of settlement	<u>1,031</u>	<u>720</u>
Net periodic pension expense	\$ <u>1,510</u>	\$ <u>1,430</u>

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

(In thousands)

6. Defined Benefit Pension Plan (Continued)

The following table sets forth the plan's benefit obligation, funded status and amounts recognized in the consolidated financial statements at December 31:

	<u>2022</u>	<u>2021</u>
Accumulated benefit obligation	\$ <u>26,066</u>	\$ <u>30,779</u>
Changes in projected benefit obligations:		
Projected benefit obligations, beginning of period	\$ 30,779	\$ 28,796
Benefits paid	(609)	(572)
Interest cost	740	732
Impact of assumption changes	(2,908)	(494)
Experience loss	(273)	4,131
Settlement amount	<u>(1,663)</u>	<u>(1,814)</u>
Projected benefit obligations, end of period	26,066	30,779
Changes in plan assets:		
Fair value of plan assets, beginning of period	29,526	28,848
Actual return on plan assets	(3,979)	762
Employer contributions	2,400	2,400
Benefits paid	(609)	(572)
Settlement amount	<u>(2,208)</u>	<u>(1,912)</u>
Fair value of plan assets, end of period	<u>25,130</u>	<u>29,526</u>
Funded status	\$ <u>(936)</u>	\$ <u>(1,253)</u>

The weighted average assumptions used in accounting for the defined benefit pension plan are as follows as of and for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Discount rate used to determine net periodic pension cost	2.83%	2.52%
Discount rate used to determine benefit obligation	5.02%	2.83%
Expected long-term rate of return on plan assets	5.00	5.00
Rate of increase in future compensation levels	N/A	N/A

The following is a summary of the allocation of plan assets for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 11,430	\$ 1,195
Fixed income mutual funds	13,700	25,084
Equity funds	<u>—</u>	<u>3,247</u>
	\$ <u>25,130</u>	\$ <u>29,526</u>

COVENANT HEALTH, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021
(In thousands)

6. Defined Benefit Pension Plan (Continued)

All pension assets are considered to be Level 1 assets (as defined in Note 4).

In selecting the expected long-term rate of return on assets, Nashua considered the average rate of earnings expected on the funds invested or to be invested to provide for the benefits of this plan. This includes considering the trusts' asset allocation and the expected returns likely to be earned over the life of the plan. This basis is consistent with the prior year.

Nashua and affiliates anticipate making contributions totaling \$2,400 to its defined benefit pension plan in 2023.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid during the period ended December 31:

2023	\$ 1,930
2024	2,292
2025	1,548
2026	2,138
2027	1,802
2028 through 2032	8,148

Bangor

Bangor maintained a noncontributory defined benefit plan until its termination on August 31, 2022. The measurement date was December 31. Effective January 1, 2004, plan participation was frozen. In 2011, Bangor elected to freeze the plan for purposes of benefit services and plan compensation effective June 30, 2012. In October 2022, an annuity of approximately \$12,600 was purchased, additional liabilities were settled and remaining assets were depleted through December 2022. As of December 31, 2022, the plan was terminated and all benefit payments were paid out prior to year end.

Net periodic pension cost includes the following components for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Interest cost on projected benefit obligation	\$ 548	\$ 516
Expected return on plan assets	(412)	(1,345)
Settlement	<u>1,903</u>	<u>—</u>
Net periodic pension cost	<u>\$ 2,039</u>	<u>\$ (829)</u>

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

(In thousands)

6. Defined Benefit Pension Plan (Continued)

The following table sets forth the plan's benefit obligation, funded status and amounts recognized in the consolidated financial statements at December 31:

	<u>2022</u>	<u>2021</u>
Accumulated benefit obligation	\$ <u>—</u>	\$ <u>19,962</u>
Changes in projected benefit obligations:		
Projected benefit obligations, beginning of period	\$ 19,962	\$ 21,028
Interest cost	548	516
Benefits paid and other	(1,059)	(932)
Experience loss	(16,127)	(650)
Settlement payments	(3,196)	—
Settlement gain	<u>(128)</u>	<u>—</u>
Projected benefit obligations, end of period	—	19,962
Changes in plan assets:		
Fair value of plan assets, beginning of period	21,163	21,028
Actual return on plan assets	(3,637)	1,067
Benefits paid	(1,059)	(932)
Settlement payments	(16,127)	—
Funds reverted to employer and other	<u>(340)</u>	<u>—</u>
Fair value of plan assets, end of period	—	<u>21,163</u>
Funded status	\$ <u>—</u>	\$ <u>1,201</u>

The weighted average assumptions used in accounting for the defined benefit pension plan are as follows as of and for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Discount rate used to determine net periodic pension cost	2.83%	2.52%
Discount rate used to determine benefit obligation	N/A	2.83
Expected long-term rate of return on plan assets	N/A	6.50
Rate of increase in future compensation levels	N/A	N/A

The following is a summary of the allocation of plan assets for the year ended December 31, 2021:

Mutual funds:

Fixed income funds	<u>\$21,163</u>
--------------------	-----------------

All pension assets are considered to be Level 1 assets (as defined in Note 4).

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

(In thousands)

6. Defined Benefit Pension Plan (Continued)

The target allocation percentage for investments was designed to meet the expected return on plan assets. The plan trustee evaluated its target allocation periodically in relation to market performance and overall market conditions. The plan did not allow for the purchase of derivatives and the overall goal was to provide for adequate investment growth, along with contributions, to provide adequate funding to meet plan obligations on a current and projected basis.

7. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes at December 31:

	<u>2022</u>	<u>2021</u>
Purpose restriction:		
Health care services	\$ 3,983	\$ 3,693
Equipment and capital improvements	9,945	9,127
Education and scholarships	668	428
Employee emergency assistance	605	129
Designated for certain communities	<u>470</u>	<u>694</u>
	15,671	14,071
Perpetual in nature:		
Investments, gains and income from which is donor restricted	28,981	30,968
Investments, gains and income from which is released to net assets without donor restrictions	6,455	9,386
Beneficial interest in perpetual trust	<u>10,364</u>	<u>6,256</u>
	<u>45,800</u>	<u>46,610</u>
Total net assets with donor restrictions	<u>\$61,471</u>	<u>\$60,681</u>

Net assets with donor restrictions are managed in accordance with donor intent and are invested in various portfolios.

8. Investments in Joint Ventures

The System has ownership interests in joint ventures. All of the investments are accounted for under the equity method of accounting. The more significant investments in joint ventures are as follows:

The System has an interest in United Ambulance Services which has operations in Lewiston and Auburn, Maine. The investment has a carrying value at December 31, 2022 and 2021 of \$2,337 and \$2,485, respectively.

The System has an ownership interest in Nashua Regional Cancer Center. The investment has a carrying value of \$1,221 and \$1,529 at December 31, 2022 and 2021, respectively.

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

(In thousands)

8. Investments in Joint Ventures (Continued)

The System entered into a joint venture in 2021 with MaineHealth to provide expanded patient medical services in Lewiston. Under the terms of the joint venture, MaineHealth and the System will share in the costs of providing the services. The cost sharing of the joint venture is settled prospectively.

9. Financial Assets and Liquidity Resources

As of December 31, 2022, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt, consisted of the following:

Cash and cash equivalents	\$ 50,187
Short-term investments	5,362
Patient accounts receivable	<u>90,112</u>
	<u>\$145,661</u>

To manage liquidity, the System maintains sufficient cash and cash equivalent balances to support daily operations throughout the year. Cash and cash equivalents and short-term investments include bank deposits, money market funds, and other similar vehicles that generate a return on cash and provide daily liquidity to the System. In addition, the System has board-designated assets without donor restrictions that can be utilized at the discretion of management to help fund both operational needs and/or capital projects. As of December 31, 2022, the balance of liquid investments in board-designated assets was \$227,302.

The System also has a \$5 million line of credit available to support future operations. See Note 5 for information about the System's line.

10. St. Mary's Villa

St. Mary's Villa has certain regulatory disclosure requirements. The following information has been included to meet those regulatory disclosure requirements and applies specifically to St. Mary's Villa:

Entrance Fees

Fees paid by a resident upon entering into a continuing care contract are refundable and amortized to income using the straight-line method over a period of five years. There was one (1) CCRC at December 31, 2022 and 2021. There were no fees received or amounts refunded in 2022 or 2021.

St. Mary's Villa has not and will not accept any entrance fee under any continuing care agreement until the date of admission and this practice will continue into the future. St. Mary's Villa Disclosure Statements and Admissions Agreements reflect this practice. It is management's understanding that this practice exempts St. Mary's Villa's CCRC from maintaining a formal escrow agreement with an appointed escrow agent or other manner of security as described in 40 P.S. § 3212.

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

(In thousands)

10. St. Mary's Villa (Continued)

Obligation to Provide Future Services

The CCRC annually calculates the present value of the net cost of future services and the use of facilities to be provided to current residents and compares that amount with the balance of deferred revenue from advance fees. If the present value of the net cost of future services and the use of facilities exceeds the deferred revenue from advance fees, a liability is recorded (obligation to provide future services and use of facilities) with the corresponding charge to income. At December 31, 2022 and 2021, the calculated net cost did not exceed the deferred revenue from advance fees and no liability was required to be recorded.

Statutory Liquid Reserves

The *Continuing Care Provider Registration and Disclosure Act* requires a working capital reserve equivalent to the greater of the total debt service payments of any loan or long-term financing due during the next twelve months or 10% of the projected annual expenses of the facility, exclusive of depreciation and amortization. The reserve is computed on the proportional share of debt service or operating expenses that are applicable to resident agreements.

Statutory liquid reserves are calculated as follows at December 31:

	<u>2022</u>	<u>2021</u>
Principal and interest payments due within the next twelve months	\$ 642	\$ 480
Percent of residents subject to agreements	<u>1.89%</u>	<u>2.30%</u>
Reserve calculated	\$ <u>12</u>	\$ <u>11</u>
Projected operating expenses, excluding depreciation and amortization	\$14,389	\$13,353
Percent of residents subject to agreements	<u>1.89%</u>	<u>2.30%</u>
	272	307
Percent of residents subject to agreements	<u>1.89%</u>	<u>2.30%</u>
Reserve calculated	\$ <u>5</u>	\$ <u>7</u>
Minimum reserve required (greater of above)*	\$ <u>12</u>	\$ <u>11</u>
CCRC residents	1	1
Total beds	64 ^(a)	64 ^(a)
Average occupancy	77% ^(b)	68% ^(b)
Average beds (a)*(b)	49	44
Percentage of residents subject to agreements (CCRC residents / average beds)	1.89%	2.30%

* The Villa records amounts required to satisfy reserve requirements above in funds held by trustee which totaled \$26 and \$25 at December 31, 2022 and 2021, respectively.

