

Covenant Health, Inc. and Subsidiaries

**Audited Consolidated Financial Statements
and Additional Information**

*Years Ended December 31, 2021 and 2020
With Independent Auditors' Report*

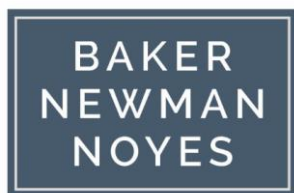
COVENANT HEALTH, INC. AND SUBSIDIARIES

Audited Consolidated Financial Statements and Additional Information

Years Ended December 31, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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 total assets constituting 9% and 8% of consolidated total assets at December 31, 2021 and 2020, respectively, and total revenues constituting 2% and 1% 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.

Ernst W. Nason; Nason LHC

Boston, Massachusetts
April 29, 2022

COVENANT HEALTH, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2021 and 2020

(In thousands)

ASSETS

	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and cash equivalents	\$ 57,455	\$ 66,617
Patient accounts receivable (note 3)	84,335	75,614
Investments (note 4)	8,245	6,123
Inventories	11,285	9,195
Prepaid expenses and other current assets	18,817	33,579
Current portion of assets whose use is limited or restricted (note 4)	<u>1,219</u>	<u>13,226</u>
Total current assets	181,356	204,354
Assets whose use is limited or restricted (note 4):		
Funds held by trustees, less current portion	3,341	11,685
Deferred compensation	13,586	13,205
Board-designated funds and other long-term investments	395,935	368,368
Replacement reserve	7,441	5,730
Donor-restricted funds	<u>56,193</u>	<u>48,725</u>
Total assets whose use is limited or restricted	476,496	447,713
Other assets:		
Other assets	800	1,082
Investments in joint ventures (note 8)	<u>6,538</u>	<u>7,053</u>
Total other assets	7,338	8,135
Property, plant and equipment (note 5):		
Land and improvements	20,160	21,219
Buildings and improvements	430,165	428,910
Equipment	251,617	273,818
Construction in progress	11,095	20,443
Right of use assets	<u>10,157</u>	<u>10,964</u>
	723,194	755,354
Less accumulated depreciation	(395,182)	(432,116)
Less accumulated depreciation – right of use assets	<u>(3,261)</u>	<u>(2,183)</u>
Total property, plant and equipment	<u>324,751</u>	<u>321,055</u>
Total assets	\$ <u>989,941</u>	\$ <u>981,257</u>

LIABILITIES AND NET ASSETS

	<u>2021</u>	<u>2020</u>
Current liabilities:		
Accounts payable	\$ 22,087	\$ 20,206
Accrued expenses and other liabilities	62,338	56,723
Estimated third-party payor settlements (note 3)	(15)	10,879
Other current liabilities (note 2)	39,373	28,655
Current portion of lease liability	2,729	2,454
Current portion of long-term debt (note 5)	<u>935</u>	<u>14,425</u>
Total current liabilities	127,447	133,342
Long-term debt, less current portion (note 5)	234,612	214,606
Long-term lease liability, less current portion	6,706	6,326
Defined benefit pension obligation (note 6)	52	(52)
Other liabilities (note 2)	26,393	60,250
Professional liability loss reserves (note 2)	<u>32,109</u>	<u>31,059</u>
Total liabilities	427,319	445,531
Net assets:		
Without donor restrictions	501,941	474,611
With donor restrictions (note 7)	<u>60,681</u>	<u>61,115</u>
Total net assets	562,622	535,726
Total liabilities and net assets	<u>\$ 989,941</u>	<u>\$ 981,257</u>

See accompanying notes.

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

Years Ended December 31, 2021 and 2020
(In thousands)

	<u>2021</u>	<u>2020</u>
Operating revenue:		
Patient service revenue (note 3)	\$722,328	\$618,685
Other revenue (note 2)	60,553	96,775
Net assets released from restrictions for operations	<u>1,031</u>	<u>3,275</u>
Total operating revenue	783,912	718,735
Operating expenses (note 11):		
Salaries and wages	359,513	334,891
Employee benefits (notes 2 and 6)	69,348	64,848
Supplies	94,424	77,045
Other expenses	213,675	185,943
Interest	9,454	10,053
Provider tax (note 3)	22,305	21,906
Depreciation and amortization	<u>25,497</u>	<u>30,146</u>
Total operating expenses	<u>794,216</u>	<u>724,832</u>
Loss from operations	(10,304)	(6,097)
Net periodic pension cost (note 6)	(601)	(489)
Nonoperating gains, net (notes 4 and 8)	<u>33,065</u>	<u>13,962</u>
Excess of revenue over expenses	\$ <u>22,160</u>	\$ <u>7,376</u>

Continued next page.

COVENANT HEALTH, INC. AND SUBSIDIARIES

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

Years Ended December 31, 2021 and 2020
(In thousands)

	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Balances at January 1, 2020	\$465,958	\$59,455	\$525,413
Excess of revenue over expenses	7,376	—	7,376
Net change in unrealized losses on investments (note 4)	—	(594)	(594)
Restricted contributions and investment income	—	7,765	7,765
Net assets released from restrictions	934	(4,209)	(3,275)
Adjustment to defined benefit pension obligation (note 6)	343	—	343
Change in fair value of beneficial interest in perpetual trusts	<u>—</u>	<u>(1,302)</u>	<u>(1,302)</u>
	<u>8,653</u>	<u>1,660</u>	<u>10,313</u>
Balances at December 31, 2020	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	<u>\$501,941</u>	<u>\$60,681</u>	<u>\$562,622</u>

See accompanying notes.

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

Years Ended December 31, 2021 and 2020
(In thousands)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 26,896	\$ 10,313
Adjustments to reconcile change in net assets to cash (used) provided by operating activities:		
Net realized and unrealized gains on investments	(31,973)	(4,143)
Net gain from joint ventures	515	(161)
Gain on acquisition	(5,080)	—
Restricted contributions and investment income	(6,935)	(7,765)
Depreciation and amortization	25,497	30,146
Adjustment to defined benefit pension obligation	2,031	(343)
Gain on sale of property, plant and equipment	(1,535)	86
Loss on debt refinance	10,951	—
Changes in operating assets and liabilities:		
Patient accounts receivable	(8,356)	18,484
Inventories, prepaid expenses and other current assets	12,755	(21,628)
Other assets	(1,645)	(2,002)
Accounts payable, accrued expenses and other liabilities	(15,391)	65,171
Estimated third-party payor settlements, net	(11,036)	(1,948)
Professional liability loss reserves	<u>1,050</u>	<u>(4,498)</u>
Net cash (used) provided by operating activities	(2,256)	81,712
Cash flows from investing activities:		
Purchases of investments and assets whose use is limited or restricted	593,430	(76,360)
Sales of investments and assets whose use is limited or restricted	(579,315)	38,649
Purchases of property, plant and equipment	<u>(24,176)</u>	<u>(22,311)</u>
Net cash used by investing activities	(10,061)	(60,022)
Cash flows from financing activities:		
Payments on long-term debt and lease obligations	(230,820)	(23,910)
Proceeds from issuance of long-term debt	225,000	7,061
Amounts paid to refinance	2,040	—
Restricted contributions and investment income	<u>6,935</u>	<u>7,765</u>
Net cash provided (used) by financing activities	<u>3,155</u>	<u>(9,084)</u>
(Decrease) increase in cash and cash equivalents	(9,162)	12,606
Cash and cash equivalents, beginning of year	<u>66,617</u>	<u>54,011</u>
Cash and cash equivalents, end of year	\$ <u>57,455</u>	\$ <u>66,617</u>
Supplemental disclosure:		
Cash paid for interest	\$ <u>12,418</u>	\$ <u>10,964</u>

See accompanying notes.

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

Years Ended December 31, 2021 and 2020
(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 (previously named Providentia Prima 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.

In 2021, Covenant entered into an affiliation agreement (the Agreement) with a health system. Under the terms of the Agreement, the health system will join Covenant subject to certain conditions and required actions as well as required legal and regulatory approvals. The health system has approximately \$100 million in total assets and annual patient service revenue of \$127 million. Covenant anticipates the transaction to be completed in 2022, however, until all required actions have been completed and legal and regulatory approvals have been obtained, there can be no certainty that the transaction will ultimately be finalized.

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, 2021 and 2020
(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, 2021 and 2020, 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 39% and 49% of receivables for the years ended December 31, 2021 and 2020, 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 57%, respectively, of the System's patient service revenue for the years ended December 31, 2021 and 2020, and revenue from Anthem accounted for approximately 19% and 13%, respectively, of patient service revenue for 2021 and 2020.

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, 2021.

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

Years Ended December 31, 2021 and 2020
(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 gains (losses) on the consolidated statements of operations.

Excess of Revenue Over Expenses

The consolidated statements of operations include excess of revenue over expenses. Changes in net assets without donor restrictions which are excluded from 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 \$2,631 and \$4,209 to patient service revenue for the years ended December 31, 2021 and 2020, respectively.

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

Years Ended December 31, 2021 and 2020
(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.

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.

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.

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

Years Ended December 31, 2021 and 2020
(In thousands)

2. Significant Accounting Policies (Continued)

Gifts of long-lived assets such as property or equipment are reported as contributions without donor restrictions and are excluded from the 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.

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, 2021 and 2020, 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.

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020

(In thousands)

2. Significant Accounting Policies (Continued)

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, 2021 and 2020, 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 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.

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.

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

Years Ended December 31, 2021 and 2020
(In thousands)

2. Significant Accounting Policies (Continued)

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.

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.

At December 31, 2021, 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.

Self-Insurance Reserves

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 \$5,588 and \$3,972 for 2021 and 2020, 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 were no expenses related to the SERP for the years ended December 31, 2021 or 2020.

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

Years Ended December 31, 2021 and 2020
(In thousands)

2. Significant Accounting Policies (Continued)

Deferred Compensation

The System has recorded its obligations under deferred compensation agreements with certain employees of \$12,776 and \$12,096 at December 31, 2021 and 2020, respectively, which are included in other liabilities on the balance sheet. Assets of \$13,586 and \$13,205 at December 31, 2021 and 2020, respectively, related to these obligations are segregated and included in assets whose use is limited or restricted on the balance sheet.

Reclassifications

Certain 2020 amounts have been reclassified to permit comparison with the 2021 consolidated financial statements presentation format.

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. As of December 31, 2020, \$19.0 million was recorded as a short-term liability and \$33.3 million as a long-term liability.

