

Covenant Health, Inc. and Subsidiaries

**Audited Consolidated Financial Statements
and Additional Information**

*Years Ended December 31, 2020 and 2019
With Independent Auditors' Report*

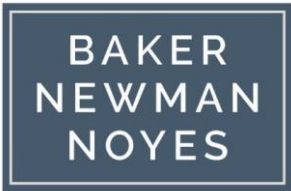
COVENANT HEALTH, INC. AND SUBSIDIARIES

Audited Consolidated Financial Statements and Additional Information

Years Ended December 31, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Covenant Health, Inc.

We have audited the accompanying consolidated financial statements of Covenant Health, Inc. and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Covenant Health Insurance, Ltd. and MI Residential Community, Inc., both wholly-owned subsidiaries, which statements reflect total assets constituting approximately 8% of consolidated total assets at December 31, 2020 and 2019, and total revenues constituting approximately 1% at December 31, 2020 and 2019 of consolidated total revenues for the years then ended. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports of other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

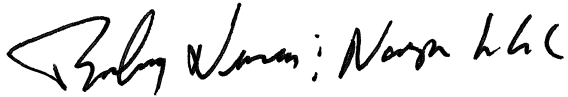
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The Board of Directors
Covenant Health, Inc.

Opinion

In our opinion, based on our audit and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Covenant Health, Inc. and Subsidiaries as of December 31, 2020 and 2019, and the results of their operations, changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "Gregory W. Moran; Noyes LLC". The signature is written in a cursive style.

Boston, Massachusetts
May 4, 2021

COVENANT HEALTH, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2020 and 2019

(In thousands)

ASSETS

	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and cash equivalents	\$ 66,617	\$ 54,011
Patient accounts receivable (note 3)	75,614	94,098
Current portion of pledges receivable (note 8)	6,069	7,283
Investments (note 4)	6,123	1,286
Inventories	9,195	5,588
Prepaid expenses and other current assets	33,579	15,558
Current portion of assets whose use is limited or restricted (note 4)	<u>7,157</u>	<u>6,313</u>
Total current assets	204,354	184,137
Assets whose use is limited or restricted (note 4):		
Funds held by trustees, less current portion	11,685	24,080
Deferred compensation	13,205	13,415
Board-designated funds and other long-term investments	368,368	326,839
Replacement reserve	5,730	5,409
Donor-restricted funds	<u>48,110</u>	<u>35,973</u>
Total assets whose use is limited or restricted	447,098	405,716
Other assets:		
Pledges receivable (note 8)	615	4,610
Other assets	1,082	1,078
Investments in joint ventures (note 9)	<u>7,053</u>	<u>6,892</u>
Total other assets	8,750	12,580
Property, plant and equipment (note 5):		
Land and improvements	21,219	24,124
Buildings and improvements	428,910	439,796
Equipment	273,818	288,602
Construction in progress	20,443	11,138
Right of use assets	<u>10,964</u>	<u>10,547</u>
	755,354	774,207
Less accumulated depreciation	(432,116)	(444,123)
Less accumulated depreciation – right of use assets	<u>(2,183)</u>	<u>(1,108)</u>
Total property, plant and equipment	<u>321,055</u>	<u>328,976</u>
Total assets	\$ <u>981,257</u>	\$ <u>931,409</u>

LIABILITIES AND NET ASSETS

	<u>2020</u>	<u>2019</u>
Current liabilities:		
Accounts payable	\$ 20,206	\$ 35,728
Accrued expenses and other liabilities	56,723	44,320
Estimated third-party payor settlements (note 3)	10,879	12,827
Other current liabilities (note 2)	28,655	—
Current portion of lease liability	2,454	2,659
Current portion of long-term debt (note 5)	<u>14,425</u>	<u>15,199</u>
Total current liabilities	133,342	110,733
Long-term debt, less current portion (note 5)	214,606	230,104
Long-term lease liability, less current portion	6,326	6,698
Defined benefit pension obligation (note 6)	(52)	2,289
Other liabilities (note 2)	60,250	20,615
Professional liability loss reserves (note 2)	<u>31,059</u>	<u>35,557</u>
Total liabilities	445,531	405,996
Net assets:		
Without donor restrictions	474,611	465,958
With donor restrictions (note 7)	<u>61,115</u>	<u>59,455</u>
Total net assets	535,726	525,413
	_____	_____
Total liabilities and net assets	\$ <u>981,257</u>	\$ <u>931,409</u>

See accompanying notes.

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

Years Ended December 31, 2020 and 2019
(In thousands)

	<u>2020</u>	<u>2019</u>
Operating revenue:		
Patient service revenue (note 3)	\$618,685	\$702,555
Other revenue (note 2)	96,775	41,617
Net assets released from restrictions for operations	<u>3,275</u>	<u>967</u>
Total operating revenue	718,735	745,139
Operating expenses (note 12):		
Salaries and wages	334,891	351,544
Employee benefits (notes 2 and 6)	64,848	66,066
Supplies	77,045	85,762
Other expenses	185,943	175,392
Interest	10,053	10,979
Provider tax (note 3)	21,906	22,814
Depreciation and amortization	<u>30,146</u>	<u>30,801</u>
Total operating expenses	<u>724,832</u>	<u>743,358</u>
(Loss) income from operations	(6,097)	1,781
Net periodic pension cost (note 6)	(489)	(2,432)
Nonoperating gains, net (notes 4 and 9)	<u>13,962</u>	<u>48,207</u>
Excess of revenue over expenses	<u>\$ 7,376</u>	<u>\$ 47,556</u>

Continued next page.

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

Years Ended December 31, 2020 and 2019
(In thousands)

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	Total <u>Net Assets</u>
Balances at January 1, 2019	\$412,728	\$54,478	\$467,206
Excess of revenue over expenses	47,556	–	47,556
Net change in unrealized gains on investments (note 4)	–	1,244	1,244
Restricted contributions and investment income	–	3,926	3,926
Net assets released from restrictions	–	(967)	(967)
Adjustment to defined benefit pension obligation (note 6)	5,674	–	5,674
Change in fair value of beneficial interest in perpetual trusts	<u>–</u>	<u>774</u>	<u>774</u>
	<u>53,230</u>	<u>4,977</u>	<u>58,207</u>
Balances at December 31, 2019	465,958	59,455	525,413
Excess of revenue over expenses	7,376	–	7,376
Net change in unrealized losses on investments (note 4)	–	(594)	(594)
Restricted contributions and investment income	–	7,765	7,765
Net assets released from restrictions	934	(4,209)	(3,275)
Adjustment to defined benefit pension obligation (note 6)	343	–	343
Change in fair value of beneficial interest in perpetual trusts	<u>–</u>	<u>(1,302)</u>	<u>(1,302)</u>
	<u>8,653</u>	<u>1,660</u>	<u>10,313</u>
Balances at December 31, 2020	<u>\$474,611</u>	<u>\$61,115</u>	<u>\$535,726</u>

See accompanying notes.

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

Years Ended December 31, 2020 and 2019
(In thousands)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 10,313	\$ 58,207
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Net realized and unrealized change in investments	4,143	(37,844)
Net gain from joint ventures	(161)	(44)
Restricted contributions and investment income	(7,765)	(3,926)
Depreciation and amortization	30,146	30,801
Adjustment to defined benefit pension obligation	(343)	(5,674)
Gain on sale of property, plant and equipment	86	(161)
Changes in operating assets and liabilities:		
Patient accounts receivable	18,484	(10,244)
Inventories, prepaid expenses and other current assets	(21,628)	(3,042)
Other assets	(2,002)	5,093
Pledges receivable	5,209	1,946
Accounts payable, accrued expenses and other liabilities	65,171	(500)
Estimated third-party payor settlements, net	(1,948)	908
Professional liability loss reserves	<u>(4,498)</u>	<u>(6,539)</u>
Net cash provided by operating activities	95,207	28,981
Cash flows from investing activities:		
Purchases of investments and assets whose use is limited or restricted	(89,855)	(39,995)
Sales of investments and assets whose use is limited or restricted	38,649	37,608
Purchases of property, plant and equipment	<u>(22,311)</u>	<u>(14,753)</u>
Net cash used by investing activities	(73,517)	(17,140)
Cash flows from financing activities:		
Payments on long-term debt and lease obligations	(23,910)	(10,889)
Proceeds from issuance of long-term debt	7,061	-
Restricted contributions and investment income	<u>7,765</u>	<u>3,926</u>
Net cash used by financing activities	<u>(9,084)</u>	<u>(6,963)</u>
Increase in cash and cash equivalents	12,606	4,878
Cash and cash equivalents, beginning of year	<u>54,011</u>	<u>49,133</u>
Cash and cash equivalents, end of year	\$ <u>66,617</u>	\$ <u>54,011</u>
Supplemental disclosure:		
Cash paid for interest	\$ <u>10,964</u>	\$ <u>12,001</u>
Amount of right-of-use assets included in lease liability	\$ <u>-</u>	\$ <u>10,547</u>

See accompanying notes.

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

(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 (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, Providentia Prima Trust (Providentia Prima), Mount St. Rita Health Centre, Penacook Place, Inc. and Youville Place. 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 Providentia Prima, which is a unitized investment trust. Covenant and its member organizations, and their various related entities are collectively referred to herein as the "System." The System provides acute, long-term and other health care services to patients and residents in New England and Pennsylvania.

2. Significant Accounting Policies

Principles of Consolidation

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

Use of Estimates

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

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019
(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, 2020 and 2019, 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 comprise approximately 49% of receivables for the years ended December 31, 2020 and 2019. 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 57% and 55%, respectively, of the System's patient service revenue for the years ended December 31, 2020 and 2019, and revenue with Anthem accounted for approximately 13% of patient service revenue for 2020 and 2019.

Income Taxes

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

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

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

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

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, 2020.

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

(In thousands)

2. Significant Accounting Policies (Continued)

Net Assets With Donor Restrictions

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

Statement of Operations

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

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

Excess of Revenue Over Expenses

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

Patient Service Revenue

Patient service revenue is reported at the estimated realizable amounts from patients, third-party payors and others for services rendered, including any estimated adjustments under reimbursement agreements with third-party payors due to audits, reviews or investigations. Adjustments are recorded as changes in estimates when final settlements are determined. Changes in estimated settlements from third-party payors and other changes from prior years resulted in a net increase of \$4,209 and \$8,200 to patient service revenue for the years ended December 31, 2020 and 2019, respectively.

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

(In thousands)

2. Significant Accounting Policies (Continued)

Charity Care

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

Cash and Cash Equivalents

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

Beneficial Interest in Perpetual Trust

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

Inventories

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

Property, Plant and Equipment

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

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

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.

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

(In thousands)

2. Significant Accounting Policies (Continued)

Conditional Asset Retirement Obligations

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

Financing Costs/Original Issue Discount

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

Assets Whose Use is Limited or Restricted

Assets whose use is limited or restricted include certain assets set aside by the Board of Directors to provide for the future replacement of property, plant and equipment and certain internal designations by members of the System. These assets are reported as Board-designated funds and other long-term investments. Also, under certain debt agreements, the System is required to maintain assets which have been segregated as externally designated trustee funds. 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, 2020 and 2019, 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, 2020 and 2019, 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.

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019
(In thousands)

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

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

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

Market Volatility

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

Donor-Restricted Gifts

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

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

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.

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

(In thousands)

2. Significant Accounting Policies (Continued)

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

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

The System maintains malpractice insurance coverage on a claims made basis. At December 31, 2020, there were no known malpractice claims outstanding which, in the opinion of management, will be settled for amounts in excess of insurance coverage, nor were there any unasserted claims or incidents which require loss accrual. The System intends to renew coverage on a claims made basis and anticipates that such coverage will be available.

Self-Insurance Reserves

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

Retirement Plans

The System's members sponsor several defined contribution retirement plans which cover substantially all employees who have met certain eligibility requirements of the respective plans. Contributions to the defined contribution plans are discretionary and are based upon certain percentages of eligible income. Expenses related to the defined contribution plans were \$3,972 and \$2,767 for 2020 and 2019, respectively. In addition, Nashua and Bangor have frozen defined benefit pension plans. See Note 6 for further information on the defined benefit plans. The System maintains a supplemental executive retirement plan (SERP) for certain executives. There were no expenses related to the SERP for the years ended December 31, 2020 or 2019.