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021

(In thousands)

11. Functional Expenses

The System provides acute and long-term health care services. Expenses related to providing these services are as follows for the years ended December 31:

	<u>Health Services</u>	<u>General and Administrative</u>	<u>Total</u>
<u>2022</u>			
Salaries and wages	\$333,993	\$ 42,712	\$376,705
Employee benefits	65,369	8,536	73,905
Supplies	100,465	—	100,465
Other expenses	198,465	66,047	264,512
Interest	9,656	—	9,656
Depreciation and amortization	27,095	—	27,095
Provider tax	<u>23,813</u>	<u>—</u>	<u>23,813</u>
	<u>\$758,856</u>	<u>\$117,295</u>	<u>\$876,151</u>
<u>2021</u>			
Salaries and wages	\$349,132	\$ 10,381	\$359,513
Employee benefits	67,680	1,668	69,348
Supplies	94,424	—	94,424
Other expenses	86,278	127,397	213,675
Interest	9,454	—	9,454
Depreciation and amortization	25,497	—	25,497
Provider tax	<u>22,305</u>	<u>—</u>	<u>22,305</u>
	<u>\$654,770</u>	<u>\$139,446</u>	<u>\$794,216</u>

The consolidated financial statements report certain expense categories that are attributable to more than one healthcare service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Supporting activities that are not directly identifiable with one or more healthcare programs are classified as general and administrative. If it is impossible or impractical to make a direct identification, allocation of the expenses were made according to management's estimates. Employee benefits were allocated in accordance with the ratio of salaries and wages of the functional classes. Specifically identifiable costs are assigned to the function which they are identified to.

12. Acquisition of Bangor Nursing and Rehab Center, Inc.

In 2021, the System acquired Bangor Nursing and Rehab Center, Inc. (BNF). As of the acquisition date, the market value of BNF total assets was \$6,089.

In 2021, subsequent to the acquisition date of December 1, 2021, BNF reported patient revenue of \$403.

The net assets of BNF were recognized as a contribution as part of nonoperating gains in 2021 and the contribution was approximately \$5,000.

COVENANT HEALTH, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2022 and 2021
(In thousands)

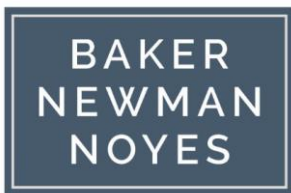
13. Commitments and Contingencies

Litigation

On occasion the System is subject to various potential legal claims that may arise in the normal course of business. The System intends to vigorously defend against any such claims that may arise. In the opinion of management, no claims have been asserted against the System which, either individually or in the aggregate, are considered to be material or will be in excess of its insurance coverage.

Regulatory

The health care industry is subject to numerous laws and regulations of federal, state and local governments. Recently, government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for patient services previously billed. Compliance with such laws and regulations are subject to government review and interpretations as well as potential regulatory actions. Management believes that the System is in substantial compliance with current laws and regulations and is not aware of any material potential regulatory issues.



INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

The Board of Directors
Covenant Health, Inc.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as of and for the year ended December 31, 2022, as a whole. The accompanying Financial Responsibility Supplemental Schedule (the Schedule), prepared in accordance with the U.S. Department of Education's financial regulations, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The Schedule as of and for the year ended December 31, 2022, has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information as of and for the year ended December 31, 2022 is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Baker Newman + Noyes LLC

Boston, Massachusetts
April 28, 2023

Covenant Health, Inc.
Consolidating Balance Sheet
December 31, 2022
(In thousands)

Assets

Current assets:

Cash and cash equivalents	\$ 3,339	\$ 5,265	\$ 2,296	\$ —	\$ 14,156	\$ 924	\$ 210	\$ 611	\$ 234	\$ 197	\$ —	\$ 266	\$ —	\$ —	\$ 27,498
Accounts receivable, net	34,085	23,062	18,588	—	—	2,108	1,324	1,696	1,329	649	—	1,872	—	—	84,713
Investments	—	3,518	195	—	—	—	—	—	—	—	—	—	—	—	3,713
Inventories	4,203	2,441	3,258	—	—	55	24	13	18	19	—	62	—	—	10,093
Prepaid expenses and other current assets	2,127	1,935	1,897	—	7,303	300	95	(20)	16	109	—	255	—	—	14,017
Amounts receivable from third-party payors	—	556	—	—	—	—	—	—	—	—	—	—	—	—	556
Current portion of assets whose use is limited or restricted	—	—	5	—	—	—	23	143	15	377	—	43	—	—	606
Current portion of due from affiliates	1,065	21,309	5,757	—	75,371	676	—	65	—	—	—	—	—	(76,128)	28,115
Total current assets	44,819	58,086	31,996	—	96,830	4,063	1,676	2,508	1,612	1,351	—	2,498	—	(76,128)	169,311

Assets whose use is limited or restricted:

Funds held by trustees, less current portion	—	—	—	—	1,131	—	—	—	—	—	—	—	—	—	1,131
Deferred compensation	558	—	—	—	—	—	—	—	—	—	—	—	—	—	558
Board designated funds and other long-term investments	107,596	58	2,262	—	228	43,161	1,218	1,425	—	611	—	1	—	—	156,560
Replacement reserve	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Donor-restricted funds	2,428	5,797	2,340	—	6,979	47	32	57	86	36	—	129	—	—	17,931
Total assets whose use is limited or restricted	110,582	5,855	4,602	—	8,338	43,208	1,250	1,482	86	647	—	130	—	—	176,180

Other assets:

Other assets	15,932	—	—	—	38,470	—	73	95	25	(4)	—	228	—	—	54,819
Due from affiliates, less current portion	2,007	—	97	—	143,027	—	—	—	—	—	—	—	—	(125,015)	20,116
Investments in joint ventures	1,953	2,337	301	(247)	5	—	—	—	—	—	—	—	—	—	4,349
Total other assets	19,892	2,337	398	(247)	181,502	—	73	95	25	(4)	—	228	—	(125,015)	79,284

Property, plant and equipment:

Land and improvements	3,749	2,856	2,070	—	—	641	490	269	485	529	—	31	—	—	11,120
Buildings and improvements	113,358	87,099	51,746	11,935	42	13,898	8,472	4,676	3,640	8,365	3,222	7,714	1,517	—	315,684
Equipment	62,764	41,574	42,834	—	92,059	2,526	3,283	711	805	1,440	—	2,612	—	—	250,608
Construction in progress	1,096	2,048	174	—	97	1,731	7	265	20	—	—	—	—	—	5,438
Right-of-use assets	5,337	2,828	183	—	1,405	—	—	—	—	—	—	—	—	—	9,753
	186,304	136,405	97,007	11,935	93,603	18,796	12,252	5,921	4,950	10,334	3,222	10,357	1,517	—	592,603
Less accumulated depreciation	(119,248)	(73,385)	(67,800)	1,168	(30,993)	(11,953)	(7,479)	(3,125)	(2,795)	(6,990)	352	(8,296)	81	—	(330,463)
Less accumulated depreciation – right-of-use assets	(2,758)	(176)	—	—	(1,157)	—	—	—	—	—	—	—	—	—	(4,091)
Total property, plant and equipment	64,298	62,844	29,207	13,103	61,453	6,843	4,773	2,796	2,155	3,344	3,574	2,061	1,598	—	258,049

Total assets	\$ 239,591	\$ 129,122	\$ 66,203	\$ 12,856	\$ 348,123	\$ 54,114	\$ 7,772	\$ 6,881	\$ 3,878	\$ 5,338	\$ 3,574	\$ 4,917	\$ 1,598	\$ (201,143)	\$ 682,824
--------------	------------	------------	-----------	-----------	------------	-----------	----------	----------	----------	----------	----------	----------	----------	--------------	------------

* Certain entities included in St. Joseph Hospital of Nashua, NH, Inc., St. Mary's Health System, St. Joseph Healthcare Foundation and Mary Immaculate are not included in the Obligated Group.

** Total of Obligated Group carried forward to next page.

Covenant Health, Inc.
Consolidating Balance Sheet
December 31, 2022
(In thousands)

Assets

Current assets:

	St. Mary's Villa Nursing Home, Inc.	St. Andre Health Care Facility	Youville Place	Youville House	MI Residential Community Inc.	Bangor Nursing and Rehab Center, Inc.	Bangor Nursing and Rehab Center, Inc. Valuation	St. Joseph Hospital of Nashua, NH, Inc. Affiliates	St. Mary's Health System Affiliates	St. Joseph Healthcare Foundation Affiliates	Covenant Health Foundation	Fanny Allen Corporation	Fanny Allen Holdings	Covenant Health Insurance LTD	Covenant Health Master Trust	Eliminations	System Consolidated
Cash and cash equivalents	\$ 1,174	\$ 1,432	\$ 785	\$ 1,323	\$ 1,744	\$ 67	\$ —	\$ 1,993	\$ 3,177	\$ 3,081	\$ 5	\$ 70	\$ 667	\$ 7,171	\$ —	\$ —	50,187
Patient accounts receivable	426	1,461	178	103	30	719	—	—	749	1,733	—	—	—	—	—	—	90,112
Investments	—	—	—	—	—	—	—	—	158	1,491	—	—	—	—	—	—	5,362
Inventories	50	31	29	42	—	—	—	—	19	131	—	—	—	—	—	—	10,395
Prepaid expenses and other current assets	172	25	149	250	56	134	—	114	332	313	—	—	—	7,276	—	—	22,838
Amounts receivable from third-party payors	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(556)	—
Current portion of assets whose use is limited or restricted	641	43	68	—	—	—	—	—	—	—	—	—	—	—	—	—	1,358
Current portion of due from affiliates	35	—	175	835	—	—	—	6,274	2,077	78	—	—	—	—	—	(37,589)	—
Total current assets	2,498	2,992	1,384	2,553	1,830	920	—	8,381	6,512	6,827	5	70	667	14,447	—	(38,145)	180,252
Assets whose use is limited or restricted:																	
Funds held by trustees, less current portion	—	—	—	—	626	47	—	—	—	—	—	—	—	—	—	—	1,804
Deferred compensation	—	—	—	—	—	—	—	11,654	—	—	—	—	—	—	—	—	12,212
Board designated funds and other long-term investments	13,875	796	5,126	16,589	—	—	—	838	759	—	—	8,375	2,674	53,717	244,447	(244,447)	259,309
Replacement reserve	—	—	—	—	7,645	—	—	—	575	—	—	—	—	—	—	—	8,220
Donor-restricted funds	41	25	465	3,925	80	—	—	718	3,104	3,850	25,670	1,468	—	—	—	(530)	56,747
Total assets whose use is limited or restricted	13,916	821	5,591	20,514	8,351	47	—	13,210	4,438	3,850	25,670	9,843	2,674	53,717	244,447	(244,977)	338,292
Other assets:																	
Other assets	4	30	26	5	—	—	—	15,360	231	—	—	—	—	—	—	(69,684)	791
Due from affiliates, less current portion	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(20,116)	—
Investments in joint ventures	—	—	—	—	—	—	—	1,306	555	53	—	—	—	—	—	1	6,264
Total other assets	4	30	26	5	—	—	—	16,666	786	53	—	—	—	—	—	(89,799)	7,055
Property, plant and equipment																	
Land and improvements	299	424	750	—	106	51	—	1,615	2,217	2,807	—	—	716	—	—	—	20,105
Buildings and improvements	16,575	2,313	16,800	18,314	32,688	5,216	2,751	11,863	10,059	8,117	—	—	1,324	—	—	—	441,704
Equipment	4,594	1,094	541	442	1,442	1,446	104	105	971	1,268	—	—	457	—	—	—	263,072
Construction in progress	175	—	17	—	244	—	—	—	—	—	—	—	—	—	—	—	5,874
Right of use asset	—	—	—	—	—	—	—	588	—	—	—	—	—	—	—	—	10,341
	21,643	3,831	18,108	18,756	34,480	6,713	2,855	14,171	13,247	12,192	—	—	2,497	—	—	—	741,096
Less accumulated depreciation	(13,700)	(1,955)	(7,721)	(8,872)	(26,810)	(5,569)	(91)	(6,483)	(7,664)	(8,675)	—	—	(1,323)	—	—	—	(419,326)
Less accumulated depreciation – right-of-use assets	—	—	—	—	—	—	—	(342)	—	—	—	—	—	—	—	—	(4,433)
Total property, plant and equipment	7,943	1,876	10,387	9,884	7,670	1,144	2,764	7,346	5,583	3,517	—	—	1,174	—	—	—	317,337
Total assets	\$ 24,361	\$ 5,719	\$ 17,388	\$ 32,956	\$ 17,851	\$ 2,111	\$ 2,764	\$ 45,603	\$ 17,319	\$ 14,247	\$ 25,675	\$ 9,913	\$ 4,515	\$ 68,164	\$ 244,447	\$ (372,921)	\$ 842,936

Covenant Health, Inc.
Consolidating Balance Sheet
December 31, 2022
(In thousands)

Liabilities and Net Assets

Current liabilities:

	St. Joseph Hospital of Nashua, NH, Inc.*	St. Mary's Health System*	St. Joseph Healthcare Foundation*	St. Joseph Valuation Co.	Covenant Health, Inc.	Mary Immaculate*	(Marist Hill) CHS of Waltham Inc.	St. Joseph Manor Health Care, Inc.	(St. Mary) CHS of Worcester, Inc.	Mount St. Rita Health Centre	Mount St. Rita Valuation Co.	Penacook Place, Inc.	Penacook Valuation	Elimi- nations	** Total Obligated Group
Accounts payable	\$ 13,454	\$ 14,042	\$ 2,556	\$ –	\$ 5,672	\$ 576	\$ 528	\$ 324	\$ 673	\$ 780	\$ –	\$ 3,193	\$ –	\$ (631)	\$ 41,167
Accrued expenses and other liabilities	21,052	16,131	8,538	–	13,879	933	706	385	459	347	–	513	–	–	62,943
Estimated third-party payor settlements	6,715	(2,274)	(1,989)	–	–	33	148	289	200	(101)	–	310	–	–	3,331
Other current liabilities	1,568	3,288	326	–	4	86	2	(38)	52	–	–	109	–	–	5,397
Current portion of due to affiliates	9,348	56,892	16,049	–	–	391	–	–	–	–	–	–	–	(75,497)	7,183
Current portion of lease liability	1,251	1,114	943	–	249	–	–	–	–	–	–	–	–	–	3,557
Current portion of long-term debt	–	154	–	–	–	–	–	183	–	–	–	–	–	–	337
Total current liabilities	53,388	89,347	26,423	–	19,804	2,019	1,384	1,143	1,384	1,026	–	4,125	–	(76,128)	123,915
Long-term debt, less current portion	–	–	–	–	223,056	–	–	473	–	–	–	–	–	–	223,529
Long-term lease liability, less current portion	4,054	2,023	1,111	–	–	–	–	–	–	–	–	–	–	–	7,188
Due to affiliates, less current portion	67,583	33,583	14,934	–	97	–	6,373	–	–	–	–	2,445	–	(125,015)	–
Defined benefit pension obligation	936	–	–	–	–	–	–	–	–	–	–	–	–	–	936
Other liabilities	7,239	580	245	–	–	564	321	57	91	36	–	195	–	–	9,328
Professional liability loss reserves	1,184	–	1,232	–	–	88	32	43	45	103	–	44	–	–	2,771
Total liabilities	134,384	125,533	43,945	–	242,957	2,671	8,110	1,716	1,520	1,165	–	6,809	–	(201,143)	367,667
Net assets:															
Without donor restriction	102,779	(2,255)	19,820	12,856	98,187	51,443	(361)	4,929	2,343	3,796	3,574	(1,935)	1,598	–	296,774
With donor restriction	2,428	5,844	2,438	–	6,979	–	23	236	15	377	–	43	–	–	18,383
Total net assets	105,207	3,589	22,258	12,856	105,166	51,443	(338)	5,165	2,358	4,173	3,574	(1,892)	1,598	–	315,157
Total liabilities and net assets	\$ 239,591	\$ 129,122	\$ 66,203	\$ 12,856	\$ 348,123	\$ 54,114	\$ 7,772	\$ 6,881	\$ 3,878	\$ 5,338	\$ 3,574	\$ 4,917	\$ 1,598	\$ (201,143)	\$ 682,824

* Certain entities included in St. Joseph Hospital of Nashua, NH, Inc., St. Mary's Health System, St. Joseph Healthcare Foundation and Mary Immaculate are not included in the Obligated Group.

** Total of Obligated Group carried forward to next page.

Covenant Health, Inc.
Consolidating Balance Sheet
December 31, 2022
(In thousands)

Liabilities and Net Assets

Current liabilities:

	St. Mary's Villa Nursing Home, Inc.	St. Andre Health Care Facility	Youville Place	Youville House	MI Residential Community Inc.	Bangor Nursing and Rehab Center, Inc.	Bangor Nursing and Rehab Center, Inc. Valuation	St. Joseph Hospital of Nashua, NH, Inc. Affiliates	St. Mary's Health System Affiliates	St. Joseph Healthcare Foundation Affiliates	Covenant Health Foundation	Fanny Allen Corporation	Fanny Allen Holdings	Covenant Health Insurance LTD	Covenant Health Master Trust	Eliminations	System Consolidated
Accounts payable	\$ 249	\$ 238	\$ 99	\$ 90	\$ 4	\$ 908	\$ –	\$ 5	\$ 144	\$ 481	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 43,385
Accrued expenses and other liabilities	862	511	355	357	91	113	–	303	817	380	–	–	–	79	–	(2,529)	64,282
Estimated third-party payor settlements	4	120	–	–	–	(118)	–	–	–	–	–	–	–	–	–	(556)	2,781
Other current liabilities	204	–	33	15	3	–	–	5	55	41	–	–	–	3,597	–	–	9,350
Current portion of due to affiliates	80	–	223	13	285	–	–	–	20,863	5,694	–	–	2	–	–	(34,343)	–
Current portion of lease liability	–	–	–	–	–	–	–	93	–	–	–	–	–	–	–	–	3,650
Current portion of long-term debt	132	–	–	–	123	–	–	–	1,747	31	–	–	–	–	–	–	2,370
Total current liabilities	1,531	869	710	475	506	903	–	406	23,626	6,627	–	–	2	3,676	–	(37,428)	125,818
Long-term debt, less current portion	853	–	–	–	6,816	–	–	–	–	144	–	–	–	–	–	–	231,342
Long-term lease liability, less current portion	–	–	–	–	–	–	–	153	–	–	–	–	–	–	–	–	7,341
Due to affiliates, less current portion	2,570	–	8,214	8,655	–	–	–	–	1,924	–	–	–	–	–	–	(21,363)	–
Defined benefit pension obligation	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	936
Other liabilities	327	134	363	245	80	–	–	11,628	284	–	–	–	20	3,430	–	–	25,839
Professional liability loss reserves	57	49	31	28	–	–	–	1,486	2,015	–	–	–	–	22,621	–	–	29,058
Total liabilities	5,338	1,052	9,318	9,403	7,402	903	–	13,673	27,849	6,771	–	–	22	29,727	–	(58,791)	420,334
Net assets:																	
Without donor restriction	18,346	4,624	7,968	20,231	4,402	1,208	2,764	31,212	(11,721)	3,626	5	8,445	4,493	38,437	244,447	(314,130)	361,131
With donor restriction	677	43	102	3,322	6,047	–	–	718	1,191	3,850	25,670	1,468	–	–	–	–	61,471
Total net assets	19,023	4,667	8,070	23,553	10,449	1,208	2,764	31,930	(10,530)	7,476	25,675	9,913	4,493	38,437	244,447	(314,130)	422,602
Total liabilities and net assets	\$ 24,361	\$ 5,719	\$ 17,388	\$ 32,956	\$ 17,851	\$ 2,111	\$ 2,764	\$ 45,603	\$ 17,319	\$ 14,247	\$ 25,675	\$ 9,913	\$ 4,515	\$ 68,164	\$ 244,447	\$ (372,921)	\$ 842,936

