

**QUARTERLY COMPLIANCE REPORT
Covenant Health Obligated Group**

Six Months Ended June 30, 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: Six Months ended June 30, 2024

This Quarterly Compliance Report (this "Report") is provided on behalf of the Covenant Health, Inc. and its Subsidiaries ("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 JUNE 30, 2024. 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 June 30, 2024 and 2023 for Covenant as **Exhibit A**, the unaudited Consolidated Statement of Operations and Changes in Net Assets for the Six month periods ended June 30, 2024 and 2023 for Covenant as **Exhibit B** and unaudited consolidated select financial metrics for the Six-month periods ended June 30, 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: 08/20/2024

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 June 30, 2024 and 2023**

	6/30/2024	6/30/2023
Assets:		
Current Assets:		
Cash and cash equivalents	\$ 36,332	\$ 43,897
Accounts Receivable, net	100,431	103,299
Short-term investments	14,546	13,651
Inventories	12,136	11,330
Prepaid expenses and other assets	38,233	35,216
Amounts receivable from third party payors	559	556
Current portion asset whose use is limited or restricted	1,067	1,251
Total Current Assets	203,304	209,200
Assets Whose Use is Limited or Restricted:		
Funds held by trustees, less current portion	1,305	1,876
Deferred compensation	12,453	11,917
Board designated & long term investments	245,084	272,584
Replacement reserve	9,641	9,164
Donor Restricted & other resident funds	61,569	61,377
Total Assets Whose Use is Limited or Restricted	330,052	356,918
Other Assets:		
Notes receivable and other assets	738	888
Investments in joint ventures	6,355	6,591
Due from affiliates - LT	-	-
Total Other Assets	7,093	7,479
Property, Plant & Equipment:		
Land and improvements	20,208	20,112
Buildings and improvements	448,238	444,155
Equipment	265,010	253,433
Construction in progress	16,227	10,630
Accumulated Depreciation	(447,529)	(422,115)
Right of Use Assets	8,246	10,487
Accum. Amort. - ROU Assets	(4,362)	(5,008)
Total Property, Plant & Equipment	306,038	311,694
Total Assets	\$ 846,487	\$ 885,291

Exhibit A (cont'd)**Covenant Health, Inc. and Subsidiaries - Consolidated
Consolidated Balance Sheet
as of June 30, 2024 and 2023**

	6/30/2024	6/30/2023
Liabilities and Net Assets:		
Current Liabilities:		
Accounts payable	\$ 48,690	\$ 53,176
Accrued expenses	62,164	59,813
Due to third party payors	(1,135)	797
Other current liabilities	17,353	23,650
Current portion of long-term debt	641	2,217
Current portion of capital lease obligations	3,198	3,471
Total Current Liabilities	<u>130,911</u>	<u>143,124</u>
Long-term debt, less current portion	220,585	219,792
Capital lease obligation - LT portion	4,249	6,283
Other liabilities and residents funds	26,968	29,999
Defined benefit pension obligation	-	2,323
Professional liability loss reserves	21,909	28,721
Total Long-Term Liabilities	<u>273,711</u>	<u>287,118</u>
Net Assets:		
Without Donor Restrictions	377,301	390,127
With Donor Restrictions	64,564	64,922
Total Net Assets	<u>441,865</u>	<u>455,049</u>
Total Liabilities and Net Assets	<u>\$ 846,487</u>	<u>\$ 885,291</u>

Exhibit B

Covenant Health, Inc. and Subsidiaries - Consolidated
Statement of Changes in Net Assets
for the month and year-to-date periods ended June 30, 2024 and 2023
(\$ in 000s)

	6/30/2024	6/30/2023
Operating Revenue:		
Net patient service revenue	\$ 415,953	\$ 400,388
Other operating revenue	22,833	21,770
Net assets released from restrictions	1,640	1,452
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Total Operating Revenue	440,426	423,610
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Operating Expenses:		
Salaries and Wages	197,714	184,539
Employee Benefits	46,888	35,363
Contract Labor (clinical and non-clinical)	16,897	34,381
Locum Physicians	3,751	3,634
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Total Labor	265,250	257,917
Purchased Services	71,886	68,103
Supplies (incl. Food)	54,946	53,399
Other Expenses	29,655	27,689
Interest	4,770	3,974
Depreciation and Amortization	14,161	14,144
Provider Tax	13,356	12,054
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Total Operating Expenses	454,024	437,280
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Income (Loss) from Operations	(13,598)	(13,670)
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Non-Operating Income (Expense):		
Dividend & Interest Income	3,403	2,104
Realized Gain (Loss) from Investments	1,550	(3,865)
Unrealized Gain (Loss) from Investments	7,590	25,421
Gain (Loss) on Sale of Assets	6	43
Other Non-Operating Income	708	9,660
Other Non-Operating Expense	(1,283)	(950)
Net Periodic Pension Cost, Net of Service Cost	(21)	(1,571)
Gain on Early Extinguishment of Debt	-	11,483
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Non-Operating Income (Expense)	11,953	42,325
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Excess of Revenue Over Expenses	(1,645)	28,655
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Net Assets Released from Restrictions - Non-Operating	2,374	153
Adjustments to Defined Benefit Pension Obligation	-	188
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Increase (Decrease) in Net Assets w/o Donor Restr.	\$ 729	\$ 28,996
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Covenant Health, Inc. and its Subsidiaries

Select Consolidated Financial Metrics

	Consolidated Six Months Ended	
	6/30/2024	6/30/2023
Excess of Revenue Over Expenses	\$ (1,645)	\$ 28,655
Unrealized Investment Losses (Gains)	(7,590)	(25,421)
Loss (Gain) on Early Extinguishment of Debt	-	(11,483)
Interest Expense	4,770	3,974
Depreciation Expense	14,161	14,144
Income Available for Debt Service	<u>\$ 9,696</u>	<u>\$ 9,869</u>
Income Available for Debt Service - Annualized	<u>\$ 19,392</u>	<u>\$ 19,738</u>
Debt Service:		
Current Portion of LTD as of 12/31/23 and 22	\$ 2,217	\$ 738
Annualized Interest Payments	<u>9,540</u>	<u>7,948</u>
Total Debt Service - Annual	<u>\$ 11,757</u>	<u>\$ 8,686</u>
Debt Service Coverage	<u>1.6</u>	<u>2.3</u>
Cash and Short-Term Investments	\$ 50,878	\$ 57,548
Board-Designated Investments	245,084	272,584
Restricted Investments	<u>84,968</u>	<u>84,334</u>
Total Cash and Investments	<u>\$ 380,930</u>	<u>\$ 414,466</u>
Cash Expenses	<u>\$ 439,863</u>	<u>\$ 423,136</u>
Days in Period	182	181
Daily Cash Expenses	<u>\$ 2,416.8</u>	<u>\$ 2,338</u>
Days Cash on Hand - Unrestricted	<u>123</u>	<u>141</u>
Days Cash on Hand - Unrestricted & Unrestricted	<u>158</u>	<u>177</u>
Long-Term Debt	<u>\$ 224,834</u>	<u>\$ 226,075</u>
Long-Term Liabilities	<u>\$ 273,711</u>	<u>\$ 287,118</u>
Net Assets w/o Donor Restr	377,301	390,127
Net Assets w/ Donor Restr	<u>64,564</u>	<u>64,922</u>
Total Net Assets	<u>\$ 441,865</u>	<u>\$ 455,049</u>
LTD to Net Assets W/o Restriction	<u>37%</u>	<u>37%</u>
Long-Term Liabilities to Net Assets	<u>38%</u>	<u>39%</u>