Deferred Compensation

The System has recorded its obligations under deferred compensation agreements with certain employees of \$12,096 and \$11,322 at December 31, 2020 and 2019, respectively, which are included in other liabilities on the balance sheet. Assets of \$13,205 and \$13,415 at December 31, 2020 and 2019, respectively, related to these obligations are segregated and included in assets whose use is limited or restricted on the balance sheet.

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019
(In thousands)

2. Significant Accounting Policies (Continued)

Reclassifications

Certain 2019 amounts have been reclassified to permit comparison with the 2020 consolidated financial statements presentation format.

COVID-19 Pandemic, CARES Act and Other Relief Funding

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

In 2020, the federal government and certain state governments provided financial assistance to healthcare systems as a result of the COVID-19 pandemic. During the year ended December 31, 2020, the System received \$52.2 million of accelerated Medicare payments. Payments under the Medicare Accelerated and Advanced Payment program are advances that must be repaid. At year end, no repayments had been made and, based on repayment guidelines, \$17.5 million was recorded as a short-term liability and \$34.7 million as a long-term liability.

In addition, during 2020, the System received \$63.1 million in relief funds and grants from federal and state sources that is not required to be repaid, subject to use towards eligible expenses and lost revenue incurred as a result of the COVID-19 pandemic. The majority of the federal and state funds received is related to the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) Provider Relief Funds (PRF payments). As of December 31, 2020, the System has recognized \$63.1 million in relief funding as revenue which is classified as other revenue on the consolidated statement of operations.

The CARES Act also provides for a deferral of payments of the employer portion of payroll tax incurred during the pandemic, allowing half of such payroll taxes to be deferred until December 2021, and the remaining half until December 2022. At December 31, 2020, the System had deferred approximately \$11.2 million of payroll taxes, which is recorded within other current and long-term liabilities in the accompanying 2020 consolidated balance sheet.

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 May 4, 2021 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, 2020 and 2019

(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>2020</u>	<u>2019</u>
Medicare	\$215,631	\$227,058
Medicaid	139,440	156,773
Commercial	246,819	280,856
Patients (private pay/self pay)	<u>16,795</u>	<u>37,868</u>
	<u>\$618,685</u>	<u>\$702,555</u>

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

(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 collectability of accounts receivable.

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

Under the State of New Hampshire's tax code, the State imposes a Medicaid Enhancement Tax (MET) equal to 5.40% of patient service revenue, with certain exclusions for the years ended December 31, 2020 and 2019. The amount of tax incurred by Nashua for fiscal 2020 and 2019 was \$9,814 and \$9,955, respectively.

In the fall of 2010, in order to remain in compliance with stated federal regulations, the State of New Hampshire adopted a new approach related to Medicaid disproportionate share funding (DSH) retroactive to July 1, 2010. Unlike the former funding method, the State's approach led to a payment that was not directly based on, and did not equate to, the level of tax imposed. As a result, the legislation created some level of losses at certain New Hampshire hospitals, while other hospitals realized gains. DSH payments from the State are recorded within patient service revenue and amounted to \$6,186 in 2020 and \$5,164 in 2019.

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 also assesses a provider tax similar to New Hampshire, with disproportionate share funding partially offsetting the tax.

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

(In thousands)

3. Patient Service Revenue (Continued)

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

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

Community Benefits

The System does not pursue collection of amounts determined to qualify as charity care; therefore, they are not reported as revenue. The System determines the costs associated with providing charity care by calculating a ratio of cost to gross charges, and then multiplying that ratio by the gross uncompensated charges associated with providing care to patients eligible for free care. Under this methodology, the estimated costs of caring for charity care patients for the years ended December 31, 2020 and 2019 were \$7,895 and \$6,318, 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, 2020 and 2019 were \$115,254 and \$110,192, respectively.

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

(In thousands)

4. Investments

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

	<u>2020</u>	<u>2019</u>
Investments	\$ 6,123	\$ 1,286
Assets whose use is limited, restricted or board designated	<u>454,255</u>	<u>412,029</u>
Total investments	<u>\$460,378</u>	<u>\$413,315</u>

Fair Value Measurements

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

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

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

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

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

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

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

(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>
2020:				
Cash and cash equivalents	\$ 28,248	\$ —	\$ —	\$ 28,248
U.S. Government securities	—	8,528	—	8,528
Corporate bonds	—	4,204	—	4,204
Asset back securities	—	15	—	15
Marketable equity securities:				
Consumer discretionary	883	—	—	883
Consumer staples	822	—	—	822
Energy	176	—	—	176
Financial services	1,577	—	—	1,577
Healthcare	1,232	—	—	1,232
Industrial	1,176	—	—	1,176
Technology	1,739	—	—	1,739
Materials	161	—	—	161
Telecommunications	877	—	—	877
Mutual funds:				
Equity funds	102,676	—	—	102,676
Fixed income funds	174,317	—	—	174,317
International equity funds	63,633	—	—	63,633
Accrued interest and other	1,703	—	—	1,703
Beneficial interest in perpetual and other trusts	—	—	3,998	3,998
Cash surrender value of life insurance policies	<u>—</u>	<u>8,609</u>	<u>—</u>	<u>8,609</u>
	<u>\$379,220</u>	<u>\$21,356</u>	<u>\$ 3,998</u>	404,574
Investments valued at NAV not classified by level:				
International emerging equity				23,221
Fixed income				10,236
Global balances				14,350
Real assets				<u>7,997</u>
				<u>55,804</u>
				<u>\$460,378</u>

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

(In thousands)

4. Investments (Continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
2019:				
Cash and cash equivalents	\$ 48,276	\$ –	\$ –	\$ 48,276
U.S. Government securities	–	20,904	–	20,904
Corporate bonds	–	23,684	–	23,684
Asset back securities	–	7,448	–	7,448
Marketable equity securities:				
Consumer discretionary	661	–	–	661
Consumer staples	818	–	–	818
Energy	370	–	–	370
Financial services	3,584	–	–	3,584
Healthcare	1,167	–	–	1,167
Industrial	1,415	–	–	1,415
Technology	2,436	–	–	2,436
Materials	285	–	–	285
Telecommunications	491	–	–	491
Mutual funds:				
Equity funds	204,727	–	–	204,727
Fixed income funds	122	–	–	122
International equity funds	2,321	–	–	2,321
Accrued interest and other	2,213	–	–	2,213
Beneficial interest in perpetual and other trusts	–	–	5,300	5,300
Cash surrender value of life insurance policies	<u>–</u>	<u>9,260</u>	<u>–</u>	<u>9,260</u>
	<u>\$268,886</u>	<u>\$61,296</u>	<u>\$ 5,300</u>	335,482
Investments valued at NAV not classified by level:				
International emerging equity				23,500
Fixed income				33,016
Global balances				13,548
Real assets				<u>7,769</u>
				<u>77,833</u>
				<u>\$413,315</u>

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

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019
(In thousands)

4. Investments (Continued)

Investment Strategies

International Emerging Equity

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

Fixed Income Investments

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

Global Balances

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

Real Assets

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

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

(In thousands)

4. Investments (Continued)

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

	<u>2020</u>	<u>2019</u>
Investment income:		
Interest and dividends	\$ 9,642	\$ 11,638
Net realized gains on sales of securities	1,048	12,520
Net unrealized (losses) gains on investments	<u>(5,191)</u>	<u>25,324</u>
Net realized and unrealized (losses) gains on investments	<u>(4,143)</u>	<u>37,844</u>
Investment income and losses	<u>\$ 5,499</u>	<u>\$ 49,482</u>

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

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

The System maintains a line of credit totaling \$5,000, which had no outstanding balances at December 31, 2020 and 2019.

Long-Term Debt

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

	<u>2020</u>	<u>2019</u>
In June 2020, the Maine Health and Higher Educational Facilities Authority (MHHEFA) issued tax-exempt revenue bonds (Series 2020A) and loaned \$3,753 of the proceeds to St. Mary's Regional Medical Center (SMRMC). The proceeds were used to refund the Series 2010B Bonds. The bonds are secured by substantially all the assets of SMRMC and a moral obligation pledge by the State of Maine. The bonds bear interest at 4% and mature in varying annual amounts to 2031	\$ 3,753 ⁽¹⁾	\$ —
In June 2020, MHHEFA issued tax-exempt revenue bonds (Series 2020A) and loaned \$3,308 of the proceeds to St. Joseph Hospital Bangor (SJHB). The proceeds were used to refund the Series 2010B Bonds. The bonds are secured by substantially all the assets of SJHB and a moral obligation pledge by the State of Maine. The bonds bear interest at 4% and mature in varying annual amounts to 2026	3,308	—
In June 2020, Community Clinical Services, Inc. obtained \$1,671 from TD Bank, which is eligible for forgiveness under the CARES Act. The debt bears interest at 1% and matures in 2022	1,671	—

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

(In thousands)

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

Long-Term Debt (continued)

	<u>2020</u>	<u>2019</u>
In December 2017, MHHEFA issued tax-exempt revenue bonds (Series 2017B) and loaned \$4,420 to SMRMC. The bonds are secured by substantially all the assets of SMRMC and a moral obligation pledge by the State of Maine. The bonds bear interest at 3.5% to 5% and mature in varying amounts to 2037	\$ 4,150 ⁽¹⁾	\$ 4,315
In March 2017, MHHEFA, the New Hampshire Health and Education Facilities Authority (NHHEFA) and the Massachusetts Development Finance Authority (MDFA) issued four series of bonds and loaned approximately \$20 million of the proceeds to the Obligated Group. MHHEFA issued the Series 2017A bonds (SJHB) in the amount of \$3,400 and the Series 2017B bonds (SMRMC) in the amount of \$6,000. NHHEFA issued the Series 2017-NH bonds in the amount of \$7,960 and MDFA issued the Series 2017-MA bonds in the amount of \$2,500. The bonds are secured under the Master Trust Indenture. The bonds bear interest at approximately 3.6% and mature in varying amounts to 2047	19,860	19,860
In March 2017, the Obligated Group entered into a taxable loan agreement for \$55 million to fund certain capital projects. The loan bears interest at a fixed rate of approximately 3.7% with interest only payments through March 2019. The loan is secured under the Master Trust Indenture. Monthly payments of principal and interest of approximately \$420,000 are to be made through April 2027	49,630	52,745
In July 2014, NHHEFA issued tax-exempt bonds (Series 2014) and loaned \$16,900 to the Obligated Group. Proceeds borrowed were used to refinance the NHHEFA 2004 bonds. The bonds are secured under the Master Trust Indenture. The bonds bear interest at 2.54% and mature in varying annual amounts to 2034	12,660	13,405
In July 2014, MHHEFA issued tax-exempt revenue bonds (Series 2014A) and loaned \$6,929 to SMRMC and \$1,834 to St. Mary's d'Youville Pavilion (d'Youville Pavilion). The bonds are collateralized by substantially all the assets of SMRMC and d'Youville Pavilion and a moral obligation pledge by the State of Maine. The bonds bear interest at rates ranging from 3% to 5% and mature in varying annual amounts to 2023	921 ⁽¹⁾	1,849
In 2013, the Scranton-Lackawanna Health and Welfare Authority issued two series of tax-exempt revenue notes and loaned \$2,740 to St. Mary's Villa. The 2013A note was in the amount of \$685 and matured in 2020. The Series 2013B note in the amount of \$2,055 matures in 2029. Both notes bear interest at 3.25%	1,237	1,375
In October 2012, MHHEFA issued tax-exempt revenue bonds (Series 2012) and loaned \$13,490 of the proceeds to SJHB. The bonds are guaranteed with an obligation issued pursuant to the Master Trust Indenture. The bonds bear interest at 3.43% and mature in varying annual amounts to 2032	9,255	9,362

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

(In thousands)

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

Long-Term Debt (continued)

