



**COVENANT
HEALTH**

St. Joseph Healthcare • Bangor
St. Mary's Health System • Lewiston
St. Joseph Hospital • Nashua
Post-Acute Care Communities

May 2019

COVENANT HEALTH, INC. AND SUBSIDIARIES

Continuing Disclosure

Financial Report for First Quarter 2019 Ended March 31, 2019

CONTINUING DISCLOSURE QUARTERLY REPORT

**Covenant Health Obligated Group
(Formerly known as Covenant Health Systems Obligated Group)
Fiscal Year 2019
First Quarter Ended March 31, 2019**

Name, Address and Telephone Number of Obligated Person:

Covenant Health Obligated Group
c/o Covenant Health, Inc. (formerly Covenant Health Systems, Inc.)
100 Ames Pond Drive
Tewksbury, MA 01876
978-654-6363

Contact person: Robert M. Tarola, Interim Senior Vice President,
Chief Financial Officer and Treasurer



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Compliance Notice

- ❑ **Debt Service Coverage in 2018** – The Obligated Group did not meet the required debt service coverage ratio in 2018 under certain private lending documentation. The Obligated Group is currently working with the affected lending officers to secure waivers for non-compliance prior to delivery of annual audited financial statements for 2018, which are due by May 30, 2019.
- ❑ **Audited Financial Statements for 2018** – The finalization of the audit is pending resolution of Covenant’s waiver request pertaining to non-compliance with debt service coverage requirements in 2018 under the documentation referred to above. The audited financial statements for the Consolidated Group will differ from the preliminary financial statements made public in February 2019. The difference will be an increased operating loss of the Consolidated Group from the previously reported \$59.558 million to \$60.875 million. The 2018 information in this report reflects such change.
- ❑ **Consultant Engaged** – The private lending documentation requires the Obligated Group to engage a consultant to make recommendations to increase debt service coverage for subsequent fiscal years to at least the required level. So long as the Obligated Group follows such consultant's recommendations the Obligated Group shall be deemed in compliance for 2018 and for 2019 even if debt service coverage in 2019 is below the required level of 1.20, unless the ratio at the end of 2019 is less than 1.00. The Obligated Group shall no longer be required to retain such consultant if and for so long as such ratio is restored to and maintained at not less than 1.20.

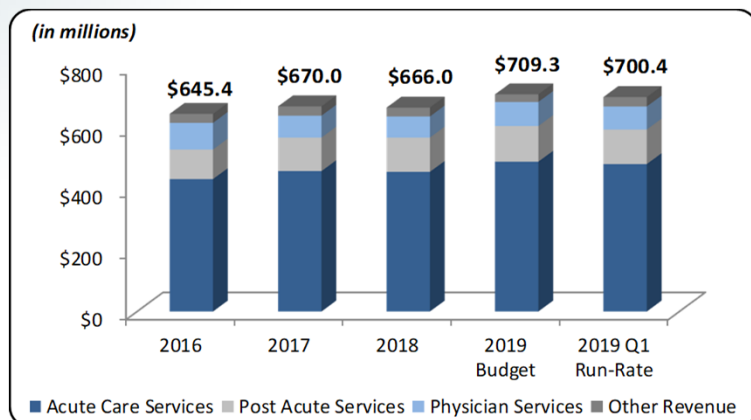
Trend Analyses

2016 through First Quarter 2019

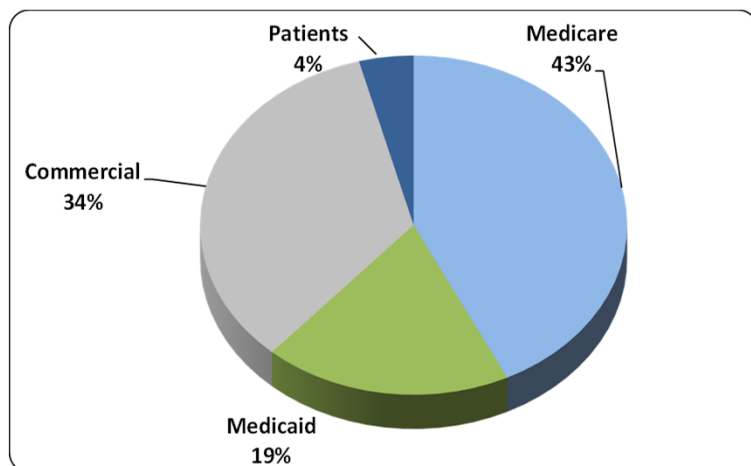


Operating Revenue

Revenue Profile



Payor Profile



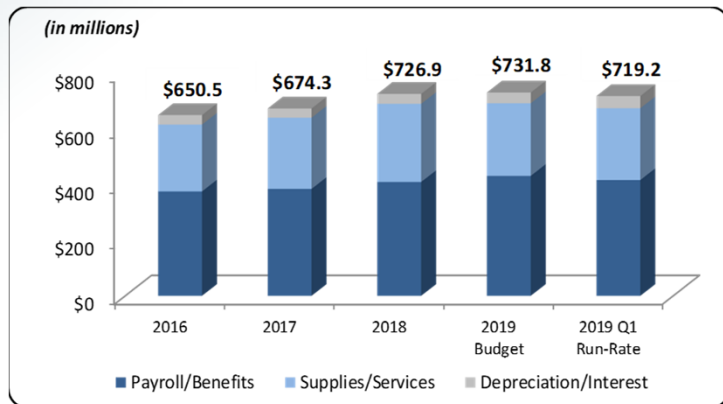
Analysis

- Revenue growth has been mixed over past 3 years; averaging about 3% on a rolling three-year basis.
- The increase in 2017 was largely due to acquisitions. The implementation of Epic impacted revenue negatively in 2018.
- Payor mix has moved more toward government payors.
- The revenue profile is largely due to lower volumes offset by about a 2% increase in rates.
- Other revenue includes categories at risk for regulatory changes (340B, Meaningful Use).
- Despite flat revenue profile market share is holding steady at @29%.

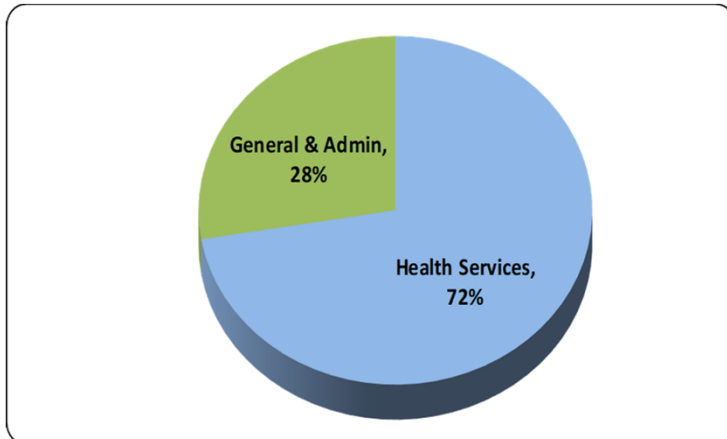
**Revenue Changes Have Been Mixed
Growth Expected in 2019 Post Epic**

Operating Costs

Cost by Type



Cost by Functional Category

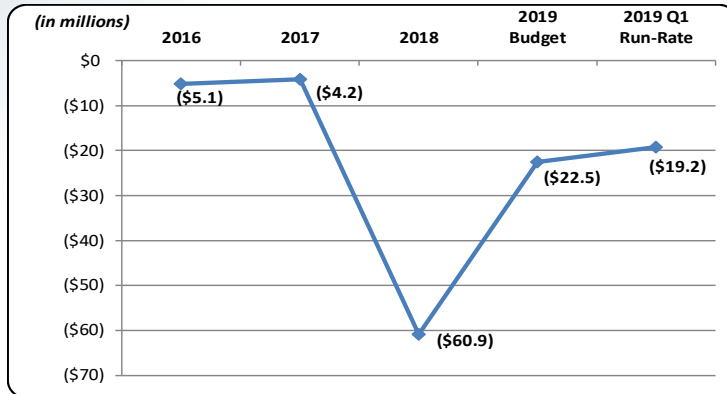


Analysis

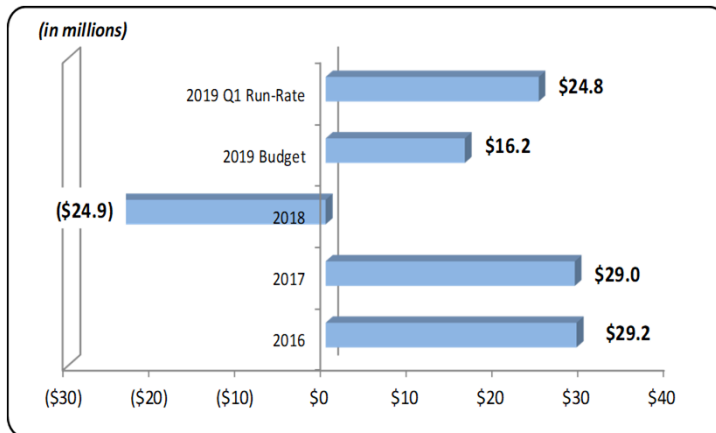
- ❑ Costs have increased over \$76 million since 2016 while revenue increased \$21 million.
- ❑ The increase is about 40% related to employment and 60% to non-employment costs, largely due to Epic.
- ❑ On a percentage basis non-employment expenses have grown 16% over two years and employment has grown 9%.
- ❑ The percentage increases in expenses has put pressure on operating margin.
- ❑ G&A costs are at least 10%pts above benchmark.
- ❑ FTEs have increased 5% while revenue is flat and volumes are down.

