

Covenant Health, Inc. and Subsidiaries

Consolidated Financial Statements,
Additional Information and Supplemental Information

*Years Ended December 31, 2024 and 2023
With Independent Auditors' Report*

Baker Newman & Noyes LLC
MAINE | MASSACHUSETTS | NEW HAMPSHIRE
800.244.7444 | www.bnn CPA.com



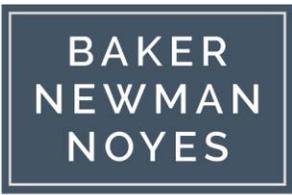
COVENANT HEALTH, INC. AND SUBSIDIARIES

Consolidated Financial Statements, Additional Information and Supplemental Information

Years Ended December 31, 2024 and 2023

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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, 2024 and 2023, 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, 2024 and 2023, 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., a wholly-owned subsidiary, whose statements reflect total assets constituting 7% of consolidated total assets at December 31, 2024 and 2023 and total revenues constituting 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 within a period of one year from the issuance of the financial statements.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Baker Newman & Noyes LLC

Portland, Maine
April 25, 2025

COVENANT HEALTH, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2024 and 2023

(In thousands)

ASSETS

	<u>2024</u>	<u>2023</u>
Current assets:		
Cash and cash equivalents	\$ 54,437	\$ 59,591
Patient accounts receivable (note 3)	100,571	95,492
Investments (note 4)	10,034	14,309
Inventories	11,353	11,520
Prepaid expenses and other current assets	29,968	26,671
Amount receivable from third-party payors	9,049	11,984
Current portion of assets whose use is limited or restricted (note 4)	<u>917</u>	<u>1,287</u>
Total current assets	216,329	220,854
Assets whose use is limited or restricted (note 4):		
Funds held by trustees, less current portion	1,403	1,907
Deferred compensation	12,265	12,623
Board-designated funds and other long-term investments	261,398	251,991
Replacement reserve	9,960	8,822
Donor-restricted funds	<u>61,582</u>	<u>59,342</u>
Total assets whose use is limited or restricted	346,608	334,685
Other assets:		
Other assets	818	725
Investments in joint ventures (note 8)	<u>7,000</u>	<u>6,133</u>
Total other assets	7,818	6,858
Property, plant and equipment (note 5):		
Land and improvements	19,519	20,122
Buildings and improvements	451,134	447,062
Equipment	272,190	262,215
Construction in progress	20,824	7,841
Right-of-use assets	<u>8,410</u>	<u>9,118</u>
	772,077	746,358
Less accumulated depreciation	(459,455)	(434,332)
Less accumulated depreciation – right-of-use assets	<u>(4,745)</u>	<u>(3,888)</u>
Total property, plant and equipment	<u>307,877</u>	<u>308,138</u>
Total assets	\$ <u>878,632</u>	\$ <u>870,535</u>

LIABILITIES AND NET ASSETS

	<u>2024</u>	<u>2023</u>
Current liabilities:		
Accounts payable	\$ 35,451	\$ 53,905
Accrued expenses and other liabilities	82,118	71,350
Other current liabilities (note 2)	8,644	19,538
Estimated third-party payor settlements (note 3)	3,511	3,767
Current portion of lease liability (note 5)	2,777	3,579
Current portion of long-term debt (note 5)	<u>619</u>	<u>640</u>
Total current liabilities	133,120	152,779
Long-term debt, less current portion (note 5)	220,749	220,658
Long-term lease liability, less current portion (note 5)	4,479	5,269
Other liabilities (note 2)	24,608	29,007
Professional liability loss reserves (note 2)	<u>31,385</u>	<u>22,722</u>
Total liabilities	414,341	430,435
Net assets:		
Without donor restrictions	398,864	376,572
With donor restrictions (note 7)	<u>65,427</u>	<u>63,528</u>
Total net assets	464,291	440,100
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 878,632</u>	<u>\$ 870,535</u>

See accompanying notes.

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

Years Ended December 31, 2024 and 2023
(In thousands)

	<u>2024</u>	<u>2023</u>
Operating revenue:		
Patient service revenue (note 3)	\$ 711,882	\$ 681,707
Other revenue (note 2)	41,317	47,817
Net assets released from restrictions for operations	<u>3,641</u>	<u>2,425</u>
Total operating revenue	756,840	731,949
Operating expenses (note 11):		
Salaries and wages	326,072	317,369
Employee benefits (notes 2 and 6)	79,084	64,576
Supplies	98,740	93,729
Other expenses	204,211	230,336
Interest	8,072	8,016
Provider tax (note 3)	22,000	20,526
Depreciation and amortization	<u>22,277</u>	<u>22,158</u>
Total operating expenses	<u>760,456</u>	<u>756,710</u>
Loss from continuing operations	(3,616)	(24,761)
Net periodic pension cost (note 6)	(26)	(11,534)
Nonoperating gains, net (notes 4 and 8)	<u>35,916</u>	<u>49,214</u>
Excess of revenues over expenses from continuing operations	32,274	12,919
Discontinued operations (note 13)	<u>(13,344)</u>	<u>(9,571)</u>
Excess of revenue over expenses	<u>\$ 18,930</u>	<u>\$ 3,348</u>

Continued next page.

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

Years Ended December 31, 2024 and 2023
(In thousands)

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	Total <u>Net Assets</u>
Balances at January 1, 2023	\$ 361,131	\$ 61,471	\$ 422,602
Excess of revenue over expenses	3,348	–	3,348
Net change in unrealized gains on investments (note 4)	–	1,971	1,971
Restricted contributions and investment income	–	3,080	3,080
Net assets released from restrictions for continuing operations	432	(2,857)	(2,425)
Net assets released from restrictions for discontinued operations	–	(710)	(710)
Adjustment to defined benefit pension obligation (note 6)	11,661	–	11,661
Change in fair value of beneficial interest in perpetual trusts	<u>–</u>	<u>573</u>	<u>573</u>
	<u>15,441</u>	<u>2,057</u>	<u>17,498</u>
Balances at December 31, 2023	376,572	63,528	440,100
Excess of revenue over expenses	18,930	–	18,930
Net change in unrealized gains on investments (note 4)	–	3,365	3,365
Restricted contributions and investment income	–	4,449	4,449
Net assets released from restrictions for continuing operations	1,864	(5,505)	(3,641)
Net assets released from restrictions for discontinued operations	–	(825)	(825)
Transfer to other nonaffiliated entity	1,498	–	1,498
Change in fair value of beneficial interest in perpetual trusts	<u>–</u>	<u>415</u>	<u>415</u>
	<u>22,292</u>	<u>1,899</u>	<u>24,191</u>
Balances at December 31, 2024	\$ <u>398,864</u>	\$ <u>65,427</u>	\$ <u>464,291</u>

See accompanying notes.

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

Years Ended December 31, 2024 and 2023
(In thousands)

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Change in net assets	\$ 24,191	\$ 17,498
Adjustments to reconcile change in net assets to cash (used) provided by operating activities:		
Net realized and unrealized gains on investments	(17,137)	(32,608)
Net (gain) loss from joint ventures	(867)	131
Restricted contributions and investment income	(4,449)	(3,080)
Depreciation and amortization	22,277	27,658
Adjustment to defined benefit pension obligation	-	11,661
Gain on sale of property, plant and equipment	(15,904)	(1,233)
Changes in operating assets and liabilities:		
Patient accounts receivable	(5,079)	(5,380)
Inventories, prepaid expenses and other current assets	(3,130)	(4,958)
Other assets	(93)	66
Accounts payable, accrued expenses and other liabilities	(22,979)	18,347
Estimated third-party payor settlements, net	2,679	(10,998)
Professional liability loss reserves	<u>8,663</u>	<u>(6,336)</u>
Net cash (used) provided by operating activities	(11,828)	10,768
Cash flows from investing activities:		
Purchases of investments and assets whose use is limited or restricted	(201,959)	(25,855)
Sales of investments and assets whose use is limited or restricted	211,818	53,194
Purchases of property, plant and equipment	(26,119)	(17,226)
Proceeds from sale of property, plant and equipment	<u>20,007</u>	<u>-</u>
Net cash provided by investing activities	3,747	10,113
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	-	89,520
Amounts paid to refinance	-	643
Payments on long-term debt and lease obligations	(1,522)	(104,720)
Restricted contributions and investment income	<u>4,449</u>	<u>3,080</u>
Net cash provided (used) by financing activities	<u>2,927</u>	<u>(11,477)</u>
(Decrease) increase in cash and cash equivalents	(5,154)	9,404
Cash and cash equivalents, beginning of year	<u>59,591</u>	<u>50,187</u>
Cash and cash equivalents, end of year	<u>\$ 54,437</u>	<u>\$ 59,591</u>
Supplemental disclosure:		
Cash paid for interest	<u>\$ 9,596</u>	<u>\$ 9,503</u>
Right-of-use assets, lease liability	<u>\$ 335</u>	<u>\$ 567</u>

See accompanying notes.

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2024 and 2023

(In thousands)

1. Organization

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

On December 23, 2024, the System entered into an agreement to sell substantially all property and equipment and transfer operations related to Youville House, St. Andre Health Care Facility, Mary Immaculate Health Care Services, Inc., 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., Mount St. Rita Health Centre, Penacook Place, Inc., Youville Place and Bangor Nursing and Rehabilitation Center (post acute care facilities or PACs) to an unrelated party.

The management of the System has determined that the vote to sell all assets and transfer operations to an unrelated affiliate met the criteria for a classification of discontinued operations. See Note 13 for additional information.

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 consolidated 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 consolidated 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, 2024 and 2023
(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, 2024 and 2023, 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 34% and 37% of receivables for the years ended December 31, 2024 and 2023, 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 48% and 59%, respectively, of the System's patient service revenue for the years ended December 31, 2024 and 2023, and revenue from Anthem accounted for approximately 22% and 23% of patient service revenue for 2024 and 2023, respectively.

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 consolidated 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, 2024.

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2024 and 2023

(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 consolidated statements of operations and changes in net assets 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.

Consolidated Statements of Operations and Changes in Net Assets

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 changes in net assets 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 and changes in net assets. The operations of Fanny Allen Corporation and Fanny Allen Holdings have been included in nonoperating gains on the consolidated statements of operations and changes in net assets.

Excess of Revenue Over Expenses

The consolidated statements of operations and changes in net assets 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 \$3,070 and \$7,398 to patient service revenue for the years ended December 31, 2024 and 2023, respectively.

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

Years Ended December 31, 2024 and 2023
(In thousands)

2. Significant Accounting Policies (Continued)

Charity Care

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

Cash and Cash Equivalents

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

Patient Accounts Receivable

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

When the System has an unconditional right to payment, subject only to the passage of time, the right is treated as a receivable. Patient accounts receivable, including billed accounts and unbilled accounts for which there is an unconditional right to payment, and estimated amounts due from third-party payors for retroactive adjustments, are receivables if the right to consideration is unconditional and only the passage of time is required before payment of that consideration is due. For patient accounts receivable, the estimated uncollectible amounts are generally considered implicit price concessions that are a direct reduction to patient accounts receivable. Patient accounts receivable amounted to \$100,571, \$95,492 and \$90,112 as of December 31, 2024, 2023 and 2022, respectively.

Beneficial Interest in Perpetual Trust

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

Inventories

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

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2024 and 2023
(In thousands)

2. **Significant Accounting Policies (Continued)**

Property, Plant and Equipment

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

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

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 and changes in net assets.

Financing Costs/Original Issue Discount

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

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2024 and 2023
(In thousands)

2. **Significant Accounting Policies (Continued)**

Assets Whose Use is Limited or Restricted

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

Investments and Investment Income

Investments in equity securities with readily determinable market values and all investments in debt securities are recorded at fair market value. At December 31, 2024 and 2023, the System held interests in certain funds that do not have a readily determinable fair market value and are valued by investment advisors based upon net asset value (NAV). Interests in such investments are generally recorded at fair market value based on the System's ownership share and rights of the investments.

The valuation of the investments that do not have a readily determinable market value is estimated by management based on fair values (NAV) provided by external investment managers. The System reviews and evaluates the valuations provided by the investment managers and believes that these valuations are a reasonable estimate of fair value at December 31, 2024 and 2023, 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 sheets and consolidated statements of operations and changes in net assets.