	<u>2020</u>	<u>2019</u>
In June 2012, MHHEFA issued tax-exempt revenue bonds (Series 2012) and loaned \$19,270 to SMRMC. The bonds are guaranteed with an obligation pursuant to the Master Trust Indenture. The bonds bear interest at 3.42% and mature in varying annual amounts to 2036	\$ 16,465 ⁽¹⁾	\$ 17,440
In June 2012, the Massachusetts Health and Educational Facilities Authority (MHEFA) and NHHEFA issued tax-exempt bonds and loaned \$39,365 to the Obligated Group. The bonds are secured under the Master Trust Indenture. The bonds bear interest at rates ranging from 3% to 5% and mature in varying annual amounts to 2042	36,815	37,410
In 2012, MHHEFA issued tax-exempt revenue bonds (Series 2012) and loaned \$1,780 of the proceeds to SJHB. The 2012 bond indenture required the establishment of a debt service reserve fund in the amount of \$195 held by a trustee. The bonds are secured by substantially all the assets of SJHB and a moral obligation pledge by the State of Maine. The bonds bear interest at rates ranging from 2.5% to 5% and mature in varying annual amounts to 2027	865	990
In June 2010, MHHEFA issued tax-exempt revenue bonds (2010B) and loaned \$7,222 to SMRMC. The 2010B Bonds were redeemed in 2020 with proceeds from the Series 2020A bonds	–	4,586
In June 2010, MHHEFA issued tax-exempt revenue bonds (2010B) and loaned \$11,660 of the proceeds to SJHB. The 2010B Bonds were redeemed in 2020 with proceeds from the Series 2020A bonds	–	4,446
In 2009, the Finance Authority of Maine issued revenue bonds and loaned \$5,300 of the proceeds to SMRMC. The bonds were paid in full in January 2020	–	2,570
In October 2007, MHEFA issued Series 2007A bonds in the amount of \$12,940 and Series 2007B bonds in the amount of \$11,890, and NHHEFA issued Series 2007A bonds in the amount of \$17,030 and Series 2007B bonds in the amount of \$36,650. MHEFA and NHHEFA loaned the aggregate proceeds of approximately \$78,510 to the Obligated Group. The 2007 Bond indenture require the establishment of a debt service reserve fund to be held in trust, which amounted to approximately \$886 at December 31, 2020 and 2019. The amount is included in the consolidated balance sheet as funds held by trustees. The bonds are secured under the Master Trust Indenture. The bonds bear interest at rates ranging from 4.5% to 5% and mature in varying annual amounts to 2037	56,635	61,935
St. Mary's Residences has a mortgage payable to Maine State Housing Authority with an interest rate of 7.5%. The mortgage matures in July 2023 and is collateralized by real property	2,008	2,089
MI Residential Communities, Inc. has a mortgage payable to the Department of Housing and Urban Development and Midland Loans Services, Inc., collateralized by their real property. The note bears interest at 4.05% through March 2053	7,392	7,500

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

(In thousands)

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

Long-Term Debt (continued)

	<u>2020</u>	<u>2019</u>
Additional mortgages payable to various financial institutions are held primarily at St. Joseph Manor and M&J	\$ <u>2,512</u>	\$ <u>3,267</u>
	229,137	245,144
Unamortized original issue premium	1,803	1,608
Deferred financing costs	<u>(1,909)</u>	<u>(1,449)</u>
	229,031	245,303
Less current portion	<u>(14,425)</u>	<u>(15,199)</u>
	<u>\$214,606</u>	<u>\$230,104</u>

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 January 15, 2002, 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 revenue for the benefit of the Master Trustee to secure Obligations issued pursuant to the Master Indenture. In addition, Nashua 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 and certain other Obligated Group's financing agreements contain 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 to nonobligated group members. The Obligated Group has complied with such financial covenants and restrictions at December 31, 2020.

(1) Certain debt obligations of SMRMC did not meet the required debt service coverage ratio (DSCR) as of December 31, 2020 as required in the debt agreement. If the DSCR is not met, the debt agreement calls for management to hire a consultant to make recommendations to bring SMRMC into compliance prospectively.

As long as management hires a consultant as set forth, the debt is considered to be in compliance with the covenants in the debt agreement. Management has hired a consultant as required and, accordingly, the debt has been classified on the balance sheet in accordance with the scheduled payments. Except for SMRMC, the System was in compliance with all debt covenants as of December 31, 2020.

(2) During 2020, certain 2010 bonds held at SMRMC and SJHB were refinanced. The gain (loss) on refinance was not significant and included in nonoperating gains (loss on the consolidated statement of operations).

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

Years Ended December 31, 2020 and 2019
(In thousands)

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

Collateral

The 2007, 2012 and 2014 Bonds are collateralized by all property, plant and equipment and accounts receivable.

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

2021	\$ 14,425
2022	11,874
2023	15,288
2024	12,808
2025	13,085
Thereafter	<u>161,657</u>
	<u>\$229,137</u>

Lease Liability

In 2019, the System adopted ASU 2016-02, *Leases*. As of December 31, 2020 and 2019, the System recorded the cost of right-of-use assets in the amount of \$10,964 and \$10,547, respectively. The cost of these assets has been included with property, plant and equipment. Amortization expense for assets under lease liability was \$1,075 and \$1,108 for the years ended December 31, 2020 and 2019, respectively and has been included with depreciation expense in the accompanying consolidated financial statements. Accumulated amortization associated with the lease totaled \$2,183 and \$1,108 as of December 31, 2020 and 2019, respectively.

Lease obligations at December 31 consist of the following:

	<u>2020</u>	<u>2019</u>
Total of future lease payments	\$ 9,631	\$10,228
Amounts representing interest	<u>(851)</u>	<u>(871)</u>
Present value of minimum lease payments	8,780	9,357
Less current portion	<u>(2,454)</u>	<u>(2,659)</u>
	<u>\$ 6,326</u>	<u>\$ 6,698</u>

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

Years Ended December 31, 2020 and 2019
(In thousands)

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

A summary of the future lease payments under lease liabilities is as follows at December 31, 2020:

2021	\$ 2,713
2022	2,225
2023	1,785
2024	1,380
2025	956
Thereafter	<u>572</u>
	<u>\$ 9,631</u>

The System paid interest in the amount of \$10,336 in 2020 and \$12,001 in 2019 including capitalized interest in the amount of \$283 in 2019.

6. Defined Benefit Pension Plan

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

	<u>2020</u>	<u>2019</u>
Accumulated benefit obligation (ABO)	\$49,824	\$49,316
Plan assets	<u>49,876</u>	<u>47,027</u>
Funded status	\$ <u>52</u>	\$ <u>(2,289)</u>

In 2020, the financial markets experienced significant volatility which affected both the investment markets which would affect the plans' assets as well as the debt markets which would impact the calculation of the ABO.

Nashua

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

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

	<u>2020</u>	<u>2019</u>
Service cost	\$ —	\$ —
Interest cost on projected benefit obligation	869	1,153
Expected return on plan assets	(1,822)	(1,606)
Amortization of loss	910	1,262
Recognition of settlement	<u>1,113</u>	<u>1,275</u>
Net periodic pension expense	\$ <u>1,070</u>	\$ <u>2,084</u>

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

(In thousands)

6. Defined Benefit Pension Plan (Continued)

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

	<u>2020</u>	<u>2019</u>
Accumulated benefit obligation	\$ <u>28,796</u>	\$ <u>29,401</u>
Changes in projected benefit obligations:		
Projected benefit obligations, beginning of period	\$29,401	\$30,540
Benefits paid	(610)	(696)
Interest cost	869	1,153
Impact of assumption changes	1,154	1,672
Experience loss	664	384
Settlement amount	<u>(2,682)</u>	<u>(3,652)</u>
Projected benefit obligations, end of period	28,796	29,401
Changes in plan assets:		
Fair value of plan assets, beginning of period	27,906	25,326
Actual return on plan assets	2,597	4,810
Employer contributions	2,400	2,400
Benefits paid and other	(610)	(696)
Settlement amount	<u>(3,445)</u>	<u>(3,934)</u>
Fair value of plan assets, end of period	<u>28,848</u>	<u>27,906</u>
Funded status	\$ <u>52</u>	\$ <u>(1,495)</u>

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

	<u>2020</u>	<u>2019</u>
Discount rate used to determine net periodic pension cost	3.22%	4.22%
Discount rate used to determine benefit obligation	2.52	3.22
Expected long-term rate of return on plan assets	7.00	7.00
Rate of increase in future compensation levels	N/A	N/A

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

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 282	\$ 81
Mutual funds:		
Equity funds	<u>28,566</u>	<u>27,825</u>
	<u>\$28,848</u>	<u>\$27,906</u>

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

Years Ended December 31, 2020 and 2019
(In thousands)

6. Defined Benefit Pension Plan (Continued)

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

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

Nashua and affiliates anticipate making contributions totaling \$2,400 to its defined benefit pension plan in 2021.

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

2021	\$ 2,320
2022	3,087
2023	1,934
2024	2,077
2025	1,344
2026 through 2030	8,196

Bangor

Bangor maintains a noncontributory defined benefit plan. The measurement date is December 31. Effective January 1, 2004, plan participation was frozen. In 2011, Bangor elected to freeze the plan for purposes of benefit services and plan compensation effective June 30, 2012.

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

	<u>2020</u>	<u>2019</u>
Service cost	\$ —	\$ —
Interest cost on projected benefit obligation	627	983
Expected return on plan assets	(1,208)	(1,330)
Amortization of net loss	—	238
Recognized settlement loss	<u>—</u>	<u>457</u>
Net periodic pension cost (income)	<u>\$ (581)</u>	<u>\$ 348</u>

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

(In thousands)

6. Defined Benefit Pension Plan (Continued)

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

	<u>2020</u>	<u>2019</u>
Accumulated benefit obligation	\$ <u>21,028</u>	\$ <u>19,915</u>
Changes in projected benefit obligations:		
Projected benefit obligations, beginning of period	\$19,915	\$23,801
Interest cost	627	984
Benefits paid and other	(1,042)	(6,632)
Experience gain	<u>1,528</u>	<u>1,762</u>
Projected benefit obligations, end of period	21,028	19,915
Changes in plan assets:		
Fair value of plan assets, beginning of period	19,121	21,052
Actual return on plan assets	2,949	4,701
Benefits paid	<u>(1,042)</u>	<u>(6,632)</u>
Fair value of plan assets, end of period	<u>21,028</u>	<u>19,121</u>
Funded status	\$ <u>—</u>	\$ <u>(794)</u>

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

	<u>2020</u>	<u>2019</u>
Discount rate used to determine net periodic pension cost	3.22%	4.22%
Discount rate used to determine benefit obligation	2.52	3.22
Expected long-term rate of return on plan assets	6.50	6.50
Rate of increase in future compensation levels	N/A	N/A

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

	<u>2020</u>	<u>2019</u>
Mutual funds:		
Equity funds	\$11,878	\$10,993
Fixed income funds	<u>9,150</u>	<u>8,128</u>
	<u>\$21,028</u>	<u>\$19,121</u>

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

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

(In thousands)

6. Defined Benefit Pension Plan (Continued)

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

Bangor and affiliates do not expect to make contributions to its defined benefit pension plan during the year ended December 31, 2021.

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

2021	\$ 1,143
2022	1,169
2023	1,165
2024	1,185
2025	1,182
2026 through 2030	5,949

7. Net Assets With Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Purpose restriction:		
Health care services	\$ 3,090	\$ 7,975
Equipment and capital improvements	15,302	15,732
Education and scholarships	523	843
Employee emergency assistance	112	–
Designated for certain communities	<u>1,423</u>	<u>2,708</u>
	20,450	27,258
Perpetual in nature:		
Investments, gains and income from which is donor restricted	26,539	26,875
Investments, gains and income from which is released to net assets without donor restrictions	12,223	1,615
Beneficial interest in perpetual trust	<u>1,903</u>	<u>3,707</u>
	<u>40,665</u>	<u>32,197</u>
Total net assets with donor restrictions	<u>\$61,115</u>	<u>\$59,455</u>

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

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

(In thousands)

8. Pledges Receivable

Pledges receivable represent unconditional promises to give. Pledges expected to be collected within one year are recorded at their net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The present value of estimated future cash flows has been measured utilizing risk-free rates of return adjusted for market and credit risk established at the time a contribution is received.

Pledges are expected to be collected as follows at December 31, 2020:

Within one year	\$ 6,069
Two to three years	<u>615</u>
 Pledges receivable	 <u>\$ 6,684</u>

9. 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, 2020 and 2019 of \$2,466 and \$2,546, respectively.

The System has an ownership interest in Nashua Regional Cancer Center. The investment has a carrying value of \$2,127 and \$1,945 at December 31, 2020 and 2019, respectively.