Operating Profitability

Operating Result



Cash Operating Profit (Loss)



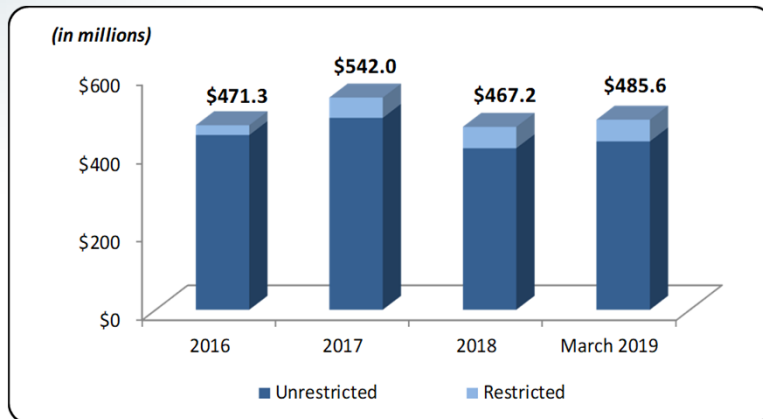
Analysis

- ❑ **Operating result** – has been negative with 2018 showing the impact the Epic implementation.
- ❑ **Profitability change from 2016 attributable:**
 - Higher payroll/benefits = (\$35m)
 - Higher supplies/services = (\$41m)
 - Higher revenue. = \$21m
 - Total Change = (\$55m)
- ❑ **Cash operating profit:**
 - Negative in 2018 by \$25m.
 - An additional \$83m of cash was used for capital (Epic) and debt service.
- ❑ **2019 Budget:**
 - Expects a 6% revenue increase over 2018 from rates, volume and rev cycle betterment.
 - Expects to hold costs to a 1% increase and leverage investment in Epic.

**Profit Margin Has Been Negative
Plan is to Regain Profitability by 2020**

Net Assets

Total by Use Restriction



Change Bridge 2016 – Q1 2019

(\$ in millions)	2016	2017	2018	March 2019
Beginning of Year	445.2	471.3	542.0	467.2
Operating Income (Loss)	(5.1)	(4.2)	(60.9)	(4.8)
Net Investment Gains (Loss)	23.8	44.4	(13.9)	20.0
Philanthropy	5.5	30.4	4.1	1.0
Released for Ops and Pension	1.9	0.1	(4.1)	2.2
End of Year	471.3	542.0	467.2	485.6

Analysis

- ❑ Net assets have been substantial – largely reflecting CH’s investment portfolio.
- ❑ Operating losses of \$75m over past 3+ years have been largely offset by the \$75m of investment income and appreciation and \$41m in donations.
- ❑ Unrestricted net assets represent 63% of total debt and equity capital at March 2019.
- ❑ Although officially unrestricted, approximately \$243m of net assets and investments are board-designated for capital but available for debt coverage and other liquidity needs.

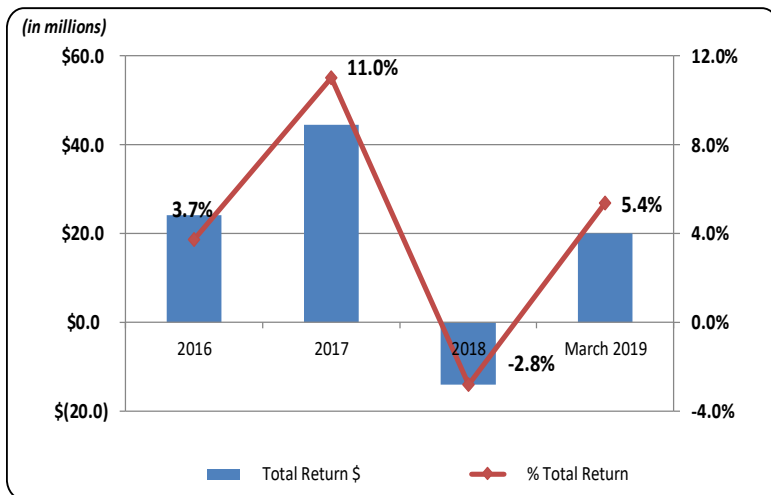
Net Assets Represent A Significant Reserve To Help Fund Turnaround

Investments

Investment Components

(\$ in millions)	2016	2017	2018	March 2019
Stocks	\$ 240.3	\$ 291.0	\$ 185.4	\$ 208.3
Bonds	98.5	101.0	99.4	101.2
Other	29.8	35.0	43.1	45.3
Cash	35.4	73.3	45.2	38.2
Ending balance	\$ 404.0	\$ 500.3	\$ 373.1	\$ 393.0
Cost Basis	\$ 395.1	\$ 461.4	\$ 363.2	\$ 365.0
Unrealized Gain (Loss)	\$ 8.9	\$ 38.9	\$ 9.9	\$ 28.0

Returns



Analysis

- ❑ Investment balances have moved with general capital market returns.
- ❑ Stock gains have been significant but retrenched in Q4 2018.
- ❑ Appreciation returned in Q1 2019 with a >5% increase in investment values.
- ❑ The investment portfolio funded negative cash from ops in the past three years.
- ❑ Asset allocation: 50% stocks; 12% alternatives; 38% cash/bonds.
- ❑ Realized gains qualify as income for debt service coverage, about \$10m annually from interest and dividends.

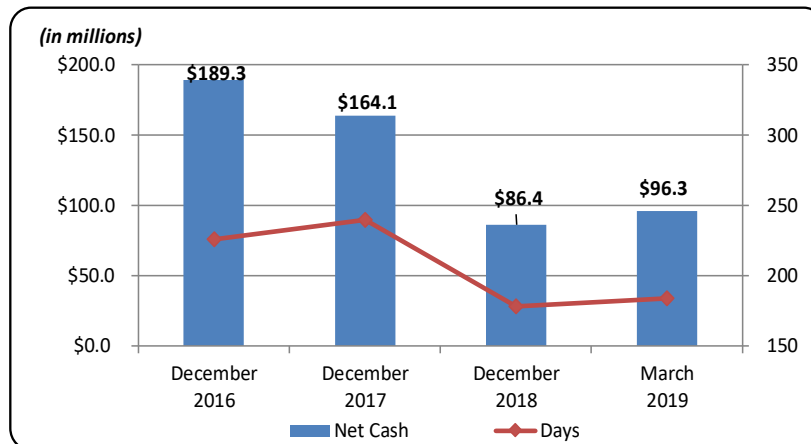
**Portfolio Is Designed To Maximize Returns
With A Low Risk Profile**

Cash Reserves

Cash and Debt Metrics

CASH AND DEBT (\$ in thousands)	December 2016	December 2017	December 2018	March 2019
CASH AND EQUIVALENTS	\$ 36,553	\$ 32,589	\$ 49,133	\$ 39,613
INVESTMENTS (SHORT-TERM PLUS BOARD HOLDS)	\$ 349,864	\$ 394,687	\$ 292,315	\$ 308,282
TOTAL CASH AND INVESTMENTS	\$ 386,417	\$ 427,276	\$ 341,448	\$ 347,895
TOTAL LENDER DEBT	\$ 197,113	\$ 263,127	\$ 255,002	\$ 251,556
NET CASH (DEBT)	\$ 189,304	\$ 164,149	\$ 86,446	\$ 96,339
ANNUAL DEBT SERVICE	\$ 17,990	\$ 23,129	\$ 25,168	\$ 22,296
DAILY CASH REQUIREMENTS	\$ 1,713	\$ 1,780	\$ 1,918	\$ 1,891
DAYS CASH ON HAND	226	240	178	184
OPERATING CASH FLOW (EBIDA)	\$ 29,242	\$ 28,960	\$ (24,857)	\$ 24,864
DEBT SERVICE COVERAGE FROM OPERATIONS	1.63	1.25	(0.99)	1.12

Net Cash Position



Analysis

- ❑ CH has enjoyed a strong cash position which has helped weather the Epic impacts in 2018.
- ❑ Negative cash from operations and capital investment in Epic have reduced days cash on hand by @60 days.
- ❑ Cash and investments available for use at the discretion of the board more than covers outstanding debt obligations.
- ❑ Net cash position, though declining over past two years, is a source of credit security.