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2024 and 2023
(In thousands)

2. Significant Accounting Policies (Continued)

Donor-Restricted Gifts

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

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

Professional Liability Loss Contingencies

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

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

At December 31, 2024, 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.

Workers' Compensation and Self-Insurance Reserves

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

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

Years Ended December 31, 2024 and 2023
(In thousands)

2. Significant Accounting Policies (Continued)

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 \$5,458 and \$5,078 for 2024 and 2023, respectively. In addition, Nashua and Bangor had frozen defined benefit pension plans. See Note 6 for further information on the defined benefit plans. The System maintains a supplemental executive retirement plan (SERP) for certain executives. There was no expense related to the SERP for the years ended December 31, 2024 and 2023.

Deferred Compensation

The System has recorded its obligations under deferred compensation agreements with certain employees of \$12,317 and \$12,446 at December 31, 2024 and 2023, respectively, which are included in other liabilities on the accompanying consolidated balance sheets. Assets of \$12,265 and \$12,623 at December 31, 2024 and 2023, respectively, related to these obligations are segregated and included in assets whose use is limited or restricted on the accompanying consolidated balance sheets.

Federal Pell Grant Program

St. Joseph's School of Nursing (the School), which is a department of St. Joseph's Hospital of NH, Inc. receives federal Pell grants from the United States Department of Education to assist students who meet certain guidelines pay for courses. The School operates independently of the System and does not have any significant related party activity. During the years ended December 31, 2024 and 2023, the School received \$188 and \$165, respectively, of Pell grants that were provided to students.

Reclassifications

Certain 2023 amounts have been reclassified to permit comparison with the 2024 consolidated financial statements presentation format.

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 25, 2025, which is the date the consolidated financial statements were available to be issued.

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2024 and 2023

(In thousands)

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.

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

	<u>2024</u>	<u>2023</u>
Medicare	\$251,763	\$266,354
Medicaid	90,193	103,848
Commercial	361,970	304,504
Patients (private pay/self pay)	<u>7,956</u>	<u>7,001</u>
	<u>\$711,882</u>	<u>\$681,707</u>

See also Note 13 with respect to certain revenues reported in discontinued operations in 2024 and 2023.

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2024 and 2023

(In thousands)

3. Patient Service Revenue (Continued)

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 collectibility of accounts receivable.

Under the State of New Hampshire's tax code, the State imposes a Medicaid Enhancement Tax (MET) equal to 5.4% of patient service revenue, with certain exclusions for the years ended December 31, 2024 and 2023. The amount of tax incurred by Nashua for fiscal 2024 and 2023 was \$13,383 and \$11,820, respectively.

In the fall of 2010, to remain in compliance with stated federal regulations, the State of New Hampshire adopted a new approach related to Medicaid disproportionate share funding (DSH) retroactive to July 1, 2010. Unlike the former funding method, the State's approach led to a payment that was not directly based on, and did not equate to, the level of tax imposed. As a result, the legislation created some level of losses at certain New Hampshire hospitals, while other hospitals realized gains. DSH payments from the State are recorded within patient service revenue and amounted to \$8,145 in 2024 and \$7,332 in 2023.

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 State of Maine enacted legislation establishing a health care provider tax (State tax). As a result, the System was subjected to and recorded \$8,617 and \$8,706 of State tax for the years ended December 31, 2024 and 2023, respectively.

The estimated third-party payor settlements reflected on the consolidated balance sheets represent the estimated net amounts to be received or paid under reimbursement contracts with CMS, Medicaid and any commercial payors with settlement provisions. For Bangor, settlements have been issued through 2021 for Medicare and through 2020 for Medicaid. For Nashua, settlements have been issued through 2020 for Medicare and through 2019 for Medicaid. For Lewiston, Medicare and Medicaid have been settled through 2020.

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(In thousands)

3. Patient Service Revenue (Continued)

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, 2024 and 2023 were \$13,097 and \$19,420, 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, 2024 and 2023 were \$182,844 and \$176,883, respectively.

4. Investments

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

	<u>2024</u>	<u>2023</u>
Investments	\$ 10,034	\$ 14,309
Assets whose use is limited, restricted or board designated	347,525	335,972
Less pledges receivable	<u>(1,892)</u>	<u>(209)</u>
Total investments	<u>\$355,667</u>	<u>\$350,072</u>

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

Years Ended December 31, 2024 and 2023
(In thousands)

4. Investments (Continued)

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, 2024 and 2023

(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>
2024:				
Cash and cash equivalents	\$ 29,994	\$ –	\$ –	\$ 29,994
U.S. Government securities	–	24,305	–	24,305
Corporate bonds	–	27,292	–	27,292
Marketable equity securities	79,531	–	–	79,531
Mutual funds:				
Fixed income funds	48,030	–	–	48,030
Domestic equity funds	102,480	–	–	102,480
Accrued interest and other	274	–	–	274
Beneficial interest in perpetual and other trusts	–	–	7,319	7,319
Cash surrender value of life insurance policies	<u>–</u>	<u>2,568</u>	<u>–</u>	<u>2,568</u>
	<u>\$260,309</u>	<u>\$54,165</u>	<u>\$ 7,319</u>	321,793
Investments valued at NAV not classified by level:				
Fixed income				26,706
Real assets				<u>7,168</u>
				<u>33,874</u>
Total investments				<u>\$355,667</u>
2023:				
Cash and cash equivalents	\$ 28,163	\$ –	\$ –	\$ 28,163
U.S. Government securities	–	21,660	–	21,660
Corporate bonds	–	21,953	–	21,953
Marketable equity securities	102,821	–	–	102,821
Mutual funds:				
Fixed income funds	89,844	–	–	89,844
Domestic equity funds	38,910	–	–	38,910
International equity funds	2,291	–	–	2,291
Accrued interest and other	253	–	–	253
Beneficial interest in perpetual and other trusts	–	–	6,904	6,904
Cash surrender value of life insurance policies	<u>–</u>	<u>5,835</u>	<u>–</u>	<u>5,835</u>
	<u>\$262,282</u>	<u>\$49,448</u>	<u>\$ 6,904</u>	318,634
Investments valued at NAV not classified by level:				
Fixed income				22,926
Real assets				<u>8,512</u>
				<u>31,438</u>
Total investments				<u>\$350,072</u>

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2024 and 2023

(In thousands)

4. Investments (Continued)

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

Investment Strategies

Fixed Income Investments

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

Real Assets

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

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

	<u>2024</u>	<u>2023</u>
Investment income:		
Interest and dividends	\$ 7,439	\$ 6,753
Net realized gains (losses) on sales of securities	3,087	(8,313)
Net unrealized gains on investments	<u>14,050</u>	<u>40,921</u>
Net realized and unrealized gains on investments	<u>17,137</u>	<u>32,608</u>
Investment gains	<u>\$24,576</u>	<u>\$ 39,361</u>

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

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2024 and 2023

(In thousands)

5. Long-Term Debt and Lease Liability

Long-Term Debt

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

	<u>2024</u>	<u>2023</u>
In March 2023, Covenant, on behalf of the Obligated Group, privately placed \$89,520 of tax-exempt revenue bonds (2023 Bonds). The 2023 Bonds were issued in two series. The first series in the amount of \$56,060 matures in 2037 and bears interest at 4.0%. The second series in the amount of \$33,460 matures in 2037 and bears interest at 4.0%	\$ 89,520	\$ 89,520
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%. In March 2023, \$92 million of these bonds were refinanced	133,000	133,000
St. Mary's Residences has a mortgage payable to Maine State Housing Authority with an interest rate of 7.5%. The mortgage matures in June 2028 and is collateralized by real property	1,511	1,639
MI Residential Communities, Inc. has a mortgage payable to the Department of Housing and Urban Development and Midland Loans Services, Inc., collateralized by their real property. The note bears interest at 4.05% through March 2053	6,908	7,036
Additional mortgages payable to various financial institutions are held primarily at St. Joseph Manor and M&J	<u>432</u>	<u>364</u>
	231,371	231,559
Unamortized original issue discount	(7,178)	(7,678)
Deferred financing costs	<u>(2,825)</u>	<u>(2,583)</u>
Long-term debt	221,368	221,298
Less current portion	<u>(619)</u>	<u>(640)</u>
Long-term debt, less current portion	<u>\$220,749</u>	<u>\$220,658</u>

Debt Refinance

In March 2023, Covenant, on behalf of the Obligated Group, privately placed \$89,520 of tax-exempt revenue bonds (2023 Bonds). The proceeds of the 2023 Bonds were used to refinance \$92,000 of Covenant's privately placed 2021 Notes. The 2023 Bonds were issued in two series. The first series was issued by the New Hampshire Health and Education Facilities Authority in the amount of \$56,060, matures in 2037 and bears interest at 4.0%. The second series was issued by the Maine Health and Higher Educational Facilities Authority in the amount of \$33,460, matures in 2037 and bears interest at 4.0%. In conjunction with the refinancing, the System realized a gain of approximately \$12.2 million.

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

Years Ended December 31, 2024 and 2023
(In thousands)

5. Long-Term Debt and Lease Liability (Continued)

Obligated Group

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

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

The Master Indenture contains restrictive covenants, including maintenance of a debt ratio, liquidity covenant, limitations on the amount of any additional borrowings, and limitations on the disposal or transfer of assets. As of December 31, 2024, the Obligated Group was in compliance with the debt service coverage covenant under the Obligations.

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

2025	\$ 619
2026	395
2027	6,812
2028	7,898
2029	7,106
Thereafter	<u>208,541</u>
	231,371
Less unamortized discount and financing costs	<u>(10,003)</u>
Long-term debt	<u>\$221,368</u>

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2024 and 2023

(In thousands)

5. Long-Term Debt and Lease Liability (Continued)

Lease Liability

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

In 2019, the System adopted ASU 2016-02, *Leases*. The System recorded the cost of ROU assets in the amount of \$8,410 and \$9,118 as of December 31, 2024 and 2023, respectively. The cost of these assets has been included with property, plant and equipment. Amortization expense for assets under lease liability was \$1,453 and \$998 for the years ended December 31, 2024 and 2023, respectively, and has been included with depreciation expense in the accompanying consolidated financial statements. Accumulated amortization associated with the lease totaled \$4,745 and \$3,888 as of December 31, 2024 and 2023, respectively.

Lease obligations at December 31 consist of the following:

	<u>2024</u>	<u>2023</u>
Total of future lease payments	\$ 7,500	\$ 9,407
Amounts representing interest	<u>(244)</u>	<u>(559)</u>
Present value of minimum lease payments	7,256	8,848
Less current portion	<u>(2,777)</u>	<u>(3,579)</u>
Long-term lease liability, less current portion	<u>\$ 4,479</u>	<u>\$ 5,269</u>

A summary of the future lease payments under lease liabilities is as follows at December 31, 2024:

2025	\$ 3,259
2026	3,174
2027	740
2028	218
2029	<u>109</u>
Total	<u>\$ 7,500</u>

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2024 and 2023

(In thousands)

6. Defined Benefit Pension Plan

The System maintained a noncontributory defined benefit plan in Nashua until its termination on November 30, 2023. The measurement date was December 31. Effective June 2, 2007, plan participation was frozen. Benefit service and plan compensation have been frozen effective December 31, 2007. As of December 31, 2023, the plan was terminated and all benefit payments were paid out prior to year end.