10. Financial Assets and Liquidity Resources

As of December 31, 2020 and 2019, respectively, 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:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 66,617	\$ 54,011
Short-term investments	6,123	1,286
Patient accounts receivable	75,614	94,098
Less Medicare advance payments	<u>(52,217)</u>	<u>—</u>
	<u>\$ 96,137</u>	<u>\$149,395</u>

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

(In thousands)

10. Financial Assets and Liquidity Resources (Continued)

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, 2020, the balance of liquid investments in board-designated assets was \$368,368.

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

11. 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 CCRC resident at December 31, 2020 and two CCRC residents at December 31, 2019. There were no fees received or amounts refunded in 2020 or 2019. At December 31, 2019, \$10 remained to be amortized, which was amortized in 2020.

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

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, 2020 and 2019, the calculated net cost did not exceed the deferred revenue from advance fees and no liability was required to be recorded.

Statutory Liquid Reserves

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

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

(In thousands)

11. St. Mary's Villa (Continued)

Statutory liquid reserves are calculated as follows at December 31:

	<u>2020</u>	<u>2019</u>
Principal and interest payments due within the next twelve months	\$ 668	\$ 639
Percent of residents subject to agreements	<u>2.02%</u>	<u>3.37%</u>
Reserve calculated	<u>\$ 14</u>	<u>\$ 22</u>
Projected operating expenses, excluding depreciation and amortization	\$ 12,522	\$ 12,929
Percent of residents subject to agreements	<u>10.00%</u>	<u>10.00%</u>
	253	1,292
Percent of residents subject to agreements	<u>2.02%</u>	<u>3.37%</u>
Reserve calculated	<u>\$ 5</u>	<u>\$ 44</u>
Minimum reserve required (greater of above)*	<u>\$ 14</u>	<u>\$ 44</u>
CCRC residents	1	2
Total beds	64 ^(a)	64 ^(a)
Average occupancy	77% ^(b)	93% ^(b)
Average beds (a)*(b)	49	59
Percentage of residents subject to agreements (CCRC residents / average beds)	2.02%	3.37%

* The Villa records amounts required to satisfy reserve requirements above in funds held by trustee which totaled \$14 and \$44 at December 31, 2020 and 2019, respectively.

12. 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>2020</u>			
Salaries and wages	\$321,323	\$ 13,568	\$334,891
Employee benefits	62,690	2,158	64,848
Supplies	77,045	-	77,045
Other expenses	93,856	92,087	185,943
Interest	10,053	-	10,053
Provider tax	21,906	-	21,906
Depreciation	<u>30,146</u>	<u>-</u>	<u>30,146</u>
	<u>\$617,019</u>	<u>\$107,813</u>	<u>\$724,832</u>

COVENANT HEALTH, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

(In thousands)

12. Functional Expenses (Continued)

	<u>Health Services</u>	<u>General and Administrative</u>	<u>Total</u>
<u>2019</u>			
Salaries and wages	\$302,892	\$ 48,652	\$351,544
Employee benefits	58,481	7,585	66,066
Supplies	85,672	90	85,762
Other expenses	119,270	56,122	175,392
Interest	10,979	–	10,979
Provider tax	22,814	–	22,814
Depreciation	<u>30,801</u>	<u>–</u>	<u>30,801</u>
	<u>\$630,909</u>	<u>\$112,449</u>	<u>\$743,358</u>

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

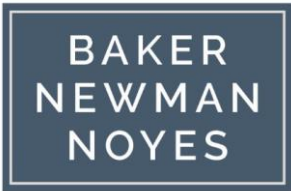
13. Commitments and Contingencies

Litigation

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

Regulatory

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



**INDEPENDENT AUDITORS' REPORT
ON ADDITIONAL INFORMATION**

The Board of Directors
Covenant Health, Inc.

We have audited the consolidated financial statements of Covenant Health, Inc. and Subsidiaries (the System) as of and for the years ended December 31, 2020 and 2019, and have issued our report thereon, which contains an unmodified opinion on those consolidated financial statements. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial position, results of operations and cash flows of the individual entities and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A handwritten signature in black ink, appearing to read "Baker Newman; Noyes LLC".

Boston, Massachusetts
May 4, 2021

Covenant Health, Inc.
Consolidating Balance Sheet
December 31, 2020
(In thousands)

	St. Joseph Hospital of Nashua, NH, Inc.*	Covenant Health, Inc.	Mary Immaculate*	Youville House	Youville Place	(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	Fanny Allen Corporation	Elimi- nations	** Total Obligated Group
Assets															
Current assets:															
Cash and cash equivalents	\$ 3,128	\$ 13,394	\$ 6,040	\$ 1,636	\$ 1,268	\$ 494	\$ 2,300	\$ 1,403	\$ 1,642	\$ –	\$ 1,368	\$ –	\$ 93	\$ –	\$ 32,766
Patient accounts receivable	27,162	–	1,427	83	72	1,642	1,114	1,087	264	–	1,299	–	–	–	34,150
Current portion of pledges receivable	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Investments	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Inventories	3,337	–	44	–	–	1	14	–	–	–	54	–	–	–	3,450
Prepaid expenses and other current assets	15,219	2,940	173	17	32	56	(8)	59	76	–	66	–	–	(337)	18,293
Current portion of assets whose use is limited or restricted	3,097	831	212	–	68	10	256	27	143	–	134	–	–	–	4,778
Current portion of due from affiliates	393	7,326	541	486	2	–	–	–	–	–	–	–	–	(3,474)	5,274
Total current assets	52,336	24,491	8,437	2,222	1,442	2,203	3,676	2,576	2,125	–	2,921	–	93	(3,811)	98,711
Assets whose use is limited or restricted:															
Funds held by trustees, less current portion	4,959	1,624	–	400	1,588	1,067	–	–	–	–	–	–	–	–	9,638
Deferred compensation	659	–	–	–	–	–	–	–	–	–	–	–	–	–	659
Board designated funds and other long-term investments	158,513	39,271	46,225	17,209	5,137	1,686	1,454	–	1,061	–	8	–	8,550	–	279,114
Replacement reserve	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Donor restricted funds	2,812	–	53	4,232	495	72	61	74	31	–	51	–	1,749	–	9,630
Total assets whose use is limited or restricted	166,943	40,895	46,278	21,841	7,220	2,825	1,515	74	1,092	–	59	–	10,299	–	299,041
Other assets:															
Pledges receivable, less current portion	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other assets	15,610	34,490	–	69	198	84	51	40	37	–	97	–	–	(856)	49,820
Due from affiliates, less current portion	14,175	3,287	–	–	–	–	–	–	–	–	–	–	–	(13,617)	3,845
Investments in joint ventures	2,739	5	–	–	–	–	–	–	–	–	–	–	–	–	2,744
Total other assets	32,524	37,782	–	69	198	84	51	40	37	–	97	–	–	(14,473)	56,409
Property, plant and equipment:															
Land and improvements	3,783	–	641	–	750	485	269	485	523	–	31	–	–	–	6,967
Buildings and improvements	106,706	61	16,032	17,325	15,386	8,428	4,486	3,432	8,065	3,222	7,561	1,517	–	–	192,221
Equipment	64,352	87,038	2,649	372	474	3,179	523	717	1,198	–	2,492	–	–	–	162,994
Construction in progress	7,510	2,505	178	234	534	39	198	20	117	–	–	–	–	–	11,335
Right of use assets	4,082	1,405	–	–	–	–	–	–	–	–	–	–	–	–	5,487
	186,433	91,009	19,500	17,931	17,144	12,131	5,476	4,654	9,903	3,222	10,084	1,517	–	–	379,004
Less accumulated depreciation	(124,294)	(17,457)	(13,454)	(7,683)	(6,413)	(6,774)	(2,604)	(2,396)	(6,508)	395	(7,770)	209	–	–	(194,749)
Less accumulated depreciation – right of use assets	(1,270)	(461)	–	–	–	–	–	–	–	–	–	–	–	–	(1,731)
Total property, plant and equipment	60,869	73,091	6,046	10,248	10,731	5,357	2,872	2,258	3,395	3,617	2,314	1,726	–	–	182,524
Total assets	\$ 312,672	\$ 176,259	\$ 60,761	\$ 34,380	\$ 19,591	\$ 10,469	\$ 8,114	\$ 4,948	\$ 6,649	\$ 3,617	\$ 5,391	\$ 1,726	\$ 10,392	\$ (18,284)	\$ 636,685

* Certain entities included in St. Joseph Hospital of Nashua, NH, Inc. and Mary Immaculate are not included in the Obligated Group.

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

Covenant Health, Inc.
Consolidating Balance Sheet
December 31, 2020
(In thousands)

	St. Mary's Health System	St. Joseph Healthcare Foundation	St. Joseph Valuation Co.	St. Joseph Hospital Corporate Services, Inc.	MI Residential Community Inc.	St. Andre Health Care Facility	St. Mary's Villa Nursing Home, Inc.	Covenant Health Foundation	Fanny Allen Holdings	Covenant Health Insurance LTD	Providentia Prima Trust	Eliminations	System Consolidated
Assets													
Current assets:													
Cash and cash equivalents	\$ 12,873	\$ 9,884	\$ –	\$ 336	\$ 2,405	\$ 1,816	\$ 3,603	\$ 45	\$ 1,732	\$ 1,157	\$ –	\$ –	\$ 66,617
Patient accounts receivable	23,251	16,186	–	6	(29)	1,037	982	–	–	31	–	–	75,614
Current portion of pledges receivable	853	415	–	–	–	–	–	4,801	–	–	–	–	6,069
Investments	156	5,967	–	–	–	–	–	–	–	–	–	–	6,123
Inventories	2,185	3,544	–	–	–	–	16	–	–	–	–	–	9,195
Prepaid expenses and other current assets	1,545	6,100	–	135	107	34	121	–	–	7,244	–	–	33,579
Current portion of assets whose use is limited or restricted	893	898	–	–	–	22	566	–	–	–	–	–	7,157
Current portion of due from affiliates	277	(50)	–	5,803	–	–	–	–	–	–	–	(11,304)	–
Total current assets	42,033	42,944	–	6,280	2,483	2,909	5,288	4,846	1,732	8,432	–	(11,304)	204,354
Assets whose use is limited or restricted:													
Funds held by trustees, less current portion	1,639	–	–	–	382	–	26	–	–	–	–	–	11,685
Deferred compensation	–	–	–	12,546	–	–	–	–	–	–	–	–	13,205
Board designated funds and other long-term investments	5,397	10,120	–	–	–	702	13,711	1,079	847	57,398	327,463	(327,463)	368,368
Replacement reserve	566	–	–	–	5,164	–	–	–	–	–	–	–	5,730
Donor restricted funds	9,065	7,833	–	–	83	41	15	21,443	–	–	–	–	48,110
Total assets whose use is limited or restricted	16,667	17,953	–	12,546	5,629	743	13,752	22,522	847	57,398	327,463	(327,463)	447,098
Other assets:													
Pledges receivable, less current portion	381	234	–	–	–	–	–	–	–	–	–	–	615
Other assets	209	–	(25)	44	–	72	89	–	–	–	–	(49,127)	1,082
Due from affiliates, less current portion	–	123	–	–	–	–	–	–	–	–	–	(3,968)	–
Investments in joint ventures	3,021	355	(247)	1,180	–	–	–	–	–	–	–	–	7,053
Total other assets	3,611	712	(272)	1,224	–	72	89	–	–	–	–	(53,095)	8,750
Property, plant and equipment													
Land and improvements	5,894	5,198	–	1,615	106	424	299	–	716	–	–	–	21,219
Buildings and improvements	104,880	57,061	11,935	11,823	31,292	2,084	16,290	–	1,324	–	–	–	428,910
Equipment	61,745	41,756	–	90	1,370	947	4,459	–	457	–	–	–	273,818
Construction in progress	7,522	1,303	–	–	12	96	175	–	–	–	–	–	20,443
Right of use asset	4,309	345	–	823	–	–	–	–	–	–	–	–	10,964
	184,350	105,663	11,935	14,351	32,780	3,551	21,223	–	2,497	–	–	–	755,354
Less accumulated depreciation	(117,580)	(76,059)	1,724	(5,709)	(24,788)	(1,497)	(12,283)	–	(1,175)	–	–	–	(432,116)
Less accumulated depreciation – right of use assets	(13)	(42)	–	(397)	–	–	–	–	–	–	–	–	(2,183)
Total property, plant and equipment	66,757	29,562	13,659	8,245	7,992	2,054	8,940	–	1,322	–	–	–	321,055
Total assets	\$ 129,068	\$ 91,171	\$ 13,387	\$ 28,295	\$ 16,104	\$ 5,778	\$ 28,069	\$ 27,368	\$ 3,901	\$ 65,830	\$ 327,463	\$ (391,862)	\$ 981,257