First Quarter 2019

Financial and Operations Review

Managements' Discussion and Analysis

- ❑ **Operating Results** - came in with a \$4.8m operating loss which is \$5.4m favorable to 2018 and \$0.8m favorable to the 2019 Budget. Both revenue and expense were managed to offset and leverage the investment in Epic in 2018.
- ❑ **Revenue** – at \$175.1m is favorable to last year by \$3.9m (2%) but unfavorable to Budget by \$2.2m. Acute Care services are favorable in volumes and realization rate mainly from a more severe flu season driving a 3% increase vs 2018. Post Acute services are even with 2018 and 4% off the Budget and not likely to close the gap. Medical Group services are up 5% versus 2018 from a higher provider compliment but 4% behind Budget, with productivity gains anticipated over rest-of-year. Other Operating revenue is even with last year and \$1.5m favorable to Budget. QTR1 is the highest seasonal quarter with quarters 2-4 typically less in patient volume.
- ❑ **Expenses** – at \$179.9m are favorable to the Budget by \$3.1m and lower than last year by 1% owing to productivity gains following the Epic install. Employment costs are lower than Budget by \$3.7m but higher than last year by 3%, with FTEs about even with QTR1 last year. Supplies and services are favorable to both Budget and 2018 reflecting the lower spend after Epic implementation in 2018.
- ❑ **Cash Flow** – net cash generated from operations was \$7.1m which was slightly less than that needed to fund capital of \$3.6m and debt service of \$5.6m. Debt service coverage ratio met requirements at 1.59 consolidated and 2.45 for Obligated Group.
- ❑ **Change in Net Assets** – was positive \$17.4m as investment returns from a strong equity market rebound more than offset loss from operations.

***QTR1 Run Rate is Favorable to 2018
and to 2019 Budget***

Financial Scorecard

COVENANT HEALTH, INC. AND SUBSIDIARIES								
Financial Scorecard								
	Full Year Actual 2018	Approved Budget 2019	Budget % Change from 2018	QTR1 Actual 2019	\$ Variance from Ratable Budget	% Variance from Ratable Budget	QTR1 Actual 2018	\$ Variance from 2018 Fav (Unfav)
<i>(\$ in thousands)</i>								
Acute Care Services	\$ 456,153	\$ 489,403	7%	\$ 120,397	\$ (1,954)	-2%	\$ 117,414	\$ 2,983
Post Acute Services	111,988	116,504	4%	28,199	(927)	-3%	27,997	202
Medical Group Services	68,938	78,477	14%	18,759	(860)	-4%	17,907	852
Other Revenue	28,950	24,890	-14%	7,731	1,509	24%	7,836	(105)
Total Operating Revenue	666,029	709,274	6%	175,086	(2,233)	-1%	171,154	3,932
Payroll and Benefits	409,720	431,722	5%	104,232	3,699	3%	101,344	(2,888)
Supplies and Services	281,166	261,339	-7%	64,638	697	1%	71,876	7,238
Depreciation and Interest	36,018	38,756	8%	11,024	(1,335)	-14%	8,130	(2,894)
Total Operating Expenses	726,904	731,817	1%	179,894	3,060	2%	181,350	1,456
Operating Income (Loss)	\$ (60,875)	\$ (22,543)	-63%	\$ (4,808)	\$ 828	-15%	\$ (10,196)	\$ 5,388
Investment Gain (Loss)	(13,941)	11,115	-180%	19,335	16,556	NM	(2,255)	21,590
Restricted Donations and Income	3,920	4,000	NM	1,000	-	NM	-	1,000
Pensions and Other	(3,922)	(6,900)	NM	1,853	3,578	NM	(1,252)	3,105
Change in Net Assets	\$ (74,818)	\$ (14,328)	-81%	\$ 17,380	\$ 20,962	-585%	\$ (13,703)	\$ 31,083

Revenue Up and Expenses Down vs QTR1 2018
Investment Gains Adding to Net Assets

Financial Scorecard (continued)

COVENANT HEALTH, INC. AND SUBSIDIARIES								
Financial Scorecard								
	Full Year Actual 2018	Approved Budget 2019	Budget % Change from 2018	QTR1 Actual 2019	\$ Variance from Ratable Budget	% Variance from Ratable Budget	QTR1 Actual 2018	\$ Variance from 2018 Fav (Unfav)
<i>(\$ in thousands)</i>								
Operating Cash Flow (EBIDA)	\$ (24,857)	\$ 16,213	-165%	\$ 6,216	\$ (507)	NM	\$ (2,066)	\$ 2,494
Less: Debt Service	25,168	22,349	-11%	5,587	-	0%	6,292	705
Less: Capital Expenditures	57,793	16,217	-72%	3,597	457	11%	14,448	10,851
Operating Cash Flow After Capital Costs	\$ (107,818)	\$ (22,353)	-79%	\$ (2,968)	\$ (965)	-17%	\$ (22,806)	\$ (9,062)
DCOH - Obligated Group > 30	124	125	1%	124	(1)	-1%	211	(87)
DCOH - Consolidated	107	120	12%	107	(13)	-11%	211	(104)
DCOH - Consolidated w/Available Investments	228	259	14%	237	(22)	-8%	211	26
DSC - Consolidated w/ Realized Gains	(0.21)	1.01	1.22	1.59	0.58	58%	0.33	(0.54)
DSC - Consolidated w/o Realized Gains	(0.99)	0.73	1.71	1.11	0.39	53%	(0.33)	(0.66)
DSC - Obligated Group >1.20	0.45	1.90	1.45	2.45	0.55	29%	(0.50)	0.95
Full Time Equivalent Employees	5,036	5,323	6%	4,967	356	7%	4,974	(7)
Operating Revenue per FTE (annualized)	\$ 132.254	\$ 133.247	1%	\$ 140.999	\$ 7.752	6%	\$ 137.639	\$ 3.360
Compensation per FTE (annualized)	\$ 81.358	\$ 81.105	0%	\$ 83.940	\$ (2.835)	-3%	\$ 81.499	\$ (2.441)

**Operating Cash Flow Is Favorable to Budget and 2018
Meeting Lender Coverage Requirements**

Net Revenue Accountability by Service Unit

COVENANT HEALTH INC. AND SUBSIDIARIES								
Revenue by Major Service Unit								
	Actual 2017	Actual 2018	Approved Budget 2019	QTR1 Actual 2019	\$ Variance from Ratable Budget	% Variance from Ratable Budget	\$ Variance from Ratable 2018	% Variance from Ratable 2018
<u>ACUTE CARE SERVICES</u>								
St. Joseph's Nashua	\$ 5,039	\$ 174,712	\$ 187,429	\$ 47,854	\$ 999	2%	\$ 4,176	10%
St. Joseph's Bangor	26,031	123,653	132,888	31,596	(1,626)	-5%	683	2%
St. Mary's Lewiston	16,299	157,789	169,086	40,945	(1,327)	-3%	1,498	4%
Total Acute Care Services	16,675	456,153	489,403	120,395	(1,954)	-2%	6,357	6%
<u>POST-ACUTE SERVICES</u>								
Maristhill	14,310	10,275	10,995	2,524	(225)	-8%	(45)	-2%
Mary Immaculate	11,667	27,993	25,614	5,989	(415)	-6%	(1,009)	-14%
St. Joseph Manor	7,804	10,118	11,241	2,793	(17)	-1%	264	10%
St. Andre's	6,908	7,946	8,932	2,294	61	3%	307	15%
St. Mary's Worcester	9,218	9,065	9,636	2,518	109	5%	252	11%
Youville House	5,469	6,240	6,627	1,608	(49)	-3%	48	3%
Youville Place	40,938	7,097	7,490	1,873	1	0%	99	6%
St. Mary's Villa	11,667	13,199	14,513	3,456	(172)	-5%	156	5%
Mt. St. Rita	7,804	8,246	8,983	2,253	7	0%	191	9%
Penacook	6,908	11,809	12,473	2,891	(227)	-7%	(61)	-2%
Total Post-Acute Services	9,218	111,988	116,504	28,199	(927)	-3%	202	1%
<u>MEDICAL GROUP SERVICES</u>								
Nashua	40,938	23,777	27,068	6,510	(257)	-4%	566	10%
Bangor	10,212	16,015	18,233	4,205	(353)	-8%	201	5%
Lewiston	18,033	29,145	33,176	8,044	(250)	-3%	758	10%
Total Medical Group Services	9,218	68,938	78,477	18,759	(860)	-4%	1,525	9%
Net Patient Revenue	265,138	637,079	684,384	167,353	(3,741)	-2%	8,083	5%
Other Operating	9,134	28,950	24,890	7,731	1,509	24%	494	7%
TOTAL REVENUE	\$ 274,272	\$ 666,029	\$ 709,274	\$ 175,084	\$ (2,233)	-1%	\$ 8,577	5%