Net periodic pension cost includes the following components for the years ended December 31, 2023:

Interest cost on projected benefit obligation	\$ 1,286
Expected return on plan assets	(1,243)
Amortization of loss	1,312
Recognition of settlement	<u>10,179</u>
Net periodic pension expense	<u>\$11,534</u>

The following table sets forth the plan's benefit obligation, funded status, changes in the plan's assets and amounts recognized in the consolidated financial statements at December 31, 2023:

Changes in projected benefit obligations:

Projected benefit obligations, beginning of period	\$ 26,066
Benefits paid	(846)
Interest cost	1,286
Impact of assumption changes	193
Experience gain (loss)	(117)
Settlement amount	<u>(26,582)</u>
Projected benefit obligations, end of period	—

Changes in plan assets:

Fair value of plan assets, beginning of period	25,130
Actual return on plan assets	316
Employer contributions	400
Benefits paid	(846)
Settlement amount	<u>(25,000)</u>
Fair value of plan assets, end of period	<u>—</u>

Funded status \$ —

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, 2023:

Discount rate used to determine net periodic pension cost	5.02%
Discount rate used to determine benefit obligation	N/A
Expected long-term rate of return on plan assets	N/A
Rate of increase in future compensation levels	N/A

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

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2024 and 2023

(In thousands)

7. Net Assets With Donor Restrictions

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

	<u>2024</u>	<u>2023</u>
Purpose restriction:		
Health care services	\$ 8,818	\$ 4,013
Equipment and capital improvements	10,647	12,148
Education and scholarships	381	1,090
Employee emergency assistance	376	321
Designated for certain communities	<u>528</u>	<u>845</u>
	20,750	18,417
Perpetual in nature:		
Investments, gains and income from which is donor-restricted	4,316	11,617
Investments, gains and income from which is released to net assets without donor restrictions	33,042	26,590
Beneficial interest in perpetual trust	<u>7,319</u>	<u>6,904</u>
	<u>44,677</u>	<u>45,111</u>
Total net assets with donor restrictions	<u>\$65,427</u>	<u>\$63,528</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, 2024 and 2023 of \$2,055 and \$1,792, respectively.

The System has an ownership interest in Nashua Regional Cancer Center. The investment has a carrying value of \$1,865 and \$1,676 at December 31, 2024 and 2023, 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. During December 2024, the System and MaineHealth terminated the joint venture. As of December 31, 2024, the System owed \$3,000 to MaineHealth. This amount was paid subsequent to year end.

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2024 and 2023

(In thousands)

9. **Financial Assets and Liquidity Resources**

As of December 31, 2024, 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	\$ 54,437
Short-term investments	10,034
Patient accounts receivable	<u>100,571</u>
	<u>\$165,042</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, 2024, the balance of liquid investments in board-designated assets was \$264,378.

10. **St. Mary's Villa**

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

Entrance Fees

Fees paid by a resident upon entering into a continuing care contract are refundable and amortized to income using the straight-line method over a period of five years. There was one (1) CCRC at December 31, 2024 and 2023. There were no fees received or amounts refunded in 2024 or 2023.

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.

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, 2024 and 2023, the calculated net cost did not exceed the deferred revenue from advance fees and no liability was required to be recorded.

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2024 and 2023

(In thousands)

10. St. Mary's Villa (Continued)

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>2024</u>	<u>2023</u>
Principal and interest payments due within the next twelve months	\$ 320	\$ 320
Percent of residents subject to agreements	<u>2.38%</u>	<u>1.92%</u>
Reserve calculated	\$ <u>8</u>	\$ <u>6</u>
Projected operating expenses, excluding depreciation and amortization	\$15,427	\$15,835
Percent of residents subject to agreements	<u>2.38%</u>	<u>1.92%</u>
	367	305
Percent of residents subject to agreements	<u>2.45%</u>	<u>1.92%</u>
Reserve calculated	\$ <u>9</u>	\$ <u>6</u>
Minimum reserve required (greater of above)*	\$ <u>9</u>	\$ <u>6</u>
CCRC residents	1	1
Total beds	64 ^(a)	64 ^(a)
Average occupancy	66% ^(b)	72% ^(b)
Average beds (a)*(b)	42	46
Percentage of residents subject to agreements (CCRC residents / average beds)	2.38%	1.89%

* The Villa records amounts required to satisfy reserve requirements above in funds held by trustee which totaled \$26 at December 31, 2024 and 2023.

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2024 and 2023

(In thousands)

11. Functional Expenses

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

	<u>Health Services</u>	<u>General and Administrative</u>	<u>Total</u>
<u>2024</u>			
Salaries and wages	\$311,925	\$ 14,147	\$326,072
Employee benefits	77,063	2,021	79,084
Supplies	98,556	184	98,740
Other expenses	182,717	21,494	204,211
Interest	8,072	–	8,072
Depreciation and amortization	22,277	–	22,277
Provider tax	<u>22,000</u>	<u>–</u>	<u>22,000</u>
	<u>\$722,610</u>	<u>\$ 37,846</u>	<u>\$760,456</u>
<u>2023</u>			
Salaries and wages	\$290,675	\$ 26,694	\$317,369
Employee benefits	59,138	5,438	64,576
Supplies	93,729	–	93,729
Other expenses	173,095	57,241	230,336
Interest	8,016	–	8,016
Depreciation and amortization	22,158	–	22,158
Provider tax	<u>20,526</u>	<u>–</u>	<u>20,526</u>
	<u>\$667,337</u>	<u>\$ 89,373</u>	<u>\$756,710</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 was 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. 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.

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2024 and 2023

(In thousands)

12. Commitments and Contingencies (Continued)

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.

13. Discontinued Operations

On December 23, 2024, the System entered into an agreement to sell substantially all property and equipment and transfer operations related to Youville House, St. Andre Health Care Facility, Mary Immaculate Health Care Services, Inc., 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., Mount St. Rita Health Centre, Penacook Place, Inc., Youville Place and Bangor Nursing and Rehabilitation Center (post acute care facilities or PACs) to an unrelated party.

It is expected the transaction will be finalized during 2025. It is not expected that the System will have any continuing involvement subsequent to sales of any of these facilities. Amounts reclassified to discontinued operations in fiscal 2024 and 2023 related to the long-term care facilities were actively marketed for sale at December 2024.

Revenue and expense related to these properties have been reported within discontinued operations in 2024 and 2023 consolidated balance sheets and consolidated statements of operations and changes in net assets.

Amounts included on the consolidated balance sheets with respect to assets held for sale and in the consolidated statements of operations and changes in net assets with respect to discontinued operations are shown below:

	<u>2024</u>	<u>2023</u>
<u>Assets</u>		
Property, plant and equipment:		
Land and improvements	\$ 4,122	\$ 4,106
Buildings and improvements	153,072	142,989
Equipment	24,109	23,447
Construction in progress	<u>751</u>	<u>655</u>
	182,054	171,197
Less accumulated depreciation	<u>(116,162)</u>	<u>(110,697)</u>
Total property, plant and equipment	<u>65,892</u>	<u>60,500</u>
Total assets	<u>\$ 65,892</u>	<u>\$ 60,500</u>

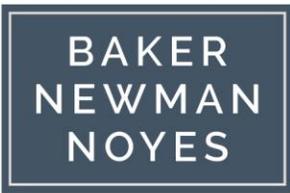
COVENANT HEALTH, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2024 and 2023
(In thousands)

13. Discontinued Operations (Continued)

	<u>2024</u>	<u>2023</u>
<u>Statement of Operations</u>		
Operating revenue:		
Patient service revenue	\$ 126,919	\$ 122,648
Other revenue	9,930	9,592
Net assets released from restrictions for discontinued operations	<u>825</u>	<u>710</u>
Total operating revenue	137,674	132,950
Operating expenses:		
Salaries and wages	68,992	61,714
Employee benefits	12,563	11,406
Supplies and other expenses	52,783	57,200
Interest	1,518	1,487
Provider tax	5,454	5,214
Depreciation and amortization	<u>5,649</u>	<u>5,500</u>
Total operating expenses	<u>146,959</u>	<u>142,521</u>
Loss from discontinued operations	(9,285)	(9,571)

In addition, the accompanying consolidated financial statements include losses from various other discontinued operations totaling \$4,059 in 2024.



**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, 2024 and 2023, 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.

Baker Newman & Noyes LLC

Portland, Maine
April 25, 2025

Covenant Health, Inc.
Consolidating Balance Sheet
December 31, 2024
(In thousands)

	St. Joseph Hospital of Nashua, NH, Inc.*	St. Mary's Regional Medical Center*	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
Assets															
Current assets:															
Cash and cash equivalents	\$ 6,930	\$ 14,490	\$ 4,832	\$ –	\$ 4,077	\$ 2,032	\$ 318	\$ 722	\$ 1,329	\$ 397	\$ –	\$ 797	\$ –	\$ –	\$ 35,924
Patient accounts receivable	41,323	22,686	23,359	–	–	2,400	1,513	1,712	1,034	1,116	–	1,309	–	–	96,452
Investments	–	4,195	61	–	–	–	–	–	–	–	–	–	–	–	4,256
Inventories	5,061	2,681	3,216	–	–	58	41	10	12	17	–	62	–	–	11,158
Prepaid expenses and other current assets	3,266	2,285	1,467	–	9,617	486	142	(35)	28	194	–	127	–	–	17,577
Amounts receivable from third-party payors	–	5,290	3,670	–	–	–	–	–	–	89	–	–	–	–	9,049
Current portion of assets whose use is limited or restricted	–	–	–	–	–	–	40	94	18	81	–	6	–	–	239
Current portion of due from affiliates	2,693	14,949	7,078	–	137,464	642	–	65	–	–	–	–	–	(136,401)	26,490
Total current assets	59,273	66,576	43,683	–	151,158	5,618	2,054	2,568	2,421	1,894	–	2,301	–	(136,401)	201,145
Assets whose use is limited or restricted:															
Funds held by trustees, less current portion	–	–	–	–	1,145	–	–	–	–	–	–	–	–	–	1,145
Deferred compensation	426	–	–	–	–	–	–	–	–	–	–	–	–	–	426
Board designated funds and other long-term investments	99,450	65	2,913	–	3,424	50,918	530	1,517	–	–	–	1	–	–	158,818
Replacement reserve	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Donor-restricted funds	2,566	6,722	2,815	–	1,629	51	(11)	40	57	7	–	4	–	–	13,880
Total assets whose use is limited or restricted	102,442	6,787	5,728	–	6,198	50,969	519	1,557	57	7	–	5	–	–	174,269
Other assets:															
Other assets	15,627	–	–	–	35,323	–	54	95	28	36	–	111	–	–	51,274
Investments in joint ventures	2,504	2,113	632	(247)	5	–	–	–	–	–	–	–	–	–	5,007
Due from affiliates, less current portion	1,863	–	90	–	141,444	–	–	–	–	–	–	–	–	(123,541)	19,856
Total other assets	19,994	2,113	722	(247)	176,772	–	54	95	28	36	–	111	–	(123,541)	76,137
Property, plant and equipment:															
Land and improvements	3,852	2,856	2,148	–	–	641	490	305	485	537	–	31	–	–	11,345
Buildings and improvements	117,317	87,151	51,932	11,935	90	15,139	8,479	5,056	3,655	8,544	3,222	7,758	1,517	–	321,795
Equipment	69,987	46,336	36,474	–	93,110	4,553	3,459	734	836	1,503	–	2,843	–	–	259,835
Construction in progress	7,220	4,777	7,360	–	636	178	–	265	20	–	–	–	–	–	20,456
Right-of-use assets	4,861	1,945	430	–	586	–	–	–	–	–	–	–	–	–	7,822
	203,237	143,065	98,344	11,935	94,422	20,511	12,428	6,360	4,996	10,584	3,222	10,632	1,517	–	621,253
Less accumulated depreciation	(128,530)	(82,011)	(61,865)	577	(46,928)	(13,464)	(8,151)	(3,611)	(3,151)	(7,437)	280	(8,837)	(49)	–	(363,177)
Less accumulated depreciation – right-of-use assets	(3,130)	(854)	(98)	–	(132)	–	–	–	–	–	–	–	–	–	(4,214)
Total property, plant and equipment	71,577	60,200	36,381	12,512	47,362	7,047	4,277	2,749	1,845	3,147	3,502	1,795	1,468	–	253,862
Total assets	\$ 253,286	\$ 135,676	\$ 86,514	\$ 12,265	\$ 381,490	\$ 63,634	\$ 6,904	\$ 6,969	\$ 4,351	\$ 5,084	\$ 3,502	\$ 4,212	\$ 1,468	\$ (259,942)	\$ 705,413