In addition, the System received \$24.9 million and \$63.1 million in 2021 and 2020, 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 \$24.9 million and \$63.1 million in 2021 and 2020, 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. At December 30, 2020, the System deferred \$11.2 million of payroll taxes, which were recorded within other current and long-term liabilities in the accompanying 2020 consolidated balance sheets.

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

Years Ended December 31, 2021 and 2020
(In thousands)

2. Significant Accounting Policies (Continued)

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 29, 2022 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.

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.

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020

(In thousands)

3. Patient Service Revenue (Continued)

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

	<u>2021</u>	<u>2020</u>
Medicare	\$217,458	\$205,803
Medicaid	134,008	136,250
Commercial	327,479	235,853
Patients (private pay/self pay)	<u>43,383</u>	<u>40,779</u>
	<u>\$722,328</u>	<u>\$618,685</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.

The consolidated balance sheets include amounts due from the State of Maine under the MaineCare program. The amounts recorded from the State have been determined based upon applicable regulations and the System expects that these amounts will ultimately be paid in full. The amount represents payment based on interim cost reports and is an estimate pending final settlement. Due to the complex nature of such regulations, there is at least a reasonable possibility that recorded estimates will change by a material amount.

Under the State of New Hampshire's tax code, the State imposes a Medicaid Enhancement Tax (MET) equal to 5.40% of patient service revenue, with certain exclusions for the years ended December 31, 2021 and 2020. The amount of tax incurred by Nashua for fiscal 2021 and 2020 was \$10,283 and \$9,814, respectively.

In the fall of 2010, in order 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 \$4,850 in 2021 and \$6,186 in 2020.

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020

(In thousands)

3. Patient Service Revenue (Continued)

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 2018 for Medicare and through 2019 for Medicaid for Bangor. Settlements have been issued through 2018 for Medicare and through 2017 for Medicaid for Nashua. Medicare has been settled through 2018, and Medicaid settled through 2019 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, 2021 and 2020 were \$9,710 and \$7,895, respectively.

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, 2021 and 2020 were \$100,875 and \$115,254, respectively.

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

Years Ended December 31, 2021 and 2020
(In thousands)

4. Investments

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

	<u>2021</u>	<u>2020</u>
Investments	\$ 8,245	\$ 6,123
Assets whose use is limited, restricted or board designated	477,715	460,939
Less pledges receivable	<u>(1,089)</u>	<u>(6,684)</u>
Total investments	<u>\$484,871</u>	<u>\$460,378</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, 2021 and 2020

(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>
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	—	5,234	—	5,234
	<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	9,666
	<u>45,953</u>
	<u>\$484,871</u>

2020:				
Cash and cash equivalents	\$ 28,248	\$ —	\$ —	\$ 28,248
U.S. Government securities	—	8,528	—	8,528
Corporate bonds	—	4,204	—	4,204
Asset back securities	—	15	—	15
Marketable equity securities	8,643	—	—	8,643
Mutual funds:				
Equity funds	102,676	—	—	102,676
Fixed income funds	174,317	—	—	174,317
International equity funds	63,633	—	—	63,633
Accrued interest and other	1,703	—	—	1,703
Beneficial interest in perpetual and other trusts	—	—	3,998	3,998
Cash surrender value of life insurance policies	—	8,609	—	8,609
	<u>\$379,220</u>	<u>\$21,356</u>	<u>\$ 3,998</u>	404,574

Investments valued at NAV not classified by level:

International emerging equity	23,221
Fixed income	10,236
Global balances	14,350
Real assets	7,997
	<u>55,804</u>
	<u>\$460,378</u>

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

Years Ended December 31, 2021 and 2020
(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

International Emerging Equity

The purpose of international emerging equity funds is to provide increased return potential and to reduce overall volatility of the portfolio through greater diversification. These investments can be made either in the form of direct investment, partnerships, fund-of-funds or with an investment manager. These assets require a longer investment horizon.

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.

Global Balances

The purpose of the global balances allocation is to provide an attractive long-term real return potential while improving portfolio diversification, reducing portfolio volatility and adding an explicit inflation buffer. The strategy emphasizes diversifying investments including emerging market bonds and stocks, alternative investments, and inflation-related assets that offer attractive long term return potential with lower correlation to mainstream markets and greater responsiveness to rising inflation.

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.

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020

(In thousands)

4. Investments (Continued)

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

	<u>2021</u>	<u>2020</u>
Investment income:		
Interest and dividends	\$ 6,251	\$ 9,642
Net realized gains on sales of securities	60,799	5,191
Net unrealized losses on investments	<u>(28,826)</u>	<u>(1,048)</u>
Net realized and unrealized gains on investments	<u>31,973</u>	<u>4,143</u>
Investment income and losses	\$ <u>38,224</u>	\$ <u>13,785</u>

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

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, 2021 and 2020.

Long-Term Debt

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

	<u>2021</u>	<u>2020</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	\$ —
In June 2020, the Maine Health and Higher Educational Facilities Authority (MHHEFA) issued tax-exempt revenue bonds (Series 2020A) and loaned \$3,753 of the proceeds to St. Mary's Regional Medical Center (SMRMC). The proceeds were used to refund the Series 2010B Bonds. The bonds are secured by substantially all the assets of SMRMC and a moral obligation pledge by the State of Maine. The bonds bear interest at 4% and mature in varying annual amounts to 2031	—	3,753 ⁽¹⁾
In June 2020, MHHEFA issued tax-exempt revenue bonds (Series 2020A) and loaned \$3,308 of the proceeds to St. Joseph Hospital Bangor (SJHB). The proceeds were used to refund the Series 2010B Bonds. The bonds are secured by substantially all the assets of SJHB and a moral obligation pledge by the State of Maine. The bonds bear interest at 4% and mature in varying annual amounts to 2026	—	3,308 ⁽¹⁾

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020

(In thousands)

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

Long-Term Debt (continued)

	<u>2021</u>	<u>2020</u>
In June 2020, Community Clinical Services, Inc. obtained \$1,671 from TD Bank, which is eligible for forgiveness under the CARES Act. The debt bears interest at 1% and matures in 2022	\$ —	\$ 1,671 ⁽¹⁾
In December 2017, MHHEFA issued tax-exempt revenue bonds (Series 2017B) and loaned \$4,420 to SMRMC. The bonds are secured by substantially all the assets of SMRMC and a moral obligation pledge by the State of Maine. The bonds bear interest at 3.5% to 5% and mature in varying amounts to 2037	—	4,150 ⁽¹⁾
In March 2017, MHHEFA, the New Hampshire Health and Education Facilities Authority (NHHEFA) and the Massachusetts Development Finance Authority (MDFA) issued four series of bonds and loaned approximately \$20 million of the proceeds to the Obligated Group. MHHEFA issued the Series 2017A bonds (SJHB) in the amount of \$3,400 and the Series 2017B bonds (SMRMC) in the amount of \$6,000. NHHEFA issued the Series 2017-NH bonds in the amount of \$7,960 and MDFA issued the Series 2017-MA bonds in the amount of \$2,500. The bonds are secured under the Master Trust Indenture. The bonds bear interest at approximately 3.6% and mature in varying amounts to 2047	—	19,860 ⁽¹⁾
In March 2017, the Obligated Group entered into a taxable loan agreement for \$55 million to fund certain capital projects. The loan bears interest at a fixed rate of approximately 3.7% with interest only payments through March 2019. The loan is secured under the Master Trust Indenture. Monthly payments of principal and interest of approximately \$420,000 are to be made through April 2027	—	49,630 ⁽¹⁾
In July 2014, NHHEFA issued tax-exempt bonds (Series 2014) and loaned \$16,900 to the Obligated Group. Proceeds borrowed were used to refinance the NHHEFA 2004 bonds. The bonds are secured under the Master Trust Indenture. The bonds bear interest at 2.54% and mature in varying annual amounts to 2034	—	12,660 ⁽¹⁾
In July 2014, MHHEFA issued tax-exempt revenue bonds (Series 2014A) and loaned \$6,929 to SMRMC and \$1,834 to St. Mary's d'Youville Pavilion (d'Youville Pavilion). The bonds are collateralized by substantially all the assets of SMRMC and d'Youville Pavilion and a moral obligation pledge by the State of Maine. The bonds bear interest at rates ranging from 3% to 5% and mature in varying annual amounts to 2023	—	921 ⁽¹⁾
In 2013, the Scranton-Lackawanna Health and Welfare Authority issued two series of tax-exempt revenue notes and loaned \$2,740 to St. Mary's Villa. The 2013A note was in the amount of \$685 and matured in 2020. The Series 2013B note in the amount of \$2,055 matures in 2029. Both notes bear interest at 3.25%	—	1,237 ⁽¹⁾
In October 2012, MHHEFA issued tax-exempt revenue bonds (Series 2012) and loaned \$13,490 of the proceeds to SJHB. The bonds are guaranteed with an obligation issued pursuant to the Master Trust Indenture. The bonds bear interest at 3.43% and mature in varying annual amounts to 2032	—	9,255 ⁽¹⁾

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020
(In thousands)

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

Long-Term Debt (continued)

	<u>2021</u>	<u>2020</u>
In June 2012, MHHEFA issued tax-exempt revenue bonds (Series 2012) and loaned \$19,270 to SMRMC. The bonds are guaranteed with an obligation pursuant to the Master Trust Indenture. The bonds bear interest at 3.42% and mature in varying annual amounts to 2036	\$ —	\$ 16,465 ⁽¹⁾
In June 2012, the Massachusetts Health and Educational Facilities Authority (MHEFA) and NHHEFA issued tax-exempt bonds and loaned \$39,365 to the Obligated Group. The bonds are secured under the Master Trust Indenture. The bonds bear interest at rates ranging from 3% to 5% and mature in varying annual amounts to 2042	—	36,815 ⁽¹⁾
In 2012, MHHEFA issued tax-exempt revenue bonds (Series 2012) and loaned \$1,780 of the proceeds to SJHB. The 2012 bond indenture required the establishment of a debt service reserve fund in the amount of \$195 held by a trustee. The bonds are secured by substantially all the assets of SJHB and a moral obligation pledge by the State of Maine. The bonds bear interest at rates ranging from 2.5% to 5% and mature in varying annual amounts to 2027	—	865 ⁽¹⁾
In October 2007, MHEFA issued Series 2007A bonds in the amount of \$12,940 and Series 2007B bonds in the amount of \$11,890, and NHHEFA issued Series 2007A bonds in the amount of \$17,030 and Series 2007B bonds in the amount of \$36,650. MHEFA and NHHEFA loaned the aggregate proceeds of approximately \$78,510 to the Obligated Group. The 2007 Bond indenture require the establishment of a debt service reserve fund to be held in trust, which amounted to approximately \$886 at December 31, 2021 and 2020. The amount is included in the consolidated balance sheet as funds held by trustees. The bonds are secured under the Master Trust Indenture. The bonds bear interest at rates ranging from 4.5% to 5% and mature in varying annual amounts to 2037	—	56,635 ⁽¹⁾
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	1,857	2,008
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	7,050	7,392
Additional mortgages payable to various financial institutions are held primarily at St. Joseph Manor and M&J	<u>3,652</u>	<u>2,512</u>
	237,559	229,137
Unamortized original issue premium	—	1,803
Deferred financing costs	<u>(2,012)</u>	<u>(1,909)</u>
	235,547	229,031
Less current portion	<u>(935)</u>	<u>(14,425)</u>
	<u>\$234,612</u>	<u>\$214,606</u>

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020

(In thousands)

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

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 semi annually through 2026. The second tranche of \$100,000 matures in 2051 and bears interest at 4.48%, interest only payments are due semi annually 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 gains on the consolidated statement of operations.