Covenant Health, Inc.
Consolidating Balance Sheet
December 31, 2020
(In thousands)

Liabilities and Net Assets

	St. Joseph Hospital of Nashua, NH, Inc.*	Covenant Health, Inc.	Mary Immaculate*	Youville House	Youville Place	(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	Fanny Allen Corporation	Elimi- nations	** Total Obligated Group
Current liabilities:															
Accounts payable	\$ 12,137	\$ 980	\$ 562	\$ 635	\$ 808	\$ 591	\$ 185	\$ 240	\$ 456	\$ –	\$ 885	\$ –	\$ –	\$ (3,285)	\$ 14,194
Accrued expenses and other liabilities	18,016	13,133	1,331	418	446	742	550	549	509	–	514	–	–	–	36,208
Estimated third-party payor settlements	6,511	–	34	–	–	143	251	184	157	–	204	–	–	–	7,484
Other current liabilities	9,399	–	–	–	–	(1)	(5)	52	21	–	11	–	–	–	9,477
Current portion of due to affiliates	5,860	618	334	136	24	168	–	–	–	–	–	–	–	(1,144)	5,996
Current portion of lease liability	797	338	–	–	–	–	–	–	–	–	–	–	–	–	1,135
Current portion of long-term debt	3,310	3,759	(5)	345	335	273	183	–	–	–	–	–	–	–	8,200
Total current liabilities	56,030	18,828	2,256	1,534	1,613	1,916	1,164	1,025	1,143	–	1,614	–	–	(4,429)	82,694
Long-term debt, less current portion	79,923	49,585	–	9,105	9,504	7,078	915	–	–	–	2,471	–	–	–	158,581
Long-term lease liability, less current portion	2,014	606	–	–	–	–	–	–	–	–	–	–	–	–	2,620
Due to affiliates, less current portion	836	11,331	–	–	–	–	–	–	–	–	–	–	–	(12,999)	(832)
Defined benefit pension obligation	(52)	–	–	–	–	–	–	–	–	–	–	–	–	–	(52)
Other liabilities	23,235	459	583	444	428	356	61	79	31	–	117	–	–	–	25,793
Professional liability loss reserves	1,228	–	102	28	32	33	44	46	104	–	50	–	–	–	1,667
Total liabilities	163,214	80,809	2,941	11,111	11,577	9,383	2,184	1,150	1,278	–	4,252	–	–	(17,428)	270,471
Net assets:															
Without donor restriction	146,646	95,157	57,608	19,481	7,946	1,076	5,674	3,771	5,228	3,617	1,005	1,726	8,643	(856)	356,722
With donor restriction	2,812	293	212	3,788	68	10	256	27	143	–	134	–	1,749	–	9,492
Total net assets	149,458	95,450	57,820	23,269	8,014	1,086	5,930	3,798	5,371	3,617	1,139	1,726	10,392	(856)	366,214
Total liabilities and net assets	\$ 312,672	\$ 176,259	\$ 60,761	\$ 34,380	\$ 19,591	\$ 10,469	\$ 8,114	\$ 4,948	\$ 6,649	\$ 3,617	\$ 5,391	\$ 1,726	\$ 10,392	\$ (18,284)	\$ 636,685

* Certain entities included in St. Joseph Hospital of Nashua, NH, Inc. and Mary Immaculate are not included in the Obligated Group.

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

Covenant Health, Inc.
Consolidating Balance Sheet
December 31, 2020
(In thousands)

Liabilities and Net Assets

Current liabilities:

	St. Mary's Health System	St. Joseph Healthcare Foundation	St. Joseph Valuation Co.	St. Joseph Hospital Corporate Services, Inc.	MI Residential Community Inc.	St. Andre Health Care Facility	St. Mary's Villa Nursing Home, Inc.	Covenant Health Foundation	Fanny Allen Holdings	Covenant Health Insurance LTD	Providentia Prima Trust	Eliminations	System Consolidated
Accounts payable	\$ 7,551	\$ 1,872	\$ –	\$ 15	\$ 102	\$ 348	\$ 197	\$ –	\$ –	\$ 158	\$ –	\$ (4,231)	\$ 20,206
Accrued expenses and other liabilities	11,393	7,838	–	182	66	500	795	–	–	9	–	(268)	56,723
Estimated third-party payor settlements	(450)	3,226	–	–	–	617	2	–	–	–	–	–	10,879
Other current liabilities	5,885	6,271	–	5	(24)	11	298	–	1	6,731	–	–	28,655
Current portion of due to affiliates	193	246	–	–	207	–	86	–	–	–	–	(6,728)	–
Current portion of lease liability	1,008	221	–	90	–	–	–	–	–	–	–	–	2,454
Current portion of long-term debt	3,900	1,802	–	–	114	3	406	–	–	–	–	–	14,425
Total current liabilities	29,480	21,476	–	292	465	1,479	1,784	–	1	6,898	–	(11,227)	133,342
Long-term debt, less current portion	31,922	15,395	–	–	7,043	–	1,665	–	–	–	–	–	214,606
Long-term lease liability, less current portion	3,288	82	–	336	–	–	–	–	–	–	–	–	6,326
Due to affiliates, less current portion	2,453	–	–	–	–	–	2,424	–	–	–	–	(4,045)	–
Defined benefit pension obligation	–	–	–	–	–	–	–	–	–	–	–	–	(52)
Other liabilities	10,455	11,853	91	11,469	83	158	328	–	20	–	–	–	60,250
Professional liability loss reserves	2,046	1,251	–	1,478	–	49	43	–	–	24,525	–	–	31,059
Total liabilities	79,644	50,057	91	13,575	7,591	1,686	6,244	–	21	31,423	–	(15,272)	445,531
Net assets:													
Without donor restriction	39,076	32,763	13,296	14,720	2,466	4,070	21,259	1,079	3,880	34,407	327,463	(376,590)	474,611
With donor restriction	10,348	8,351	–	–	6,047	22	566	26,289	–	–	–	–	61,115
Total net assets	49,424	41,114	13,296	14,720	8,513	4,092	21,825	27,368	3,880	34,407	327,463	(376,590)	535,726
Total liabilities and net assets	\$ 129,068	\$ 91,171	\$ 13,387	\$ 28,295	\$ 16,104	\$ 5,778	\$ 28,069	\$ 27,368	\$ 3,901	\$ 65,830	\$ 327,463	\$ (391,862)	\$ 981,257

Covenant Health, Inc.
Consolidating Statement of Operations
December 31, 2020
(In thousands)

	St. Joseph Hospital of Nashua, NH, Inc.*	Covenant Health, Inc.	Mary Immaculate*	Youville House	Youville Place	(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	Fanny Allen Corporation	Elimi- nations	** Total Obligated Group
Operating revenue:															
Patient service revenue	\$ 193,616	\$ –	\$ 18,409	\$ 5,999	\$ 6,962	\$ 8,980	\$ 9,294	\$ 9,696	\$ 8,238	\$ –	\$ 9,402	\$ –	\$ –	\$ (179)	\$ 270,417
Other revenue	29,833	64,031	3,900	676	453	1,184	1,744	1,896	777	–	1,900	–	–	(23,384)	83,010
Net assets released from restrictions for operations	666	50	310	165	31	2	7	–	75	–	10	–	–	–	1,316
Total operating revenue	224,115	64,081	22,619	6,840	7,446	10,166	11,045	11,592	9,090	–	11,312	–	–	(23,563)	354,743
Operating expenses:															
Salaries and wages	86,976	27,297	12,619	2,593	3,369	4,848	4,709	5,284	3,867	–	5,357	–	–	–	156,919
Employee benefits	19,161	1,205	2,497	534	658	941	874	910	978	–	1,316	–	–	(179)	28,895
Supplies and other	22,660	42	1,843	–	–	1,090	1,364	1,070	815	–	1,193	–	–	–	30,077
Other expenses	71,364	25,936	4,889	1,638	1,841	2,175	2,528	2,706	2,284	–	2,823	–	–	(23,384)	94,800
Interest	2,859	2,603	–	418	506	357	40	–	–	–	95	–	–	–	6,878
Provider tax	9,814	–	96	–	–	540	513	759	468	–	626	–	–	–	12,816
Depreciation	7,172	6,998	721	722	815	394	306	190	307	14	304	77	–	–	18,020
Total operating expenses	220,006	64,081	22,665	5,905	7,189	10,345	10,334	10,919	8,719	14	11,714	77	–	(23,563)	348,405
Income (loss) from operations	4,109	–	(46)	935	257	(179)	711	673	371	(14)	(402)	(77)	–	–	6,338
Net periodic pension cost	(1,070)	–	–	–	–	–	–	–	–	–	–	–	–	–	(1,070)
Nonoperating gains (losses), net:															
Dividend and interest income	5,697	718	736	366	62	28	(7)	–	18	–	–	–	134	–	7,752
Realized gain (loss) from investments	1,468	785	907	292	74	30	30	–	6	–	–	–	175	–	3,767
Unrealized gain (loss) from investments	(95)	3,530	(770)	(703)	(60)	(22)	3	–	33	–	–	–	(160)	–	1,756
Gain (loss) on sale of assets	83	–	–	–	–	–	–	–	–	–	–	–	–	–	83
Other nonoperating income	117	4	–	–	–	–	–	7	–	–	–	–	41	(81)	88
Other nonoperating expense	(338)	–	(7)	–	–	–	–	–	–	–	–	–	(332)	–	(677)
Total nonoperating gains (losses), net	6,932	5,037	866	(45)	76	36	26	7	57	–	–	–	(142)	(81)	12,769
Excess (deficiency) of revenue over expenses	9,971	5,037	820	890	333	(143)	737	680	428	(14)	(402)	(77)	(142)	(81)	18,037
Other changes in net assets without donor restriction:															
Net assets released from restrictions – nonoperating	55	–	–	–	–	–	–	–	–	–	–	–	342	–	397
Adjustment to long-term pension obligation	137	–	–	–	–	–	–	–	–	–	–	–	–	–	137
Transfer among affiliates	(1,019)	357	–	–	–	–	–	–	–	–	662	–	200	–	200
Increase (decrease) in net assets without donor restriction	\$ 9,144	\$ 5,394	\$ 820	\$ 890	\$ 333	\$ (143)	\$ 737	\$ 680	\$ 428	\$ (14)	\$ 260	\$ (77)	\$ 400	\$ (81)	\$ 18,771

* Certain entities included in St. Joseph Hospital of Nashua, NH, Inc. and Mary Immaculate are not included in the Obligated Group.