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

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

*** Assets held for sale and discontinued operations.

Covenant Health, Inc. Consolidating Balance Sheet December 31, 2024 (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
Assets																	
Current assets:																	
Cash and cash equivalents	\$ 1,273	\$ 1,061	\$ 906	\$ 2,942	\$ 4,124	\$ 189	\$ -	\$ 1,316	\$ (174)	\$ 5,121	\$ 28	\$ 53	\$ 24	\$ 1,650	\$ -	\$ -	\$ 54,437
Patient accounts receivable	1,262	1,026	112	97	178	801	-	-	(7)	650	-	-	-	-	-	-	100,571
Investments	-	-	-	-	-	-	-	-	54	5,724	-	-	-	-	-	-	10,034
Inventories	58	37	20	30	-	45	-	-	-	5	-	-	-	-	-	-	11,353
Prepaid expenses and other current assets	(76)	26	35	38	55	97	-	145	291	318	-	-	-	11,462	-	-	29,968
Amounts receivable from third-party payors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9,049
Current portion of assets whose use is limited or restricted	525	82	68	-	-	3	-	-	-	-	-	-	-	-	-	-	917
Current portion of due from affiliates	386	-	(3,702)	814	-	-	-	7,206	107	244	-	-	-	-	-	(31,545)	-
Total current assets	3,428	2,232	(2,561)	3,921	4,357	1,135	-	8,667	271	12,062	28	53	24	13,112	-	(31,545)	216,329
Assets whose use is limited or restricted:																	
Funds held by trustees, less current portion	26	-	-	-	157	-	-	-	-	-	-	-	75	-	-	-	1,403
Deferred compensation	-	-	-	-	-	-	-	11,839	-	-	-	-	-	-	-	-	12,265
Board designated funds and other long-term investments	15,515	1,738	9,034	18,748	-	-	-	1,120	1,453	-	-	3,021	-	51,951	260,230	(260,230)	261,398
Replacement reserve	-	-	-	-	9,324	-	-	-	636	-	-	-	-	-	-	-	9,960
Donor-restricted funds	(205)	21	376	3,082	81	10	-	718	1,968	6,395	32,588	1,746	-	-	-	922	61,582
Total assets whose use is limited or restricted	15,336	1,759	9,410	21,830	9,562	10	-	13,677	4,057	6,395	32,588	4,767	75	51,951	260,230	(259,308)	346,608
Other assets:																	
Other assets	90	(25)	24	4	-	-	-	15,360	249	-	-	-	-	-	-	(66,158)	818
Investments in joint ventures	-	-	-	-	-	-	-	1,384	555	53	-	-	-	-	-	1	7,000
Due from affiliates, less current portion	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(19,856)	-
Total other assets	90	(25)	24	4	-	-	-	16,744	804	53	-	-	-	-	-	(86,013)	7,818
Property, plant and equipment																	
Land and improvements	299	424	750	-	106	54	-	1,615	2,119	2,807	-	-	-	-	-	-	19,519
Buildings and improvements	16,785	2,374	17,961	19,542	34,941	5,348	2,751	11,863	9,648	8,126	-	-	-	-	-	-	451,134
Equipment	4,878	1,159	608	504	1,572	1,356	104	105	801	1,268	-	-	-	-	-	-	272,190
Construction in progress	-	115	17	-	76	80	-	-	-	80	-	-	-	-	-	-	20,824
Right of use asset	-	-	-	-	-	-	-	588	-	-	-	-	-	-	-	-	8,410
	21,962	4,072	19,336	20,046	36,695	6,838	2,855	14,171	12,568	12,281	-	-	-	-	-	-	772,077
Less accumulated depreciation	(15,330)	(2,402)	(9,249)	(10,152)	(28,424)	(5,926)	(259)	(7,169)	(8,083)	(9,284)	-	-	-	-	-	-	(459,455)
Less accumulated depreciation – right-of-use assets	-	-	-	-	-	-	-	(531)	-	-	-	-	-	-	-	-	(4,745)
Total property, plant and equipment	6,632	1,670	10,087	9,894	8,271	912	2,596	6,471	4,485	2,997	-	-	-	-	-	-	307,877
Total assets	\$ 25,486	\$ 5,636	\$ 16,960	\$ 35,649	\$ 22,190	\$ 2,057	\$ 2,596	\$ 45,559	\$ 9,617	\$ 21,507	\$ 32,616	\$ 4,820	\$ 99	\$ 65,063	\$ 260,230	\$ (376,866)	\$ 878,632

Covenant Health, Inc.
Consolidating Balance Sheet
December 31, 2024
(In thousands)

Liabilities and Net Assets

Current liabilities:

	St. Joseph Hospital of Nashua, NH, Inc.*	St. Mary's Regional Medical Center*	St. Joseph Healthcare Foundation*	St. Joseph Valuation Co.	Covenant Health, Inc.	*** Mary Immaculate*	*** (Marist Hill) CHS of Waltham Inc.	*** St. Joseph Manor Health Care, Inc.	*** (St. Mary) CHS of Worcester, Inc.	*** Mount St. Rita Health Centre	*** Mount St. Rita Valuation Co.	*** Penacook Place, Inc.	*** Penacook Valuation	Elimi- nations	** Total Obligated Group
Accounts payable	\$ 13,671	\$ 5,666	\$ 3,758	\$ –	\$ 7,234	\$ 464	\$ 1,320	\$ 305	\$ (739)	\$ 897	\$ –	\$ 1,719	\$ –	\$ (760)	\$ 33,535
Accrued expenses and other liabilities	28,298	13,264	13,722	–	10,725	1,451	724	701	657	639	–	721	–	–	70,902
Other current liabilities	5	4,035	48	–	1,800	34	2	(38)	52	32	–	71	–	–	6,041
Estimated third-party payor settlements	2,223	–	–	–	–	129	198	322	75	–	–	333	–	–	3,280
Current portion of due to affiliates	10,092	109,553	11,976	–	3	289	1,569	633	2,424	2,186	–	7,353	–	(135,641)	10,437
Current portion of lease liability	1,344	758	504	–	114	–	–	–	–	–	–	–	–	–	2,720
Current portion of long-term debt	–	–	–	–	–	–	–	183	–	–	–	–	–	–	183
Total current liabilities	55,633	133,276	30,008	–	19,876	2,367	3,813	2,106	2,469	3,754	–	10,197	–	(136,401)	127,098
Long-term debt, less current portion	(2,566)	(1,361)	(609)	–	218,336	–	(277)	–	–	–	–	(106)	–	–	213,417
Long-term lease liability, less current portion	1,883	371	1,886	–	339	–	–	–	–	–	–	–	–	–	4,479
Due to affiliates, less current portion	66,838	33,213	14,769	–	90	–	6,303	1	–	–	–	2,418	–	(123,541)	91
Other liabilities	6,650	145	–	–	–	542	313	40	62	29	–	175	–	–	7,956
Professional liability loss reserves	1,337	2,223	1,429	–	–	95	39	47	49	109	–	44	–	–	5,372
Total liabilities	129,775	167,867	47,483	–	238,641	3,004	10,191	2,194	2,580	3,892	–	12,728	–	(259,942)	358,413
Net assets:															
Without donor restriction	120,945	(38,048)	36,126	12,265	141,220	60,559	(3,326)	4,687	1,751	1,111	3,502	(8,525)	1,468	–	333,735
With donor restriction	2,566	5,857	2,905	–	1,629	71	39	88	20	81	–	9	–	–	13,265
Total net assets	123,511	(32,191)	39,031	12,265	142,849	60,630	(3,287)	4,775	1,771	1,192	3,502	(8,516)	1,468	–	347,000
Total liabilities and net assets	\$ 253,286	\$ 135,676	\$ 86,514	\$ 12,265	\$ 381,490	\$ 63,634	\$ 6,904	\$ 6,969	\$ 4,351	\$ 5,084	\$ 3,502	\$ 4,212	\$ 1,468	\$ (259,942)	\$ 705,413

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

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

*** Assets held for sale and discontinued operations.

Covenant Health, Inc. Consolidating Balance Sheet December 31, 2024 (In thousands)	***	***			***	***	***	St. Joseph									
	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	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
Liabilities and Net Assets																	
Current liabilities:																	
Accounts payable	\$ 256	\$ 294	\$ 49	\$ 124	\$ 4	\$ 977	\$ –	\$ 64	\$ 3	\$ 145	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 35,451
Accrued expenses and other liabilities	1,973	519	550	461	95	(122)	–	456	163	373	–	–	–	199	–	6,549	82,118
Other current liabilities	204	55	36	5	110	25	–	5	46	54	–	–	–	2,063	–	–	8,644
Estimated third-party payor settlements	145	85	–	–	–	1	–	–	–	–	–	–	–	–	–	–	3,511
Current portion of due to affiliates	92	15	229	166	319	2,843	–	–	14,543	6,790	–	–	–	–	–	(35,434)	–
Current portion of lease liability	–	–	–	–	–	–	–	57	–	–	–	–	–	–	–	–	2,777
Current portion of long-term debt	121	–	–	–	134	–	–	–	148	33	–	–	–	–	–	–	619
Total current liabilities	2,791	968	864	756	662	3,724	–	582	14,903	7,395	–	–	–	2,262	–	(28,885)	133,120
Long-term debt, less current portion	–	(2)	(335)	(353)	6,569	–	–	–	1,369	84	–	–	–	–	–	–	220,749
Long-term lease liability, less current portion	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	4,479
Due to affiliates, less current portion	2,883	55	8,124	8,560	–	–	–	–	1,881	–	–	–	–	–	–	(21,594)	–
Other liabilities	321	74	363	64	81	10	–	11,890	284	–	–	–	–	3,565	–	–	24,608
Professional liability loss reserves	60	52	34	30	–	355	–	1,548	–	–	–	–	–	23,934	–	–	31,385
Total liabilities	6,055	1,147	9,050	9,057	7,312	4,089	–	14,020	18,437	7,479	–	–	–	29,761	–	(50,479)	414,341
Net assets:																	
Without donor restriction	18,669	4,407	7,905	23,574	8,831	(2,032)	2,596	30,821	(9,616)	7,633	23	3,074	99	35,302	260,230	(326,387)	398,864
With donor restriction	762	82	5	3,018	6,047	–	–	718	796	6,395	32,593	1,746	–	–	–	–	65,427
Total net assets	19,431	4,489	7,910	26,592	14,878	(2,032)	2,596	31,539	(8,820)	14,028	32,616	4,820	99	35,302	260,230	(326,387)	464,291
Total liabilities and net assets	\$ 25,486	\$ 5,636	\$ 16,960	\$ 35,649	\$ 22,190	\$ 2,057	\$ 2,596	\$ 45,559	\$ 9,617	\$ 21,507	\$ 32,616	\$ 4,820	\$ 99	\$ 65,063	\$ 260,230	\$ (376,866)	\$ 878,632

Covenant Health, Inc.
Consolidating Statement of Operations
December 31, 2024
(In thousands)