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. The Obligated Group has complied with such financial covenants and restrictions at December 31, 2021.

(1) Amount paid in full during 2021 as part of the debt refinancing.

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

2022	\$ 935
2023	2,279
2024	537
2025	534
2026	320
Thereafter	<u>230,942</u>
	<u>\$235,547</u>

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

Years Ended December 31, 2021 and 2020
(In thousands)

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

Lease Liability

In 2019, the System adopted ASU 2016-02, *Leases*. The System recorded the cost of right-of-use assets in the amount of \$10,157 and \$10,964 as of December 31, 2021 and 2020, respectively. The cost of these assets has been included with property, plant and equipment. Amortization expense for assets under lease liability was \$1,329 and \$1,075 for the years ended December 31, 2021 and 2020, respectively, and has been included with depreciation expense in the accompanying consolidated financial statements. Accumulated amortization associated with the lease totaled \$3,261 and \$2,183 as of December 31, 2021 and 2020, respectively.

Lease obligations at December 31 consist of the following:

	<u>2021</u>	<u>2020</u>
Total of future lease payments	\$ 10,088	\$ 9,631
Amounts representing interest	<u>(653)</u>	<u>(851)</u>
Present value of minimum lease payments	9,435	8,780
Less current portion	<u>(2,729)</u>	<u>(2,454)</u>
	<u>\$ 6,706</u>	<u>\$ 6,326</u>

A summary of the future lease payments under lease liabilities is as follows at December 31, 2021:

2022	\$ 3,001
2023	2,703
2024	2,272
2025	1,343
2026	703
Thereafter	<u>66</u>
	<u>\$ 10,088</u>

The System paid interest in the amount of \$12,418 in 2021 and \$10,336 in 2020.

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>2021</u>	<u>2020</u>
Accumulated benefit obligation (ABO)	\$50,741	\$49,824
Plan assets	<u>50,689</u>	<u>49,876</u>
Funded status	<u>\$ (52)</u>	<u>\$ 52</u>

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020

(In thousands)

6. Defined Benefit Pension Plan (Continued)

In 2021, the financial markets experienced significant volatility which affected both the investment markets which would affect the plans' assets as well as the debt markets which would impact the calculation of the ABO.

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>2021</u>	<u>2020</u>
Interest cost on projected benefit obligation	\$ 732	\$ 869
Expected return on plan assets	(1,307)	(1,822)
Amortization of loss	1,285	910
Recognition of settlement	<u>720</u>	<u>1,113</u>
Net periodic pension expense	\$ <u>1,430</u>	\$ <u>1,070</u>

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

	<u>2021</u>	<u>2020</u>
Accumulated benefit obligation	\$ <u>30,779</u>	\$ <u>28,796</u>
Changes in projected benefit obligations:		
Projected benefit obligations, beginning of period	\$28,796	\$29,401
Benefits paid	(572)	(610)
Interest cost	732	869
Impact of assumption changes	(494)	1,154
Experience loss	4,131	664
Settlement amount	<u>(1,814)</u>	<u>(2,682)</u>
Projected benefit obligations, end of period	30,779	28,796
Changes in plan assets:		
Fair value of plan assets, beginning of period	28,848	27,906
Actual return on plan assets	762	2,597
Employer contributions	2,400	2,400
Benefits paid and other	(572)	(610)
Settlement amount	<u>(1,912)</u>	<u>(3,445)</u>
Fair value of plan assets, end of period	<u>29,526</u>	<u>28,848</u>
Funded status	\$ <u>(1,253)</u>	\$ <u>52</u>

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

Years Ended December 31, 2021 and 2020
(In thousands)

6. Defined Benefit Pension Plan (Continued)

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>2021</u>	<u>2020</u>
Discount rate used to determine net periodic pension cost	2.52%	3.22%
Discount rate used to determine benefit obligation	2.83	2.52
Expected long-term rate of return on plan assets	5.00	7.00
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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,195	\$ 282
Debt securities and fixed income mutual funds	25,084	—
Equity funds	<u>3,247</u>	<u>28,566</u>
	<u>\$29,526</u>	<u>\$28,848</u>

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 2022.

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

2022	\$ 3,353
2023	1,915
2024	2,326
2025	1,456
2026	2,095
2027 through 2031	8,319

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

Years Ended December 31, 2021 and 2020
(In thousands)

6. Defined Benefit Pension Plan (Continued)

Bangor

Bangor maintains a noncontributory defined benefit plan. The measurement date is 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.

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

	<u>2021</u>	<u>2020</u>
Interest cost on projected benefit obligation	\$ 516	\$ 627
Expected return on plan assets	<u>(1,345)</u>	<u>(1,208)</u>
Net periodic pension cost	\$ <u>(829)</u>	\$ <u>(581)</u>

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

	<u>2021</u>	<u>2020</u>
Accumulated benefit obligation	\$ <u>19,962</u>	\$ <u>21,028</u>
Changes in projected benefit obligations:		
Projected benefit obligations, beginning of period	\$21,028	\$ 19,915
Interest cost	516	627
Benefits paid and other	(932)	(1,042)
Experience (loss) gain	<u>(650)</u>	<u>1,528</u>
Projected benefit obligations, end of period	19,962	21,028
Changes in plan assets:		
Fair value of plan assets, beginning of period	21,028	19,121
Actual return on plan assets	1,067	2,949
Benefits paid	<u>(932)</u>	<u>(1,042)</u>
Fair value of plan assets, end of period	<u>21,163</u>	<u>21,028</u>
Funded status	\$ <u>1,201</u>	\$ <u>—</u>

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020

(In thousands)

6. Defined Benefit Pension Plan (Continued)

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>2021</u>	<u>2020</u>
Discount rate used to determine net periodic pension cost	2.52%	3.22%
Discount rate used to determine benefit obligation	2.83	2.52
Expected long-term rate of return on plan assets	6.50	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 years ended December 31:

	<u>2021</u>	<u>2020</u>
Mutual funds:		
Equity funds	\$ —	\$11,878
Fixed income funds	<u>21,163</u>	<u>9,150</u>
	<u>\$21,163</u>	<u>\$21,028</u>

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

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

Bangor and affiliates do not expect to make contributions to its defined benefit pension plan during the year ended December 31, 2022.

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

2022	\$ 1,173
2023	1,170
2024	1,190
2025	1,187
2026	1,213
2027 through 2031	5,878

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

Years Ended December 31, 2021 and 2020
(In thousands)

7. Net Assets With Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Purpose restriction:		
Health care services	\$ 3,693	\$ 3,090
Equipment and capital improvements	9,127	15,302
Education and scholarships	428	523
Employee emergency assistance	129	112
Designated for certain communities	<u>694</u>	<u>1,423</u>
	14,071	20,450
Perpetual in nature:		
Investments, gains and income from which is donor restricted	30,968	26,539
Investments, gains and income from which is released to net assets without donor restrictions	9,286	8,296
Beneficial interest in perpetual trust	<u>6,356</u>	<u>5,830</u>
	<u>46,610</u>	<u>40,665</u>
Total net assets with donor restrictions	<u>\$60,681</u>	<u>\$61,115</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, 2021 and 2020 of \$2,485 and \$2,466, respectively.

The System has an ownership interest in Nashua Regional Cancer Center. The investment has a carrying value of \$1,529 and \$2,127 at December 31, 2021 and 2020, respectively.

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.

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020

(In thousands)

9. Financial Assets and Liquidity Resources

As of December 31, 2021, 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	\$ 57,455
Short-term investments	8,245
Patient accounts receivable	<u>84,335</u>
	<u>\$150,035</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, 2021, the balance of liquid investments in board-designated assets was \$395,935.

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 resident at December 31, 2021 and one (1) CCRC resident at December 31, 2020. There were no fees received or amounts refunded in 2021 or 2020.

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, 2021 and 2020
(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, 2021 and 2020, 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>2021</u>	<u>2020</u>
Principal and interest payments due within the next twelve months	\$ 480	\$ 668
Percent of residents subject to agreements	<u>2.30%</u>	<u>2.02%</u>
Reserve calculated	\$ <u>11</u>	\$ <u>14</u>
Projected operating expenses, excluding depreciation and amortization	\$13,353	\$12,522
Percent of residents subject to agreements	<u>2.30%</u>	<u>2.02%</u>
	307	253
Percent of residents subject to agreements	<u>2.30%</u>	<u>2.02%</u>
Reserve calculated	\$ <u>7</u>	\$ <u>5</u>
Minimum reserve required (greater of above)*	\$ <u>11</u>	\$ <u>14</u>
CCRC residents	1	1
Total beds	64 ^(a)	64 ^(a)
Average occupancy	68% ^(b)	77% ^(b)
Average beds (a)*(b)	44	49
Percentage of residents subject to agreements (CCRC residents / average beds)	2.30%	2.02%

* The Villa records amounts required to satisfy reserve requirements above in funds held by trustee which totaled \$25 and \$14 at December 31, 2021 and 2020, respectively.