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

Covenant Health, Inc.
Consolidating Statement of Operations
December 31, 2020
(In thousands)

	St. Mary's Health System	St. Joseph Healthcare Foundation	St. Joseph Valuation Co.	St. Joseph Hospital Corporate Services, Inc.	MI Residential Community Inc.	h St. Andre Health Care Facility	St. Mary's Villa Nursing Home, Inc.	Covenant Health Foundation	Fanny Allen Holdings	Covenant Health Insurance LTD	Providentia Prima Trust	Eliminations	System Consolidated
Operating revenue:													
Patient service revenue	\$ 182,823	\$ 143,898	\$ –	\$ –	\$ –	\$ 9,430	\$ 12,117	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 618,685
Other revenue	29,000	14,465	–	6,330	4,485	230	1,404	–	–	11	–	(42,160)	96,775
Net assets released from restrictions for operations	1,163	97	–	–	–	6	–	693	–	–	–	–	3,275
Total operating revenue	212,986	158,460	–	6,330	4,485	9,666	13,521	693	–	11	–	(42,160)	718,735
Operating expenses:													
Salaries and wages	97,267	64,773	–	3,616	704	4,645	6,967	–	–	–	–	–	334,891
Employee benefits	18,000	13,957	–	1,406	108	935	1,547	–	–	–	–	–	64,848
Supplies and other	23,209	21,757	–	–	–	1,020	982	–	–	–	–	–	77,045
Other expenses	75,449	50,669	–	647	1,673	1,911	2,574	–	–	380	–	(42,160)	185,943
Interest	1,917	750	(33)	20	309	3	209	–	–	–	–	–	10,053
Provider tax	4,984	3,277	–	–	–	586	243	–	–	–	–	–	21,906
Depreciation	5,739	3,452	146	589	1,115	212	873	–	–	–	–	–	30,146
Total operating expenses	226,565	158,635	113	6,278	3,909	9,312	13,395	–	–	380	–	(42,160)	724,832
Income (loss) from operations	(13,579)	(175)	(113)	52	576	354	126	693	–	(369)	–	–	(6,097)
Net periodic pension cost	–	581	–	–	–	–	–	–	–	–	–	–	(489)
Nonoperating gains (losses), net:													
Dividend and interest income	195	429	–	1,042	–	11	411	–	19	966	9,131	(10,314)	9,642
Realized gain (loss) from investments	206	206	–	–	–	14	285	–	–	713	5,277	(5,277)	5,191
Unrealized gain (loss) from investments	(15)	(79)	–	91	–	(14)	(906)	–	23	2,397	(7,351)	3,644	(454)
Gain (loss) on sale of assets	3	–	–	–	–	–	–	–	–	–	–	–	86
Other nonoperating income	65	78	–	–	–	–	15	–	960	–	–	–	1,206
Other nonoperating expense	(279)	(351)	–	–	–	–	–	–	(402)	–	–	–	(1,709)
Total nonoperating gains (losses), net	175	283	–	1,133	–	11	(195)	–	600	4,076	7,057	(11,947)	13,962
Excess (deficiency) of revenue over expenses	(13,404)	689	(113)	1,185	576	365	(69)	693	600	3,707	7,057	(11,947)	7,376
Other changes in net assets without donor restriction:													
Net assets released from restrictions – nonoperating	214	323	–	–	–	–	–	–	–	–	–	–	934
Adjustment to long-term pension obligation	–	206	–	–	–	–	–	–	–	–	–	–	343
Transfer among affiliates	–	–	–	–	–	–	–	–	(200)	–	51,594	(51,594)	–
Increase (decrease) in net assets without donor restriction	\$ (13,190)	\$ 1,218	\$ (113)	\$ 1,185	\$ 576	\$ 365	\$ (69)	\$ 693	\$ 400	\$ 3,707	\$ 58,651	\$ (63,541)	\$ 8,653

St. Joseph Hospital of Nashua, NH
Consolidating Balance Sheet
December 31, 2020
(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	St. Joseph Hospital Corporate Services, Inc. Eliminations	St. Joseph Hospital Obligated Group Eliminations	St. Joseph Hospital Nonobligated Group Eliminations	St. Joseph Hospital Consolidated
Assets									
Current assets:									
Cash and cash equivalents	\$ 3,126	\$ 2	\$ 203	\$ 114	\$ 19	\$ –	\$ –	\$ –	\$ 3,464
Patient accounts receivable	27,162	–	–	–	5	–	–	–	27,167
Current portion of pledges receivable	–	–	–	–	–	–	–	–	–
Investments	–	–	–	–	–	–	–	–	–
Inventories	3,337	–	–	–	–	–	–	–	3,337
Prepaid expenses and other current assets	15,219	–	–	23	112	–	–	–	15,354
Current portion of assets whose use is limited or restricted	3,097	–	–	–	–	–	–	–	3,097
Current portion of due from affiliates	393	–	–	1	5,801	–	–	(5,803)	392
Total current assets	52,334	2	203	138	5,937	–	–	(5,803)	52,811
Assets whose use is limited or restricted:									
Funds held by trustees, less current portion	4,959	–	–	–	–	–	–	–	4,959
Deferred compensation	659	–	516	–	12,031	–	–	–	13,206
Board designated funds and other long-term investments	157,664	849	–	–	–	–	–	–	158,513
Replacement reserve	–	–	–	–	–	–	–	–	–
Donor restricted funds	2,094	718	–	–	–	–	–	–	2,812
Total assets whose use is limited or restricted	165,376	1,567	516	–	12,031	–	–	–	179,490
Other assets:									
Pledges receivable, less current portion	–	–	–	–	–	–	–	–	–
Other assets	15,610	–	15,350	19	26	(15,350)	(856)	(14,720)	79
Due from affiliates, less current portion	14,175	–	–	–	–	–	–	–	14,175
Investments in joint ventures	2,739	–	–	–	1,180	–	–	–	3,919
Total other assets	32,524	–	15,350	19	1,206	(15,350)	(856)	(14,720)	18,173
Property, plant and equipment									
Land and improvements	3,783	–	–	1,615	–	–	–	–	5,398
Buildings and improvements	106,666	40	–	11,823	–	–	–	–	118,529
Equipment	64,336	15	–	90	–	–	–	–	64,441
Construction in progress	7,510	–	–	–	–	–	–	–	7,510
Right of use assets	4,082	–	–	823	–	–	–	–	4,905
	186,377	55	–	14,351	–	–	–	–	200,783
Less accumulated depreciation	(124,245)	(49)	–	(5,709)	–	–	–	–	(130,003)
Less accumulated depreciation – right of use assets	(1,270)	–	–	(397)	–	–	–	–	(1,667)
Total property, plant and equipment	60,862	6	–	8,245	–	–	–	–	69,113
Total assets	\$ 311,096	\$ 1,575	\$ 16,069	\$ 8,402	\$ 19,174	\$ (15,350)	\$ (856)	\$ (20,523)	\$ 319,587

St. Joseph Hospital of Nashua, NH
Consolidating Balance Sheet
December 31, 2020
(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	St. Joseph Hospital Corporate Services, Inc. Eliminations	St. Joseph Hospital Obligated Group Eliminations	St. Joseph Hospital Nonobligated Group Eliminations	St. Joseph Hospital Consolidated
Liabilities and Net Assets									
Current liabilities:									
Accounts payable	\$ 12,135	\$ 1	\$ 14	\$ 2	\$ –	\$ –	\$ –	\$ –	\$ 12,152
Accrued expenses and other liabilities	18,016	–	(36)	–	218	–	–	–	18,198
Estimated third-party payor settlements	6,511	–	–	–	–	–	–	–	6,511
Other current liabilities	9,399	–	–	5	–	–	–	–	9,404
Current portion of due to affiliates	5,860	–	–	–	–	–	–	(5,803)	57
Current portion of lease liability	797	–	–	90	–	–	–	–	887
Current portion of long-term debt	3,310	–	–	–	–	–	–	–	3,310
Total current liabilities	56,028	1	(22)	97	218	–	–	(5,803)	50,519
Long-term debt, less current portion	79,923	–	–	–	–	–	–	–	79,923
Long-term lease liability, less current portion	2,014	–	–	336	–	–	–	–	2,350
Due to affiliates, less current portion	836	–	–	–	–	–	–	–	836
Defined benefit pension obligation	(52)	–	–	–	–	–	–	–	(52)
Other liabilities	23,235	–	358	–	11,111	–	–	–	34,704
Professional liability loss reserves	1,228	–	–	–	1,478	–	–	–	2,706
Total liabilities	163,212	1	336	433	12,807	–	–	(5,803)	170,986
Net assets:									
Without donor restriction	145,790	856	15,733	7,969	6,367	(15,350)	(856)	(14,720)	145,789
With donor restriction	2,094	718	–	–	–	–	–	–	2,812
Total net assets	147,884	1,574	15,733	7,969	6,367	(15,350)	(856)	(14,720)	148,601
Total liabilities and net assets	\$ 311,096	\$ 1,575	\$ 16,069	\$ 8,402	\$ 19,174	\$ (15,350)	\$ (856)	\$ (20,523)	\$ 319,587

St. Joseph Hospital of Nashua, NH
Consolidating Statement of Operations
December 31, 2020
(In thousands)

	St. Joseph Hospital of Nashua, NH	Souhegan Home and Hospice Care, Inc.	St. Joseph Hospital Obligated Group Eliminations	St. Joseph Hospital Obligated Group	St. Joseph Hospital Corporate Services, Inc.	GNM Corp.	SJ Physician Services	Eliminations	St. Joseph Hospital Nonobligated Group Eliminations	St. Joseph Hospital Nonobligated Group	St. Joseph Hospital Consolidated
Operating revenue:											
Patient service revenue	\$ 193,616	\$ —	\$ (179)	\$ 193,437	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 193,437
Other revenue	29,833	—	(114)	29,719	—	1,241	5,090	—	(5,923)	408	30,127
Net assets released from restrictions for operations	666	—	—	666	—	—	—	—	—	—	666
Total operating revenue	224,115	—	(293)	223,822	—	1,241	5,090	—	(5,923)	408	224,230
Operating expenses:											
Salaries and wages	86,976	—	—	86,976	—	—	3,616	—	—	3,616	90,592
Employee benefits	19,161	—	(179)	18,982	—	—	1,406	—	—	1,406	20,388
Supplies and other	22,660	—	—	22,660	—	—	—	—	—	—	22,660
Other expenses	71,348	16	(114)	71,250	—	582	68	—	(5,923)	(5,273)	65,977
Interest	2,859	—	—	2,859	—	20	—	—	—	20	2,879
Provider tax	9,814	—	—	9,814	—	—	—	—	—	—	9,814
Depreciation	7,168	4	—	7,172	—	589	—	—	—	589	7,761
Total operating expenses	219,986	20	(293)	219,713	—	1,191	5,090	—	(5,923)	358	220,071
Income (loss) from operations	4,129	(20)	—	4,109	—	50	—	—	—	50	4,159
Net periodic pension cost	(1,070)	—	—	(1,070)	—	—	—	—	—	—	(1,070)
Nonoperating gains (losses), net:											
Dividend and interest income	5,655	41	—	5,696	—	—	1,042	—	(1,183)	(141)	5,555
Realized gain (loss) from investments	1,468	—	—	1,468	—	—	—	—	—	—	1,468
Unrealized gain (loss) from investments	(155)	60	—	(95)	9	—	82	—	—	91	(4)
Gain (loss) on sale of assets	83	—	—	83	—	—	—	—	—	—	83
Other nonoperating income	117	—	(81)	36	—	—	—	—	—	—	36
Other nonoperating expense	(337)	—	—	(337)	—	—	—	—	—	—	(337)
Total nonoperating gains (losses), net	6,831	101	(81)	6,851	9	—	1,124	—	(1,183)	(50)	6,801
Excess of revenue over expenses	9,890	81	(81)	9,890	9	50	1,124	—	(1,183)	—	9,890
Other changes in net asset without donor restriction:											
Net assets released from restrictions	55	—	—	55	—	—	—	—	—	—	55
Adjustment to defined benefit pension obligation	137	—	—	137	—	—	—	—	—	—	137
Transfer among affiliates	(1,019)	—	—	(1,019)	—	—	—	—	—	—	(1,019)
Increase (decrease) in net assets without donor restriction	\$ 9,063	\$ 81	\$ (81)	\$ 9,063	\$ 9	\$ 50	\$ 1,124	\$ —	\$ (1,183)	\$ —	\$ 9,063

Mary Immaculate Health Care Services, Inc.
Consolidating Balance Sheet
December 31, 2020
(In thousands)

	MI Nursing Restorative Center, Inc.	MI Transpor- tation, Inc.	MI Adult Day Health, Inc.	MI Management, Inc.	Mary Immaculate Guild Inc.	MIHCS Obligated Group	MI Residential	Mary Immaculate Consolidated
Assets								
Current assets:								
Cash and cash equivalents	\$ 3,623	\$ 655	\$ 491	\$ 1,265	\$ 6	\$ 6,040	\$ 2,405	\$ 8,445
Patient accounts receivable	1,399	(16)	(6)	50	—	1,427	(29)	1,398
Current portion of pledges receivable	—	—	—	—	—	—	—	—
Investments	—	—	—	—	—	—	—	—
Inventories	44	—	—	—	—	44	—	44
Prepaid expenses and other current assets	173	—	—	—	—	173	107	280
Current portion of assets whose use is limited or restricted	212	—	—	—	—	212	—	212
Current portion of due from affiliates	541	—	—	—	—	541	—	541
Total current assets	5,992	639	485	1,315	6	8,437	2,483	10,920
Assets whose use is limited or restricted:								
Funds held by trustees, less current portion	—	—	—	—	—	—	382	382
Deferred compensation	—	—	—	—	—	—	—	—
Board designated funds and other long-term investments	31,795	4,521	3,932	5,977	—	46,225	—	46,225
Replacement reserve	—	—	—	—	—	—	5,164	5,164
Donor restricted funds	50	—	—	3	—	53	83	136
Total assets whose use is limited or restricted	31,845	4,521	3,932	5,980	—	46,278	5,629	51,907
Other assets:								
Pledges receivable	—	—	—	—	—	—	—	—
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	15,330	—	408	294	—	16,032	31,292	47,324
Equipment	1,788	564	67	230	—	2,649	1,370	4,019
Construction in progress	—	—	—	178	—	178	12	190
Right of use assets	—	—	—	—	—	—	—	—
	17,759	564	475	702	—	19,500	32,780	52,280
Less accumulated depreciation	(12,525)	(439)	(327)	(163)	—	(13,454)	(24,788)	(38,242)
Less accumulated depreciation – right of use assets	—	—	—	—	—	—	—	—
Total property, plant and equipment	5,234	125	148	539	—	6,046	7,992	14,038
Total assets	\$ 43,071	\$ 5,285	\$ 4,565	\$ 7,834	\$ 6	\$ 60,761	\$ 16,104	\$ 76,865