	St. Joseph Hospital of Nashua, NH, Inc.*	St. Mary's Regional Medical Center	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
Operating revenue:															
Patient service revenue	\$ 290,023	\$ 202,304	\$ 214,475	\$ –	\$ –	\$ 23,131	\$ 10,731	\$ 12,007	\$ 12,473	\$ 8,875	\$ –	\$ 12,452	\$ –	\$ (79,669)	\$ 706,802
Other revenue	7,388	20,869	8,989	–	77,358	1,645	74	280	103	25	–	48	–	(77,576)	39,203
Net assets released from restrictions for operations	423	1,575	465	–	–	95	63	117	16	197	–	44	–	(532)	2,463
Total operating revenue	297,834	224,748	223,929	–	77,358	24,871	10,868	12,404	12,592	9,097	–	12,544	–	(157,777)	748,468
Operating expenses:															
Salaries and wages	115,686	89,512	94,774	–	18,168	15,157	6,131	5,851	5,494	5,218	–	7,609	–	(45,460)	318,140
Employee benefits	26,861	20,838	21,778	–	8,597	2,405	1,183	918	1,082	805	–	1,614	–	(8,007)	78,074
Supplies	42,724	24,329	31,523	–	(60)	1,547	798	719	517	683	–	1,163	–	(5,427)	98,516
Other expenses	97,846	83,861	65,616	–	38,559	5,833	3,751	3,976	4,906	3,442	–	3,698	–	(101,007)	210,481
Interest	2,738	1,256	606	–	3,328	–	252	10	–	1	–	91	–	(354)	7,928
Provider tax	13,383	5,415	3,202	–	–	478	743	772	318	487	–	1,093	–	(3,891)	22,000
Depreciation	5,292	4,587	2,807	295	8,121	746	338	216	161	222	36	280	65	(2,064)	21,102
Total operating expenses	304,530	229,798	220,306	295	76,713	26,166	13,196	12,462	12,478	10,858	36	15,548	65	(166,210)	756,241
(Loss) income from continuing operations	(6,696)	(5,050)	3,623	(295)	645	(1,295)	(2,328)	(58)	114	(1,761)	(36)	(3,004)	(65)	8,433	(7,773)
Net periodic pension cost	(26)	–	–	–	–	–	–	–	–	–	–	–	–	–	(26)
Nonoperating gains (losses), net:															
Dividend and interest income	1,695	297	297	–	114	807	15	28	–	–	–	–	–	–	3,253
Realized gain (loss) from investments	1,662	286	47	–	(8)	(192)	8	(292)	–	–	–	–	–	–	1,511
Unrealized gain (loss) from investments	6,055	302	511	–	3,566	3,713	41	110	1	–	–	–	–	–	14,299
Gain (loss) on sale of assets	2	2	5	–	–	–	–	–	–	–	–	–	–	–	9
Other nonoperating income	111	–	–	–	–	25	–	–	–	–	–	–	–	–	136
Other nonoperating expense	(415)	(301)	(367)	–	–	(29)	–	–	–	–	–	–	–	–	(1,112)
Total nonoperating gains (losses), net	9,110	586	493	–	3,672	4,324	64	(154)	1	–	–	–	–	–	18,096
Excess (deficiency) of revenue over expenses from continuing operations	2,388	(4,464)	4,116	(295)	4,317	3,029	(2,264)	(212)	115	(1,761)	(36)	(3,004)	(65)	8,433	10,297
Discontinued operations	–	–	–	–	–	–	–	–	–	–	–	–	–	(8,433)	(8,433)
Excess (deficiency) of revenue over expenses	2,388	(4,464)	4,116	(295)	4,317	3,029	(2,264)	(212)	115	(1,761)	(36)	(3,004)	(65)	–	1,864
Other changes in net assets without donor restriction:															
Net assets released from restrictions for property, plant and equipment	65	–	1,799	–	–	–	–	–	–	–	–	–	–	–	1,864
Transfer among affiliates	575	(911)	7,284	–	30,758	–	–	–	–	–	–	–	–	–	37,706
Increase (decrease) in net assets without donor restriction	\$ 3,028	\$ (5,375)	\$ 13,199	\$ (295)	\$ 35,075	\$ 3,029	\$ (2,264)	\$ (212)	\$ 115	\$ (1,761)	\$ (36)	\$ (3,004)	\$ (65)	\$ –	\$ 41,434

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

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

*** Assets held for sale and discontinued operations.

Covenant Health, Inc. Consolidating Statement of Operations December 31, 2024 (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	\$ 13,013	\$ 12,113	\$ 7,135	\$ 7,174	\$ –	\$ 7,815	\$ –	\$ –	\$ –	\$ 5,080	\$ –	\$ –	\$ –	\$ –	\$ (47,250)	\$ 711,882	
Other revenue	118	74	436	297	6,618	212	–	4,849	5,638	3,355	–	–	–	1,340	(20,823)	41,317	
Net assets released from restrictions for operations	–	25	4	264	–	–	–	–	–	5	1,114	59	–	–	(293)	3,641	
Total operating revenue	13,131	12,212	7,575	7,735	6,618	8,027	–	4,849	5,638	8,440	1,114	59	–	1,340	(68,366)	756,840	
Operating expenses:																	
Salaries and wages	8,066	6,170	3,516	2,996	812	1,971	–	2,911	1,072	3,949	–	–	–	–	(23,531)	326,072	
Employee benefits	1,620	1,242	622	555	142	412	–	627	1,057	753	–	–	–	–	(6,020)	79,084	
Supplies	873	731	464	509	95	548	–	2	130	303	–	–	–	–	(3,431)	98,740	
Other expenses	3,922	3,075	2,056	1,673	1,899	5,868	–	708	2,038	2,414	–	–	–	–	(29,923)	204,211	
Interest	215	2	315	332	289	11	–	4	129	11	–	–	–	–	(1,164)	8,072	
Provider tax	277	701	–	–	–	585	–	–	–	–	–	–	–	–	(1,563)	22,000	
Depreciation	819	214	786	650	892	140	84	439	441	295	–	–	–	–	(3,585)	22,277	
Total operating expenses	15,792	12,135	7,759	6,715	4,129	9,535	84	4,691	4,867	7,725	–	–	–	–	(69,217)	760,456	
Loss (income) from continuing operations	(2,661)	77	(184)	1,020	2,489	(1,508)	(84)	158	771	715	1,114	59	–	1,340	851	(3,616)	
Net periodic pension cost	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(26)	
Nonoperating gains (losses), net:																	
Dividend and interest income	221	15	81	478	–	–	–	819	39	403	1	121	57	1,890	4,301	(4,240)	7,439
Realized gain (loss) from investments	314	11	96	258	–	–	–	–	–	33	–	209	701	(46)	5,266	(5,266)	3,087
Unrealized gain (loss) from investments	1,029	52	(465)	(2,111)	–	(2)	–	200	14	71	–	665	(318)	(304)	14,677	(17,122)	10,685
Gain (loss) on sale of assets	–	–	–	–	–	–	–	–	–	–	–	–	15,895	–	–	–	15,904
Other nonoperating income	–	–	–	–	–	–	–	–	(5)	–	–	–	1,043	–	(110)	–	1,064
Other nonoperating expense	–	–	–	(21)	–	–	–	85	(3)	–	(13)	(331)	(432)	(436)	–	–	(2,263)
Total nonoperating gains (losses), net	1,564	78	(288)	(1,396)	–	(2)	–	1,104	45	507	(12)	664	16,946	1,104	24,244	(26,738)	35,916
Excess (deficiency) of revenue over expenses from continuing operations	(1,097)	155	(472)	(376)	2,489	(1,510)	(84)	1,262	816	1,222	1,102	723	16,946	2,444	24,244	(25,887)	32,274
Discontinued operations	–	–	–	–	–	–	–	–	(4,060)	–	–	–	–	–	–	(851)	(13,344)
Excess (deficiency) of revenue over expenses	(1,097)	155	(472)	(376)	2,489	(1,510)	(84)	1,262	(3,244)	1,222	1,102	723	16,946	2,444	24,244	(26,738)	18,930
Other changes in net assets without donor restriction:																	
Net assets released from restrictions for property, plant and equipment	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,864
Transfer among affiliates	–	–	–	–	–	–	–	(1,212)	3,513	(7,284)	(1,084)	(7,587)	(22,554)	(8,000)	(29,185)	37,185	1,498
Increase (decrease) in net assets without donor restriction	\$ (1,097)	\$ 155	\$ (472)	\$ (376)	\$ 2,489	\$ (1,510)	\$ (84)	\$ 50	\$ 269	\$ (6,062)	\$ 18	\$ (6,864)	\$ (5,608)	\$ (5,556)	\$ (4,941)	\$ 10,447	\$ 22,292

**St. Joseph Hospital of Nashua, NH
Consolidating Balance Sheet
December 31, 2024
(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	\$ 6,930	\$ 5	\$ 500	\$ 517	\$ 294	\$ –	\$ –	\$ –	\$ 8,246
Patient accounts receivable	41,323	–	–	–	–	–	–	–	41,323
Investments	–	–	–	–	–	–	–	–	–
Inventories	5,061	–	–	–	–	–	–	–	5,061
Prepaid expenses and other current assets	3,266	–	–	94	51	–	–	–	3,411
Amounts receivable from third-party payors	–	–	–	–	–	–	–	–	–
Current portion of assets whose use is limited or restricted	–	–	–	–	–	–	–	–	–
Current portion of due from affiliates	2,693	–	–	2	7,204	–	–	(7,204)	2,695
Total current assets	59,273	5	500	613	7,549	–	–	(7,204)	60,736
Assets whose use is limited or restricted:									
Funds held by trustees, less current portion	–	–	–	–	–	–	–	–	–
Deferred compensation	426	–	338	–	11,501	–	–	–	12,265
Board designated funds and other long-term investments	99,450	1,120	–	–	–	–	–	–	100,570
Replacement reserve	–	–	–	–	–	–	–	–	–
Donor-restricted funds	2,566	718	–	–	–	–	–	–	3,284
Total assets whose use is limited or restricted	102,442	1,838	338	–	11,501	–	–	–	116,119
Other assets:									
Other assets	15,627	–	15,350	10	–	(15,350)	(1,125)	(14,382)	130
Due from affiliates, less current portion	1,863	–	–	–	–	–	–	–	1,863
Investments in joint ventures	2,504	–	–	–	1,384	–	–	–	3,888
Total other assets	19,994	–	15,350	10	1,384	(15,350)	(1,125)	(14,382)	5,881
Property, plant and equipment									
Land and improvements	3,852	–	–	1,615	–	–	–	–	5,467
Buildings and improvements	117,317	40	–	11,823	–	–	–	–	129,180
Equipment	69,987	15	–	90	–	–	–	–	70,092
Construction in progress	7,220	–	–	–	–	–	–	–	7,220
Right-of-use assets	4,861	–	–	588	–	–	–	–	5,449
	203,237	55	–	14,116	–	–	–	–	217,408
Less accumulated depreciation	(128,530)	(55)	–	(7,114)	–	–	–	–	(135,699)
Less accumulated depreciation – right-of-use assets	(3,130)	–	–	(531)	–	–	–	–	(3,661)
Total property, plant and equipment	71,577	–	–	6,471	–	–	–	–	78,048
Total assets	\$ 253,286	\$ 1,843	\$ 16,188	\$ 7,094	\$ 20,434	\$ (15,350)	\$ (1,125)	\$ (21,586)	\$ 260,784

St. Joseph Hospital of Nashua, NH
Consolidating Balance Sheet
December 31, 2024
(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
Liabilities and Net Assets									
Current liabilities:									
Accounts payable	\$ 13,671	\$ –	\$ –	\$ 64	\$ –	\$ –	\$ –	\$ –	\$ 13,735
Accrued expenses and other liabilities	28,298	–	194	23	239	–	–	–	28,754
Other current liabilities	5	–	–	5	–	–	–	–	10
Estimated third-party payor settlements	2,223	–	–	–	–	–	–	–	2,223
Current portion of due to affiliates	10,092	–	–	–	–	–	–	(7,204)	2,888
Current portion of lease liability	1,344	–	–	57	–	–	–	–	1,401
Current portion of long-term debt	–	–	–	–	–	–	–	–	–
Total current liabilities	55,633	–	194	149	239	–	–	(7,204)	49,011
Long-term debt, less current portion	(2,566)	–	–	–	–	–	–	–	(2,566)
Long-term lease liability, less current portion	1,883	–	–	–	–	–	–	–	1,883
Due to affiliates, less current portion	66,838	–	–	–	–	–	–	–	66,838
Other liabilities	6,650	–	158	–	11,732	–	–	–	18,540
Professional liability loss reserves	1,337	–	–	–	1,548	–	–	–	2,885
Total liabilities	129,775	–	352	149	13,519	–	–	(7,204)	136,591
Net assets:									
Without donor restriction	120,945	1,125	15,836	6,945	6,915	(15,350)	(1,125)	(14,382)	120,909
With donor restriction	2,566	718	–	–	–	–	–	–	3,284
Total net assets	123,511	1,843	15,836	6,945	6,915	(15,350)	(1,125)	(14,382)	124,193
Total liabilities and net assets	\$ 253,286	\$ 1,843	\$ 16,188	\$ 7,094	\$ 20,434	\$ (15,350)	\$ (1,125)	\$ (21,586)	\$ 260,784

