

QUARTERLY COMPLIANCE REPORT
Covenant Health Obligated Group

Three Month Period Ended March 31, 2024

Name, Address and Telephone Number of Obligated Person:

Covenant Health Obligated Group
c/o Covenant Health, Inc.
40 Shattuck Road, Ste. 317
Andover, MA 01810
978-312-4305
Contact person: Stephen W. Forney, Senior Vice-President/Chief Financial Officer

Bonds and Notes to Which Report Relates:

\$33,460,000 Original issued amount
Maine Health And Higher Educational Facilities Authority
Revenue Bonds, Covenant Health
Obligated Group Issue, Series 2023

<u>MATURITY</u>	<u>CUSIP NO.</u>
07/01/2037	56042R8P0

\$56,060,000 Original issued amount
New Hampshire Health And Education Facilities Authority
Revenue Bonds, Covenant Health Obligated Group Issue,
Series 2023

<u>MATURITY</u>	<u>CUSIP NO.</u>
07/01/2037	64461XGW9

\$125,000,000 Original Issued amount
Covenant Health Obligated Group, Series 2021-1

<u>MATURITY</u>	<u>CUSIP NO.</u>
07/01/2041	22285@AA6

\$8,000,000 Original issued amount
Covenant Health Obligated Group, Series 2021-1

<u>MATURITY</u>	<u>CUSIP NO.</u>
07/01/2051	22285FAA4

Period to Which Report Relates: Three Month Period Ended March 31, 2024

This Quarterly Compliance Report (this "Report") is provided on behalf of the Covenant Health Obligated Group ("Covenant").

THIS REPORT IS INTENDED SOLELY TO PROVIDE CERTAIN LIMITED FINANCIAL DATA IN ACCORDANCE WITH UNDERTAKINGS OF COVENANT AND DOES NOT CONSTITUTE A REISSUANCE OF ANY OFFERING DOCUMENT OR OFFICIAL STATEMENT RELATING TO ANY OUTSTANDING NOTES OR BONDS OR A SUPPLEMENT OR AMENDMENT TO ANY SUCH OFFERING DOCUMENT OR OFFICIAL STATEMENT.

THIS REPORT CONTAINS CERTAIN FINANCIAL DATA AS OF MARCH 31, 2023. COVENANT HAS UNDERTAKEN NO RESPONSIBILITY TO UPDATE ANY ELEMENTS OF THAT DATA SINCE THAT DATE OR TO UPDATE THIS REPORT AND DISCLAIM ANY OBLIGATION TO UPDATE THIS REPORT OR TO FILE ANY REPORTS OR OTHER INFORMATION WITH ANY OTHER PERSON EXCEPT AS SPECIFICALLY REQUIRED BY THE UNDERTAKING.

This Report may contain certain "forward-looking statements" which involve known and unknown risks and uncertainties inherent in the operation of healthcare facilities. All statements other than statements of historical information provided herein may be forward-looking statements. Without limiting the foregoing, the words "believes," "estimates," "anticipates," "plans," "intends," "scheduled," "expects" and similar expressions are intended to identify forward-looking statements. Factors that could cause actual results to differ materially from those reflected in the forward-looking statements include, but are not limited to, competition from other healthcare facilities, federal and state regulation of healthcare providers, and reimbursement policies of state and federal governments and managed care organizations. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis, judgment, belief or expectation only as of the date hereof. Covenant undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof.


SUMMARY FINANCIAL INFORMATION

Consolidated Unaudited Financial Statements and Select Consolidated Financial Information

Attached hereto are the unaudited Consolidated Balance Sheet as of March 31, 2024 and 2023 for Covenant as **Exhibit A**, the unaudited Consolidated Statement of Operations and Changes in Net Assets for the three month periods ended March 31, 2024 and 2023 for Covenant as **Exhibit B** and unaudited consolidated select financial metrics for the three-month periods ended March 31, 2024 and 2023 for Covenant as **Exhibit C**. The financial statements were derived by management from unaudited internal financial statements. The unaudited financial statements include all adjustments, consisting of normal recurring accruals, which Covenant considers necessary for a fair presentation of the results of operations for these periods in all material respects. The financial statements should be read in conjunction with the notes to the Audited Consolidated Financial Statements of the Consolidated Group for the year ended December 31, 2023, which are posted with the Annual Compliance Report for the year ended December 31, 2023.