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2021 and 2020

(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:

	Health Services	General and Administrative	Total
<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
Provider tax	22,305	—	22,305
Depreciation and amortization	<u>25,497</u>	<u>—</u>	<u>25,497</u>
	<u>\$654,770</u>	<u>\$139,446</u>	<u>\$794,216</u>
<u>2020</u>			
Salaries and wages	\$321,323	\$ 13,568	\$334,891
Employee benefits	62,690	2,158	64,848
Supplies	77,045	—	77,045
Other expenses	93,856	92,087	185,943
Interest	10,053	—	10,053
Provider tax	21,906	—	21,906
Depreciation and amortization	<u>30,146</u>	<u>—</u>	<u>30,146</u>
	<u>\$617,019</u>	<u>\$107,813</u>	<u>\$724,832</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, 2021 and 2020
(In thousands)

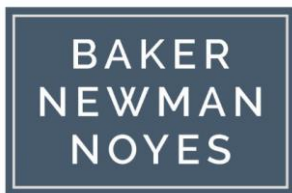
13. Commitments and Contingencies

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 ADDITIONAL INFORMATION**

The Board of Directors
Covenant Health, Inc.

We have audited the consolidated financial statements of Covenant Health, Inc. and Subsidiaries (the System) as of and for the years ended December 31, 2021 and 2020, and have issued our report thereon, which contains an unmodified opinion on those consolidated financial statements. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial position, results of operations and cash flows of the individual entities 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 consolidating information has been subjected to the auditing procedures applied in the audits 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 is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A handwritten signature in black ink, appearing to read "Baker Newman & Noyes LLC", written in a cursive, stylized script.

Boston, Massachusetts
April 29, 2022

Covenant Health, Inc.
Consolidating Balance Sheet
December 31, 2021
(In thousands)

Assets

Current assets:

Cash and cash equivalents	\$ 5,016	\$ 3,597	\$ 1,829	\$ —	\$ 20,959	\$ 3,167	\$ 357	\$ 803	\$ 844	\$ 466	\$ —	\$ 482	\$ —	\$ —	\$ 37,520
Accounts receivable, net	29,705	25,953	16,172	—	—	1,679	1,304	1,359	977	213	—	2,636	—	—	79,998
Investments	—	3,306	2,143	—	—	—	—	—	—	—	—	—	—	—	5,449
Inventories	4,240	2,521	4,120	—	—	44	1	14	—	—	—	54	—	—	10,994
Prepaid expenses and other current assets	1,536	1,236	1,619	—	5,383	266	16	(18)	31	13	—	57	—	—	10,139
Current portion of assets whose use is limited or restricted	—	1	—	—	—	1	22	141	36	151	—	84	—	—	436
Current portion of due from affiliates	190	23,271	3,051	—	17,674	553	—	—	—	—	—	—	—	(17,780)	26,959
Total current assets	40,687	59,885	28,934	—	44,016	5,710	1,700	2,299	1,888	843	—	3,313	—	(17,780)	171,495

Assets whose use is limited or restricted:

Funds held by trustees, less current portion	—	—	—	—	1,151	—	—	—	—	—	—	—	—	—	1,151
Deferred compensation	653	—	—	—	—	—	—	—	—	—	—	—	—	—	653
Board designated funds and other long-term investments	164,586	5,163	11,329	—	38,662	52,058	1,356	1,646	—	1,454	—	1	—	—	276,255
Replacement reserve	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Donor-restricted funds	2,233	5,940	3,022	—	—	48	47	49	93	48	—	116	—	—	11,596
Total assets whose use is limited or restricted	167,472	11,103	14,351	—	39,813	52,106	1,403	1,695	93	1,502	—	117	—	—	289,655

Other assets:

Other assets	16,122	—	—	—	45,033	(2)	7	107	25	—	—	216	—	—	61,508
Due from affiliates, less current portion	2,075	—	118	—	143,050	—	—	—	—	—	—	—	—	(125,038)	20,205
Investments in joint ventures	2,173	2,485	301	(247)	5	—	—	—	—	—	—	—	—	—	4,717
Total other assets	20,370	2,485	419	(247)	188,088	(2)	7	107	25	—	—	216	—	(125,038)	86,430

Property, plant and equipment:

Land and improvements	3,749	2,831	2,070	—	—	641	490	269	485	529	—	31	—	—	11,095
Buildings and improvements	112,637	80,062	51,381	11,935	42	13,930	8,438	4,534	3,527	8,141	3,222	7,670	1,517	—	307,036
Equipment	59,337	38,959	40,673	—	89,450	2,499	3,222	647	767	1,347	—	2,562	—	—	239,463
Construction in progress	848	7,615	514	—	1,050	373	7	265	20	62	—	—	—	—	10,754
Right of use assets	4,256	3,754	154	—	1,405	—	—	—	—	—	—	—	—	—	9,569
	180,827	133,221	94,792	11,935	91,947	17,443	12,157	5,715	4,799	10,079	3,222	10,263	1,517	—	577,917
Less accumulated depreciation	(116,414)	(69,118)	(65,371)	1,461	(23,293)	(11,584)	(7,113)	(2,862)	(2,581)	(6,749)	380	(8,017)	145	—	(311,116)
Less accumulated depreciation – right of use assets	(2,056)	(82)	(72)	—	(799)	—	—	—	—	—	—	—	—	—	(3,009)
Total property, plant and equipment	62,357	64,021	29,349	13,396	67,855	5,859	5,044	2,853	2,218	3,330	3,602	2,246	1,662	—	263,792

Total assets	\$ 290,886	\$ 137,494	\$ 73,053	\$ 13,149	\$ 339,772	\$ 63,673	\$ 8,154	\$ 6,954	\$ 4,224	\$ 5,675	\$ 3,602	\$ 5,892	\$ 1,662	\$ (142,818)	\$ 811,372
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* 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, 2021
(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	\$ 2,531	\$ 2,411	\$ 1,090	\$ 1,515	\$ 1,718	\$ 145	\$ —	\$ 1,142	\$ 3,640	\$ 2,829	\$ 33	\$ 94	\$ 48	\$ 2,739	\$ —	\$ —	\$ 57,455
Patient accounts receivable	844	1,182	82	77	111	365	—	—	599	1,069	—	—	8	—	—	—	84,335
Investments	—	—	—	—	—	1,002	—	—	155	1,639	—	—	—	—	—	—	8,245
Inventories	16	—	—	—	—	45	—	—	19	211	—	—	—	—	—	—	11,285
Prepaid expenses and other current assets	52	43	76	111	131	38	—	136	441	240	—	—	—	7,410	—	—	18,817
Current portion of assets whose use is limited or restricted	661	54	68	—	—	—	—	—	—	—	—	—	—	—	—	—	1,219
Current portion of due from affiliates	(5)	—	8	66	—	—	—	6,121	2,034	36	10	—	—	—	—	(35,229)	—
Total current assets	4,099	3,690	1,324	1,769	1,960	1,595	—	7,399	6,888	6,024	43	94	56	10,149	—	(35,229)	181,356

Assets whose use is limited or restricted:

Funds held by trustees, less current portion	26	—	—	—	498	38	—	—	1,628	—	—	—	—	—	—	—	3,341
Deferred compensation	—	—	—	—	—	—	—	12,933	—	—	—	—	—	—	—	—	13,586
Board designated funds and other long-term investments	16,014	898	5,684	18,657	—	—	—	1,027	780	—	—	9,679	3,222	63,719	352,820	(352,820)	395,935
Replacement reserve	—	—	—	—	6,875	—	—	—	566	—	—	—	—	—	—	—	7,441
Donor-restricted funds	13	36	488	4,554	81	—	—	718	1,936	3,839	30,792	1,860	—	—	—	280	56,193
Total assets whose use is limited or restricted	16,053	934	6,172	23,211	7,454	38	—	14,678	4,910	3,839	30,792	11,539	3,222	63,719	352,820	(352,540)	476,496

Other assets:

Other assets	57	—	26	7	—	—	—	15,360	229	—	—	—	—	—	—	(76,387)	800
Due from affiliates, less current portion	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(20,205)	—
Investments in joint ventures	—	—	—	—	—	—	—	1,212	555	53	—	—	—	—	—	1	6,538
Total other assets	57	—	26	7	—	—	—	16,572	784	53	—	—	—	—	—	(96,591)	7,338

Property, plant and equipment

Land and improvements	299	424	750	—	106	51	—	1,615	2,217	2,887	—	—	716	—	—	—	20,160
Buildings and improvements	16,407	2,112	16,067	17,785	31,939	5,216	2,751	11,863	9,636	8,029	—	—	1,324	—	—	—	430,165
Equipment	4,542	1,070	518	416	1,396	1,307	104	105	971	1,268	—	—	457	—	—	—	251,617
Construction in progress	175	78	—	—	—	—	—	—	13	75	—	—	—	—	—	—	11,095
Right of use asset	—	—	—	—	—	—	—	588	—	—	—	—	—	—	—	—	10,157
	21,423	3,684	17,335	18,201	33,441	6,574	2,855	14,171	12,837	12,259	—	—	2,497	—	—	—	723,194
Less accumulated depreciation	(12,980)	(1,710)	(7,045)	(8,272)	(25,801)	(5,348)	(8)	(6,130)	(7,173)	(8,350)	—	—	(1,249)	—	—	—	(395,182)
Less accumulated depreciation – right of use assets	—	—	—	—	—	—	—	(252)	—	—	—	—	—	—	—	—	(3,261)
Total property, plant and equipment	8,443	1,974	10,290	9,929	7,640	1,226	2,847	7,789	5,664	3,909	—	—	1,248	—	—	—	324,751