Mary Immaculate Health Care Services, Inc.
Consolidating Balance Sheet
December 31, 2020
(In thousands)

	MI Nursing Restorative Center, Inc.	MI Transpor- tation, Inc.	MI Adult Day Health, Inc.	MI Management, Inc.	Mary Immaculate Guild Inc.	MIHCS Obligated Group	MI Residential	Mary Immaculate Consolidated
Liabilities and Net Assets								
Current liabilities:								
Accounts payable	\$ 547	\$ —	\$ —	\$ 15	\$ —	\$ 562	\$ 102	\$ 664
Accrued expenses and other liabilities	1,193	9	30	99	—	1,331	66	1,397
Estimated third-party payor settlements	34	—	—	—	—	34	—	34
Other current liabilities	—	—	—	—	—	—	(24)	(24)
Current portion of due to affiliates	—	18	98	218	—	334	207	541
Current portion of leases	—	—	—	—	—	—	—	—
Current portion of long-term debt	(5)	—	—	—	—	(5)	114	109
Total current liabilities	1,769	27	128	332	—	2,256	465	2,721
Long-term debt, less current portion	—	—	—	—	—	—	7,043	7,043
Long-term lease liability, less current portion	—	—	—	—	—	—	—	—
Due to affiliates, less current portion	—	—	—	—	—	—	—	—
Defined benefit pension obligation	—	—	—	—	—	—	—	—
Other liabilities	580	—	—	3	—	583	83	666
Professional liability loss reserves	102	—	—	—	—	102	—	102
Total liabilities	2,451	27	128	335	—	2,941	7,591	10,532
Net assets:								
Without donor restriction	40,408	5,258	4,437	7,499	6	57,608	2,466	60,074
With donor restriction	212	—	—	—	—	212	6,047	6,259
Total net assets	40,620	5,258	4,437	7,499	6	57,820	8,513	66,333
Total liabilities and net assets	\$ 43,071	\$ 5,285	\$ 4,565	\$ 7,834	\$ 6	\$ 60,761	\$ 16,104	\$ 76,865

Mary Immaculate Health Care Services, Inc.
Consolidating Statement of Operations
December 31, 2020
(In thousands)

	MI Nursing Restorative Center, Inc.	MI Transpor- tation, Inc.	MI Adult Day Health, Inc.	MI Management, Inc.	Mary Immaculate Guild Inc.	MIHCS Obligated Group	MI Residential	Mary Immaculate Consolidated
Operating revenue:								
Patient service revenue	\$ 14,792	\$ –	\$ 1,343	\$ 2,274	\$ –	\$ 18,409	\$ –	\$ 18,409
Other revenue	2,807	238	61	794	–	3,900	4,485	8,385
Net assets released from restrictions for operations	310	–	–	–	–	310	–	310
Total operating revenue	17,909	238	1,404	3,068	–	22,619	4,485	27,104
Operating expenses:								
Salaries and wages	10,053	135	781	1,650	–	12,619	704	13,323
Employee benefits	2,038	32	162	265	–	2,497	108	2,605
Supplies and other	1,826	–	10	7	–	1,843	–	1,843
Other expenses	3,333	152	426	978	–	4,889	1,673	6,562
Interest	–	–	–	–	–	–	309	309
Provider tax	96	–	–	–	–	96	–	96
Depreciation and amortization	621	48	18	34	–	721	1,115	1,836
Total operating expenses	17,967	367	1,397	2,934	–	22,665	3,909	26,574
Income (loss) from operations	(58)	(129)	7	134	–	(46)	576	530
Net periodic pension cost	–	–	–	–	–	–	–	–
Nonoperating gains (losses), net:								
Dividend and interest income	502	74	64	96	–	736	–	736
Realized gain (loss) from investments	638	82	75	112	–	907	–	907
Unrealized gain (loss) from investments	(562)	(60)	(61)	(87)	–	(770)	–	(770)
Gain (loss) on sale of assets	–	–	–	–	–	–	–	–
Other nonoperating income	–	–	–	–	–	–	–	–
Other nonoperating expense	–	–	–	–	(7)	(7)	–	(7)
Total nonoperating gains (losses), net	578	96	78	121	(7)	866	–	866
Excess of revenue over expenses	520	(33)	85	255	(7)	820	576	1,396
Other changes in net assets without donor restriction:								
Adjustment to defined benefit pension obligation	–	–	–	–	–	–	–	–
Net assets released from restriction	–	–	–	–	–	–	–	–
Transfer among affiliates	–	–	–	–	–	–	–	–
Increase (decrease) in net assets without donor restriction	\$ 520	\$ (33)	\$ 85	\$ 255	\$ (7)	\$ 820	\$ 576	\$ 1,396

St. Mary's Villa Nursing Home, Inc.
Consolidating Balance Sheet
December 31, 2020
(In thousands)

Assets

Current assets:

	Skilled Nursing Facility	Personal Care Residence	St. Mary's Villa Nursing Home, Inc. Consolidated
Cash and cash equivalents	\$ 1,798	\$ 1,805	\$ 3,603
Patient accounts receivable	553	429	982
Current portion of pledges receivable	—	—	—
Investments	—	—	—
Inventories	16	—	16
Prepaid expenses and other current assets	121	—	121
Current portion of assets whose use is limited or restricted	191	375	566
Current portion of due from affiliates	5	(5)	—
Total current assets	<u>2,684</u>	<u>2,604</u>	<u>5,288</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	8,695	5,016	13,711
Replacement reserve	—	—	—
Donor restricted funds	15	—	15
Total assets whose use is limited or restricted	<u>8,710</u>	<u>5,042</u>	<u>13,752</u>

Other assets:

Pledges receivable, less current portion	—	—	—
Other assets	53	36	89
Due from affiliates, less current portion	—	—	—
Investments in joint ventures	—	—	—
Total other assets	<u>53</u>	<u>36</u>	<u>89</u>

Property, plant and equipment

Land and improvements	80	219	299
Buildings and improvements	10,536	5,754	16,290
Equipment	3,479	980	4,459
Construction in progress	175	—	175
Right of use assets	—	—	—
	<u>14,270</u>	<u>6,953</u>	<u>21,223</u>
Less accumulated depreciation	(8,234)	(4,049)	(12,283)
Less accumulated depreciation – right of use assets	—	—	—
Total property, plant and equipment	<u>6,036</u>	<u>2,904</u>	<u>8,940</u>

Total assets

\$ 17,483	\$ 10,586	\$ 28,069
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St. Mary's Villa Nursing Home, Inc.
Consolidating Balance Sheet
December 31, 2020
(In thousands)

Liabilities and Net Assets

Current liabilities:

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

Long-term debt, less current portion

Long-term lease liability, less current portion

Due to affiliates, less current portion

Defined benefit pension obligation

Other liabilities

Professional liability loss reserves
Total liabilities

Net assets:

Without donor restriction
With donor restriction
Total net assets

Total liabilities and net assets

	Skilled Nursing Facility	Personal Care Residence	St. Mary's Villa Nursing Home, Inc. Consolidated
	\$ 171	\$ 26	\$ 197
	655	140	795
	4	(2)	2
	-	298	298
	86	-	86
	-	-	-
	285	121	406
	<u>1,201</u>	<u>583</u>	<u>1,784</u>
	549	1,116	1,665
	-	-	-
	2,424	-	2,424
	-	-	-
	328	-	328
	35	8	43
	<u>4,537</u>	<u>1,707</u>	<u>6,244</u>
	12,755	8,504	21,259
	191	375	566
	<u>12,946</u>	<u>8,879</u>	<u>21,825</u>
	<u>\$ 17,483</u>	<u>\$ 10,586</u>	<u>\$ 28,069</u>

St. Mary's Villa Nursing Home, Inc.
Consolidating Statement of Operations
December 31, 2020
(In thousands)

	Skilled Nursing Facility	Personal Care Residence	St. Mary's Villa Nursing Home, Inc. Consolidated
Operating revenue:			
Patient service revenue	\$ 9,452	\$ 2,665	\$ 12,117
Other revenue	1,307	97	1,404
Net assets released from restrictions for operations	—	—	—
Total operating revenue	<u>10,759</u>	<u>2,762</u>	<u>13,521</u>
Operating expenses:			
Salaries and wages	5,541	1,426	6,967
Employee benefits	1,229	318	1,547
Supplies and other	941	41	982
Other expenses	2,030	544	2,574
Interest	162	47	209
Provider tax	243	—	243
Depreciation	660	213	873
Total operating expenses	<u>10,806</u>	<u>2,589</u>	<u>13,395</u>
Income (loss) from operations	(47)	173	126
Nonoperating gains (losses), net			
Dividend and interest income	324	87	411
Realized gain (loss) from investments	182	103	285
Unrealized gain (loss) from investments	(641)	(265)	(906)
Gain (loss) on sale of assets	—	—	—
Other nonoperating income	15	—	15
Other nonoperating expense	—	—	—
Total nonoperating gains (losses), net	<u>(120)</u>	<u>(75)</u>	<u>(195)</u>
Excess of revenue over expenses	(167)	98	(69)
Other changes in net assets without donor restriction:			
Net assets released from restrictions	—	—	—
Adjustment to defined benefit pension obligation	—	—	—
Transfer among affiliates	—	—	—
Increase (decrease) in net assets without donor restriction	<u>\$ (167)</u>	<u>\$ 98</u>	<u>\$ (69)</u>

St. Joseph Healthcare Foundation
Consolidating Balance Sheet
December 31, 2020
(In thousands)

	St. Joseph Hospital (Bangor)	St. Joseph Healthcare Foundation	M&J Company	St. Joseph Ambulatory Care, Inc.	Alternative Health Services	Strauss Corporation	Nonobligated Eliminations	St. Joseph Healthcare Foundation Consolidated
Assets								
Current assets:								
Cash and cash equivalents	\$ 6,814	\$ 1,279	\$ 1,734	\$ 13	\$ 44	\$ –	\$ –	\$ 9,884
Patient accounts receivable	15,067	–	–	514	605	–	–	16,186
Current portion of pledges receivable	–	415	–	–	–	–	–	415
Investments	5,134	–	–	833	–	–	–	5,967
Inventories	3,389	–	2	153	–	–	–	3,544
Prepaid expenses and other current assets	6,032	–	68	–	–	–	–	6,100
Current portion of assets whose use is limited or restricted	898	–	–	–	–	–	–	898
Current portion of due from affiliates	2,279	–	–	53	–	–	(2,382)	(50)
Total current assets	39,613	1,694	1,804	1,566	649	–	(2,382)	42,944
Assets whose use is limited or restricted:								
Funds held by trustees, less current portion	–	–	–	–	–	–	–	–
Deferred compensation	–	–	–	–	–	–	–	–
Board designated funds and other long-term investments	10,007	113	–	–	–	–	–	10,120
Replacement reserve	–	–	–	–	–	–	–	–
Donor restricted funds	2,777	5,056	–	–	–	–	–	7,833
Total assets whose use is limited or restricted	12,784	5,169	–	–	–	–	–	17,953
Other assets:								
Pledges receivable, less current portion	–	234	–	–	–	–	–	234
Other assets	–	–	–	–	–	–	–	–
Due from affiliates, less current portion	123	–	–	–	–	–	–	123
Investments in joint ventures	301	53	–	–	–	–	1	355
Total other assets	424	287	–	–	–	–	1	712
Property, plant and equipment:								
Land and improvements	2,170	80	2,948	–	–	–	–	5,198
Buildings and improvements	49,108	–	7,953	–	–	–	–	57,061
Equipment	40,407	–	431	781	137	–	–	41,756
Construction in progress	1,164	–	139	–	–	–	–	1,303
Right of use assets	345	–	–	–	–	–	–	345
	93,194	80	11,471	781	137	–	–	105,663
Less accumulated depreciation	(67,716)	–	(7,469)	(737)	(137)	–	–	(76,059)
Less accumulated depreciation – right of use assets	(42)	–	–	–	–	–	–	(42)
Total property, plant and equipment	25,436	80	4,002	44	–	–	–	29,562
Total assets	\$ 78,257	\$ 7,230	\$ 5,806	\$ 1,610	\$ 649	\$ –	\$ (2,381)	\$ 91,171