Date: 05/20/2024

COVENANT HEALTH, INC.

By:  _____

Stephen W. Forney, Senior Vice-President/Chief Financial Officer

Exhibit A

**Covenant Health, Inc. and Subsidiaries - Consolidated
Consolidated Balance Sheet
as of March 31, 2024 and 2023**

	3/31/2024	3/31/2023
Assets:		
Current Assets:		
Cash and cash equivalents	\$ 40,979	\$ 36,636
Accounts Receivable, net	109,720	102,105
Short-term investments	14,439	5,703
Inventories	11,761	10,645
Prepaid expenses and other assets	39,183	34,612
Amounts receivable from third party payors	559	556
Current portion asset whose use is limited or restricted	<u>1,292</u>	<u>1,452</u>
Total Current Assets	<u>217,933</u>	<u>191,709</u>
Assets Whose Use is Limited or Restricted:		
Funds held by trustees, less current portion	1,949	1,855
Deferred compensation	12,416	12,029
Board designated & long term investments	256,611	277,284
Replacement reserve	9,583	9,463
Donor Restricted & other resident funds	<u>61,280</u>	<u>59,143</u>
Total Assets Whose Use is Limited or Restricted	<u>341,839</u>	<u>359,774</u>
Other Assets:		
Notes receivable and other assets	739	1,899
Investments in joint ventures	<u>6,195</u>	<u>6,568</u>
Total Other Assets	<u>6,934</u>	<u>8,467</u>
Property, Plant & Equipment:		
Land and improvements	20,122	20,105
Buildings and improvements	447,786	442,494
Equipment	263,129	263,286
Construction in progress	10,244	8,978
Accumulated Depreciation	(441,001)	(425,645)
Right of Use Assets	8,487	10,113
Accum. Amort. - ROU Assets	<u>(4,133)</u>	<u>(4,743)</u>
Total Property, Plant & Equipment	<u>304,634</u>	<u>314,588</u>
Total Assets	<u>\$ 871,340</u>	<u>\$ 874,538</u>

Exhibit A (Cont'd)

**Covenant Health, Inc. and Subsidiaries - Consolidated
Consolidated Balance Sheet
as of March 31, 2024 and 2023**

	3/31/2024	3/23/2023
Liabilities and Net Assets:		
Current Liabilities:		
Accounts payable	\$ 47,930	\$ 49,170
Accrued expenses	81,507	73,310
Due to third party payors	(5,909)	(2,553)
Other current liabilities	23,803	18,251
Current portion of long-term debt	637	2,340
Current portion of capital lease obligations	<u>3,439</u>	<u>3,537</u>
Total Current Liabilities	<u>151,407</u>	<u>144,055</u>
Long-term debt, less current portion	220,680	222,008
Capital lease obligation - LT portion	4,095	6,513
Other liabilities and residents funds	24,422	29,260
Defined benefit pension obligation	-	1,476
Professional liability loss reserves	<u>22,728</u>	<u>27,849</u>
Total Long-Term Liabilities	<u>271,925</u>	<u>287,106</u>
Net Assets:		
Without Donor Restrictions	384,809	379,773
With Donor Restrictions	<u>63,199</u>	<u>63,604</u>
Total Net Assets	<u>448,008</u>	<u>443,377</u>
Total Liabilities and Net Assets	<u>\$ 871,340</u>	<u>\$ 874,538</u>

Exhibit B

Covenant Health, Inc. and Subsidiaries - Consolidated
Statement of Changes in Net Assets
for the three month periods ended March 31, 2024 and 2023
(\$ in 000s)