Expenses by Major Category

COVENANT HEALTH INC. AND SUBSIDIARIES					
Operating Expenses by Type					
(\$ in thousands)	Full Year Actual 2018	Approved Budget 2019	QTR1 Actual 2019	\$ Tracking Variance to Ratable Budget Fav (Unfav)	% Change vs Ratable 2018 inc/-dec
Payroll	\$ 342,214	\$ 361,791	\$ 86,478	\$ 3,970	1.1%
<i>As % of Net Patient Revenue</i>	53.7%	52.9%	51.7%	1.2%	
Benefits	\$ 67,506	\$ 69,931	\$ 17,754	\$ (271)	4.9%
<i>As % of Payroll</i>	19.7%	19.3%	20.5%	-1.2%	
Supplies and Services	\$ 228,451	\$ 224,422	\$ 54,908	\$ 1,198	-4.0%
<i>As % of Net Patient Revenue</i>	35.9%	32.8%	32.8%	0.0%	
Contract Clinicians	\$ 31,902	\$ 14,917	\$ 4,730	\$ (1,001)	-68.6%
<i>As % of Net Patient Revenue</i>	5.0%	2.2%	2.8%	-0.6%	
Provider Tax Assessments	\$ 20,813	\$ 22,000	\$ 5,500	\$ -	5.4%
<i>As % of Net Patient Revenue</i>	3%	3%	3%	-0.1%	
Depreciation	\$ 26,675	\$ 29,256	\$ 8,149	\$ (835)	18.2%
<i>As % of Beginning PPE</i>	3.6%	3.7%	4.1%	-0.4%	
Interest	\$ 9,343	\$ 9,500	\$ 2,375	\$ -	1.7%
<i>As % of Beginning Total Debt</i>	4.8%	5.0%	3.9%	1.1%	
Total Operating Expenses	\$ 726,904	\$ 731,817	\$ 179,894	\$ 3,060	-1.0%
<i>As % of Total Revenue</i>	109.1%	103.2%	102.7%	0.4%	

Expenses are Favorable to Budget and to Last Year

Consolidated Balance Sheet

March 31, 2019					
(\$ in thousands)	2019 ACTUAL	2018 YEAR END	(\$ in thousands)	2019 ACTUAL	2018 YEAR END
ASSETS			LIABILITIES AND NET ASSETS		
CURRENT ASSETS:			CURRENT LIABILITIES:		
CASH AND CASH EQUIVALENTS	\$39,613	\$48,388	ACCOUNTS PAYABLE	\$18,409	\$17,339
ACCOUNTS RECEIVABLE:			ACCRUED EXPENSES	\$61,132	\$66,303
PATIENT ACCOUNTS RECEIVABLE			DUE TO THIRD PARTY PAYERS	\$15,279	\$12,650
LESS ALLOWANCE FOR UNCOLLECTABLE ACCOUNTS	\$95,494	\$88,328	OTHER CURRENT LIABILITIES	\$4,149	\$4,095
SHORT TERM INVESTMENTS	\$48,918	\$47,766	PAYABLE TO RELATED PARTY	\$0	\$0
INVENTORIES	\$4,655	\$4,642	NOTES PAYABLE	\$0	\$0
PREPAID EXPENSES AND OTHER CURRENT ASSETS	\$11,938	\$13,408	LINE OF CREDIT	\$0	\$0
RECEIVABLE FROM THIRD PARTY PAYERS	\$1,777	\$731	CURRENT PORTION OF LONG-TERM DEBT	\$11,719	\$9,133
CURRENT PORTION OF ASSETS WHOSE USE IS LIMITED	\$10,091	\$9,155	CURRENT PORTION OF CAPITAL LEASE	\$246	\$323
RECEIVABLE FROM RELATED PARTY	\$0	\$204			
TOTAL CURRENT ASSETS	\$212,486	\$212,621	TOTAL CURRENT LIABILITIES	\$110,934	\$109,843
ASSETS WHOSE USE IS LIMITED OR RESTRICTED:					
FUNDS HELD BY TRUSTEES, LESS CURRENT PORTION	\$22,517	\$22,449	LONG-TERM DEBT, LESS CURRENT PORTION	\$239,569	\$245,402
DEFERRED COMPENSATION	\$12,673	\$12,710	CAPITAL LEASE OBLIGATION, LESS CURRENT	\$22	\$22
BOARD DESIGNATED & LONG TERM INVESTMENTS	\$259,364	\$245,881	DUE TO RELATED PARTY, LESS CURRENT	\$0	\$0
REPLACEMENT RESERVE	\$6,344	\$5,380	OTHER LIABILITIES AND RESIDENT FUNDS	\$27,236	\$27,471
DONOR RESTRICTED AND OTHER RESIDENT FUNDS	\$39,928	\$30,910	PROFESSIONAL LIABILITY LOSS RESERVES	\$37,987	\$36,692
ASSETS WHOSE USE IS LIMITED OR RESTRICTED:	\$340,827	\$317,331	UNFUND PENSION OBLIGATION	\$6,547	\$7,963
OTHER ASSETS			TOTAL LIABILITIES	\$422,294	\$427,391
NOTES RECEIVABLE AND OTHER ASSETS	\$11,022	\$15,526			
INVESTMENTS IN JOINT VENTURES	\$6,924	\$6,847	NET ASSETS		
NON LIQUID INVESTMENTS	\$0	\$0	WITHOUT DONOR RESTRICTIONS	\$430,113	\$412,734
RECEIVABLE FROM RELATED PARTY	\$0	\$0	WITH DONOR RESTRICTIONS	\$55,520	\$54,474
TOTAL OTHER ASSETS	\$17,946	\$22,372	TOTAL NET ASSETS	\$485,633	\$467,209
PROPERTY, PLANT AND EQUIPMENT	\$794,279	\$790,523	TOTAL LIABILITIES AND NET ASSETS	\$907,927	\$894,600
LESS ALLOWANCE FOR DEPRECIATION	(\$464,152)	(\$456,202)			
PP&E NET	\$330,127	\$334,321			
TOTAL ASSETS	\$901,386	\$886,645			

Balance Sheet Improved in Q1 Relative to 2018
Investment Returns Added \$20m



Consolidated Statement of Operations and Changes in Net Assets

<i>(\$ in thousands)</i>	ACTUAL	PRIOR YEAR
UNRESTRICTED REVENUES, GAINS AND OTHER SUPPORT:		
PATIENT SERVICE REVENUE, Net of Contractual Allowances	\$185,547	\$179,284
Less Provision for Bad Debt and Charity Care	(\$18,192)	(\$15,966)
NET PATIENT SERVICE REVENUE	\$167,355	\$163,318
OTHER (Asst Living, Retail Sales, Rents, & Misc. operating)	\$7,520	\$7,562
NET ASSETS RELEASED FROM RESTRICTIONS	\$211	\$274
TOTAL REVENUE	\$175,086	\$171,155
EXPENSES:		
SALARIES AND WAGES	\$86,478	\$83,821
EMPLOYEE BENEFITS	\$17,754	\$17,523
LOCUM PHYSICIANS	\$1,378	\$1,839
OTHER AGENCY AND TEMPORARY LABOR	\$3,352	\$8,189
SUPPLIES	\$20,575	\$19,885
OTHER	\$34,332	\$36,964
DEPRECIATION, INTEREST & PROVIDER TAX	\$16,023	\$13,130
TOTAL EXPENSES	\$179,893	\$181,350
INCOME (LOSS) FROM OPERATIONS	(\$4,808)	(\$10,196)
NON-OPERATING GAIN (LOSS), NET	(\$757)	(\$507)
UNREALIZED INVESTMENT GAIN (LOSS)	\$17,419	(\$5,903)
REALIZED INVESTMENT GAIN (LOSS)	\$2,673	\$4,155
EXCESS OF REVENUE OVER EXPENSE, BEFORE GAIN (LOSS) ON ADVANCED REFINANCING & DISCONTINUED OPERATIONS	\$14,526	(\$12,450)
GAIN (LOSS) ON ADVANCED REFINANCING	\$0	\$0
GAIN (LOSS) ON DISCONTINUED OPERATIONS	(\$6)	(\$7)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$14,521	(\$12,457)
OTHER CHANGES IN UNRESTRICTED NET ASSETS: TRANSFER AMONG AFFILIATES & OTHER	\$2,858	(\$1,246)
CHANGE IN UNRESTRICTED NET ASSETS	\$17,379	(\$13,703)