St. Joseph Healthcare Foundation
Consolidating Balance Sheet
December 31, 2020
(In thousands)

	St. Joseph Hospital (Bangor)	St. Joseph Healthcare Foundation	M&J Company	St. Joseph Ambulatory Care, Inc.	Alternative Health Services	Strauss Corporation	Nonobligated Eliminations	St. Joseph Healthcare Foundation Consolidated
Liabilities and Net Assets								
Current liabilities:								
Accounts payable	\$ 1,674	\$ 64	\$ 1	\$ 109	\$ 24	\$ –	\$ –	\$ 1,872
Accrued expenses and other liabilities	7,430	152	–	57	198	1	–	7,838
Estimated third-party payor settlements	3,226	–	–	–	–	–	–	3,226
Other current liabilities	5,860	–	–	–	411	–	–	6,271
Current portion of due to affiliates	55	467	–	1,944	162	–	(2,382)	246
Current portion of lease liability	221	–	–	–	–	–	–	221
Current portion of long-term debt	1,780	–	22	–	–	–	–	1,802
Total current liabilities	20,246	683	23	2,110	795	1	(2,382)	21,476
Long-term debt, less current portion	15,184	–	211	–	–	–	–	15,395
Long-term lease liability, less current portion	82	–	–	–	–	–	–	82
Due to affiliates, less current portion	–	–	–	–	–	–	–	–
Defined benefit pension obligation	–	–	–	–	–	–	–	–
Other liabilities	11,214	–	–	22	617	–	–	11,853
Professional liability loss reserves	1,251	–	–	–	–	–	–	1,251
Total liabilities	47,977	683	234	2,132	1,412	1	(2,382)	50,057
Net assets:								
Without donor restriction	27,380	1,096	5,572	(522)	(763)	(1)	1	32,763
With donor restriction	2,900	5,451	–	–	–	–	–	8,351
Total net assets	30,280	6,547	5,572	(522)	(763)	(1)	1	41,114
Total liabilities and net assets	\$ 78,257	\$ 7,230	\$ 5,806	\$ 1,610	\$ 649	\$ –	\$ (2,381)	\$ 91,171

St. Joseph Healthcare Foundation
Consolidating Statement of Operations
December 31, 2020
(In thousands)

	St. Joseph Hospital (Bangor)	St. Joseph Healthcare Foundation	M&J Company	St. Joseph Ambulatory Care, Inc.	Alternative Health Services	Strauss Corporation	Nonobligated Eliminations	St. Joseph Healthcare Foundation Consolidated
Operating revenue:								
Patient service revenue	\$ 137,332	\$ –	\$ –	\$ 2,291	\$ 4,275	\$ –	\$ –	\$ 143,898
Other revenue	13,455	–	1,020	1,854	66	–	(1,930)	14,465
Net assets released from restrictions for operations	83	–	–	–	14	–	–	97
Total operating revenue	150,870	–	1,020	4,145	4,355	–	(1,930)	158,460
Operating expenses:								
Salaries and wages	61,171	–	–	1,627	1,975	–	–	64,773
Employee benefits	13,142	–	–	332	483	–	–	13,957
Supplies and other	19,541	–	–	2,111	105	–	–	21,757
Other expenses	50,411	1	267	252	1,668	–	(1,930)	50,669
Interest	741	–	9	–	–	–	–	750
Provider tax	3,277	–	–	–	–	–	–	3,277
Depreciation	3,092	–	339	21	–	–	–	3,452
Total operating expenses	151,375	1	615	4,343	4,231	–	(1,930)	158,635
Income (loss) from operations	(505)	(1)	405	(198)	124	–	–	(175)
Net periodic pension cost	465	116	–	–	–	–	–	581
Nonoperating gains (losses), net:								
Dividend and interest income	310	101	–	18	–	–	–	429
Realized gain (loss) from investments	206	–	–	–	–	–	–	206
Unrealized gain (loss) from investments	(163)	62	–	22	–	–	–	(79)
Gain (loss) on sale of assets	–	–	–	–	–	–	–	–
Other nonoperating income	64	14	–	–	–	–	–	78
Other nonoperating expense	(348)	(3)	–	–	–	–	–	(351)
Total nonoperating gains (losses), net	69	174	–	40	–	–	–	283
Excess of revenue over expenses	29	289	405	(158)	124	–	–	689
Other changes in net assets without donor restriction:								
Net assets released from restrictions	323	–	–	–	–	–	–	323
Adjustment to defined benefit pension obligation	163	43	–	–	–	–	–	206
Transfer among affiliates	–	–	–	–	–	–	–	–
Increase (decrease) in net assets without donor restriction	\$ 515	\$ 332	\$ 405	\$ (158)	\$ 124	\$ –	\$ –	\$ 1,218

St. Mary's Health System
Consolidating Balance Sheet
December 31, 2020
(In thousands)

Assets

Current assets:

Cash and cash equivalents	\$ 10,244	\$ 4	\$ 1,176	\$ 1,449	\$ –	\$ –	\$ 12,873
Patient accounts receivable	22,542	–	–	709	–	–	23,251
Current portion of pledges receivable	853	–	–	–	–	–	853
Investments	–	–	156	–	–	–	156
Inventories	2,166	–	–	19	–	–	2,185
Prepaid expenses and other current assets	1,289	129	29	98	–	–	1,545
Current portion of assets whose use is limited or restricted	893	–	–	–	–	–	893
Current portion of due from affiliates	19,785	485	34	1,437	–	(21,464)	277
Total current assets	57,772	618	1,395	3,712	–	(21,464)	42,033

Assets whose use is limited or restricted:

Funds held by trustees, less current portion	–	1,639	–	–	–	–	1,639
Deferred compensation	–	–	–	–	–	–	–
Board designated funds and other long-term investments	4,616	728	9	44	–	–	5,397
Replacement reserve	–	–	566	–	–	–	566
Donor restricted funds	8,354	1,718	11	250	–	(1,268)	9,065
Total assets whose use is limited or restricted	12,970	4,085	586	294	–	(1,268)	16,667

Other assets:

Pledges receivable	381	–	–	–	–	–	381
Other assets	(20)	114	115	–	–	–	209
Due from affiliates, less current portion	–	–	–	–	–	–	–
Investments in joint ventures	2,466	555	–	–	–	–	3,021
Total other assets	2,827	669	115	–	–	–	3,611

Property, plant and equipment:

Land and improvements	3,603	2,147	144	–	–	–	5,894
Buildings and improvements	90,232	7,719	6,867	62	–	–	104,880
Equipment	59,620	849	543	733	–	–	61,745
Construction in progress	7,522	–	–	–	–	–	7,522
Right of use assets	4,309	–	–	–	–	–	4,309
	165,286	10,715	7,554	795	–	–	184,350
Less accumulated depreciation	(104,698)	(5,486)	(6,691)	(705)	–	–	(117,580)
Less accumulated depreciation – right of use assets	(13)	–	–	–	–	–	(13)
Total property, plant and equipment	60,575	5,229	863	90	–	–	66,757

Total assets	\$ 134,144	\$ 10,601	\$ 2,959	\$ 4,096	\$ –	\$ (22,732)	\$ 129,068
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St. Mary's Health System
Consolidating Balance Sheet
December 31, 2020
(In thousands)

Liabilities and Net Assets

Current liabilities:

	St. Mary's Regional Medical Center	St. Mary's Health System	St. Mary's Residences	Community Clinical Services, Inc.	St. Mary's d'Youville Pavilion	Elimi- nations	St. Mary's Health System Consolidated
Accounts payable	\$ 7,489	\$ 33	\$ 16	\$ 13	\$ -	\$ -	\$ 7,551
Accrued expenses and other liabilities	10,437	348	9	599	-	-	11,393
Estimated third-party payor settlements	(498)	-	-	48	-	-	(450)
Other current liabilities	5,581	2	49	253	-	-	5,885
Current portion of due to affiliates	433	21,173	1	54	-	(21,468)	193
Current portion of leases	1,008	-	-	-	-	-	1,008
Current portion of long-term debt	2,126	-	103	1,671	-	-	3,900
Total current liabilities	26,576	21,556	178	2,638	-	(21,468)	29,480
Long-term debt, less current portion	30,068	(37)	1,891	-	-	-	31,922
Long-term lease liability, less current portion	3,288	-	-	-	-	-	3,288
Due to affiliates, less current portion	2,428	1,289	-	-	-	(1,264)	2,453
Defined benefit pension obligation	-	-	-	-	-	-	-
Other liabilities	9,880	287	14	274	-	-	10,455
Professional liability loss reserves	-	2,046	-	-	-	-	2,046
Total liabilities	72,240	25,141	2,083	2,912	-	(22,732)	79,644
Net assets:							
Without donor restriction	52,491	(15,214)	865	934	-	-	39,076
With donor restriction	9,413	674	11	250	-	-	10,348
Total net assets	61,904	(14,540)	876	1,184	-	-	49,424
Total liabilities and net assets	\$ 134,144	\$ 10,601	\$ 2,959	\$ 4,096	\$ -	\$ (22,732)	\$ 129,068

St. Mary's Health System
Consolidating Statement of Operations
December 31, 2020
(In thousands)

	St. Mary's Regional Medical Center	St. Mary's Health System	St. Mary's Residences	Community Clinical Services, Inc.	St. Mary's d'Youville Pavilion	Elimi- nations	St. Mary's Health System Consolidated
Operating revenue:							
Patient service revenue	\$ 173,527	\$ –	\$ –	\$ 9,296	\$ –	\$ –	\$ 182,823
Other revenue	29,569	3,478	1,879	2,025	–	(7,951)	29,000
Net assets released from restrictions for operations	860	100	89	114	–	–	1,163
Total operating revenue	203,956	3,578	1,968	11,435	–	(7,951)	212,986
Operating expenses:							
Salaries and wages	90,043	916	–	6,308	–	–	97,267
Employee benefits	17,655	1,215	–	1,475	–	(2,345)	18,000
Supplies and other	23,344	69	–	168	–	(372)	23,209
Other expenses	73,351	1,083	1,172	5,077	–	(5,234)	75,449
Interest	1,753	9	155	–	–	–	1,917
Provider tax	4,984	–	–	–	–	–	4,984
Depreciation and amortization	5,193	380	140	26	–	–	5,739
Total operating expenses	216,323	3,672	1,467	13,054	–	(7,951)	226,565
Income (loss) from operations	(12,367)	(94)	501	(1,619)	–	–	(13,579)
Net periodic pension cost	–	–	–	–	–	–	–
Nonoperating gains (losses), net:							
Dividend and interest income	159	32	3	1	–	–	195
Realized gain (loss) from investments	206	–	–	–	–	–	206
Unrealized gain (loss) from investments	(34)	18	–	1	–	–	(15)
Gain (loss) on sale of assets	2	1	–	–	–	–	3
Other nonoperating income	41	24	–	–	–	–	65
Other nonoperating expense	(273)	(6)	–	–	–	–	(279)
Total nonoperating gains (losses), net	101	69	3	2	–	–	175
Excess of revenue over expenses	(12,266)	(25)	504	(1,617)	–	–	(13,404)
Other changes in net assets without donor restriction:							
Adjustment to defined benefit pension obligation	–	–	–	–	–	–	–
Net assets released from restriction	214	–	–	–	–	–	214
Transfer among affiliates	(3,000)	3,000	–	–	–	–	–
Increase (decrease) in net assets without donor restriction	\$ (15,052)	\$ 2,975	\$ 504	\$ (1,617)	\$ –	\$ –	\$ (13,190)