Covenant Health, Inc.
Consolidating Statement of Operations
December 31, 2022
(In thousands)

Operating revenue:

Patient service revenue	\$ 237,572	\$ 196,331	\$ 176,767	\$ –	\$ –	\$ 18,283	\$ 9,745	\$ 10,278	\$ 10,795	\$ 8,521	\$ –	\$ 12,761	\$ –	\$ –	\$ 681,053
Other revenue	4,426	15,627	6,071	–	79,370	1,899	533	744	908	45	–	675	–	(78,521)	31,777
Net assets released from restrictions for operations	219	727	292	–	79	20	8	9	25	154	–	44	–	–	1,577
Total operating revenue	242,217	212,685	183,130	–	79,449	20,202	10,286	11,031	11,728	8,720	–	13,480	–	(78,521)	714,407

Operating expenses:

Salaries and wages	99,399	96,285	78,957	–	28,629	10,951	4,672	4,437	4,820	4,317	–	7,562	–	–	340,029
Employee benefits	19,727	20,626	15,502	–	5,102	1,915	910	744	914	871	–	1,354	–	–	67,665
Supplies	31,584	26,060	25,842	–	20	2,365	1,516	1,536	1,180	917	–	2,212	–	–	93,232
Other expenses	99,831	106,836	66,590	–	34,340	6,735	2,337	3,537	4,523	2,762	–	4,895	–	(79,255)	253,131
Interest	2,715	1,331	603	–	3,298	–	253	26	–	–	–	96	–	–	8,322
Provider tax	11,046	5,219	3,040	–	–	117	566	570	892	449	–	934	–	–	22,833
Depreciation	5,032	4,380	2,471	293	8,058	672	367	263	214	241	28	258	64	–	22,341
Total operating expenses	269,334	260,737	193,005	293	79,447	22,755	10,621	11,113	12,543	9,557	28	17,311	64	(79,255)	807,553

Income (loss) from operations	(27,117)	(48,052)	(9,875)	(293)	2	(2,553)	(335)	(82)	(815)	(837)	(28)	(3,831)	(64)	734	(93,146)
-------------------------------	----------	----------	---------	-------	---	---------	-------	------	-------	-------	------	---------	------	-----	----------

Net periodic pension cost	(1,510)	–	(1,667)	–	–	–	–	–	–	–	–	–	–	–	(3,177)
---------------------------	---------	---	---------	---	---	---	---	---	---	---	---	---	---	---	---------

Nonoperating gains (losses), net:

Dividend and interest income	1,635	49	319	–	382	812	23	25	–	16	–	–	–	–	3,261
Realized gain (loss) from investments	2,349	(527)	189	–	1,021	(1,768)	134	210	–	(48)	–	–	–	–	1,560
Unrealized gain (loss) from investments	(24,360)	(2,503)	(1,663)	–	(5,578)	(6,063)	(229)	(384)	–	(183)	–	–	–	–	(40,963)
Gain (loss) on sale of assets	161	15	124	–	–	–	–	–	–	–	–	–	–	–	300
Other nonoperating income	(135)	–	–	–	60	(11)	–	–	–	–	–	–	–	–	(86)
Other nonoperating expense	(374)	(395)	(388)	–	(50)	4	–	–	–	(30)	–	–	–	–	(1,233)
Total nonoperating gains (losses), net	(20,724)	(3,361)	(1,419)	–	(4,165)	(7,026)	(72)	(149)	–	(245)	–	–	–	–	(37,161)

Excess (deficiency) of revenue over expenses	(49,351)	(51,413)	(12,961)	(293)	(4,163)	(9,579)	(407)	(231)	(815)	(1,082)	(28)	(3,831)	(64)	734	(133,484)
--	----------	----------	----------	-------	---------	---------	-------	-------	-------	---------	------	---------	------	-----	-----------

Other changes in net assets

without donor restriction:

Net assets released from restrictions for property, plant and equipment	57	295	199	–	–	–	–	–	–	–	–	–	–	–	551
Adjustment to defined benefit pension obligation	(657)	–	793	–	–	–	–	–	–	–	–	–	–	–	136
Transfer among affiliates	(30)	1,020	–	–	(367)	–	–	–	–	–	–	1,000	–	–	1,623

Increase (decrease) in net assets

without donor restriction	\$ (49,981)	\$ (50,098)	\$ (11,969)	\$ (293)	\$ (4,530)	\$ (9,579)	\$ (407)	\$ (231)	\$ (815)	\$ (1,082)	\$ (28)	\$ (2,831)	\$ (64)	\$ 734	\$ (131,174)
---------------------------	-------------	-------------	-------------	----------	------------	------------	----------	----------	----------	------------	---------	------------	---------	--------	--------------

* Certain entities included in St. Joseph Hospital of Nashua, NH, Inc., St. Mary's Health System, St. Joseph Healthcare Foundation and Mary Immaculate are not included in the Obligated Group.

** Total of Obligated Group carried forward to next page.

Covenant Health, Inc.
Consolidating Statement of Operations
December 31, 2022
(In thousands)

	St. Mary's Villa Nursing Home, Inc.	St. Andre Health Care Facility	Youville Place	Youville House	MI Residential Community Inc.	Bangor Nursing and Rehab Center, Inc.	Bangor Nursing and Rehab Center, Inc. Valuation	St. Joseph Hospital of Nashua, NH, Inc. Affiliates	St. Mary's Health System Affiliates	St. Joseph Healthcare Foundation Affiliates	Covenant Health Foundation	Fanny Allen Corporation	Fanny Allen Holdings	Covenant Health Insurance LTD	Covenant Health Master Trust	Eliminations	System Consolidated
Operating revenue:																	
Patient service revenue	\$ 11,934	\$ 10,292	\$ 6,372	\$ 5,972	\$ —	\$ 5,970	\$ —	\$ —	\$ 9,272	\$ 6,210	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 737,075
Other revenue	176	1,270	404	207	4,853	323	—	5,108	10,778	2,608	—	—	—	8,068	—	(16,990)	48,582
Net assets released from restrictions for operations	—	24	26	189	—	—	—	—	29	9	1,025	92	—	—	—	—	2,971
Total operating revenue	12,110	11,586	6,802	6,368	4,853	6,293	—	5,108	20,079	8,827	1,025	92	—	8,068	—	(16,990)	788,628
Operating expenses:																	
Salaries and wages	7,066	5,717	3,301	2,724	682	2,115	—	3,167	8,564	3,340	—	—	—	—	—	—	376,705
Employee benefits	1,321	982	531	520	127	534	—	702	3,053	631	—	—	—	—	—	(2,161)	73,905
Supplies	1,221	1,154	324	372	151	1,045	—	—	341	3,024	—	—	—	—	—	(399)	100,465
Other expenses	3,140	2,826	1,794	1,448	1,857	3,630	—	603	7,125	2,654	—	—	—	—	—	(13,696)	264,512
Interest	215	2	322	339	299	—	—	10	138	9	—	—	—	—	—	—	9,656
Provider tax	90	633	—	—	—	257	—	—	—	—	—	—	—	—	—	—	23,813
Depreciation	724	244	677	601	934	225	83	440	502	324	—	—	—	—	—	—	27,095
Total operating expenses	13,777	11,558	6,949	6,004	4,050	7,806	83	4,922	19,723	9,982	—	—	—	—	—	(16,256)	876,151
Income (loss) from operations	(1,667)	28	(147)	364	803	(1,513)	(83)	186	356	(1,155)	1,025	92	—	8,068	—	(734)	(87,523)
Net periodic pension cost	—	—	—	—	—	—	—	—	—	(372)	—	—	—	—	—	—	(3,549)
Nonoperating gains (losses), net:																	
Dividend and interest income	171	12	54	326	—	—	—	680	30	59	—	101	33	1,030	3,859	(3,854)	5,762
Realized gain (loss) from investments	(162)	16	61	102	—	—	—	—	3	(158)	—	(91)	(152)	1,038	(4,773)	4,773	2,217
Unrealized gain (loss) from investments	(2,142)	(126)	(518)	(1,883)	—	—	—	(311)	(116)	(95)	—	(1,313)	(429)	(8,781)	(47,655)	46,668	(57,664)
Gain (loss) on sale of assets	—	—	—	—	—	—	—	—	—	(29)	—	—	—	—	—	—	271
Other nonoperating income	—	—	—	—	18	—	—	—	(5)	—	—	—	1,151	—	—	185	1,263
Other nonoperating expense	—	—	—	—	85	—	—	(215)	1	(2)	(7)	(317)	(416)	(368)	—	—	(2,472)
Total nonoperating gains (losses), net	(2,133)	(98)	(403)	(1,455)	103	—	—	154	(87)	(225)	(7)	(1,620)	187	(7,081)	(48,569)	47,772	(50,623)
Excess (deficiency) of revenue over expenses	(3,800)	(70)	(550)	(1,091)	906	(1,513)	(83)	340	269	(1,752)	1,018	(1,528)	187	987	(48,569)	47,038	(141,695)
Other changes in net assets without donor restriction:																	
Net assets released from restrictions for property, plant and equipment	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	551
Adjustment to defined benefit pension obligation	—	—	—	—	—	—	—	—	—	198	—	—	—	—	—	—	334
Transfer among affiliates	—	—	—	—	—	—	—	(603)	—	—	(1,020)	200	(200)	(7,500)	(59,804)	67,304	—
Increase (decrease) in net assets without donor restriction	\$ (3,800)	\$ (70)	\$ (550)	\$ (1,091)	\$ 906	\$ (1,513)	\$ (83)	\$ (263)	\$ 269	\$ (1,554)	\$ (2)	\$ (1,328)	\$ (13)	\$ (6,513)	\$ (108,373)	\$ 114,342	\$ (140,810)

St. Joseph Hospital of Nashua, NH
Consolidating Balance Sheet
December 31, 2022
(In thousands)

Assets

Current assets:

Cash and cash equivalents	\$ 3,339	\$ 8	\$ 463	\$ 1,150	\$ 372	\$ —	\$ —	\$ —	\$ 5,332
Accounts receivable, net	34,085	—	—	—	—	—	—	—	34,085
Investments	—	—	—	—	—	—	—	—	—
Inventories	4,203	—	—	20	94	—	—	—	4,317
Prepaid expenses and other current assets	2,127	—	—	—	—	—	—	—	2,127
Amounts receivable from third-party payors	—	—	—	—	—	—	—	—	—
Current portion of assets whose use is limited or restricted	—	—	—	—	6,274	—	—	(6,274)	—
Current portion of due from affiliates	1,065	—	—	—	—	—	—	—	1,065
Total current assets	44,819	8	463	1,170	6,740	—	—	(6,274)	46,926

Assets whose use is limited or restricted:

Funds held by trustees, less current portion	—	—	—	—	—	—	—	—	—
Deferred compensation	558	—	396	—	11,257	—	—	—	12,211
Board designated funds and other long-term investments	107,596	838	—	—	—	—	—	—	108,434
Replacement reserve	—	—	—	—	—	—	—	—	—
Donor restricted funds	2,428	718	—	—	—	—	—	—	3,146
Total assets whose use is limited or restricted	110,582	1,556	396	—	11,257	—	—	—	123,791

Other assets:

Other assets	15,932	—	15,350	11	—	(15,350)	(845)	(15,053)	45
Due from affiliates, less current portion	2,007	—	—	—	—	—	—	—	2,007
Investments in joint ventures	1,953	—	—	—	1,306	—	—	—	3,259
Total other assets	19,892	—	15,350	11	1,306	(15,350)	(845)	(15,053)	5,311

Property, plant and equipment

Land and improvements	3,749	—	—	1,615	—	—	—	—	5,364
Buildings and improvements	113,358	40	—	11,823	—	—	—	—	125,221
Equipment	62,764	15	—	90	—	—	—	—	62,869
Construction in progress	1,096	—	—	—	—	—	—	—	1,096
Right-of-use assets	5,337	—	—	588	—	—	—	—	5,925
	186,304	55	—	14,116	—	—	—	—	200,475
Less accumulated depreciation	(119,248)	(55)	—	(6,428)	—	—	—	—	(125,731)
Less accumulated depreciation – right-of-use assets	(2,758)	—	—	(342)	—	—	—	—	(3,100)
Total property, plant and equipment	64,298	—	—	7,346	—	—	—	—	71,644

Total assets

\$ 239,591	\$ 1,564	\$ 16,209	\$ 8,527	\$ 19,303	\$ (15,350)	\$ (845)	\$ (21,327)	\$ 247,672
------------	----------	-----------	----------	-----------	-------------	----------	-------------	------------

St. Joseph Hospital of Nashua, NH
Consolidating Balance Sheet
December 31, 2022
(In thousands)

Liabilities and Net Assets

Current liabilities:

	St. Joseph Hospital of Nashua, NH	Souhegan Home and Hospice Care, Inc.	St. Joseph Hospital Corporate Services, Inc.	GNM Corp.	SJ Physician Services	Hospital Corporate Services, Inc. Eliminations	Hospital Obligated Group Eliminations	Hospital Nonobligated Group Eliminations	St. Joseph Hospital Consolidated
Accounts payable	\$ 13,454	\$ 1	\$ —	\$ 4	\$ —	\$ —	\$ —	\$ —	\$ 13,459
Accrued expenses and other liabilities	21,052	—	157	—	146	—	—	—	21,355
Estimated third-party payor settlements	6,715	—	—	—	—	—	—	—	6,715
Other current liabilities	1,568	—	—	5	—	—	—	—	1,573
Current portion of due to affiliates	9,348	—	—	—	—	—	—	(6,274)	3,074
Current portion of lease liability	1,251	—	—	93	—	—	—	—	1,344
Current portion of long-term debt	—	—	—	—	—	—	—	—	—
Total current liabilities	53,388	1	157	102	146	—	—	(6,274)	47,520
Long-term debt, less current portion	—	—	—	—	—	—	—	—	—
Long-term lease liability, less current portion	4,054	—	—	153	—	—	—	—	4,207
Due to affiliates, less current portion	67,583	—	—	—	—	—	—	—	67,583
Defined benefit pension obligation	936	—	—	—	—	—	—	—	936
Other liabilities	7,239	—	258	—	11,370	—	—	—	18,867
Professional liability loss reserves	1,184	—	—	—	1,486	—	—	—	2,670
Total liabilities	134,384	1	415	255	13,002	—	—	(6,274)	141,783
Net assets:									
Without donor restriction	102,779	845	15,794	8,272	6,301	(15,350)	(845)	(15,053)	102,743
With donor restriction	2,428	718	—	—	—	—	—	—	3,146
Total net assets	105,207	1,563	15,794	8,272	6,301	(15,350)	(845)	(15,053)	105,889
Total liabilities and net assets	\$ 239,591	\$ 1,564	\$ 16,209	\$ 8,527	\$ 19,303	\$ (15,350)	\$ (845)	\$ (21,327)	\$ 247,672

St. Joseph Hospital of Nashua, NH
Consolidating Statement of Operations
December 31, 2022
(In thousands)

	St. Joseph Hospital of Nashua, NH	Souhegan Home and Hospice Care, Inc.	St. Joseph Hospital Corporate Services, Inc.	GNM Corp.	SJ Physician Services	Hospital Corporate Services, Inc. Eliminations	Hospital Obligated Group Eliminations	Hospital Nonobligated Group Eliminations	St. Joseph Hospital Consolidated
Operating revenue:									
Patient service revenue	\$ 237,572	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 237,572
Other revenue	4,426	—	—	1,191	3,917	—	—	(4,801)	4,733
Net assets released from restrictions for operations	219	—	—	—	—	—	—	—	219
Total operating revenue	242,217	—	—	1,191	3,917	—	—	(4,801)	242,524
Operating expenses:									
Salaries and wages	99,399	—	—	—	3,167	—	—	—	102,566
Employee benefits	19,727	—	—	—	702	—	—	—	20,429
Supplies and other	31,584	—	—	—	—	—	—	—	31,584
Other expenses	99,831	—	—	567	36	—	—	(4,801)	95,633
Interest	2,715	—	—	10	—	—	—	—	2,725
Provider tax	11,046	—	—	—	—	—	—	—	11,046
Depreciation	5,032	—	—	440	—	—	—	—	5,472
Total operating expenses	269,334	—	—	1,017	3,905	—	—	(4,801)	269,455
Income (loss) from operations	(27,117)	—	—	174	12	—	—	—	(26,931)
Net periodic pension cost	(1,510)	—	—	—	—	—	—	—	(1,510)
Nonoperating gains (losses), net:									
Dividend and interest income	1,635	—	4	—	676	—	—	5	2,320
Realized gain (loss) from investments	2,349	—	—	—	—	—	—	—	2,349
Unrealized gain (loss) from investments	(24,360)	—	(52)	—	(259)	—	—	—	(24,671)
Gain (loss) on sale of assets	161	—	—	—	—	—	—	—	161
Other nonoperating income	(135)	—	—	—	—	—	185	—	50
Other nonoperating expense	(374)	(215)	—	—	—	—	—	—	(589)
Total nonoperating (losses) gains, net	(20,724)	(215)	(48)	—	417	—	185	5	(20,380)
(Deficiency) excess of revenue over expenses	(49,351)	(215)	(48)	174	429	—	185	5	(48,821)
Other changes in net asset without donor restriction:									
Net assets released from restrictions for property, plant and equipment	57	—	—	—	—	—	—	—	57
Adjustment to defined benefit pension obligation	(657)	—	—	—	—	—	—	—	(657)
Transfer among affiliates	(30)	30	—	—	(633)	—	—	—	(633)
Increase (decrease) in net assets without donor restriction	\$ (49,981)	\$ (185)	\$ (48)	\$ 174	\$ (204)	\$ —	\$ 185	\$ 5	\$ (50,054)

St. Mary's Health System
Consolidating Balance Sheet
December 31, 2022
(In thousands)

Assets

Current assets:

Cash and cash equivalents	\$ 5,265	\$ 43	\$ 1,638	1,496	\$ —	\$ 8,442
Accounts receivable, net	23,062	(7)	—	756	—	23,811
Investments	3,518	—	158	—	—	3,676
Inventories	2,441	—	—	19	—	2,460
Prepaid expenses and other current assets	1,935	245	27	60	—	2,267
Amounts receivable from third-party payors	556	—	—	—	—	556
Current portion of assets whose use is limited or restricted	—	—	—	—	—	—
Current portion of due from affiliates	21,309	1,059	167	851	(22,539)	847
Total current assets	58,086	1,340	1,990	3,182	(22,539)	42,059

Assets whose use is limited or restricted:

Funds held by trustees, less current portion	—	—	—	—	—	—
Deferred compensation	—	—	—	—	—	—
Board designated funds and other long-term investments	58	708	9	42	—	817
Replacement reserve	—	—	575	—	—	575
Donor restricted funds	5,797	2,551	8	545	(530)	8,371
Total assets whose use is limited or restricted	5,855	3,259	592	587	(530)	9,763

Other assets:

Other assets	—	114	117	—	—	231
Due from affiliates, less current portion	—	—	—	—	—	—
Investments in joint ventures	2,337	555	—	—	—	2,892
Total other assets	2,337	669	117	—	—	3,123

Property, plant and equipment

Land and improvements	2,856	2,136	81	—	—	5,073
Buildings and improvements	87,099	7,041	2,963	55	—	97,158
Equipment	41,574	297	504	170	—	42,545
Construction in progress	2,048	—	—	—	—	2,048
Right-of-use assets	2,828	—	—	—	—	2,828
	136,405	9,474	3,548	225	—	149,652
Less accumulated depreciation	(73,385)	(4,998)	(2,500)	(166)	—	(81,049)
Less accumulated depreciation – right-of-use assets	(176)	—	—	—	—	(176)
Total property, plant and equipment	62,844	4,476	1,048	59	—	68,427

Total assets

\$ 129,122	\$ 9,744	\$ 3,747	\$ 3,828	\$ (23,069)	\$ 123,372
------------	----------	----------	----------	-------------	------------

St. Mary's Health System
Consolidating Balance Sheets
December 31, 2022
(In thousands)

Liabilities and Net Assets

Current liabilities:

	St. Mary's Regional Medical Center	St. Mary's Health System	St. Mary's Residences	Community Clinical Services, Inc.	St. Mary's Regional Medical Center Eliminations	St. Mary's Health System Consolidated
Accounts payable	\$ 14,042	\$ 10	\$ 44	\$ 90	\$ —	\$ 14,186
Accrued expenses and other liabilities	16,131	130	29	658	—	16,948
Estimated third-party payor settlements	(2,274)	—	—	—	—	(2,274)
Other current liabilities	3,288	—	50	5	—	3,343
Current portion of due to affiliates	56,892	20,070	136	657	(22,539)	55,216
Current portion of lease liability	1,114	—	—	—	—	1,114
Current portion of long-term debt	154	(30)	1,777	—	—	1,901
Total current liabilities	89,347	20,180	2,036	1,410	(22,539)	90,434
Long-term debt, less current portion	—	—	—	—	—	—
Long-term lease liability, less current portion	2,023	—	—	—	—	2,023
Due to affiliates, less current portion	33,583	1,924	—	—	(530)	34,977
Defined benefit pension obligation	—	—	—	—	—	—
Other liabilities	580	270	14	—	—	864
Professional liability loss reserves	—	2,015	—	—	—	2,015
Total liabilities	125,533	24,389	2,050	1,410	(23,069)	130,313
Net assets:						
Without donor restriction	(2,255)	(15,283)	1,689	1,873	—	(13,976)
With donor restriction	5,844	638	8	545	—	7,035
Total net assets	3,589	(14,645)	1,697	2,418	—	(6,941)
Total liabilities and net assets	\$ 129,122	\$ 9,744	\$ 3,747	\$ 3,828	\$ (23,069)	\$ 123,372

St. Mary's Health System
Consolidating Statement of Operations
December 31, 2022
(In thousands)

Operating revenue:

Patient service revenue
Other revenue
Net assets released from
restrictions for operations
Total operating revenue

St. Mary's Regional Medical Center	St. Mary's Health System	St. Mary's Residences	Community Clinical Services, Inc.	St. Mary's Regional Medical Center Eliminations	St. Mary's Health System Consolidated
\$ 196,331	\$ —	\$ —	\$ 9,272	\$ —	\$ 205,603
15,627	3,742	1,924	5,112	(8,602)	17,803
727	—	25	4	—	756
212,685	3,742	1,949	14,388	(8,602)	224,162

Operating expenses:

Salaries and wages
Employee benefits
Supplies and other
Other expenses
Interest
Provider tax
Depreciation
Total operating expenses

96,285	1,139	—	7,425	—	104,849
20,626	1,383	—	1,670	(6,784)	16,895
26,060	107	31	5,260	(399)	31,059
106,836	952	1,116	—	(1,419)	107,485
1,331	—	138	—	—	1,469
5,219	—	—	—	—	5,219
4,380	361	127	14	—	4,882
260,737	3,942	1,412	14,369	(8,602)	271,858

Income (loss) from operations

(48,052) (200) 537 19 — (47,696)

Net periodic pension cost

— — — — — —

Nonoperating gains (losses), net:

Dividend and interest income
Realized gain (loss) from investments
Unrealized gain (loss) from investments
Gain (loss) on sale of assets
Other nonoperating income
Other nonoperating expense
Total nonoperating (losses) gains, net

49	17	12	1	—	79
(527)	—	—	3	—	(524)
(2,503)	(115)	—	(1)	—	(2,619)
15	—	—	—	—	15
—	(5)	—	—	—	(5)
(395)	1	—	—	—	(394)
(3,361)	(102)	12	3	—	(3,448)

(Deficiency) excess of revenue over expenses

(51,413) (302) 549 22 — (51,144)

Other changes in net asset without donor
restriction:

Net assets released from restrictions
for property, plant and equipment
Adjustment to defined benefit
pension obligation
Transfer among affiliates

295	—	—	—	—	295
—	—	—	—	—	—
1,020	—	—	—	—	1,020

Increase (decrease) in net assets
without donor restriction

\$ (50,098)	\$ (302)	\$ 549	\$ 22	\$ —	\$ (49,829)
-------------	----------	--------	-------	------	-------------

St. Joseph Healthcare Foundation
Consolidating Balance Sheet
December 31, 2022
(In thousands)

	St. Joseph Hospital	St. Joseph Health Care	M&J Company	Ambulatory Care, Inc.	Alternative Health Services	Nonobligated Eliminations	Internal Consol- idation	Valuation Co.	Consolidated
Assets									
Current assets:									
Cash and cash equivalents	\$ 2,296	\$ 444	\$ 2,608	\$ 18	\$ 11	\$ —	\$ 5,377	\$ —	\$ 5,377
Accounts receivable, net	18,588	—	—	1,099	635	—	20,322	—	20,322
Investments	195	733	—	758	—	—	1,686	—	1,686
Inventories	3,258	—	8	123	—	—	3,389	—	3,389
Prepaid expenses and other current assets	1,897	—	—	313	—	—	2,210	—	2,210
Amounts receivable from third-party payors	—	—	—	—	—	—	—	—	—
Current portion of assets whose use is limited or restricted	5	—	—	—	—	—	5	—	5
Current portion of due from affiliates	5,757	—	—	2	76	(5,673)	162	—	162
Total current assets	31,996	1,177	2,616	2,313	722	(5,673)	33,151	—	33,151
Assets whose use is limited or restricted:									
Funds held by trustees, less current portion	—	—	—	—	—	—	—	—	—
Deferred compensation	—	—	—	—	—	—	—	—	—
Board designated funds and other long-term investments	2,262	—	—	—	—	—	2,262	—	2,262
Replacement reserve	—	—	—	—	—	—	—	—	—
Donor restricted funds	2,340	3,850	—	—	—	—	6,190	—	6,190
Total assets whose use is limited or restricted	4,602	3,850	—	—	—	—	8,452	—	8,452
Other assets:									
Other assets	—	—	—	—	—	—	—	—	—
Due from affiliates, less current portion	97	—	—	—	—	—	97	—	97
Investments in joint ventures	301	53	—	—	—	—	354	—	354
Total other assets	398	53	—	—	—	—	451	—	451
Property, plant and equipment									
Land and improvements	2,070	—	2,807	—	—	—	4,877	—	4,877
Buildings and improvements	51,746	—	8,117	—	—	—	59,863	—	59,863
Equipment	42,834	—	385	759	124	—	44,102	—	44,102
Construction in progress	174	—	—	—	—	—	174	—	174
Right-of-use assets	183	—	—	—	—	—	183	—	183
	97,007	—	11,309	759	124	—	109,199	—	109,199
Less accumulated depreciation	(67,800)	—	(7,816)	(735)	(124)	—	(76,475)	—	(76,475)
Less accumulated depreciation – right-of-use assets	—	—	—	—	—	—	—	—	—
Total property, plant and equipment	29,207	—	3,493	24	—	—	32,724	—	32,724
Total assets	\$ 66,203	\$ 5,080	\$ 6,109	\$ 2,337	\$ 722	\$ (5,673)	\$ 74,778	\$ —	\$ 74,778

St. Joseph Healthcare Foundation
Consolidating Balance Sheet
December 31, 2022
(In thousands)

	St. Joseph Hospital	St. Joseph Health Care	M&J Company	Ambulatory Care, Inc.	Alternative Health Services	Nonobligated Eliminations	Internal Consol- idation	Valuation Co.	Consolidated
Liabilities and Net Assets									
Current liabilities:									
Accounts payable	\$ 2,556	\$ —	\$ 5	\$ 464	\$ 12	\$ —	\$ 3,037	\$ —	\$ 3,037
Accrued expenses and other liabilities	8,538	40	64	49	227	—	8,918	1	8,919
Estimated third-party payor settlements	(1,989)	—	—	—	—	—	(1,989)	—	(1,989)
Other current liabilities	326	—	—	—	41	—	367	—	367
Current portion of due to affiliates	16,049	66	1	3,428	2,199	(5,674)	16,069	—	16,069
Current portion of lease liability	943	—	—	—	—	—	943	—	943
Current portion of long-term debt	—	—	31	—	—	—	31	—	31
Total current liabilities	26,423	106	101	3,941	2,479	(5,674)	27,376	1	27,377
Long-term debt, less current portion	—	—	144	—	—	—	144	—	144
Long-term lease liability, less current portion	1,111	—	—	—	—	—	1,111	—	1,111
Due to affiliates, less current portion	14,934	—	—	—	—	—	14,934	—	14,934
Defined benefit pension obligation	—	—	—	—	—	—	—	—	—
Other liabilities	245	—	—	—	—	—	245	—	245
Professional liability loss reserves	1,232	—	—	—	—	—	1,232	—	1,232
Total liabilities	43,945	106	245	3,941	2,479	(5,674)	45,042	1	45,043
Net assets:									
Without donor restriction	19,820	1,124	5,864	(1,604)	(1,757)	1	23,448	(1)	23,447
With donor restriction	2,438	3,850	—	—	—	—	6,288	—	6,288
Total net assets	22,258	4,974	5,864	(1,604)	(1,757)	1	29,736	(1)	29,735
Total liabilities and net assets	\$ 66,203	\$ 5,080	\$ 6,109	\$ 2,337	\$ 722	\$ (5,673)	\$ 74,778	\$ —	\$ 74,778

St. Joseph Healthcare Foundation
Consolidating Statement of Operations
December 31, 2022
(In thousands)