***A Strong YoY QTR1 – Normalized Post Epic
Prior Year included Costs from Epic Implementation***

Appendix 1

Supplemental Financial Information

Consolidating Balance Sheet – Assets Obligated Group

Covenant Health, Inc. Consolidating Balance Sheet March 31, 2019 (in thousands)	Covenant Health Inc.	(Maristhill) CHS of Waltham, Inc.	St. Joseph Hospital of Nashua, NH, Inc.*	Youville House	Mary Immacu- late	Fanny Allen Corporation	(St. Mary) CHS of Worcester, Inc.	Youville Place	St. Joseph Manor Heath Care, Inc.	Mount St. Rita Health Centre	Mount St. Rita Valuation Company	Penacook Place, Inc.	Penacook Valuation Company	Eliminations	** Total Obligated Group
ASSETS															
CURRENT ASSETS:															
Cash and cash equivalents	\$ 3,010	\$ 443	\$ 2,696	\$ 694	\$ 4,464	\$ 215	\$ 474	\$ 2,062	\$ 1,460	\$ 1,011	\$ -	\$ 483	\$ -	\$ -	\$ 17,013
Accounts Receivable	17,108	1,045	30,457	216	2,502	-	1,010	172	1,231	752	-	1,214	-	(6,295)	49,412
Current portion of pledged receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	-	-	40,818	5,124	-	-	-	221	-	-	-	-	-	-	46,163
Inventories	-	-	1,591	-	3	-	-	-	-	-	-	54	-	-	1,647
Prepaid expenses and other current assets	2,908	59	1,479	82	263	-	37	18	72	71	-	61	-	-	5,049
Amounts receivable from third party payors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current portion asset whose use is limited or restricted	766	21	2,578	375	54	-	63	398	43	18	-	20	-	-	4,336
Current portion due to affiliates	170	-	368	113	254	-	-	28	-	-	-	-	-	(562)	371
TOTAL CURRENT ASSETS	23,963	1,569	79,986	6,603	7,540	215	1,584	2,900	2,805	1,852	-	1,831	-	(6,857)	123,991
ASSETS WHOSE USE IS LIMITED OR RESTRICTED, less current portion:															
Funds held by trustees, less current portion	485	1,020	13,146	364	-	-	-	1,503	-	-	-	188	-	-	16,705
Deferred compensation	-	-	1,408	-	-	-	-	-	-	-	-	-	-	-	1,408
Board designated & other long term investments	37,758	2,029	82,938	10,017	41,654	7,117	-	3,255	1,017	-	-	8	-	-	185,791
Replacement reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Donor Restricted funds	-	-	2,566	3,422	-	1,990	-	47	-	-	-	-	-	-	8,026
TOTAL ASSETS WHOSE USE IS LIMITED OR RESTRICTED, less current portion	38,243	3,049	100,058	13,803	41,654	9,107	-	4,804	1,017	-	-	8	-	-	211,743
OTHER ASSETS:															
Pledges receivable, less current portion	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	25,380	-	16,295	(0)	-	-	-	-	-	-	-	-	-	-	41,675
Due from affiliates, less current portion	11,781	-	13,168	421	-	-	-	-	-	-	-	-	-	(14,656)	10,713
Investments in joint ventures	5	-	2,568	-	-	-	-	-	-	-	-	-	-	-	2,573
TOTAL OTHER ASSETS	37,166	-	32,030	421	-	-	-	-	-	-	-	-	-	(14,656)	54,960
Property, plant and equipment	85,965	13,126	211,133	19,517	25,181	-	6,655	18,254	8,862	9,898	3,222	12,605	1,517	-	415,937
Less: accumulated depreciation	(5,713)	(7,291)	(153,496)	(9,153)	(19,034)	-	(4,327)	(7,502)	(5,721)	(6,240)	398	(10,285)	229	-	(228,135)
Total property, plant & equipment	80,253	5,835	57,637	10,364	6,146	-	2,328	10,752	3,141	3,658	3,621	2,320	1,746	-	187,802
TOTAL ASSETS	\$ 179,625	\$ 10,453	\$ 269,711	\$ 31,191	\$ 55,340	\$ 9,322	\$ 3,913	\$ 18,457	\$ 6,963	\$ 5,510	\$ 3,621	\$ 4,159	\$ 1,746	\$ (21,513)	\$ 578,496

* 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.



Consolidating Balance Sheet – Assets Consolidated Group

Covenant Health, Inc. Consolidating Balance Sheet March 31, 2019 (in thousands)	St. Mary's Health System	Fanny Allen Holdings	Covenant Health Insurance LTD	Covenant Health Foundation	St. Joseph Hospital Corporate Services, Inc.	Mary Immaculate Residential	St. Andre Health Care Facility	St. Mary's Villa Nursing Home, Inc.	Provi-dentia Prima Trust	St. Joseph Heathcare Foundation	St. Joseph Valuation Company	Eliminations	System Consolidated
ASSETS													
CURRENT ASSETS:													
Cash and cash equivalents	\$ 6,572	\$ 1,091	\$ 4,929	\$ -	\$ 205	\$ 636	\$ 551	\$ 1,818	\$ 2,425	\$ 6,799	\$ -	\$ (2,425)	\$ 39,613
Accounts Receivable	29,210	-	10,048	183	7	56	1,122	1,403	-	19,276	-	(19,649)	91,067
Current portion of pledged receivables	-	-	-	5,000	-	-	-	-	-	-	-	-	5,000
Investments	1,907	-	-	-	-	-	-	-	-	848	-	-	48,918
Inventories	1,679	-	-	-	-	-	-	-	-	1,329	-	-	4,655
Prepaid expenses and other current assets	(699)	-	6,561	-	104	64	16	220	55	653	-	(118)	11,905
Amounts receivable from third party payors	1,777	-	-	-	-	-	-	-	-	-	-	-	1,777
Current portion asset whose use is limited or restricted	4,680	-	-	-	-	56	11	11	-	998	-	-	10,091
Current portion due to affiliates	2	-	-	-	4,138	-	-	33	-	-	-	(4,512)	33
TOTAL CURRENT ASSETS	45,127	1,091	21,538	5,183	4,454	812	1,700	3,485	2,480	29,903	-	(26,704)	213,059
ASSETS WHOSE USE IS LIMITED OR RESTRICTED, less current portion:													
Funds held by trustees, less current portion	5,426	-	-	-	-	338	-	40	-	0	-	-	22,509
Deferred compensation	-	-	-	-	11,265	-	-	-	-	-	-	-	12,673
Board designated & other long term investments	6,692	777	43,022	-	-	-	585	12,785	235,909	9,907	-	(235,909)	259,560
Replacement reserve	553	-	-	-	-	5,791	-	-	-	-	-	-	6,344
Donor Restricted funds	12,059	-	-	15,267	-	24	-	365	-	4,187	-	-	39,928
TOTAL ASSETS WHOSE USE IS LIMITED OR RESTRICTED, less current portion	24,731	777	43,022	15,267	11,265	6,153	585	13,191	235,909	14,094	-	(235,909)	340,827
OTHER ASSETS:													
Pledges receivable, less current portion	-	-	-	8,839	-	-	-	-	-	-	-	-	8,839
Other Assets	224	-	-	(4,611)	5,237	-	-	-	-	576	-	(41,490)	1,610
Due from affiliates, less current portion	-	-	-	-	-	-	-	-	-	-	-	(10,713)	-
Investments in joint ventures	3,234	-	-	-	1,009	-	-	-	-	355	(247)	-	6,924
TOTAL OTHER ASSETS	3,458	-	-	4,228	6,245	-	-	-	-	931	(247)	(52,203)	17,373
Property, plant and equipment	173,393	15,035	-	-	14,661	31,113	8,416	20,665	-	103,126	11,935	-	794,279
Less: accumulated depreciation	(107,619)	(13,742)	-	-	(6,184)	(22,852)	(6,428)	(10,744)	-	(70,379)	1,931	-	(464,152)
Total property, plant & equipment	65,773	1,293	-	-	8,477	8,261	1,988	9,920	-	32,747	13,866	-	330,127
TOTAL ASSETS	\$ 139,090	\$ 3,161	\$ 64,559	\$ 24,679	\$ 30,442	\$ 15,226	\$ 4,273	\$ 26,595	\$ 238,389	\$ 77,674	\$ 13,619	\$ (314,816)	\$ 901,386