Total assets	\$ 28,652	\$ 6,598	\$ 17,812	\$ 34,916	\$ 17,054	\$ 2,859	\$ 2,847	\$ 46,438	\$ 18,246	\$ 13,825	\$ 30,835	\$ 11,633	\$ 4,526	\$ 73,868	\$ 352,820	\$ (484,360)	\$ 989,941
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Covenant Health, Inc.
Consolidating Balance Sheet
December 31, 2021
(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	\$ 6,169	\$ 6,068	\$ 4,254	\$ —	\$ 1,104	\$ 445	\$ 552	\$ 178	\$ 281	\$ 75	\$ —	\$ 1,226	\$ —	\$ 63	\$ 20,415
Accrued expenses and other liabilities	20,138	14,456	8,590	—	11,826	1,091	655	272	359	520	—	595	—	—	58,502
Estimated third-party payor settlements	6,580	(2,751)	(5,660)	—	—	30	136	271	209	(101)	—	290	—	—	(996)
Other current liabilities	16,148	11,138	10,465	—	4	111	2	(38)	52	—	—	130	—	—	38,012
Current portion of due to affiliates	6,659	16,687	2,843	—	148	317	—	—	—	—	—	—	—	(17,843)	8,811
Current portion of lease liability	780	1,005	496	—	358	—	—	—	—	—	—	—	—	—	2,639
Current portion of long-term debt	—	368	—	—	—	—	—	183	—	—	—	—	—	—	551
Total current liabilities	56,474	46,971	20,988	—	13,440	1,994	1,345	866	901	494	—	2,241	—	(17,780)	127,934
Long-term debt, less current portion	—	—	—	—	222,988	—	—	697	—	—	—	—	—	—	223,685
Long-term lease liability, less current portion	1,993	2,671	1,547	—	249	—	—	—	—	—	—	—	—	—	6,460
Due to affiliates, less current portion	67,583	33,583	14,934	—	120	—	6,373	—	—	—	—	2,445	—	(125,038)	—
Defined benefit pension obligation	1,253	—	(961)	—	—	—	—	—	—	—	—	—	—	—	292
Other liabilities	7,393	580	368	—	—	565	336	48	98	48	—	182	—	—	9,618
Professional liability loss reserves	1,197	—	1,247	—	—	89	32	43	45	104	—	44	—	—	2,801
Total liabilities	135,893	83,805	38,123	—	236,797	2,648	8,086	1,654	1,044	646	—	4,912	—	(142,818)	370,790
Net assets:															
Without donor restriction	152,760	47,843	31,789	13,149	102,717	61,022	46	5,160	3,158	4,878	3,602	896	1,662	—	428,682
With donor restriction	2,233	5,846	3,141	—	258	3	22	140	22	151	—	84	—	—	11,900
Total net assets	154,993	53,689	34,930	13,149	102,975	61,025	68	5,300	3,180	5,029	3,602	980	1,662	—	440,582
Total liabilities and net assets	\$ 290,886	\$ 137,494	\$ 73,053	\$ 13,149	\$ 339,772	\$ 63,673	\$ 8,154	\$ 6,954	\$ 4,224	\$ 5,675	\$ 3,602	\$ 5,892	\$ 1,662	\$ (142,818)	\$ 811,372

* 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, 2021
(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	\$ 191	\$ 183	\$ 66	\$ 122	\$ 8	\$ 238	\$ –	\$ 20	\$ 62	\$ 782	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 22,087
Accrued expenses and other liabilities	1,068	345	400	385	85	42	–	260	842	460	–	–	–	35	–	(86)	62,338
Estimated third-party payor settlements	4	1,119	–	–	–	(142)	–	–	–	–	–	–	–	–	–	–	(15)
Other current liabilities	204	–	28	10	51	–	–	5	184	619	–	–	–	260	–	–	39,373
Current portion of due to affiliates	75	–	66	8	236	–	–	–	23,033	3,031	–	–	–	–	–	(35,260)	–
Current portion of lease liability	–	–	–	–	–	–	–	90	–	–	–	–	–	–	–	–	2,729
Current portion of long-term debt	125	–	–	–	118	–	–	–	111	30	–	–	–	–	–	–	935
Total current liabilities	1,667	1,647	560	525	498	138	–	375	24,232	4,922	–	–	–	295	–	(35,346)	127,447
Long-term debt, less current portion	2,075	–	–	–	6,932	–	–	–	1,746	174	–	–	–	–	–	–	234,612
Long-term lease liability, less current portion	–	–	–	–	–	–	–	246	–	–	–	–	–	–	–	–	6,706
Due to affiliates, less current portion	1,825	–	8,214	8,655	–	–	–	–	1,114	–	–	–	–	–	–	(19,808)	–
Defined benefit pension obligation	–	–	–	–	–	–	–	–	–	(240)	–	–	–	–	–	–	52
Other liabilities	327	154	407	359	81	–	–	12,123	284	–	–	–	20	3,020	–	–	26,393
Professional liability loss reserves	57	49	32	28	–	–	–	1,501	2,038	–	–	–	–	25,603	–	–	32,109
Total liabilities	5,951	1,850	9,213	9,567	7,511	138	–	14,245	29,414	4,856	–	–	20	28,918	–	(55,154)	427,319
Net assets:																	
Without donor restriction	22,146	4,694	8,518	21,322	3,496	2,721	2,847	31,475	(11,990)	5,180	7	9,773	4,506	44,950	352,820	(429,206)	501,941
With donor restriction	555	54	81	4,027	6,047	–	–	718	822	3,789	30,828	1,860	–	–	–	–	60,681
Total net assets	22,701	4,748	8,599	25,349	9,543	2,721	2,847	32,193	(11,168)	8,969	30,835	11,633	4,506	44,950	352,820	(429,206)	562,622
Total liabilities and net assets	\$ 28,652	\$ 6,598	\$ 17,812	\$ 34,916	\$ 17,054	\$ 2,859	\$ 2,847	\$ 46,438	\$ 18,246	\$ 13,825	\$ 30,835	\$ 11,633	\$ 4,526	\$ 73,868	\$ 352,820	\$ (484,360)	\$ 989,941

Covenant Health, Inc.
Consolidating Statement of Operations
December 31, 2021
(In thousands)

Operating revenue:

Patient service revenue	\$ 232,725	\$ 212,159	\$ 164,459	\$ –	\$ –	\$ 16,496	\$ 8,390	\$ 8,383	\$ 9,771	\$ 7,803	\$ –	\$ 11,558	\$ –	\$ –	\$ 671,744
Other revenue	6,457	27,290	9,504	–	70,101	1,578	277	392	706	430	–	623	–	(73,322)	44,036
Net assets released from restrictions for operations	207	503	143	–	245	211	5	141	24	17	–	50	–	–	1,546
Total operating revenue	239,389	239,952	174,106	–	70,346	18,285	8,672	8,916	10,501	8,250	–	12,231	–	(73,322)	717,326

Operating expenses:

Salaries and wages	97,047	94,230	71,068	–	30,786	9,956	4,566	4,191	4,798	4,078	–	5,553	–	–	326,273
Employee benefits	17,848	20,597	14,058	–	4,432	1,909	946	726	829	955	–	1,087	–	–	63,387
Supplies	27,766	28,607	26,019	–	18	1,822	916	1,344	1,156	681	–	1,699	–	–	90,028
Other expenses	79,958	94,986	57,480	–	26,872	6,169	2,211	2,700	3,347	2,300	–	4,014	–	(73,322)	206,715
Interest	2,811	1,368	601	(27)	2,761	–	308	33	–	–	–	97	–	–	7,952
Provider tax	10,283	4,941	3,159	–	–	99	517	523	784	431	–	662	–	–	21,399
Depreciation	5,010	3,930	2,160	263	7,505	745	350	224	200	249	25	254	64	–	20,979
Total operating expenses	240,723	248,659	174,545	236	72,374	20,700	9,814	9,741	11,114	8,694	25	13,366	64	(73,322)	736,733

Income (loss) from operations	(1,334)	(8,707)	(439)	(236)	(2,028)	(2,415)	(1,142)	(825)	(613)	(444)	(25)	(1,135)	(64)	–	(19,407)
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Net periodic pension cost	(1,430)	–	663	–	–	–	–	–	–	–	–	–	–	–	(767)
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Nonoperating gains (losses), net:

Dividend and interest income	2,813	105	497	–	451	727	22	20	–	18	–	–	–	–	4,653
Realized gain (loss) from investments	27,421	1,115	2,359	–	8,741	10,421	238	127	–	164	–	–	–	–	50,586
Unrealized gain (loss) from investments	(14,039)	(1,302)	(1,288)	–	6,943	(5,314)	(88)	46	–	(88)	–	(8)	–	–	(15,138)
Gain (loss) on sale of assets	85	1,546	(11)	–	–	–	–	–	–	–	–	–	–	–	1,620
Other nonoperating income	202	(258)	–	–	19	(4)	–	–	–	–	10	–	–	–	(31)
Other nonoperating expense	(408)	(372)	(323)	–	–	(10)	–	–	–	–	–	–	–	–	(1,113)
Loss on early extinguishment of debt	(3,791)	(984)	(261)	89	(5,929)	9	(60)	–	–	–	–	31	–	–	(10,896)
Total nonoperating gains (losses), net	12,283	(150)	973	89	10,225	5,829	112	193	–	94	10	23	–	–	29,681

Excess (deficiency) of revenue over expenses	9,519	(8,857)	1,197	(147)	8,197	3,414	(1,030)	(632)	(613)	(350)	(15)	(1,112)	(64)	–	9,507
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Other changes in net assets
without donor restriction:

Net assets released from restrictions for property, plant and equipment	79	4,209	2,913	–	–	–	–	–	–	–	–	–	–	–	7,201
Adjustment to defined benefit pension obligation	(2,403)	–	298	–	–	–	–	–	–	–	–	–	–	–	(2,105)
Transfer among affiliates	(225)	–	–	–	(637)	–	–	118	–	–	–	1,003	–	–	259