	St. Joseph Hospital	St. Joseph Health Care	M&J Company	Ambulatory Care, Inc.	Alternative Health Services	Nonobligated Eliminations	Internal Consol- idation	Valuation Co.	Consolidated
Operating revenue:									
Patient service revenue	\$ 176,767	\$ —	\$ —	\$ 2,833	\$ 3,377	\$ —	\$ 182,977	\$ —	\$ 182,977
Other revenue	6,071	—	932	1,571	105	(1,634)	7,045	—	7,045
Net assets released from restrictions for operations	292	—	—	—	9	—	301	—	301
Total operating revenue	183,130	—	932	4,404	3,491	(1,634)	190,323	—	190,323
Operating expenses:									
Salaries and wages	78,957	—	—	1,448	1,892	—	82,297	—	82,297
Employee benefits	15,502	(111)	—	295	447	—	16,133	—	16,133
Supplies and other	25,842	—	—	2,907	117	—	28,866	—	28,866
Other expenses	66,590	1	404	364	1,885	(1,634)	67,610	—	67,610
Interest	603	—	9	—	—	—	612	—	612
Provider tax	3,040	—	—	—	—	—	3,040	—	3,040
Depreciation	2,471	—	320	4	—	—	2,795	—	2,795
Total operating expenses	193,005	(110)	733	5,018	4,341	(1,634)	201,353	—	201,353
Income (loss) from operations	(9,875)	110	199	(614)	(850)	—	(11,030)	—	(11,030)
Net periodic pension cost	(1,667)	(372)	—	—	—	—	(2,039)	—	(2,039)
Nonoperating gains (losses), net:									
Dividend and interest income	319	43	—	16	—	—	378	—	378
Realized gain (loss) from investments	189	(116)	—	(42)	—	—	31	—	31
Unrealized gain (loss) from investments	(1,663)	(70)	—	(25)	—	—	(1,758)	—	(1,758)
Gain (loss) on sale of assets	124	(29)	—	—	—	—	95	—	95
Other nonoperating income	—	—	—	—	—	—	—	—	—
Other nonoperating expense	(388)	(2)	—	—	—	—	(390)	—	(390)
Total nonoperating (losses) gains, net	(1,419)	(174)	—	(51)	—	—	(1,644)	—	(1,644)
(Deficiency) excess of revenue over expenses	(12,961)	(436)	199	(665)	(850)	—	(14,713)	—	(14,713)
Other changes in net asset without donor restriction:									
Net assets released from restrictions for property, plant and equipment	199	—	—	—	—	—	199	—	199
Adjustment to defined benefit pension obligation	793	198	—	—	—	—	991	—	991
Transfer among affiliates	—	—	—	—	—	—	—	—	—
Increase (decrease) in net assets without donor restriction	\$ (11,969)	\$ (238)	\$ 199	\$ (665)	\$ (850)	\$ —	\$ (13,523)	\$ —	\$ (13,523)

Mary Immaculate Health Care Services, Inc.
Consolidating Balance Sheet
December 31, 2022
(In thousands)

Assets

Current assets:

Cash and cash equivalents	\$ 197	\$ —	\$ 705	\$ —	\$ 22	\$ —	\$ 924
Accounts receivable, net	1,956	—	152	—	—	—	2,108
Investments	—	—	—	—	—	—	—
Inventories	55	—	—	—	—	—	55
Prepaid expenses and other current assets	300	—	—	—	—	—	300
Amounts receivable from third-party payors	—	—	—	—	—	—	—
Current portion of assets whose use is limited or restricted	—	—	—	—	—	—	—
Current portion of due from affiliates	676	—	—	—	—	—	676
Total current assets	3,184	—	857	—	22	—	4,063

Assets whose use is limited or restricted:

Funds held by trustees, less current portion	—	—	—	—	—	—	—
Deferred compensation	—	—	—	—	—	—	—
Board designated funds and other long-term investments	37,329	—	5,832	—	—	—	43,161
Replacement reserve	—	—	—	—	—	—	—
Donor restricted funds	43	—	4	—	—	—	47
Total assets whose use is limited or restricted	37,372	—	5,836	—	—	—	43,208

Other assets:

Other assets	—	—	—	—	—	—	—
Due from affiliates, less current portion	—	—	—	—	—	—	—
Investments in joint ventures	—	—	—	—	—	—	—
Total other assets	—	—	—	—	—	—	—

Property, plant and equipment

Land and improvements	641	—	—	—	—	—	641
Buildings and improvements	13,539	—	359	—	—	—	13,898
Equipment	2,092	—	434	—	—	—	2,526
Construction in progress	1,553	—	178	—	—	—	1,731
Right-of-use assets	—	—	—	—	—	—	—
	17,825	—	971	—	—	—	18,796
Less accumulated depreciation	(11,645)	—	(308)	—	—	—	(11,953)
Less accumulated depreciation – right-of-use assets	—	—	—	—	—	—	—
Total property, plant and equipment	6,180	—	663	—	—	—	6,843

Total assets

\$ 46,736	\$ —	\$ 7,356	\$ —	\$ 22	\$ —	\$ 54,114
-----------	------	----------	------	-------	------	-----------

Mary Immaculate Health Care Services, Inc.
Consolidating Balance Sheet
December 31, 2022
(In thousands)

Liabilities and Net Assets

Current liabilities:

	Mary Immaculate Nursing	Mary Immaculate Adult Care	Mary Immaculate Management	Mary Immaculate Trans- portation	Mary Immaculate Guild	Mary Immaculate Elimina- tions	Mary Immaculate Total Obligated
Accounts payable	\$ 555	\$ —	\$ 21	\$ —	\$ —	\$ —	\$ 576
Accrued expenses and other liabilities	846	—	87	—	—	—	933
Estimated third-party payor settlements	33	—	—	—	—	—	33
Other current liabilities	86	—	—	—	—	—	86
Current portion of due to affiliates	—	—	383	—	8	—	391
Current portion of lease liability	—	—	—	—	—	—	—
Current portion of long-term debt	—	—	—	—	—	—	—
Total current liabilities	1,520	—	491	—	8	—	2,019
Long-term debt, less current portion	—	—	—	—	—	—	—
Long-term lease liability, less current portion	—	—	—	—	—	—	—
Due to affiliates, less current portion	—	—	—	—	—	—	—
Defined benefit pension obligation	—	—	—	—	—	—	—
Other liabilities	560	—	4	—	—	—	564
Professional liability loss reserves	88	—	—	—	—	—	88
Total liabilities	2,168	—	495	—	8	—	2,671
Net assets:							
Without donor restriction	44,568	—	6,861	—	14	—	51,443
With donor restriction	—	—	—	—	—	—	—
Total net assets	44,568	—	6,861	—	14	—	51,443
Total liabilities and net assets	\$ 46,736	\$ —	\$ 7,356	\$ —	\$ 22	\$ —	\$ 54,114

Mary Immaculate Health Care Services, Inc.
Consolidating Statement of Operations
December 31, 2022
(In thousands)

	Mary Immaculate Nursing	Mary Immaculate Adult Care	Mary Immaculate Management	Mary Immaculate Trans- portation	Mary Immaculate Guild	Mary Immaculate Elimina- tions	Mary Immaculate Total Obligated
Operating revenue:							
Patient service revenue	\$ 15,950	\$ —	\$ 2,333	\$ —	\$ —	\$ —	\$ 18,283
Other revenue	1,169	—	710	16	4	—	1,899
Net assets released from restrictions for operations	20	—	—	—	—	—	20
Total operating revenue	17,139	—	3,043	16	4	—	20,202
Operating expenses:							
Salaries and wages	8,994	—	1,921	36	—	—	10,951
Employee benefits	1,579	—	328	8	—	—	1,915
Supplies and other	8,051	—	1,028	21	—	—	9,100
Other expenses	—	—	—	—	—	—	—
Interest	—	—	—	—	—	—	—
Provider tax	117	—	—	—	—	—	117
Depreciation	613	—	49	10	—	—	672
Total operating expenses	19,354	—	3,326	75	—	—	22,755
Income (loss) from operations	(2,215)	—	(283)	(59)	4	—	(2,553)
Net periodic pension cost	—	—	—	—	—	—	—
Nonoperating gains (losses), net:							
Dividend and interest income	711	—	101	—	—	—	812
Realized gain (loss) from investments	(1,684)	—	(84)	—	—	—	(1,768)
Unrealized gain (loss) from investments	(5,183)	—	(880)	—	—	—	(6,063)
Gain (loss) on sale of assets	—	—	—	—	—	—	—
Other nonoperating income	(11)	—	—	—	—	—	(11)
Other nonoperating expense	4	—	—	—	—	—	4
Total nonoperating (losses) gains, net	(6,163)	—	(863)	—	—	—	(7,026)
(Deficiency) excess of revenue over expenses	(8,378)	—	(1,146)	(59)	4	—	(9,579)
Other changes in net assets without donor restriction:							
Net assets released from restrictions for property, plant and equipment	—	—	—	—	—	—	—
Adjustment to defined benefit pension obligation	—	—	—	—	—	—	—
Transfer among affiliates	—	—	—	—	—	—	—
Increase (decrease) in net assets without donor restriction	\$ (8,378)	\$ —	\$ (1,146)	\$ (59)	\$ 4	\$ —	\$ (9,579)

St. Mary's Villa Nursing Home, Inc.
Consolidating Balance Sheet
December 31, 2022
(In thousands)

Assets

Current assets:

Cash and cash equivalents
Accounts receivable, net
Investments
Inventories
Prepaid expenses and other current assets
Amounts receivable from third-party payors
Current portion of assets whose
use is limited or restricted
Current portion of due from affiliates
Total current assets

Assets whose use is limited or restricted:

Funds held by trustees, less current portion
Deferred compensation
Board designated funds and
other long-term investments
Replacement reserve
Donor restricted funds
Total assets whose use is limited
or restricted

Other assets:

Other assets
Due from affiliates, less current portion
Investments in joint ventures
Total other assets

Property, plant and equipment

Land and improvements
Buildings and improvements
Equipment
Construction in progress
Right-of-use assets

Less accumulated depreciation

Less accumulated depreciation –
right-of-use assets

Total property, plant and equipment

Total assets

	Primary Care	Skilled Nursing Facility	St. Mary's Villa Nursing Home, Inc. Consolidated
\$	1,088	\$ 86	\$ 1,174
	365	61	426
	—	—	—
	—	50	50
	12	160	172
	—	—	—
	323	318	641
	1,124	(1,089)	35
	2,912	(414)	2,498
	—	—	—
	—	—	—
	5,073	8,802	13,875
	—	—	—
	27	14	41
	5,100	8,816	13,916
	—	4	4
	—	—	—
	—	—	—
	—	4	4
	219	80	299
	5,878	10,697	16,575
	997	3,597	4,594
	—	175	175
	—	—	—
	7,094	14,549	21,643
	(4,545)	(9,155)	(13,700)
	—	—	—
	2,549	5,394	7,943
\$	10,561	\$ 13,800	\$ 24,361