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

	St. Joseph Hospital of Nashua, NH	Souhegan Home and Hospice Care, Inc.	St. Joseph Hospital Corporate Services, Inc.	GNM Corp.	SJ Physician Services	Hospital Corporate Services, Inc. Eliminations	Hospital Obligated Group Eliminations	Hospital Nonobligated Group Eliminations	St. Joseph Hospital Consolidated
Operating revenue:									
Patient service revenue	\$ 290,023	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 290,023
Other revenue	7,388	–	–	1,163	3,686	–	–	(4,573)	7,664
Net assets released from restrictions for operations	423	–	–	–	–	–	–	–	423
Total operating revenue	297,834	–	–	1,163	3,686	–	–	(4,573)	298,110
Operating expenses:									
Salaries and wages	115,686	–	–	–	2,911	–	–	–	118,597
Employee benefits	26,861	–	–	–	627	–	–	–	27,488
Supplies	42,724	–	–	–	2	–	–	–	42,726
Other expenses	97,846	–	–	562	146	–	–	(4,573)	93,981
Interest	2,738	–	–	4	–	–	–	–	2,742
Provider tax	13,383	–	–	–	–	–	–	–	13,383
Depreciation	5,292	–	–	439	–	–	–	–	5,731
Total operating expenses	304,530	–	–	1,005	3,686	–	–	(4,573)	304,648
(Loss) income from continuing operations	(6,696)	–	–	158	–	–	–	–	(6,538)
Net periodic pension cost	(26)	–	–	–	–	–	–	–	(26)
Nonoperating gains (losses), net:									
Dividend and interest income	1,695	–	31	–	788	–	–	61	2,575
Realized gain (loss) from investments	1,662	–	–	–	–	–	–	–	1,662
Unrealized gain (loss) from investments	6,055	–	(7)	–	207	–	–	–	6,255
Gain (loss) on sale of assets	2	–	–	–	–	–	–	–	2
Other nonoperating income	111	–	–	–	–	–	–	(111)	–
Other nonoperating expense	(415)	85	–	–	–	–	–	–	(330)
Total nonoperating (losses) gains, net	9,110	85	24	–	995	–	–	(50)	10,164
Excess (deficiency) of revenue over expenses from continuing operations	2,388	85	24	158	995	–	–	(50)	3,600
Discontinued operations	–	–	–	–	–	–	–	–	–
Excess (deficiency) of revenue over expenses	2,388	85	24	158	995	–	–	(50)	3,600
Other changes in net asset without donor restriction:									
Net assets released from restrictions for property, plant and equipment	65	–	–	–	–	–	–	–	65
Transfer among affiliates	575	26	–	(600)	(638)	–	–	–	(637)
Increase (decrease) in net assets without donor restriction	\$ 3,028	\$ 111	\$ 24	\$ (442)	\$ 357	\$ –	\$ –	\$ (50)	\$ 3,028

St. Mary's Health System
Consolidating Balance Sheet
December 31, 2024
(In thousands)

Assets

Current assets:

Cash and cash equivalents	\$ 14,490	\$ (2,511)	\$ 2,337	\$ –	\$ 14,316
Patient accounts receivable	22,686	(7)	–	–	22,679
Investments	4,195	–	54	–	4,249
Inventories	2,681	–	–	–	2,681
Prepaid expenses and other current assets	2,285	185	106	–	2,576
Amounts receivable from third-party payors	5,290	–	–	–	5,290
Current portion of assets whose use is limited or restricted	–	–	–	–	–
Current portion of due from affiliates	14,949	107	–	(11,743)	3,313
Total current assets	66,576	(2,226)	2,497	(11,743)	55,104

Assets whose use is limited or restricted:

Funds held by trustees, less current portion	–	–	–	–	–
Deferred compensation	–	–	–	–	–
Board designated funds and other long-term investments	65	1,444	9	–	1,518
Replacement reserve	–	–	636	–	636
Donor-restricted funds	6,722	1,936	32	922	9,612
Total assets whose use is limited or restricted	6,787	3,380	677	922	11,766

Other assets:

Other assets	–	120	129	–	249
Due from affiliates, less current portion	–	–	–	–	–
Investments in joint ventures	2,113	555	–	–	2,668
Total other assets	2,113	675	129	–	2,917

Property, plant and equipment

Land and improvements	2,856	2,038	81	–	4,975
Buildings and improvements	87,151	6,634	3,014	–	96,799
Equipment	46,336	297	504	–	47,137
Construction in progress	4,777	–	–	–	4,777
Right-of-use assets	1,945	–	–	–	1,945
	143,065	8,969	3,599	–	155,633
Less accumulated depreciation	(82,011)	(5,344)	(2,739)	–	(90,094)
Less accumulated depreciation – right-of-use assets	(854)	–	–	–	(854)
Total property, plant and equipment	60,200	3,625	860	–	64,685

Total assets

	St. Mary's Regional Medical Center	St. Mary's Health System	St. Mary's Residences	St. Mary's Regional Medical Center Eliminations	St. Mary's Health System Consolidated
	\$ 14,490	\$ (2,511)	\$ 2,337	\$ –	\$ 14,316
	22,686	(7)	–	–	22,679
	4,195	–	54	–	4,249
	2,681	–	–	–	2,681
	2,285	185	106	–	2,576
	5,290	–	–	–	5,290
	–	–	–	–	–
	14,949	107	–	(11,743)	3,313
	66,576	(2,226)	2,497	(11,743)	55,104
	–	–	–	–	–
	–	–	–	–	–
	65	1,444	9	–	1,518
	–	–	636	–	636
	6,722	1,936	32	922	9,612
	6,787	3,380	677	922	11,766
	–	120	129	–	249
	–	–	–	–	–
	2,113	555	–	–	2,668
	2,113	675	129	–	2,917
	2,856	2,038	81	–	4,975
	87,151	6,634	3,014	–	96,799
	46,336	297	504	–	47,137
	4,777	–	–	–	4,777
	1,945	–	–	–	1,945
	143,065	8,969	3,599	–	155,633
	(82,011)	(5,344)	(2,739)	–	(90,094)
	(854)	–	–	–	(854)
	60,200	3,625	860	–	64,685
	\$ 135,676	\$ 5,454	\$ 4,163	\$ (10,821)	\$ 134,472

St. Mary's Health System
Consolidating Balance Sheets
December 31, 2024
(In thousands)

Liabilities and Net Assets

Current liabilities:

	St. Mary's Regional Medical Center	St. Mary's Health System	St. Mary's Residences	St. Mary's Regional Medical Center Eliminations	St. Mary's Health System Consolidated
Accounts payable	\$ 5,666	\$ 2	\$ 1	\$ –	\$ 5,669
Accrued expenses and other liabilities	13,264	149	14	–	13,427
Other current liabilities	4,035	–	46	–	4,081
Estimated third-party payor settlements	–	–	–	–	–
Current portion of due to affiliates	109,553	14,490	53	(11,050)	113,046
Current portion of lease liability	758	–	–	–	758
Current portion of long-term debt	–	–	148	–	148
Total current liabilities	<u>133,276</u>	<u>14,641</u>	<u>262</u>	<u>(11,050)</u>	<u>137,129</u>
Long-term debt, less current portion	(1,361)	–	1,369	–	8
Long-term lease liability, less current portion	371	–	–	–	371
Due to affiliates, less current portion	33,213	1,881	–	229	35,323
Other liabilities	145	270	14	–	429
Professional liability loss reserves	2,223	–	–	–	2,223
Total liabilities	<u>167,867</u>	<u>16,792</u>	<u>1,645</u>	<u>(10,821)</u>	<u>175,483</u>
Net assets:					
Without donor restriction	(38,048)	(12,102)	2,486	–	(47,664)
With donor restriction	5,857	764	32	–	6,653
Total net assets	<u>(32,191)</u>	<u>(11,338)</u>	<u>2,518</u>	<u>–</u>	<u>(41,011)</u>
Total liabilities and net assets	<u>\$ 135,676</u>	<u>\$ 5,454</u>	<u>\$ 4,163</u>	<u>\$ (10,821)</u>	<u>\$ 134,472</u>

St. Mary's Health System
Consolidating Statement of Operations
December 31, 2024
(In thousands)

	St. Mary's Regional Medical Center	St. Mary's Health System	St. Mary's Residences	St. Mary's Regional Medical Center Eliminations	St. Mary's Health System Consolidated
Operating revenue:					
Patient service revenue	\$ 202,304	\$ –	\$ –	\$ –	\$ 202,304
Other revenue	20,869	3,694	1,944	(4,920)	21,587
Net assets released from restrictions for operations	1,575	–	–	–	1,575
Total operating revenue	<u>224,748</u>	<u>3,694</u>	<u>1,944</u>	<u>(4,920)</u>	<u>225,466</u>
Operating expenses:					
Salaries and wages	89,512	1,072	–	–	90,584
Employee benefits	20,838	1,057	–	(1,427)	20,468
Supplies	24,329	122	8	(211)	24,248
Other expenses	83,861	627	1,411	(3,282)	82,617
Interest	1,256	–	129	–	1,385
Provider tax	5,415	–	–	–	5,415
Depreciation	4,587	323	118	–	5,028
Total operating expenses	<u>229,798</u>	<u>3,201</u>	<u>1,666</u>	<u>(4,920)</u>	<u>229,745</u>
(Loss) income from continuing operations	(5,050)	493	278	–	(4,279)
Net periodic pension cost	–	–	–	–	–
Nonoperating gains (losses), net:					
Dividend and interest income	297	–	39	–	336
Realized gain (loss) from investments	286	–	–	–	286
Unrealized gain (loss) from investments	302	14	–	–	316
Gain (loss) on sale of assets	2	–	–	–	2
Other nonoperating income	–	(5)	–	–	(5)
Other nonoperating expense	(301)	(3)	–	–	(304)
Total nonoperating (losses) gains, net	<u>586</u>	<u>6</u>	<u>39</u>	<u>–</u>	<u>631</u>
Excess (deficiency) of revenue over expenses from continuing operations	(4,464)	499	317	–	(3,648)
Discontinued operations	–	(4,060)	–	–	(4,060)
Excess (deficiency) of revenue over expenses	(4,464)	(3,561)	317	–	(7,708)
Other changes in net asset without donor restriction:					
Net assets released from restrictions for property, plant and equipment	–	–	–	–	–
Transfer among affiliates	(911)	3,513	–	–	2,602
Increase (decrease) in net assets without donor restriction	<u>\$ (5,375)</u>	<u>\$ (48)</u>	<u>\$ 317</u>	<u>\$ –</u>	<u>\$ (5,106)</u>

St. Joseph Healthcare Foundation
Consolidating Balance Sheet
December 31, 2024
(In thousands)

	St. Joseph Hospital	St. Joseph Health Care	M&J Company	Ambulatory Care, Inc.	Alternative Health Services	Nonobligated Eliminations	Consolidated
Assets							
Current assets:							
Cash and cash equivalents	\$ 4,832	\$ 1,274	\$ 3,796	\$ 26	\$ 25	\$ –	\$ 9,953
Patient accounts receivable	23,359	–	–	(103)	753	–	24,009
Investments	61	5,724	–	–	–	–	5,785
Inventories	3,216	–	5	–	–	–	3,221
Prepaid expenses and other current assets	1,467	–	9	309	–	–	1,785
Amounts receivable from third-party payors	3,670	–	–	–	–	–	3,670
Current portion of assets whose use is limited or restricted	–	–	–	–	–	–	–
Current portion of due from affiliates	7,078	1	–	74	169	(6,866)	456
Total current assets	43,683	6,999	3,810	306	947	(6,866)	48,879
Assets whose use is limited or restricted:							
Funds held by trustees, less current portion	–	–	–	–	–	–	–
Deferred compensation	–	–	–	–	–	–	–
Board designated funds and other long-term investments	2,913	–	–	–	–	–	2,913
Replacement reserve	–	–	–	–	–	–	–
Donor-restricted funds	2,815	6,395	–	–	–	–	9,210
Total assets whose use is limited or restricted	5,728	6,395	–	–	–	–	12,123
Other assets:							
Other assets	–	–	–	–	–	–	–
Due from affiliates, less current portion	90	–	–	–	–	–	90
Investments in joint ventures	632	53	–	–	–	1	686
Total other assets	722	53	–	–	–	1	776
Property, plant and equipment							
Land and improvements	2,148	–	2,807	–	–	–	4,955
Buildings and improvements	51,932	–	8,126	–	–	–	60,058
Equipment	36,474	–	385	759	124	–	37,742
Construction in progress	7,360	–	80	–	–	–	7,440
Right-of-use assets	430	–	–	–	–	–	430
	98,344	–	11,398	759	124	–	110,625
Less accumulated depreciation	(61,865)	–	(8,418)	(742)	(124)	–	(71,149)
Less accumulated depreciation – right-of-use assets	(98)	–	–	–	–	–	(98)
Total property, plant and equipment	36,381	–	2,980	17	–	–	39,378
Total assets	\$ 86,514	\$ 13,447	\$ 6,790	\$ 323	\$ 947	\$ (6,865)	\$ 101,156