Increase (decrease) in net assets without donor restriction	\$ 6,970	\$ (4,648)	\$ 4,408	\$ (147)	\$ 7,560	\$ 3,414	\$ (1,030)	\$ (514)	\$ (613)	\$ (350)	\$ (15)	\$ (109)	\$ (64)	\$ –	\$ 14,862
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* 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, 2021 (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	\$ 11,299	\$ 9,941	\$ 6,582	\$ 5,838	\$ —	\$ 403	\$ —	\$ —	\$ 10,087	\$ 6,434	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Other revenue	259	788	300	234	4,741	—	—	5,299	10,176	2,652	—	—	—	8,295	—	(16,227)	\$ 722,328
Net assets released from restrictions for operations	—	4	12	169	—	—	—	—	232	25	(1,063)	106	—	—	—	—	1,031
Total operating revenue	11,558	10,733	6,894	6,241	4,741	403	—	5,299	20,495	9,111	(1,063)	106	—	8,295	—	(16,227)	783,912
Operating expenses:																	
Salaries and wages	6,795	5,202	3,075	2,696	597	132	—	3,294	7,949	3,500	—	—	—	—	—	—	359,513
Employee benefits	1,456	1,038	651	525	118	35	—	721	3,078	744	—	—	—	—	—	(2,405)	69,348
Supplies	785	1,080	—	—	—	—	—	—	247	2,643	—	—	—	—	—	(359)	94,424
Other expenses	2,730	2,052	1,897	1,709	1,653	320	—	689	7,033	2,340	—	—	—	—	—	(13,463)	213,675
Interest	204	2	438	387	304	—	—	13	147	7	—	—	—	—	—	—	9,454
Provider tax	300	606	—	—	—	—	—	—	—	—	—	—	—	—	—	—	22,305
Depreciation	701	221	633	583	1,029	19	8	466	514	344	—	—	—	—	—	—	25,497
Total operating expenses	12,971	10,201	6,694	5,900	3,701	506	8	5,183	18,968	9,578	—	—	—	—	—	(16,227)	794,216
Income (loss) from operations	(1,413)	532	200	341	1,040	(103)	(8)	116	1,527	(467)	(1,063)	106	—	8,295	—	—	(10,304)
Net periodic pension cost	—	—	—	—	—	—	—	—	—	166	—	—	—	—	—	—	(601)
Nonoperating gains (losses), net:																	
Dividend and interest income	218	11	58	329	—	—	—	387	23	67	—	131	25	686	5,102	(5,439)	6,251
Realized gain (loss) from investments	3,275	163	852	3,373	—	—	—	—	—	11	—	2,010	566	(37)	63,114	(63,114)	60,799
Unrealized gain (loss) from investments	(1,193)	(79)	(434)	(2,254)	—	—	—	166	(35)	(75)	—	(1,010)	(417)	1,849	(33,085)	22,542	(29,163)
Gain (loss) on sale of assets	—	—	—	—	—	—	—	—	(85)	—	—	—	—	—	—	—	1,535
Other nonoperating income	—	—	—	—	—	2,824	2,855	—	(4)	27	—	—	1,052	—	—	(174)	6,549
Other nonoperating expense	—	—	—	—	(10)	—	—	150	(1)	(5)	(19)	(307)	(400)	(250)	—	—	(1,955)
Loss on early extinguishment of debt	—	(3)	(104)	52	—	—	—	—	—	—	—	—	—	—	—	—	(10,951)
Total nonoperating gains (losses), net	2,300	92	372	1,500	(10)	2,824	2,855	703	(102)	25	(19)	824	826	2,248	35,131	(46,185)	33,065
Excess (deficiency) of revenue over expenses	887	624	572	1,841	1,030	2,721	2,847	819	1,425	(276)	(1,082)	930	826	10,543	35,131	(46,185)	22,160
Other changes in net assets without donor restriction:																	
Net assets released from restrictions for property, plant and equipment	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	7,201
Adjustment to defined benefit pension obligation	—	—	—	—	—	—	—	—	—	74	—	—	—	—	—	—	(2,031)
Transfer among affiliates	—	—	—	—	—	—	—	(269)	—	—	10	200	(200)	—	(9,774)	9,774	—
Increase (decrease) in net assets without donor restriction	\$ 887	\$ 624	\$ 572	\$ 1,841	\$ 1,030	\$ 2,721	\$ 2,847	\$ 550	\$ 1,425	\$ (202)	\$ (1,072)	\$ 1,130	\$ 626	\$ 10,543	\$ 25,357	\$ (36,411)	\$ 27,330

St. Joseph Hospital of Nashua, NH
Consolidating Balance Sheet
December 31, 2021
(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
Assets									
Current assets:									
Cash and cash equivalents	\$ 5,016	\$ 1	\$ 389	\$ 614	\$ 139	\$ —	\$ —	\$ —	\$ 6,159
Accounts receivable, net	29,705	—	—	—	—	—	—	—	29,705
Current portion of pledges receivable	—	—	—	—	—	—	—	—	—
Investments	—	—	—	—	—	—	—	—	—
Inventories	4,240	—	—	—	—	—	—	—	4,240
Prepaid expenses and other current assets	1,536	—	—	36	100	—	—	—	1,672
Current portion of assets whose use is limited or restricted	—	—	—	—	—	—	—	—	—
Current portion of due from affiliates	190	—	—	1	6,120	—	—	(6,120)	191
Total current assets	40,687	1	389	651	6,359	—	—	(6,120)	41,967
Assets whose use is limited or restricted:									
Funds held by trustees, less current portion	—	—	—	—	—	—	—	—	—
Deferred compensation	653	—	495	—	12,439	—	—	—	13,587
Board designated funds and other long-term investments	164,586	1,027	—	—	—	—	—	—	165,613
Replacement reserve	—	—	—	—	—	—	—	—	—
Donor restricted funds	2,233	718	—	—	—	—	—	—	2,951
Total assets whose use is limited or restricted	167,472	1,745	495	—	12,439	—	—	—	182,151
Other assets:									
Pledges receivable, less current portion	—	—	—	—	—	—	—	—	—
Other assets	16,122	—	15,350	10	—	(15,350)	(1,030)	(15,057)	45
Due from affiliates, less current portion	2,075	—	—	—	—	—	—	—	2,075
Investments in joint ventures	2,173	—	—	—	1,212	—	—	—	3,385
Total other assets	20,370	—	15,350	10	1,212	(15,350)	(1,030)	(15,057)	5,505
Property, plant and equipment									
Land and improvements	3,749	—	—	1,615	—	—	—	—	5,364
Buildings and improvements	112,637	40	—	11,823	—	—	—	—	124,500
Equipment	59,337	15	—	90	—	—	—	—	59,442
Construction in progress	848	—	—	—	—	—	—	—	848
Right of use assets	4,256	—	—	588	—	—	—	—	4,844
	180,827	55	—	14,116	—	—	—	—	194,998
Less accumulated depreciation	(116,414)	(53)	—	(6,078)	—	—	—	—	(122,545)
Less accumulated depreciation – right of use assets	(2,056)	—	—	(252)	—	—	—	—	(2,308)
Total property, plant and equipment	62,357	2	—	7,786	—	—	—	—	70,145
Total assets	\$ 290,886	\$ 1,748	\$ 16,234	\$ 8,447	\$ 20,010	\$ (15,350)	\$ (1,030)	\$ (21,177)	\$ 299,768

St. Joseph Hospital of Nashua, NH
Consolidating Balance Sheet
December 31, 2021
(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	\$ 6,169	\$ —	\$ 13	\$ 7	\$ —	\$ —	\$ —	\$ —	\$ 6,189
Accrued expenses and other liabilities	20,138	—	69	14	177	—	—	—	20,398
Estimated third-party payor settlements	6,580	—	—	—	—	—	—	—	6,580
Other current liabilities	16,148	—	—	5	—	—	—	—	16,153
Current portion of due to affiliates	6,659	—	—	—	—	—	—	(6,120)	539
Current portion of lease liability	780	—	—	90	—	—	—	—	870
Current portion of long-term debt	—	—	—	—	—	—	—	—	—
Total current liabilities	56,474	—	82	116	177	—	—	(6,120)	50,729
Long-term debt, less current portion	—	—	—	—	—	—	—	—	—
Long-term lease liability, less current portion	1,993	—	—	246	—	—	—	—	2,239
Due to affiliates, less current portion	67,583	—	—	—	—	—	—	—	67,583
Defined benefit pension obligation	1,253	—	—	—	—	—	—	—	1,253
Other liabilities	7,393	—	308	—	11,814	—	—	—	19,515
Professional liability loss reserves	1,197	—	—	—	1,501	—	—	—	2,698
Total liabilities	135,893	—	390	362	13,492	—	—	(6,120)	144,017
Net assets:									
Without donor restriction	152,760	1,030	15,844	8,085	6,518	(15,350)	(1,030)	(15,057)	152,800
With donor restriction	2,233	718	—	—	—	—	—	—	2,951
Total net assets	154,993	1,748	15,844	8,085	6,518	(15,350)	(1,030)	(15,057)	155,751
Total liabilities and net assets	\$ 290,886	\$ 1,748	\$ 16,234	\$ 8,447	\$ 20,010	\$ (15,350)	\$ (1,030)	\$ (21,177)	\$ 299,768

St. Joseph Hospital of Nashua, NH
Consolidating Statement of Operations
December 31, 2021
(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	\$ 232,725	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 232,725
Other revenue	6,457	—	—	1,201	4,099	—	—	(4,988)	6,769
Net assets released from restrictions for operations	207	—	—	—	—	—	—	—	207
Total operating revenue	239,389	—	—	1,201	4,099	—	—	(4,988)	239,701
Operating expenses:									
Salaries and wages	97,047	—	—	—	3,294	—	—	—	100,341
Employee benefits	17,848	—	—	—	721	—	—	—	18,569
Supplies and other	27,766	—	—	—	—	—	—	—	27,766
Other expenses	79,958	—	—	606	84	—	—	(4,988)	75,660
Interest	2,811	—	—	13	—	—	—	—	2,824
Provider tax	10,283	—	—	—	—	—	—	—	10,283
Depreciation	5,010	—	—	466	—	—	—	—	5,476
Total operating expenses	240,723	—	—	1,085	4,099	—	—	(4,988)	240,919
Income (loss) from operations	(1,334)	—	—	116	—	—	—	—	(1,218)
Net periodic pension cost	(1,430)	—	—	—	—	—	—	—	(1,430)
Nonoperating gains (losses), net:									
Dividend and interest income	2,813	—	—	—	387	—	—	(337)	2,863
Realized gain (loss) from investments	27,421	—	—	—	—	—	—	—	27,421
Unrealized gain (loss) from investments	(14,039)	—	29	—	136	—	—	—	(13,874)
Gain (loss) on sale of assets	85	—	—	—	—	—	—	—	85
Other nonoperating income	202	—	—	—	—	—	(174)	—	28
Other nonoperating expense	(408)	150	—	—	—	—	—	—	(258)
Loss on early extinguishment of debt	(3,791)	—	—	—	—	—	—	—	(3,791)
Total nonoperating gains (losses), net	12,283	150	29	—	523	—	(174)	(337)	12,474
Excess of revenue over expenses	9,519	150	29	116	523	—	(174)	(337)	9,826
Other changes in net asset without donor restriction:									
Net assets released from restrictions	79	—	—	—	—	—	—	—	79
Adjustment to defined benefit pension obligation	(2,403)	—	—	—	—	—	—	—	(2,403)
Transfer among affiliates	(225)	24	80	—	(373)	—	—	—	(494)
Increase (decrease) in net assets without donor restriction	\$ 6,970	\$ 174	\$ 109	\$ 116	\$ 150	\$ —	\$ (174)	\$ (337)	\$ 7,008

St. Mary's Health System
Consolidating Balance Sheet
December 31, 2021
(In thousands)

Assets

Current assets:

Cash and cash equivalents	\$ 3,597	\$ 2	\$ 1,692	\$ 1,946	\$ —	\$ 7,237
Accounts receivable, net	25,953	(7)	—	606	—	26,552
Current portion of pledges receivable	—	—	—	—	—	—
Investments	3,306	—	155	—	—	3,461
Inventories	2,521	—	—	19	—	2,540
Prepaid expenses and other current assets	1,236	272	29	140	—	1,677
Current portion of assets whose use is limited or restricted	1	—	—	—	—	1
Current portion of due from affiliates	23,271	1,828	153	53	(24,841)	464
Total current assets	59,885	2,095	2,029	2,764	(24,841)	41,932

Assets whose use is limited or restricted:

Funds held by trustees, less current portion	—	1,628	—	—	—	1,628
Deferred compensation	—	—	—	—	—	—
Board designated funds and other long-term investments	5,163	727	9	44	—	5,943
Replacement reserve	—	—	566	—	—	566
Donor restricted funds	5,940	1,877	14	45	280	8,156
Total assets whose use is limited or restricted	11,103	4,232	589	89	280	16,293

Other assets:

Pledges receivable, less current portion	—	—	—	—	—	—
Other assets	—	114	115	—	—	229
Due from affiliates, less current portion	—	—	—	—	—	—
Investments in joint ventures	2,485	555	—	—	—	3,040
Total other assets	2,485	669	115	—	—	3,269

Property, plant and equipment

Land and improvements	2,831	2,137	81	—	—	5,049
Buildings and improvements	80,062	7,042	2,539	55	—	89,698
Equipment	38,959	297	504	170	—	39,930
Construction in progress	7,615	—	13	—	—	7,628
Right of use assets	3,754	—	—	—	—	3,754
	133,221	9,476	3,137	225	—	146,059
Less accumulated depreciation	(69,118)	(4,640)	(2,381)	(152)	—	(76,291)
Less accumulated depreciation – right of use assets	(82)	—	—	—	—	(82)
Total property, plant and equipment	64,021	4,836	756	73	—	69,686

Total assets

\$ 137,494	\$ 11,832	\$ 3,489	\$ 2,926	\$ (24,561)	\$ 131,180
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St. Mary's Health System
Consolidating Balance Sheets
December 31, 2021
(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	\$ 6,068	\$ 5	\$ 22	\$ 35	\$ —	\$ 6,130
Accrued expenses and other liabilities	14,456	129	10	705	—	15,300
Estimated third-party payor settlements	(2,751)	—	—	—	—	(2,751)
Other current liabilities	11,138	2	53	129	—	11,322
Current portion of due to affiliates	16,687	22,688	211	134	(24,841)	14,879
Current portion of lease liability	1,005	—	—	—	—	1,005
Current portion of long-term debt	368	—	111	—	—	479
Total current liabilities	46,971	22,824	407	1,003	(24,841)	46,364
Long-term debt, less current portion	—	(34)	1,779	—	—	1,745
Long-term lease liability, less current portion	2,671	—	—	—	—	2,671
Due to affiliates, less current portion	33,583	1,114	—	—	280	34,977
Defined benefit pension obligation	—	—	—	—	—	—
Other liabilities	580	270	14	—	—	864
Professional liability loss reserves	—	2,038	—	—	—	2,038
Total liabilities	83,805	26,212	2,200	1,003	(24,561)	88,659
Net assets:						
Without donor restriction	47,843	(15,142)	1,275	1,878	—	35,854
With donor restriction	5,846	762	14	45	—	6,667
Total net assets	53,689	(14,380)	1,289	1,923	—	42,521
Total liabilities and net assets	\$ 137,494	\$ 11,832	\$ 3,489	\$ 2,926	\$ (24,561)	\$ 131,180

St. Mary's Health System
Consolidating Statement of Operations
December 31, 2021
(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
\$ 212,159	\$ 13	\$ —	\$ 10,074	\$ —	\$ 222,246
27,290	3,701	1,854	4,622	(7,942)	29,525
503	—	1	231	—	735
239,952	3,714	1,855	14,927	(7,942)	252,506

Operating expenses:

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

94,230	1,069	—	6,880	—	102,179
20,597	1,309	—	1,769	(2,406)	21,269
28,607	90	—	157	(359)	28,495
94,986	701	1,171	5,160	(5,177)	96,841
1,368	—	147	—	—	1,515
4,941	—	—	—	—	4,941
3,930	371	126	17	—	4,444
248,659	3,540	1,444	13,983	(7,942)	259,684

Income (loss) from operations

(8,707)	174	411	944	—	(7,178)
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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
Loss on early extinguishment of debt
Total nonoperating gains (losses), net

105	22	—	1	—	128
1,115	—	—	—	—	1,115
(1,302)	(34)	—	(1)	—	(1,337)
1,546	(85)	—	—	—	1,461
(258)	(4)	—	—	—	(262)
(372)	(1)	—	—	—	(373)
(984)	—	—	—	—	(984)
(150)	(102)	—	—	—	(252)

Excess of revenue over expenses

(8,857)	72	411	944	—	(7,430)
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Other changes in net asset without donor
restriction:

Net assets released from restrictions
Adjustment to defined benefit
pension obligation
Transfer among affiliates

4,209	—	—	—	—	4,209
—	—	—	—	—	—
—	—	—	—	—	—

Increase (decrease) in net assets
without donor restriction

\$ (4,648)	\$ 72	\$ 411	\$ 944	\$ —	\$ (3,221)
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St. Joseph Healthcare Foundation
Consolidating Balance Sheet
December 31, 2021
(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	\$ 1,829	\$ 545	\$ 2,231	\$ 20	\$ 33	\$ —	\$ 4,658	\$ —	\$ 4,658
Accounts receivable, net	16,172	—	—	447	622	—	17,241	—	17,241
Current portion of pledges receivable	—	—	—	—	—	—	—	—	—
Investments	2,143	809	—	830	—	—	3,782	—	3,782
Inventories	4,120	—	2	209	—	—	4,331	—	4,331
Prepaid expenses and other current assets	1,619	—	31	199	9	—	1,858	—	1,858
Current portion of assets whose use is limited or restricted	—	—	—	—	—	—	—	—	—
Current portion of due from affiliates	3,051	6	—	1	29	(3,037)	50	—	50
Total current assets	28,934	1,360	2,264	1,706	693	(3,037)	31,920	—	31,920
Assets whose use is limited or restricted:									
Funds held by trustees, less current portion	—	—	—	—	—	—	—	—	—
Deferred compensation	—	—	—	—	—	—	—	—	—
Board designated funds and other long-term investments	11,329	—	—	—	—	—	11,329	—	11,329
Replacement reserve	—	—	—	—	—	—	—	—	—
Donor restricted funds	3,022	3,839	—	—	—	—	6,861	—	6,861
Total assets whose use is limited or restricted	14,351	3,839	—	—	—	—	18,190	—	18,190
Other assets:									
Pledges receivable, less current portion	—	—	—	—	—	—	—	—	—
Other assets	—	—	—	—	—	—	—	—	—
Due from affiliates, less current portion	118	—	—	—	—	—	118	—	118
Investments in joint ventures	301	53	—	—	—	1	355	—	355
Total other assets	419	53	—	—	—	1	473	—	473
Property, plant and equipment									
Land and improvements	2,070	80	2,807	—	—	—	4,957	—	4,957
Buildings and improvements	51,381	—	8,029	—	—	—	59,410	—	59,410
Equipment	40,673	—	385	759	124	—	41,941	—	41,941
Construction in progress	514	—	75	—	—	—	589	—	589
Right of use assets	154	—	—	—	—	—	154	—	154
	94,792	80	11,296	759	124	—	107,051	—	107,051
Less accumulated depreciation	(65,371)	—	(7,496)	(731)	(124)	—	(73,722)	—	(73,722)
Less accumulated depreciation – right of use assets	(72)	—	—	—	—	—	(72)	—	(72)
Total property, plant and equipment	29,349	80	3,800	28	—	—	33,257	—	33,257
Total assets	\$ 73,053	\$ 5,332	\$ 6,064	\$ 1,734	\$ 693	\$ (3,036)	\$ 83,840	\$ —	\$ 83,840

St. Joseph Healthcare Foundation
Consolidating Balance Sheet
December 31, 2021
(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	\$ 4,254	\$ 1	\$ 64	\$ 615	\$ 102	\$ —	\$ 5,036	\$ —	\$ 5,036
Accrued expenses and other liabilities	8,590	216	1	44	197	—	9,048	1	9,049
Estimated third-party payor settlements	(5,660)	—	—	—	—	—	(5,660)	—	(5,660)
Other current liabilities	10,465	—	—	—	619	—	11,084	—	11,084
Current portion of due to affiliates	2,843	204	—	2,012	814	(3,037)	2,836	—	2,836
Current portion of lease liability	496	—	—	—	—	—	496	—	496
Current portion of long-term debt	—	—	30	—	—	—	30	—	30
Total current liabilities	20,988	421	95	2,671	1,732	(3,037)	22,870	1	22,871
Long-term debt, less current portion	—	—	174	—	—	—	174	—	174
Long-term lease liability, less current portion	1,547	—	—	—	—	—	1,547	—	1,547
Due to affiliates, less current portion	14,934	—	—	—	—	—	14,934	—	14,934
Defined benefit pension obligation	(961)	(240)	—	—	—	—	(1,201)	—	(1,201)
Other liabilities	368	—	—	—	—	—	368	—	368
Professional liability loss reserves	1,247	—	—	—	—	—	1,247	—	1,247
Total liabilities	38,123	181	269	2,671	1,732	(3,037)	39,939	1	39,940
Net assets:									
Without donor restriction	31,789	1,362	5,795	(937)	(1,040)	1	36,970	(1)	36,969
With donor restriction	3,141	3,789	—	—	1	—	6,931	—	6,931
Total net assets	34,930	5,151	5,795	(937)	(1,039)	1	43,901	(1)	43,900
Total liabilities and net assets	73,053	5,332	6,064	1,734	693	(3,036)	\$ 83,840	\$ —	\$ 83,840