Consolidating Balance Sheet – Liabilities Obligated Group

Covenant Health, Inc. Consolidating Balance Sheet March 31, 2019 (in thousands)	Covenant Health Inc.	(Maristhill) CHS of Waltham, Inc.	St. Joseph Hospital of Nashua, NH, Inc.*	Youville House	Mary Immaculate	Fanny Allen Corporation	(St. Mary) CHS of Worcester, Inc.	Youville Place	St. Joseph Manor Heath Care, Inc.	Mount St. Rita Health Centre	Mount St. Rita Valuation Company	Penacook Place, Inc.	Penacook Valuation Company	Eliminations	** Total Obligated Group
LIABILITIES AND NET ASSETS															
CURRENT LIABILITIES:															
Accounts payable	\$ 4,317	\$ 168	\$ 10,344	\$ 70	\$ 452	\$ -	\$ 164	\$ 0	\$ 260	\$ 182	\$ -	\$ 261	\$ -	\$ (6,295)	\$ 9,924
Accrued expenses and other current liabilities	11,647	461	23,139	827	1,440	0	475	924	518	383	0	707	0	0	40,520
Estimated third-party payor settlements	0	149	3,939	0	55	0	231	0	235	275	0	291	0	0	5,175
Current portion due to affiliates	554	175	18	28	47	0	0	119	0	0	0	0	0	-894	47
Current portion of long-term debt and capital leases	3,029	256	3,128	335	0	0	0	305	197	0	0	0	0	0	7,249
TOTAL CURRENT LIABILITIES	19,547	1,208	40,568	1,261	1,994	0	870	1,349	1,210	841	0	1,259	0	-7,190	62,915
Long-term debt and capital leases, less current portion	56,196	7,513	86,130	9,762	0	0	0	9,967	1,265	0	0	2,462	0	0	173,294
Due to affiliates, less current portion	12,631	0	933	0	0	0	0	0	0	0	0	0	0	-14,323	-758
Long term pension obligation	0	0	3,799	0	0	0	0	0	0	0	0	0	0	0	3,799
Other liabilities	126	368	7,694	107	530	0	0	133	0	0	0	0	0	0	8,957
Professional liability loss reserves	0	31	1,323	25	77	0	42	28	36	100	0	34	0	0	1,696
TOTAL LIABILITIES	88,500	9,119	140,448	11,155	2,600	0	911	11,476	2,510	941	0	3,755	0	-21,513	249,903
NET ASSETS:															
Without Restrictions	90,812	1,327	126,691	16,695	52,730	7,378	2,991	6,933	4,397	4,557	3,621	320	1,746	0	320,198
With Restrictions	313	6	2,573	3,340	10	1,944	11	47	55	13	0	84	0	0	8,395
TOTAL NET ASSETS BALANCE	91,125	1,333	129,264	20,036	52,740	9,322	3,001	6,980	4,452	4,569	3,621	404	1,746	0	328,593
TOTAL LIABILITIES AND NET ASSETS	\$ 179,625	\$ 10,453	\$ 269,711	\$ 31,191	\$ 55,340	\$ 9,322	\$ 3,913	\$ 18,457	\$ 6,963	\$ 5,510	\$ 3,621	\$ 4,159	\$ 1,746	\$ (21,513)	\$ 578,496

* 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.

Consolidating Balance Sheet – Liabilities Consolidated Group

Covenant Health, Inc. Consolidating Balance Sheet March 31, 2019 (in thousands)	St. Mary's Health System	Fanny Allen Holdings	Covenant Health Insurance LTD	Covenant Health Foundation	St. Joseph Hospital Corporate Services, Inc.	Mary Immaculate Residential Community	St. Andre Health Care Facility	St. Mary's Villa Nursing Home, Inc.	Provi- dentia Prima Trust	St. Joseph Heathcare Foundation	St. Joseph Valuation Company	Eliminations	System Consolidated
LIABILITIES AND NET ASSETS													
CURRENT LIABILITIES:													
Accounts payable	\$ 10,763	\$ -	\$ 168	\$ -	\$ 18	\$ 12	\$ 353	\$ 237	\$ -	\$ 9,108	\$ -	\$ (12,173)	\$ 18,409
Accrued expenses and other current liabilities	14,761	1	8,037	-	5,573	388	336	619	160	7,096	-	(12,146)	65,347
Estimated third-party payor settlements	6,337	0	-	-	-	-	145	-	-	3,622	-	-	15,279
Current portion due to affiliates	0	0	-	-	-	207	-	68	-	-	-	(322)	(0)
Current portion of long-term debt and capital leases	2,631	0	-	-	-	105	3	501	-	1,593	-	(117)	11,965
TOTAL CURRENT LIABILITIES	34,492	1	8,205	-	5,591	712	837	1,426	160	21,419	-	(24,758)	111,000
Long-term debt and capital leases, less current portion	43,339	0	-	-	-	3,997	55	2,365	-	19,113	173	(2,713)	239,622
Due to affiliates, less current portion	8,000	0	-	-	-	-	-	2,546	-	-	-	(9,819)	(31)
Long term pension obligation	0	0	-	-	-	-	-	-	-	1,137	-	-	4,936
Other liabilities	309	20	-	-	9,287	3,293	62	313	-	(0)	-	-	22,240
Professional liability loss reserves	1,885	0	31,057	-	1,565	-	27	41	-	1,716	-	-	37,987
TOTAL LIABILITIES	88,025	21	39,262	-	16,442	8,002	980	6,691	160	43,384	173	(37,290)	415,753
NET ASSETS:													
Without Restrictions	41,502	3,140	25,297	187	14,000	1,177	3,286	19,540	238,228	27,639	13,446	(277,525)	430,113
With Restrictions	9,564	0	-	24,492	-	6,047	7	364	-	6,651	-	-	55,520
TOTAL NET ASSETS BALANCE	51,065	3,140	25,297	24,679	14,000	7,224	3,293	19,904	238,228	34,290	13,446	(277,525)	485,633
TOTAL LIABILITIES AND NET ASSETS	\$ 139,090	\$ 3,161	\$ 64,559	\$ 24,679	\$ 30,442	\$ 15,226	\$ 4,273	\$ 26,595	\$ 238,389	\$ 77,674	\$ 13,619	\$ (314,816)	\$ 901,386

Consolidating Changes in Net Assets – Obligated Group

Covenant Health, Inc. Consolidating Changes in Net Assets For the Three Months Ended March 31, 2019 (in thousands)	Covenant Health Inc.	(Maristhill) CHS of Waltham, Inc.	St. Joseph Hospital of Nashua, NH, Inc.*	Youville House	Mary Immacu- late	Fanny Allen Corporation	(St. Mary) CHS of Worcester, Inc.	Youville Place	St. Joseph Manor Heath Care, Inc.	Mount St. Rita Health Centre	Mount St. Rita Valuation Company	Penacook Place, Inc.	Penacook Valuation Company	Eliminations	** Total Obligated Group
OPERATING REVENUE:															
Net patient service revenue	\$ -	\$ 2,524	\$ 54,326	\$ 1,608	\$ 5,988	\$ -	\$ 2,518	\$ 1,873	\$ 2,793	\$ 2,253	\$ -	\$ 2,891	\$ -	\$ -	\$ 76,775
Other operating revenue	19,447	7	1,566	63	382	-	13	94	19	5	-	59	-	(7,623)	14,031
Net assets released from restrictions for operations	-	-	11	146	-	-	-	-	2	2	-	-	-	-	161
TOTAL OPERATING REVENUE	19,447	2,531	55,904	1,816	6,370	-	2,531	1,967	2,814	2,261	-	2,950	-	(7,623)	90,968
OPERATING EXPENSES:															
Salaries and wages	7,382	1,267	23,150	642	3,611	-	1,212	836	1,293	1,066	-	1,818	-	-	42,279
Employee benefits	1,279	258	4,914	134	733	-	244	170	224	281	-	401	-	-	8,637
Supplies and other	5,909	813	23,478	445	1,659	-	753	470	888	750	-	761	-	(7,623)	28,303
Interest	854	95	720	107	-	-	-	133	12	0	-	24	-	-	1,945
Provider Tax	-	149	2,419	-	42	-	231	-	178	93	-	223	-	-	3,335
Depreciation and amortization	1,641	96	1,818	180	183	-	52	208	83	84	(4)	75	(19)	-	4,397
TOTAL OPERATING EXPENSES	17,064	2,678	56,499	1,508	6,228	-	2,492	1,817	2,678	2,274	(4)	3,301	(19)	(7,623)	88,895
INCOME FROM OPERATIONS	2,382	(147)	(595)	308	142	-	39	151	136	(14)	4	(352)	19	-	2,073
Discontinued Operations	-	-	(6)	-	-	-	-	-	-	-	-	-	-	-	(6)
NON-OPERATING Gains (losses), NET	3,918	130	8,224	980	2,708	534	-	222	68	-	-	0	-	-	16,784
EXCESS OF REVENUE OVER EXPENSE	(1,276)	(176)	7,622	112	2,850	(716)	1	408	179	86	32	(365)	81	-	8,837
Other Changes in unrestricted net assets:															
Net assets released for property, plant and equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustment top long-term pension obligation	-	-	1,246	-	-	-	-	-	-	-	-	-	-	-	1,246
Dividend Payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer among affiliates	-	-	0	-	-	-	-	-	-	-	-	-	-	-	0
Increase (decrease) in net assets without donor restriction	\$ 6,300	\$ (17)	\$ 8,869	\$ 1,288	\$ 2,850	\$ 534	\$ 39	\$ 373	\$ 204	\$ (14)	\$ 4	\$ (352)	\$ 19	\$ -	\$ 20,097

* 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.