St. Joseph Healthcare Foundation
Consolidating Balance Sheet
December 31, 2024
(In thousands)

	St. Joseph Hospital	St. Joseph Health Care	M&J Company	Ambulatory Care, Inc.	Alternative Health Services	Nonobligated Eliminations	Consolidated
Liabilities and Net Assets							
Current liabilities:							
Accounts payable	\$ 3,758	\$ —	\$ 13	\$ 43	\$ 89	\$ —	\$ 3,903
Accrued expenses and other liabilities	13,722	2	—	59	312	—	14,095
Other current liabilities	48	—	—	—	54	—	102
Estimated third-party payor settlements	—	—	—	—	—	—	—
Current portion of due to affiliates	11,976	101	—	3,517	3,172	(6,866)	11,900
Current portion of lease liability	504	—	—	—	—	—	504
Current portion of long-term debt	—	—	33	—	—	—	33
Total current liabilities	30,008	103	46	3,619	3,627	(6,866)	30,537
Long-term debt, less current portion	(609)	—	84	—	—	—	(525)
Long-term lease liability, less current portion	1,886	—	—	—	—	—	1,886
Due to affiliates, less current portion	14,769	—	—	—	—	—	14,769
Other liabilities	—	—	—	—	—	—	—
Professional liability loss reserves	1,429	—	—	—	—	—	1,429
Total liabilities	47,483	103	130	3,619	3,627	(6,866)	48,096
Net assets:							
Without donor restriction	36,126	6,949	6,660	(3,296)	(2,680)	1	43,760
With donor restriction	2,905	6,395	—	—	—	—	9,300
Total net assets	39,031	13,344	6,660	(3,296)	(2,680)	1	53,060
Total liabilities and net assets	\$ 86,514	\$ 13,447	\$ 6,790	\$ 323	\$ 947	\$ (6,865)	\$ 101,156

St. Joseph Healthcare Foundation
Consolidating Statement of Operations
December 31, 2024
(In thousands)

	St. Joseph Hospital	St. Joseph Health Care	M&J Company	Ambulatory Care, Inc.	Alternative Health Services	Nonobligated Eliminations	Consolidated
Operating revenue:							
Patient service revenue	\$ 214,475	\$ –	\$ –	\$ 16	\$ 5,064	\$ –	\$ 219,555
Other revenue	8,989	800	939	1,616	–	(1,580)	10,764
Net assets released from restrictions for operations	465	–	–	–	5	–	470
Total operating revenue	223,929	800	939	1,632	5,069	(1,580)	230,789
Operating expenses:							
Salaries and wages	94,774	–	–	1,305	2,644	–	98,723
Employee benefits	21,778	–	–	193	560	–	22,531
Supplies	31,523	–	–	69	234	–	31,826
Other expenses	65,616	2	242	279	1,891	(1,580)	66,450
Interest	606	–	11	–	–	–	617
Provider tax	3,202	–	–	–	–	–	3,202
Depreciation	2,807	–	292	3	–	–	3,102
Total operating expenses	220,306	2	545	1,849	5,329	(1,580)	226,451
(Loss) income from continuing operations	3,623	798	394	(217)	(260)	–	4,338
Net periodic pension cost	–	–	–	–	–	–	–
Nonoperating gains (losses), net:							
Dividend and interest income	297	403	–	–	–	–	700
Realized gain (loss) from investments	47	33	–	–	–	–	80
Unrealized gain (loss) from investments	511	70	–	–	1	–	582
Gain (loss) on sale of assets	5	–	–	–	–	–	5
Other nonoperating income	–	–	–	–	–	–	–
Other nonoperating expense	(367)	–	–	–	–	–	(367)
Total nonoperating (losses) gains, net	493	506	–	–	1	–	1,000
Excess (deficiency) of revenue over expenses from continuing operations	4,116	1,304	394	(217)	(259)	–	5,338
Discontinued operations	–	–	–	–	–	–	–
Excess (deficiency) of revenue over expenses	4,116	1,304	394	(217)	(259)	–	5,338
Other changes in net asset without donor restriction:							
Net assets released from restrictions for property, plant and equipment	1,799	–	–	–	–	–	1,799
Transfer among affiliates	7,284	(7,284)	–	–	–	–	–
Increase (decrease) in net assets without donor restriction	\$ 13,199	\$ (5,980)	\$ 394	\$ (217)	\$ (259)	\$ –	\$ 7,137

Mary Immaculate Health Care Services, Inc.
Consolidating Balance Sheet
December 31, 2024
(In thousands)

	Mary Immaculate Nursing	Mary Immaculate Management	Mary Immaculate Guild	Mary Immaculate Obligated Group	Mary Immaculate Residential	Mary Immaculate Elimi- nations	Consolidated
Assets							
Current assets:							
Cash and cash equivalents	\$ 888	\$ 1,124	\$ 20	\$ 2,032	\$ 4,124	\$ –	\$ 6,156
Patient accounts receivable	2,187	213	–	2,400	178	–	2,578
Investments	–	–	–	–	–	–	–
Inventories	58	–	–	58	–	–	58
Prepaid expenses and other current assets	486	–	–	486	55	–	541
Amounts receivable from third-party payors	–	–	–	–	–	–	–
Current portion of assets whose use is limited or restricted	–	–	–	–	–	–	–
Current portion of due from affiliates	642	–	–	642	–	–	642
Total current assets	4,261	1,337	20	5,618	4,357	–	9,975
Assets whose use is limited or restricted:							
Funds held by trustees, less current portion	–	–	–	–	157	–	157
Deferred compensation	–	–	–	–	–	–	–
Board designated funds and other long-term investments	43,404	7,514	–	50,918	–	–	50,918
Replacement reserve	–	–	–	–	9,324	–	9,324
Donor-restricted funds	46	5	–	51	81	–	132
Total assets whose use is limited or restricted	43,450	7,519	–	50,969	9,562	–	60,531
Other assets:							
Other assets	–	–	–	–	–	–	–
Due from affiliates, less current portion	–	–	–	–	–	–	–
Investments in joint ventures	–	–	–	–	–	–	–
Total other assets	–	–	–	–	–	–	–
Property, plant and equipment							
Land and improvements	641	–	–	641	106	–	747
Buildings and improvements	14,701	438	–	15,139	34,941	–	50,080
Equipment	4,053	500	–	4,553	1,572	–	6,125
Construction in progress	–	178	–	178	76	–	254
Right-of-use assets	–	–	–	–	–	–	–
	19,395	1,116	–	20,511	36,695	–	57,206
Less accumulated depreciation	(13,023)	(441)	–	(13,464)	(28,424)	–	(41,888)
Less accumulated depreciation – right-of-use assets	–	–	–	–	–	–	–
Total property, plant and equipment	6,372	675	–	7,047	8,271	–	15,318
Total assets	\$ 54,083	\$ 9,531	\$ 20	\$ 63,634	\$ 22,190	\$ –	\$ 85,824

Mary Immaculate Health Care Services, Inc.
Consolidating Balance Sheet
December 31, 2024
(In thousands)

	Mary Immaculate Nursing	Mary Immaculate Management	Mary Immaculate Guild	Mary Immaculate Obligated Group	Mary Immaculate Residential	Mary Immaculate Elimi- nations	Consolidated
Liabilities and Net Assets							
Current liabilities:							
Accounts payable	\$ 464	\$ –	\$ –	\$ 464	\$ 4	\$ –	\$ 468
Accrued expenses and other liabilities	1,333	118	–	1,451	95	–	1,546
Other current liabilities	34	–	–	34	110	–	144
Estimated third-party payor settlements	129	–	–	129	–	–	129
Current portion of due to affiliates	(34)	320	3	289	319	–	608
Current portion of lease liability	–	–	–	–	–	–	–
Current portion of long-term debt	–	–	–	–	134	–	134
Total current liabilities	1,926	438	3	2,367	662	–	3,029
Long-term debt, less current portion	–	–	–	–	6,569	–	6,569
Long-term lease liability, less current portion	–	–	–	–	–	–	–
Due to affiliates, less current portion	–	–	–	–	–	–	–
Other liabilities	537	5	–	542	81	–	623
Professional liability loss reserves	95	–	–	95	–	–	95
Total liabilities	2,558	443	3	3,004	7,312	–	10,316
Net assets:							
Without donor restriction	51,460	9,082	17	60,559	8,831	–	69,390
With donor restriction	65	6	–	71	6,047	–	6,118
Total net assets	51,525	9,088	17	60,630	14,878	–	75,508
Total liabilities and net assets	\$ 54,083	\$ 9,531	\$ 20	\$ 63,634	\$ 22,190	\$ –	\$ 85,824

Mary Immaculate Health Care Services, Inc.
Consolidating Statement of Operations
December 31, 2024
(In thousands)

	Mary Immaculate Nursing	Mary Immaculate Management	Mary Immaculate Guild	Mary Immaculate Obligated Group	Mary Immaculate Residential	Mary Immaculate Elimi- nations	Consolidated
Operating revenue:							
Patient service revenue	\$ 20,100	\$ 3,031	\$ –	\$ 23,131	\$ –	\$ –	\$ 23,131
Other revenue	734	911	–	1,645	6,618	–	8,263
Net assets released from restrictions for operations	95	–	–	95	–	–	95
Total operating revenue	20,929	3,942	–	24,871	6,618	–	31,489
Operating expenses:							
Salaries and wages	12,894	2,263	–	15,157	812	–	15,969
Employee benefits	2,042	363	–	2,405	142	–	2,547
Supplies	1,476	71	–	1,547	95	–	1,642
Other expenses	4,871	962	–	5,833	1,899	–	7,732
Interest	–	–	–	–	289	–	289
Provider tax	478	–	–	478	–	–	478
Depreciation	678	68	–	746	892	–	1,638
Total operating expenses	22,439	3,727	–	26,166	4,129	–	30,295
(Loss) income from continuing operations	(1,510)	215	–	(1,295)	2,489	–	1,194
Net periodic pension cost	–	–	–	–	–	–	–
Nonoperating gains (losses), net:							
Dividend and interest income	671	136	–	807	–	–	807
Realized gain (loss) from investments	(164)	(28)	–	(192)	–	–	(192)
Unrealized gain (loss) from investments	3,125	588	–	3,713	–	–	3,713
Gain (loss) on sale of assets	–	–	–	–	–	–	–
Other nonoperating income	25	–	–	25	–	–	25
Other nonoperating expense	(29)	–	–	(29)	–	–	(29)
Total nonoperating (losses) gains, net	3,628	696	–	4,324	–	–	4,324
Excess (deficiency) of revenue over expenses from continuing operations	2,118	911	–	3,029	2,489	–	5,518
Discontinued operations	–	–	–	–	–	–	–
Excess (deficiency) of revenue over expenses	2,118	911	–	3,029	2,489	–	5,518
Other changes in net assets without donor restriction:							
Net assets released from restrictions for property, plant and equipment	–	–	–	–	–	–	–
Transfer among affiliates	–	–	–	–	–	–	–
Increase (decrease) in net assets without donor restriction	\$ 2,118	\$ 911	\$ –	\$ 3,029	\$ 2,489	\$ –	\$ 5,518

St. Mary's Villa Nursing Home, Inc.
Consolidating Balance Sheet
December 31, 2024
(In thousands)

Assets

Current assets:

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

Assets whose use is limited or restricted:

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

Other assets:

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

Property, plant and equipment

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

Less accumulated depreciation

Less accumulated depreciation –
right-of-use assets

Total property, plant and equipment

Total assets

	Primary Care	Skilled Nursing Facility	St. Mary's Villa Nursing Home, Inc. Consolidated
	\$	\$	\$
Cash and cash equivalents	(266)	1,539	1,273
Patient accounts receivable	242	1,020	1,262
Investments	–	–	–
Inventories	–	58	58
Prepaid expenses and other current assets	6	(82)	(76)
Amounts receivable from third-party payors	–	–	–
Current portion of assets whose use is limited or restricted	361	164	525
Current portion of due from affiliates	2,113	(1,727)	386
Total current assets	<u>2,456</u>	<u>972</u>	<u>3,428</u>
Assets whose use is limited or restricted:			
Funds held by trustees, less current portion	26	–	26
Deferred compensation	–	–	–
Board designated funds and other long-term investments	6,590	8,925	15,515
Replacement reserve	–	–	–
Donor-restricted funds	–	(205)	(205)
Total assets whose use is limited or restricted	<u>6,616</u>	<u>8,720</u>	<u>15,336</u>
Other assets:			
Other assets	21	69	90
Due from affiliates, less current portion	–	–	–
Investments in joint ventures	–	–	–
Total other assets	<u>21</u>	<u>69</u>	<u>90</u>
Property, plant and equipment			
Land and improvements	219	80	299
Buildings and improvements	6,029	10,756	16,785
Equipment	1,026	3,852	4,878
Construction in progress	–	–	–
Right-of-use assets	–	–	–
	<u>7,274</u>	<u>14,688</u>	<u>21,962</u>
Less accumulated depreciation	(4,984)	(10,346)	(15,330)
Less accumulated depreciation – right-of-use assets	–	–	–
Total property, plant and equipment	<u>2,290</u>	<u>4,342</u>	<u>6,632</u>
Total assets	<u>\$ 11,383</u>	<u>\$ 14,103</u>	<u>\$ 25,486</u>

St. Mary's Villa Nursing Home, Inc.
Consolidating Balance Sheet
December 31, 2024
(In thousands)

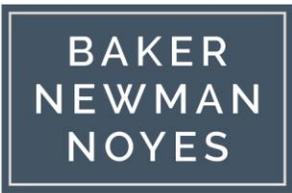
Liabilities and Net Assets

Current liabilities:

	Primary Care	Skilled Nursing Facility	St. Mary's Villa Nursing Home, Inc. Consolidated
Accounts payable	\$ 42	\$ 214	\$ 256
Accrued expenses and other liabilities	354	1,619	1,973
Other current liabilities	202	2	204
Estimated third-party payor settlements	–	145	145
Current portion of due to affiliates	18	74	92
Current portion of lease liability	–	–	–
Current portion of long-term debt	121	–	121
Total current liabilities	<u>737</u>	<u>2,054</u>	<u>2,791</u>
Long-term debt, less current portion	–	–	–
Long-term lease liability, less current portion	–	–	–
Due to affiliates, less current portion	594	2,289	2,883
Other liabilities	–	321	321
Professional liability loss reserves	8	52	60
Total liabilities	<u>1,339</u>	<u>4,716</u>	<u>6,055</u>
Net assets:			
Without donor restriction	9,695	8,974	18,669
With donor restriction	349	413	762
Total net assets	<u>10,044</u>	<u>9,387</u>	<u>19,431</u>
Total liabilities and net assets	<u>\$ 11,383</u>	<u>\$ 14,103</u>	<u>\$ 25,486</u>

St. Mary's Villa Nursing Home, Inc.
Consolidating Statement of Operations
December 31, 2024
(In thousands)

	Primary Care	Skilled Nursing Facility	St. Mary's Villa Nursing Home, Inc. Consolidated
Operating revenue:			
Patient service revenue	\$ 2,444	\$ 10,569	\$ 13,013
Other revenue	112	6	118
Net assets released from restrictions for operations	-	-	-
Total operating revenue	<u>2,556</u>	<u>10,575</u>	<u>13,131</u>
Operating expenses:			
Salaries and wages	1,595	6,471	8,066
Employee benefits	431	1,189	1,620
Supplies	140	733	873
Other expenses	543	3,379	3,922
Interest	26	189	215
Provider tax	2	275	277
Depreciation	265	554	819
Total operating expenses	<u>3,002</u>	<u>12,790</u>	<u>15,792</u>
(Loss) income from continuing operations	(446)	(2,215)	(2,661)
Net periodic pension cost	-	-	-
Nonoperating gains (losses), net:			
Dividend and interest income	99	122	221
Realized gain (loss) from investments	127	187	314
Unrealized gain (loss) from investments	418	611	1,029
Gain (loss) on sale of assets	-	-	-
Other nonoperating income	-	-	-
Other nonoperating expense	-	-	-
Total nonoperating (losses) gains, net	<u>644</u>	<u>920</u>	<u>1,564</u>
Excess (deficiency) of revenue over expenses from continuing operations	198	(1,295)	(1,097)
Discontinued operations	-	-	-
Excess (deficiency) of revenue over expenses	<u>198</u>	<u>(1,295)</u>	<u>(1,097)</u>
Other changes in net assets without donor restriction:			
Net assets released from restrictions for property, plant and equipment	-	-	-
Adjustment to defined benefit pension obligation	-	-	-
Transfer among affiliates	-	-	-
Increase (decrease) in net assets without donor restriction	<u>\$ 198</u>	<u>\$ (1,295)</u>	<u>\$ (1,097)</u>



**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTAL INFORMATION**

The Board of Directors
Covenant Health, Inc.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as of and for the year ended December 31, 2024, as a whole. The accompanying Financial Responsibility Supplemental Schedule (the Schedule), prepared in accordance with the U.S. Department of Education's financial regulations, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The Schedule as of and for the year ended December 31, 2024, has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information as of and for the year ended December 31, 2024 is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Baker Newman & Noyes LLC

Portland, Maine
April 25, 2025

COVENANT HEALTH, INC. AND SUBSIDIARIES

FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE

**As of and for the Year Ended December 31, 2024
(In thousands)**

<u>Source</u>	<u>Expendable Net Assets</u>	
Consolidated balance sheet, pg. 4	Net assets without donor restrictions	\$ <u>398,864</u>
Consolidated balance sheet, pg. 4	Net assets with donor restrictions	\$ <u>65,427</u>
N/A	Secured and unsecured related party receivable	\$ <u>—</u>
N/A	Property and equipment pre-implementation (amount of property, plant and equipment reported in last submission less subsequent depreciation and gain on disposal)	\$ —
See Note A, pg. 58	Property and equipment post-implementation with outstanding debt for original purchase	—
See Note A, pg. 58	Property and equipment post-implementation without outstanding debt for original purchase	287,053
N/A	Construction in progress (CIP)	<u>20,824</u>
See Note A, pg. 58	Property and equipment, net (includes CIP) – total	\$ <u>307,877</u>
N/A	Lease right-of-use asset, pre-implementation	\$ <u>—</u>
See Note A, pg. 58	Lease right-of-use asset, post-implementation lease right-of-use asset, net – total	\$ <u>3,665</u>
N/A	Intangible assets	\$ <u>—</u>
Footnote 2, pg. 15	Post-employment and pension liabilities	\$ <u>12,317</u>
N/A	Long-term debt – for long-term purposes pre implementation	\$ <u>—</u>
See Note B, pg. 59	Long-term debt – for long-term purposes post-implementation	\$ <u>221,368</u>
N/A	Line of credit for CIP – long-term debt – for long-term purposes – total	\$ <u>—</u>

COVENANT HEALTH, INC. AND SUBSIDIARIES

FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE (CONTINUED)

**As of and for the Year Ended December 31, 2024
(In thousands)**

<u>Source</u>	<u>Expendable Net Assets (Continued)</u>	
N/A	Pre-implementation right-of-use asset liability	\$ <u>—</u>
Consolidated balance sheet, pg. 4 (current and long-term)	Post-implementation right-of-use asset liability	\$ <u>7,256</u>
	Lease right-of-use asset liability – total	\$ <u>7,256</u>
N/A	Annuities with donor restrictions	\$ <u>—</u>
N/A	Term endowments with donor restrictions	\$ <u>—</u>
N/A	Life income funds with donor restrictions, annuities, term endowments and life income with donor restrictions – total	\$ <u>—</u>
Footnote 7, pg. 26, donor-restricted funds to be maintained in perpetuity	Net assets with donor restrictions, restricted in perpetuity	\$ <u>41,697</u>
	<u>Expenses and Losses</u>	
Consolidated statement of operations and changes in net assets, pg. 5	Total expenses without donor restrictions – taken directly from statement of activities	\$ <u>760,456</u>
Consolidated statement of operations and changes in net assets, pg. 5	Total nonoperating and investment gains without donor restriction	\$ <u>35,916</u>
Consolidated statement of operations and changes in net assets, pg. 5	Pension-related changes other than net periodic costs with donor restriction	\$ <u>(26)</u>

COVENANT HEALTH, INC. AND SUBSIDIARIES

FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE (CONTINUED)

**As of and for the Year Ended December 31, 2024
(In thousands)**

<u>Source</u>	<u>EQUITY RATIO</u>	
	<u>Modified Net Assets</u>	
Consolidated balance sheet, pg. 4	Net assets without donor restrictions	\$ <u>398,864</u>
Consolidated balance sheet, pg. 4	Net assets with donor restrictions	\$ <u>65,427</u>
N/A	Intangible assets	\$ <u>—</u>
N/A	Secured and unsecured related party receivables	\$ <u>—</u>
Consolidated balance sheet, pg. 3	Total assets	\$ <u>878,632</u>
N/A	Lease right-of-use asset pre-implementation	\$ <u>—</u>
N/A	Pre-implementation right-of-use asset liability	\$ <u>—</u>
N/A	Intangible assets	\$ <u>—</u>
Statement of financial position	Secured and unsecured related party receivables	\$ <u>—</u>
	NET INCOME RATIO	
Consolidated statement of operations and changes in net assets, pg. 6	Change in net assets without donor restrictions	\$ <u>25,272</u>
Consolidated statement of operations and changes in net assets, pg. 5	Total revenues and losses without donor restriction (excess of revenues over expenses)	\$ <u>21,910</u>

COVENANT HEALTH, INC. AND SUBSIDIARIES

FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE (CONTINUED)

**As of and for the Year Ended December 31, 2024
(In thousands)**

<u>Source</u>	<u>Note A for Property and Equipment, Net</u>	
Pre-implementation and equipment, net:		
Consolidated balance sheet - December 31, 2023	Ending balance of last financial statement to the Department of Education	\$ —
Statement of cash flows – depreciation, net of amortization expense	Less subsequent depreciation, net of gain on sale of property, plant and equipment	<u>—</u>
	Balance post-implementation property, plant and equipment, net	—
Included in statement of cash flows - purchases of property plant and equipment	Construction in progress – acquired subsequent to December 31, 2023	26,119
Included in statement of cash flows - purchases of property plant and equipment	Post-implementation property and equipment, net acquired without debt subsequent to December 31, 2023	<u>745,958</u>
	Total property and equipment, net – December 31, 2024	<u>\$ 772,077</u>
	Reconciliation to consolidated balance sheet – December 31, 2024:	
	Property plant and equipment	\$ 772,077
	Right-of-use asset	<u>(8,410)</u>
	Adjusted property, plant and equipment	763,667
	Accumulated depreciation	<u>(459,455)</u>
	Net property, plant and equipment	304,212
	Net right-of-use assets	<u>3,665</u>
	Total property, plant and equipment	<u>\$ 307,877</u>

COVENANT HEALTH, INC. AND SUBSIDIARIES

FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE (CONTINUED)

**As of and for the Year Ended December 31, 2024
(In thousands)**

<u>Source</u>	<u>Note B for Long-Term Debt for Long-Term Purposes</u>	
Pre-implementation debt:		
Consolidated balance sheet - December 31, 2023	Ending balance of last financial statement submitted to the Department of Education	\$ 221,298
Statement of cash flows	Loss on debt refinance	—
Statement of cash flows – repayment of long-term debt plus amortization of bond premium and debt issuance costs	Less subsequent debt repayments	70
Statement of cash flows - proceeds from long-term debt less amounts paid to refinance	Proceeds from issuance of long-term debt, net	—
	Balance post-implementation debt	<u>\$ 221,368</u>
Per balance sheet:		
	ST – current portion of long-term debt	\$ 619
	LT – long-term debt, less current portion	<u>220,749</u>
		<u>\$ 221,368</u>