St. Mary's Villa Nursing Home, Inc.
Consolidating Balance Sheet
December 31, 2022
(In thousands)

Liabilities and Net Assets

Current liabilities:

Accounts payable
Accrued expenses and other liabilities
Estimated third-party payor settlements
Other current liabilities
Current portion of due to affiliates
Current portion of lease liability
Current portion of long-term debt
Total current liabilities

Long-term debt, less current portion

Long-term lease liability, less current portion

Due to affiliates, less current portion

Defined benefit pension obligation

Other liabilities

Professional liability loss reserves

Total liabilities

Net assets:

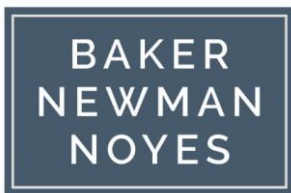
Without donor restriction
With donor restriction
Total net assets

Total liabilities and net assets

	Primary Care	Skilled Nursing Facility	St. Mary's Villa Nursing Home, Inc. Consolidated
\$	160	\$ 89	\$ 249
	104	758	862
	—	4	4
	204	—	204
	18	62	80
	—	—	—
	132	—	132
	618	913	1,531
	853	—	853
	—	—	—
	—	2,570	2,570
	—	—	—
	—	327	327
	8	49	57
	1,479	3,859	5,338
	8,733	9,613	18,346
	349	328	677
	9,082	9,941	19,023
\$	10,561	\$ 13,800	\$ 24,361

St. Mary's Villa Nursing Home, Inc.
Consolidating Statement of Operations
December 31, 2022
(In thousands)

	Primary Care	Skilled Nursing Facility	St. Mary's Villa Nursing Home, Inc. Consolidated
Operating revenue:			
Patient service revenue	\$ 2,734	\$ 9,200	\$ 11,934
Other revenue	37	139	176
Net assets released from restrictions for operations	—	—	—
Total operating revenue	2,771	9,339	12,110
Operating expenses:			
Salaries and wages	1,557	5,509	7,066
Employee benefits	170	1,151	1,321
Supplies and other	693	3,668	4,361
Other expenses	—	—	—
Interest	35	180	215
Provider tax	2	88	90
Depreciation	211	513	724
Total operating expenses	2,668	11,109	13,777
Income (loss) from operations	103	(1,770)	(1,667)
Net periodic pension cost	—	—	—
Nonoperating gains (losses), net:			
Dividend and interest income	68	103	171
Realized gain (loss) from investments	(55)	(107)	(162)
Unrealized gain (loss) from investments	(586)	(1,556)	(2,142)
Gain (loss) on sale of assets	—	—	—
Other nonoperating income	—	—	—
Other nonoperating expense	—	—	—
Total nonoperating (losses) gains, net	(573)	(1,560)	(2,133)
(Deficiency) excess of revenue over expenses	(470)	(3,330)	(3,800)
Other changes in net assets without donor restriction:			
Net assets released from restrictions for property, plant and equipment	—	—	—
Adjustment to defined benefit pension obligation	—	—	—
Transfer among affiliates	—	—	—
Increase (decrease) in net assets without donor restriction	\$ (470)	\$ (3,330)	\$ (3,800)



INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

The Board of Directors
Covenant Health, Inc.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as of and for the year ended December 31, 2022, as a whole. The accompanying Financial Responsibility Supplemental Schedule (the Schedule), prepared in accordance with the U.S. Department of Education's financial regulations, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The Schedule as of and for the year ended December 31, 2022, has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information as of and for the year ended December 31, 2022 is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Baker Newman + Noyes LLC

Boston, Massachusetts
April 28, 2023

COVENANT HEALTH, INC. AND SUBSIDIARIES

FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE

As of and for the Year Ended December 31, 2022
(In thousands)

<u>Source</u>	<u>Expendable Net Assets</u>	
Consolidated balance sheet, pg. 3	Net assets without donor restrictions	\$ <u>361,131</u>
Consolidated balance sheet, pg. 3	Net assets with donor restrictions	\$ <u>61,471</u>
N/A	Secured and unsecured related party receivable	\$ <u>—</u>
N/A	Property and equipment pre-implementation (amount of property, plant and equipment reported in last submission less subsequent depreciation and gain on disposal)	\$ —
See Note A, pg. 60	Property and equipment post-implementation with outstanding debt for original purchase	293,575
See Note A, pg. 60	Property and equipment post-implementation without outstanding debt for original purchase	17,854
N/A	Construction in progress (CIP)	<u>—</u>
See Note A, pg. 60	Property and equipment, net (includes CIP) – total	\$ <u>311,429</u>
N/A	Lease right-of-use asset, pre-implementation	\$ <u>—</u>
See Note A, pg. 60	Lease right-of-use asset, post-implementation lease right-of-use asset, net – total	\$ <u>5,908</u>
N/A	Intangible assets	\$ <u>—</u>
Consolidated balance sheet, pg. 3	Post-employment and pension liabilities	\$ <u>936</u>
N/A	Long-term debt – for long-term purposes pre implementation	\$ <u>—</u>
See Note B, pg. 61	Long-term debt – for long-term purposes post-implementation	\$ <u>233,712</u>
N/A	Line of credit for CIP – long-term debt – for long-term purposes – total	\$ <u>—</u>

COVENANT HEALTH, INC. AND SUBSIDIARIES

FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE (CONTINUED)

As of and for the Year Ended December 31, 2022
(In thousands)

<u>Source</u>	<u>Expendable Net Assets (Continued)</u>	
N/A	Pre-implementation right-of-use asset liability	\$ <u>—</u>
Consolidated balance sheet, pg. 3 (current and long-term)	Post-implementation right-of-use asset liability	\$ <u>10,991</u>
	Lease right-of-use asset liability – total	\$ <u>10,991</u>
N/A	Annuities with donor restrictions	\$ <u>—</u>
N/A	Term endowments with donor restrictions	\$ <u>—</u>
N/A	Life income funds with donor restrictions, annuities, term endowments and life income with donor restrictions – total	\$ <u>—</u>
Footnote 7, pg. 29, donor-restricted funds to be maintained in perpetuity	Net assets with donor restrictions, restricted in perpetuity	\$ <u>45,800</u>
	<u>Expenses and Losses</u>	
Consolidated statement of operations and changes in net assets, pg. 5	Total expenses without donor restrictions – taken directly from statement of activities	\$ <u>876,151</u>
Consolidated statement of operations and changes in net assets, pg. 5	Total nonoperating and investment losses without donor restriction	\$ <u>(50,623)</u>
Consolidated statement of operations and changes in net assets, pg. 5	Pension-related changes other than net periodic costs with donor restriction	\$ <u>(3,549)</u>

COVENANT HEALTH, INC. AND SUBSIDIARIES

FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE (CONTINUED)

**As of and for the Year Ended December 31, 2022
(In thousands)**

<u>Source</u>	<u>EQUITY RATIO</u>	
	<u>Modified Net Assets</u>	
Consolidated balance sheet, pg. 3	Net assets without donor restrictions	\$ <u>361,131</u>
Consolidated balance sheet, pg. 3	Net assets with donor restrictions	\$ <u>61,471</u>
N/A	Intangible assets	\$ <u>—</u>
N/A	Secured and unsecured related party receivables	\$ <u>—</u>
Consolidated balance sheet, pg. 3	Total assets	\$ <u>842,936</u>
N/A	Lease right-of-use asset pre-implementation	\$ <u>—</u>
N/A	Pre-implementation right-of-use asset liability	\$ <u>—</u>
N/A	Intangible assets	\$ <u>—</u>
Statement of financial position	Secured and unsecured related party receivables	\$ <u>—</u>
	<u>NET INCOME RATIO</u>	
Consolidated statement of operations and changes in net assets, pg. 5	Change in net assets without donor restrictions	\$ <u>(140,810)</u>
Consolidated statement of operations and changes in net assets, pg. 5	Total revenues and losses without donor restriction (deficiency of revenues over expenses)	\$ <u>(141,695)</u>

COVENANT HEALTH, INC. AND SUBSIDIARIES

FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE (CONTINUED)

As of and for the Year Ended December 31, 2022
(In thousands)

<u>Source</u>	<u>Note A for Property and Equipment, Net</u>	
Pre-implementation and equipment, net:		
Consolidated balance sheet - December 31, 2021	Ending balance of last financial statement to the Department of Education	\$ 317,855
Statement of cash flows – depreciation, net of amortization expense	Less subsequent depreciation, net of gain on sale of property, plant and equipment	<u>(24,280)</u>
	Balance post-implementation property, plant and equipment, net	293,575
Included in statement of cash flows - purchases of property plant and equipment	Construction in progress – acquired subsequent to December 31, 2021	–
Included in statement of cash flows - purchases of property plant and equipment	Post-implementation property and equipment, net acquired without debt subsequent to December 31, 2021	<u>17,854</u>
	Total property and equipment, net – December 31, 2022	<u>\$ 311,429</u>
	Reconciliation to consolidated balance sheet – December 31, 2022:	
	Property plant and equipment	\$ 741,096
	Right-of-use asset	<u>(10,341)</u>
	Adjusted property, plant and equipment	730,755
	Accumulated depreciation	<u>(419,326)</u>
	Net property, plant and equipment	311,429
	Net right-of-use assets	<u>5,908</u>
	Total property, plant and equipment	<u>\$ 317,337</u>

COVENANT HEALTH, INC. AND SUBSIDIARIES

FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE (CONTINUED)

As of and for the Year Ended December 31, 2022
(In thousands)

<u>Source</u>	<u>Note B for Long-Term Debt for Long-Term Purposes</u>	
Pre-implementation debt:		
Consolidated balance sheet - December 31, 2021	Ending balance of last financial statement submitted to the Department of Education	\$ 235,547
Statement of cash flows	Loss on debt refinance	—
Statement of cash flows – repayment of long-term debt plus amortization of bond premium and debt issuance costs	Less subsequent debt repayments	(1,835)
Statement of cash flows - proceeds from long-term debt less amounts paid to refinance	Proceeds from issuance of long-term debt, net	—
	Balance post-implementation debt	<u>\$ 233,712</u>
Per balance sheet:		
	ST – current portion of long-term debt	\$ 2,370
	LT – long-term debt, less current portion	<u>231,342</u>
		<u>\$ 233,712</u>