Consolidating Changes in Net Assets – Consolidated Group

Covenant Health, Inc. Consolidating Changes in Net Assets For the Three Months Ended March 31, 2019 (in thousands)	St. Mary's Health System	Fanny Allen Holdings	Covenant Health Insurance LTD	Covenant Health Foundation	St. Joseph Hospital Corporate Services, Inc.	Mary Immaculate Residential Community	St. Andre Health Care Facility	St. Mary's Villa Nursing Home, Inc.	Provi- dentia Prima Trust	St. Joseph Heathcare Foundation	St. Joseph Valuation Company	Eliminations	System Consolidated
OPERATING REVENUE:													
Net patient service revenue	\$ 48,989	\$ -	\$ -	\$ -	\$ 38	\$ -	\$ 2,294	\$ 3,456	\$ -	\$ 35,803	\$ -	\$ -	\$ 167,355
Other operating revenue	4,415	-	-	-	1,048	1,123	15	23	-	1,016	-	(14,152)	7,520
Net assets released from restrictions for operations	31	-	-	-	-	-	2	-	-	16	-	-	211
TOTAL OPERATING REVENUE	53,435	-	-	-	1,086	1,123	2,311	3,479	-	36,835	-	(14,152)	175,086
OPERATING EXPENSES:													
Salaries and wages	24,788	-	-	-	710	163	1,096	1,697	-	15,743	-	-	86,477
Employee benefits	4,994	-	-	-	99	27	200	376	-	3,421	-	-	17,754
Supplies and other	24,703	-	-	-	177	399	690	894	-	18,555	-	(14,081)	59,639
Interest	332	-	-	-	-	79	1	51	-	178	(8)	-	2,579
Provider Tax	1,433	-	-	-	-	-	150	65	-	669	-	-	5,652
Depreciation and amortization	1,793	-	-	-	95	301	67	218	-	902	20	-	7,793
TOTAL OPERATING EXPENSES	58,044	-	-	-	1,082	968	2,203	3,302	-	39,468	12	(14,081)	179,893
INCOME FROM OPERATIONS	(4,609)	-	-	-	4	155	109	177	-	(2,632)	(12)	(71)	(4,807)
Discontinued Operations	-	-	-	-	-	-	-	-	-	-	-	-	(6)
NON-OPERATING Gains (losses), NET	200	147	1,341	687	49	-	39	843	14,315	565	-	(15,635)	19,334
EXCESS OF REVENUE OVER EXPENSE	(4,409)	147	223	(499)	54	155	80	1,020	14,315	(2,068)	(15)	(15,706)	2,133
Other Changes in unrestricted net assets:													
Net assets released for property, plant and equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustment top long-term pension obligation	-	-	-	-	-	-	-	-	-	1,612	-	-	2,858
Dividend Payment	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer among affiliates	-	-	-	-	-	-	-	-	(741)	-	-	741	0
Increase (decrease) in net assets without donor restriction	\$ (4,409)	\$ 147	\$ 1,341	\$ 687	\$ 54	\$ 155	\$ 148	\$ 1,020	\$ 13,574	\$ (456)	\$ (12)	\$ (14,965)	\$ 17,379

Obligated Group – Results First Quarter 2019 vs 2018

Covenant Health Obligated Group Summary Statement of Operations For the Quarters Ended March 31, 2019 and 2018 (in thousands)					EXHIBIT B
	Quarter Ended March 31,		Year- to- Date March 31,		
	2019	2018	2019	2018	
Revenue					
Net patient service revenue	\$76,775	\$74,164	\$76,775	\$74,164	
Other	\$14,032	\$12,502	\$14,032	\$12,502	
Net Assets release from restrictions	\$161	\$168	\$161	\$168	
Total Revenue	\$90,968	\$86,834	\$90,968	\$86,834	
Expenses					
Salaries and wages	\$42,279	\$37,153	\$42,279	\$37,153	
Employee benefits	\$8,637	\$8,626	\$8,637	\$8,626	
Supplies and other expenses	\$31,637	\$37,781	\$31,637	\$37,781	
Interest expense	\$1,945	\$1,307	\$1,945	\$1,307	
Depreciation and amortization	\$4,397	\$2,951	\$4,397	\$2,951	
Total Expenses	\$88,895	\$87,818	\$88,895	\$87,818	
Income from operations	\$2,073	(\$984)	\$2,073	(\$984)	
*Non - operating gains (losses) , net	\$16,783	(\$2,557)	\$16,783	(\$2,557)	
Excess (deficiency) of revenue over expenses before gain (loss) on discontinued operations & advanced debt refinancing	\$18,856	(\$3,541)	\$18,856	(\$3,541)	
Gain (Loss) on discontinued operations	(\$6)	(\$7)	(\$6)	(\$7)	
Gain (Loss) on advance debt refinancing	\$0	\$0	\$0	\$0	
Excess (deficiency) of revenue over expenses after gain (loss) on advanced debt refinancing	\$18,850	(\$3,548)	\$18,850	(\$3,548)	

* Includes unrealized gains (losses) on investment and equity loss on investment in St. Joseph Hospital Corporate Services, Inc. which is not a members of the Obligated Group.

Key Statistics – First Quarter 2019 vs 2018

Covenant Health Quarters Ended March 31, 2019 and 2018 (in thousands)				
Key Statistics	CONSOLIDATED GROUP Quarter Ended March 31		OBLIGATED GROUP Quarter Ended March 31	
	2019	2018	2019	2018
Statements of operations				
Net Patient Service Revenue	\$167,355	\$163,319	\$76,775	\$74,164
Total Revenue	\$175,086	\$171,155	\$90,968	\$86,834
Total Expenses	\$179,894	\$181,350	\$88,895	\$87,818
Income (Loss) from Operations	(\$4,808)	(\$10,195)	\$2,073	(\$984)
NONOPERATING Gains (Losses) , Net *	\$19,334	(\$2,255)	\$16,783	(\$2,557)
Excess of Revenue over Expenses before gain (loss) on discontinued operations & advanced debt refinancing	\$14,526	(\$12,450)	\$18,856	(\$3,541)
Interest Expense	\$2,579	\$2,089	\$1,945	\$1,307
Depreciation and Amortization	\$7,794	\$6,257	\$4,397	\$2,951
Net unrealized gains (losses) on investments in Nonoperating	\$17,419	(\$5,903)	\$15,131	(\$5,496)
Debt Service				
Net Available for Debt Service	\$7,480	\$1,799	\$10,067	\$6,213
Estimated Debt Service for Period **	\$5,638	\$4,464	\$3,696	\$2,311
Balance Sheet				
Net Unrestricted Cash and Investments	\$354,240	\$410,361	\$248,760	\$249,023
Total Assets	\$901,386	\$940,806	\$578,484	\$594,217
Short - Term Debt (Includes Current Portion of LT)	\$11,965	\$9,253	\$7,249	\$4,335
Long - Term Debt	\$239,591	\$253,865	\$173,263	\$180,252
Net Assets without Restrictions	\$430,113	\$476,528	\$320,186	\$331,972
Profitability				
Operating margin (%)	-2.7%	-6.0%	2.3%	-1.1%
Excess Margin (%) before gain (loss) on discontinued operations & advanced debt refinancing	8.3%	-7.3%	20.7%	-4.1%
Liquidity				
Days Cash on Hand	185.25	210.93	264.96	264.08
Leverage				
Debt Service Coverage (x)***	1.3	0.4	2.7	2.7
Debt to Capitalization (%)	36.9%	35.6%	36.1%	35.7%
Debt Service/Revenue (%)	3.2%	2.6%	4.1%	2.7%

* Obligated Group amount includes equity loss on investment in St. Joseph Hospital Corporate Services, Inc. which is not a members of the Obligated Group .

** Estimated debt service for the quarter based upon a quarter of the current portion of long-term debt at Dec. 31, 2018 or 2017 , as appropriate , plus interest expense for the quarter.

Estimated debt service 2019 year-to-date based upon 25% of the current portion of long-term debt at Dec. 31, 2018 plus year-to-date interest expense.

Estimated debt service 2018 year-to-date based upon 25% of the the current portion of long-term debt at Dec. 31, 2017 plus year-to-date interest expense.

*** Debt service coverage is calculated as excess of revenues over expenses plus interest, depreciation and net unrealized gains (losses) in nonoperating over debt service for the period.

The Master Trust Agreement requires a different methodology measured annually which is also referred as the Debt Service Ratio in that document.