St. Joseph Healthcare Foundation
Consolidating Statement of Operations
December 31, 2021
(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	\$ 164,459	\$ —	\$ —	\$ 2,352	\$ 4,081	\$ —	\$ 170,892	\$ —	\$ 170,892
Other revenue	9,504	—	884	1,712	56	(1,710)	10,446	—	10,446
Net assets released from restrictions for operations	143	—	—	—	24	—	167	—	167
Total operating revenue	174,106	—	884	4,064	4,161	(1,710)	181,505	—	181,505
Operating expenses:									
Salaries and wages	71,068	—	—	1,400	2,099	—	74,567	—	74,567
Employee benefits	14,058	—	—	304	440	—	14,802	—	14,802
Supplies and other	26,019	—	—	2,500	143	—	28,662	—	28,662
Other expenses	57,480	2	325	256	1,756	(1,710)	58,109	—	58,109
Interest	601	—	7	—	—	—	608	—	608
Provider tax	3,159	—	—	—	—	—	3,159	—	3,159
Depreciation	2,160	—	328	16	—	—	2,504	—	2,504
Total operating expenses	174,545	2	660	4,476	4,438	(1,710)	182,411	—	182,411
Income (loss) from operations	(439)	(2)	224	(412)	(277)	—	(906)	—	(906)
Net periodic pension cost	663	166	—	—	—	—	829	—	829
Nonoperating gains (losses), net:									
Dividend and interest income	497	53	—	14	—	—	564	—	564
Realized gain (loss) from investments	2,359	8	—	3	—	—	2,370	—	2,370
Unrealized gain (loss) from investments	(1,288)	(55)	—	(20)	—	—	(1,363)	—	(1,363)
Gain (loss) on sale of assets	(11)	—	—	—	—	—	(11)	—	(11)
Other nonoperating income	—	27	—	—	—	—	27	—	27
Other nonoperating expense	(323)	(5)	—	—	—	—	(328)	—	(328)
Loss on early extinguishment of debt	(261)	—	—	—	—	—	(261)	—	(261)
Total nonoperating gains (losses), net	973	28	—	(3)	—	—	998	—	998
Excess of revenue over expenses	1,197	192	224	(415)	(277)	—	921	—	921
Other changes in net asset without donor restriction:									
Net assets released from restrictions	2,913	—	—	—	—	—	2,913	—	2,913
Adjustment to defined benefit pension obligation	298	74	—	—	—	—	372	—	372
Transfer among affiliates	—	—	—	—	—	—	—	—	—
Increase (decrease) in net assets without donor restriction	\$ 4,408	\$ 266	\$ 224	\$ (415)	\$ (277)	\$ —	\$ 4,206	\$ —	\$ 4,206

Mary Immaculate Health Care Services, Inc.
Consolidating Balance Sheet
December 31, 2021
(In thousands)

Assets

Current assets:

Cash and cash equivalents	\$ 1,288	\$ 443	\$ 922	\$ 514	\$ —	\$ —	\$ 3,167
Accounts receivable, net	1,591	—	86	2	—	—	1,679
Current portion of pledges receivable	—	—	—	—	—	—	—
Investments	—	—	—	—	—	—	—
Inventories	44	—	—	—	—	—	44
Prepaid expenses and other current assets	266	—	—	—	—	—	266
Current portion of assets whose use is limited or restricted	1	—	—	—	—	—	1
Current portion of due from affiliates	553	—	—	—	—	—	553
Total current assets	3,743	443	1,008	516	—	—	5,710

Assets whose use is limited or restricted:

Funds held by trustees, less current portion	—	—	—	—	—	—	—
Deferred compensation	—	—	—	—	—	—	—
Board designated funds and other long-term investments	35,903	4,414	6,695	5,046	—	—	52,058
Replacement reserve	—	—	—	—	—	—	—
Donor restricted funds	45	—	3	—	—	—	48
Total assets whose use is limited or restricted	35,948	4,414	6,698	5,046	—	—	52,106

Other assets:

Pledges receivable, less current portion	—	—	—	—	—	—	—
Other assets	—	—	—	(2)	—	—	(2)
Due from affiliates, less current portion	—	—	—	—	—	—	—
Investments in joint ventures	—	—	—	—	—	—	—
Total other assets	—	—	—	(2)	—	—	(2)

Property, plant and equipment

Land and improvements	641	—	—	—	—	—	641
Buildings and improvements	13,376	240	314	—	—	—	13,930
Equipment	1,871	221	238	169	—	—	2,499
Construction in progress	195	—	178	—	—	—	373
Right of use assets	—	—	—	—	—	—	—
	16,083	461	730	169	—	—	17,443
Less accumulated depreciation	(11,008)	(329)	(200)	(47)	—	—	(11,584)
Less accumulated depreciation — right of use assets	—	—	—	—	—	—	—
Total property, plant and equipment	5,075	132	530	122	—	—	5,859

Total assets

\$ 44,766	\$ 4,989	\$ 8,236	\$ 5,682	\$ —	\$ —	\$ 63,673
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Mary Immaculate Health Care Services, Inc.
Consolidating Balance Sheet
December 31, 2021
(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	\$ 439	\$ —	\$ 4	\$ 2	\$ —	\$ —	\$ 445
Accrued expenses and other liabilities	1,005	—	80	6	—	—	1,091
Estimated third-party payor settlements	30	—	—	—	—	—	30
Other current liabilities	111	—	—	—	—	—	111
Current portion of due to affiliates	—	—	251	66	—	—	317
Current portion of lease liability	—	—	—	—	—	—	—
Current portion of long-term debt	—	—	—	—	—	—	—
Total current liabilities	1,585	—	335	74	—	—	1,994
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	562	—	3	—	—	—	565
Professional liability loss reserves	89	—	—	—	—	—	89
Total liabilities	2,236	—	338	74	—	—	2,648
Net assets:							
Without donor restriction	42,527	4,989	7,898	5,608	—	—	61,022
With donor restriction	3	—	—	—	—	—	3
Total net assets	42,530	4,989	7,898	5,608	—	—	61,025
Total liabilities and net assets	\$ 44,766	\$ 4,989	\$ 8,236	\$ 5,682	\$ —	\$ —	\$ 63,673

Mary Immaculate Health Care Services, Inc.
Consolidating Statement of Operations
December 31, 2021
(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	14,318	92	2,057	29	—	—	\$ 16,496
Other revenue	737	4	805	32	—	—	1,578
Net assets released from restrictions for operations	211	—	—	—	—	—	211
Total operating revenue	15,266	96	2,862	61	—	—	18,285
Operating expenses:							
Salaries and wages	8,054	—	1,826	76	—	—	9,956
Employee benefits	1,582	—	303	24	—	—	1,909
Supplies and other	1,822	—	—	—	—	—	1,822
Other expenses	5,051	11	1,015	92	—	—	6,169
Interest	—	—	—	—	—	—	—
Provider tax	99	—	—	—	—	—	99
Depreciation	657	15	37	36	—	—	745
Total operating expenses	17,265	26	3,181	228	—	—	20,700
Income (loss) from operations	(1,999)	70	(319)	(167)	—	—	(2,415)
Net periodic pension cost	—	—	—	—	—	—	—
Nonoperating gains (losses), net:							
Dividend and interest income	499	62	94	72	—	—	727
Realized gain (loss) from investments	7,331	864	1,285	941	—	—	10,421
Unrealized gain (loss) from investments	(3,722)	(443)	(662)	(487)	—	—	(5,314)
Gain (loss) on sale of assets	—	—	—	—	—	—	—
Other nonoperating income	(4)	—	—	—	—	—	(4)
Other nonoperating expense	(10)	—	—	—	—	—	(10)
Loss on early extinguishment of debt	9	—	—	—	—	—	9
Total nonoperating gains (losses), net	4,103	483	717	526	—	—	5,829
Excess of revenue over expenses	2,104	553	398	359	—	—	3,414
Other changes in net asset without donor restriction:							
Net assets released from restrictions	—	—	—	—	—	—	—
Adjustment to defined benefit pension obligation	—	—	—	—	—	—	—
Transfer among affiliates	—	—	—	—	—	—	—
Increase (decrease) in net assets without donor restriction	\$ 2,104	\$ 553	\$ 398	\$ 359	\$ —	\$ —	\$ 3,414

St. Mary's Villa Nursing Home, Inc.
Consolidating Balance Sheet
December 31, 2021
(In thousands)

Assets

Current assets:

Cash and cash equivalents
Accounts receivable, net
Current portion of pledges receivable
Investments
Inventories
Prepaid expenses and other current assets
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:

Pledges receivable, less current portion
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
\$	2,055	\$ 476	\$ 2,531
	295	549	844
	—	—	—
	—	—	—
	—	16	16
	(26)	78	52
	348	313	661
	(27)	22	(5)
	2,645	1,454	4,099
	26	—	26
	—	—	—
	5,852	10,162	16,014
	—	—	—
	—	13	13
	5,878	10,175	16,053
	—	—	—
	—	57	57
	—	—	—
	—	—	—
	—	57	57
	219	80	299
	5,806	10,601	16,407
	980	3,562	4,542
	—	175	175
	—	—	—
	7,005	14,418	21,423
	(4,167)	(8,813)	(12,980)
	—	—	—
	2,838	5,605	8,443
\$	11,361	\$ 17,291	\$ 28,652

St. Mary's Villa Nursing Home, Inc.
Consolidating Balance Sheet
December 31, 2021
(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
\$	122	\$ 69	\$ 191
	190	878	1,068
	—	4	4
	204	—	204
	14	61	75
	—	—	—
	—	125	125
	530	1,137	1,667
	988	1,087	2,075
	—	—	—
	—	1,825	1,825
	—	—	—
	—	327	327
	8	49	57
	1,526	4,425	5,951
	9,489	12,657	22,146
	346	209	555
	9,835	12,866	22,701
\$	11,361	\$ 17,291	\$ 28,652

St. Mary's Villa Nursing Home, Inc.
Consolidating Statement of Operations
December 31, 2021
(In thousands)

Operating revenue:

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

Operating expenses:

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

Income (loss) from operations

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
Loss on early extinguishment of debt
Total nonoperating gains (losses), net

Excess of revenue over expenses

Other changes in net asset without donor
restriction:

Net assets released from restrictions
Adjustment to defined benefit
pension obligation
Transfer among affiliates

Increase (decrease) in net assets
without donor restriction

	Primary Care	Skilled Nursing Facility	St. Mary's Villa Nursing Home, Inc. Consolidated
	\$ 2,412	\$ 8,887	\$ 11,299
	58	201	259
	—	—	—
	2,470	9,088	11,558
	1,392	5,403	6,795
	159	1,297	1,456
	—	785	785
	699	2,031	2,730
	39	165	204
	—	300	300
	123	578	701
	2,412	10,559	12,971
	58	(1,471)	(1,413)
	—	—	—
	83	135	218
	1,190	2,085	3,275
	(440)	(753)	(1,193)
	—	—	—
	—	—	—
	—	—	—
	833	1,467	2,300
	891	(4)	887
	—	—	—
	—	—	—
	—	—	—
	\$ 891	\$ (4)	\$ 887