	2024	2023
Operating Revenue:		
Net patient service revenue	\$ 213,649	\$ 199,459
Other operating revenue	10,407	9,295
Net assets released from restrictions	<u>824</u>	<u>675</u>
Total Operating Revenue	<u>224,880</u>	<u>209,429</u>
Operating Expenses:		
Salaries and Wages	98,553	90,881
Employee Benefits	22,971	20,520
Contract Labor (clinical and non-clinical)	9,059	17,065
Locum Physicians	<u>1,896</u>	<u>1,719</u>
Total Labor	132,479	130,185
Purchased Services	37,690	31,726
Supplies (incl. Food)	27,738	26,380
Other Expenses	15,234	14,383
Interest	2,391	2,431
Depreciation and Amortization	7,058	7,123
Provider Tax	<u>6,621</u>	<u>6,058</u>
Total Operating Expenses	<u>229,211</u>	<u>218,286</u>
Income (Loss) from Operations	<u>(4,331)</u>	<u>(8,857)</u>
Non-Operating Income (Expense):		
Dividend & Interest Income	1,615	952
Realized Gain (Loss) from Investments	1,376	(1,264)
Unrealized Gain (Loss) from Investments	15,688	16,717
Gain (Loss) on Sale of Assets	-	22
Other Non-Operating Income	386	361
Other Non-Operating Expense	(527)	(486)
Net Periodic Pension Cost, Net of Service Cost	(21)	(789)
Gain on Early Extinguishment of Debt	<u>-</u>	<u>11,483</u>
Non-Operating Income (Expense)	<u>18,517</u>	<u>26,996</u>
Excess of Revenue Over Expenses	14,186	18,139
Net Assets Released from Restrictions - Non-Operating	2,049	139
Adjustments to Defined Benefit Pension Obligation	-	364
Transfer among affiliates	<u>(8,000)</u>	<u>-</u>
Increase (Decrease) in Net Assets w/o Donor Restr.	<u>\$ 8,235</u>	<u>\$ 18,642</u>

Covenant Health, Inc. and Subsidiaries

Select Consolidated Financial Metrics

	Three Months Ended March 31	
	2024	2023
Excess of Revenue Over Expenses	\$ 14,186	\$ 18,139
Less: Unrealized Investment Losses (Gains)	(15,688)	(16,717)
Interest Expense	2,391	2,431
Depreciation Expense	<u>7,058</u>	<u>7,123</u>
Income Available for Debt Service	<u>\$ 7,947</u>	<u>\$ 10,976</u>
Income Available for Debt Service - Annualized	<u>\$ 31,788</u>	<u>\$ 43,904</u>
Debt Service:		
Current Portion of LTD as of 12/31/22 and 21	\$ 4,076	\$ 6,020
Annualized Interest Payments	<u>9,564</u>	<u>9,724</u>
Total Debt Service - Annual	<u>\$ 13,640</u>	<u>\$ 15,744</u>
Debt Service Coverage	<u>2.3</u>	<u>2.8</u>
Cash and Short-Term Investments	\$ 55,418	\$ 42,339
Board-Designated Investments	256,611	277,284
Restricted Investments	<u>70,863</u>	<u>82,490</u>
Total Cash and investments	<u>\$ 382,892</u>	<u>\$ 402,113</u>
Cash Expenses	<u>\$ 222,153</u>	<u>\$ 211,163</u>
Days in Period	91	90
Daily Cash Expenses	<u>\$ 2,441</u>	<u>\$ 2,346</u>
Days Cash on Hand - Unrestricted	<u>128</u>	<u>136</u>
Days Cash on Hand - Unrestricted & Unrestricted	<u>157</u>	<u>171</u>
Long-Term Debt	<u>\$ 224,775</u>	<u>\$ 228,521</u>
Net Assets w/o Donor Restrictions	384,809	379,773
Net Assets w/ Donor Restrictions	<u>63,199</u>	<u>63,604</u>
Total Net Assets	<u>\$ 448,008</u>	<u>\$ 443,377</u>
LTD to Net Assets w/o Restrictions	<u>37%</u>	<u>38%</u>