Utilization Statistics – Obligated Group

Covenant Health Obligated Group				
Key hospital and Nursing Home Utilization Statistics				
EXHIBIT D - 1				
Quarters ended March 31 , 2019 and 2018				
	Quarter Ended		Year-to-Date	
	2019	2018	2019	2018
St. Joseph Hospital of Nashua, NH				
Licensed Beds	208	208	208	208
Admissions	1,367	1,469	1,367	1,469
Patient Days	6,751	7,655	6,751	7,655
ALOS (days)	4.9	5.2	4.9	5.2
Outpatient Encounters	97,325	93,432	97,325	93,432
Average Daily Census	75.0	85.1	75.0	85.1
FTEs	1,176.0	1,162.9	1,176.0	1,162.9
MI Nursing				
Licensed Beds (In Service)	231	231	231	231
Patient Days	19,346	19,781	19,346	19,781
Average Daily Census	215.0	219.8	215.0	219.8
Occupancy Rate	93.1%	95.1%	93.1%	95.1%
FTEs	297.7	295.4	297.7	295.4
Maristhill				
Licensed Beds (In Service)	104	104	104	104
Patient Days	8,269	8,935	8,269	8,935
Average Daily Census	91.9	99.3	91.9	99.3
Occupancy Rate	88.3%	95.5%	88.3%	95.5%
FTEs	86.9	91.1	86.9	91.1
St. Mary (Worcester, MA)				
Licensed Beds (In Service)	124	124	124	124
Patient Days	10,805	10,092	10,805	10,092
Average Daily Census	120.1	112.1	120.1	112.1
Occupancy Rate	96.8%	90.4%	96.8%	90.4%
FTEs	91.3	92.4	91.3	92.4
ST. JOSEPH MANOR				
Licensed Beds (In Service)	118	118	118	118
Patient Days	9,861	9,816	9,861	9,816
Average Daily Census	109.6	109.1	109.6	109.1
Occupancy Rate	92.9%	92.4%	92.9%	92.4%
FTEs	105.0	101.7	105.0	101.7
MOUNT ST. RITA				
Licensed Beds (In Service)	97	97	97	97
Patient Days	7,349	8,065	7,349	8,065
Average Daily Census	81.7	89.6	81.7	89.6
Occupancy Rate	84.2%	92.4%	84.2%	92.4%
FTEs	80.0	78.3	80.0	78.3
Penacook Place				
Licensed Beds (In Service)	140	140	140	140
Patient Days	11,113	11,694	11,113	11,694
Average Daily Census	123.5	129.9	123.5	129.9
Occupancy Rate	88.2%	92.8%	88.2%	92.8%
FTEs	137.5	134.5	137.5	134.5

Utilization Statistics – Consolidated Group

Covenant Health Non-Obligated Group Members Key Hospital and Nursing Home Utilization Statistics Quarters ended March 31, 2019 and 2018					EXHIBIT D - 2
	Quarter Ended		Year-to-Date		
	2019	2018	2019	2018	
ST. MARY'S REGIONAL MEDICAL CENTER excluding d'Youville Pavilion *					
Licensed Beds	233	233	233	233	
Admissions	1,514	1,451	1,514	1,451	
Patient Days	5,074	7,097	5,074	7,097	
ALOS (days)	3.4	4.9	3.4	4.9	
Outpatient Encounters	121,493	117,848	121,493	117,848	
Average Daily Census	56.4	78.9	56.4	78.9	
FTES	1,143.7	1,132.5	1,143.7	1,132.5	
ST. Joseph Hospital of Bangor, ME *					
Licensed Beds	115	115	115	115	
Admissions	991	937	991	937	
Patient Days	2,934	4,317	2,934	4,317	
ALOS (days)	3.0	4.6	3.0	4.6	
Outpatient Encounters	67,791	60,334	67,791	60,334	
Average Daily Census	32.6	48.0	32.6	48.0	
FTES	868.4	866.2	868.4	866.2	
ST. ANDRE *					
Licensed Beds (In Service)	96	96	96	96	
Patient Days	7,349	7,115	7,349	7,115	
Average Daily Census	81.7	79.1	81.7	79.1	
Occupancy Rate	85.1%	82.3%	85.1%	82.3%	
FTES	87.8	88.5	87.8	88.5	
d'YOUVILLE PAVILION (a separately stated division of St. Mary's Regional Medical Center) *					
Licensed Beds (In Service)	210	210	210	210	
Patient Days	17,571	17,483	17,571	17,483	
Average Daily Census	195.2	194.3	195.2	194.3	
Occupancy Rate	93.0%	92.5%	93.0%	92.5%	
FTES	137.1	162.4	137.1	162.4	
ST. MARY'S VILLA *					
Licensed Beds (In Service)	112	112	112	112	
Patient Days	9,038	9,320	9,038	9,320	
Average Daily Census	100.4	103.6	100.4	103.6	
Occupancy Rate	89.7%	92.5%	89.7%	92.5%	
FTES	146.3	154.0	146.3	154.0	

* Not a member of the Obligated Group

Payor Mix – Obligated and Consolidated Group

Covenant Health Obligated Group				
Payor Mix				
Quarters ended March 31, 2019 and 2018				
	Quarter Ended		Year-to-Date	
	2019	2018	2019	2018
Sources of Net Revenue				
St. Joseph Hospital of Nashua, NH				
Medicare	47.1%	48.8%	47.1%	48.8%
Medicaid	8.7%	5.1%	8.7%	5.1%
Commercial & Managed Care	41.8%	42.4%	41.8%	42.4%
Self Pay	2.4%	3.7%	2.4%	3.7%
Total	100.0%	100.0%	100.0%	100.0%
Nursing Homes				
Medicare	6.8%	8.1%	6.8%	8.1%
Medicaid	81.7%	79.6%	81.7%	79.6%
Private Pay	11.5%	12.3%	11.5%	12.3%
Total	100.0%	100.0%	100.0%	100.0%
Covenant Health Consolidated Group				
Payor Mix				
Quarters ended March 31, 2019 and 2018				
	Quarter Ended		Year-to-Date	
	2019	2018	2019	2018
St. MARY'S REGIONAL MEDICAL CENTER *				
Medicare	45.0%	45.5%	45.0%	45.5%
Medicaid	16.4%	15.4%	16.4%	15.4%
Commercial & Managed Care	30.9%	32.8%	30.9%	32.8%
Self Pay	7.8%	6.3%	7.8%	6.3%
Total	100.0%	100.0%	100.0%	100.0%
St. Joseph Hospital of Bangor, ME *				
Medicare	53.0%	52.3%	53.0%	52.3%
Medicaid	10.4%	9.2%	10.4%	9.2%
Commercial & Managed Care	31.9%	33.5%	31.9%	33.5%
Self Pay	4.7%	5.0%	4.7%	5.0%
Total	100.0%	100.0%	100.0%	100.0%
Nursing Homes Consolidated Group **				
Medicare	10.8%	9.9%	10.8%	9.9%
Medicaid	74.9%	74.3%	74.9%	74.3%
Private Pay	14.3%	15.8%	14.3%	15.8%
Total	100.0%	100.0%	100.0%	100.0%

Appendix 2

Bonds Covered by This Report

Bonds Covered by This Report

\$12,940,000 Original Issued Amount

Massachusetts Health and Educational Facility Authority Healthcare System Revenue Bonds,
Covenant Health Systems Obligated Group Issue,
Series 2007A

<u>MATURITY</u>	<u>CUSIP NO.</u>
07/01/2022	57586DAQ6
07/01/2026	57586DAU7
07/01/2030	57586DAY9
07/01/2037	57586DBF9

\$11,890,000 Original Issued Amount

Massachusetts Health and Educational Facility Authority Healthcare System Revenue Bonds,
Covenant Health Systems Obligated Group Issue,
Series 2007B

<u>MATURITY</u>	<u>CUSIP NO.</u>
07/01/2019	57586DBT9
07/01/2020	57586DBU6
07/01/2021	57586DBV4
07/01/2022	57586DBW2
07/01/2025	57586DBX0
07/01/2028	57586DBY8
07/01/2031	57586DBZ5

Bonds Covered by This Report *(continued)*

\$17,030,000 Original Issued Amount

New Hampshire Health and Education Facility Authority Healthcare System Revenue Bonds,
Covenant Health Systems Obligated Group Issue,
Series 2007A

MATURITY	CUSIP NO.
07/01/2020	644614TP4
07/01/2024	644614TT6
07/01/2027	644614TW9
07/01/2031	644614UA5
07/01/2037	644614UG2

\$36,650,000 Original Issued Amount

New Hampshire Health and Education Facility Authority Healthcare System Revenue Bonds,
Covenant Health Systems Obligated Group Issue,
Series 2007B

MATURITY	CUSIP NO.
07/01/2019	644614UU1
07/01/2020	644614UV9
07/01/2021	644614UW7
07/01/2022	644614UX5
07/01/2023	644614UT3
07/01/2024	644614UZ0
07/01/2025	644614VA4
07/01/2028	644614VB2
07/01/2031	644614VC0

Bonds Covered by This Report *(continued)*

\$12,365,000 Original Issued Amount

Massachusetts Health and Educational Facility Authority Healthcare System Revenue Bonds,
Covenant Health Systems Obligated Group Issue,
Series 2012

<u>MATURITY</u>	<u>CUSIP NO.</u>
7/1/2019	57584QAG1
7/1/2020	57584QAH9
7/1/2021	57584QAJ5
7/1/2022	57584QAK2
7/1/2023	57584QAL0
7/1/2024	57584QAM8
7/1/2025	57584QAN6
7/1/2026	57584QAP1
7/1/2027	57584QAQ9
7/1/2031	57584QAR7
7/1/2042	57584QAS5

\$27,000,000 Original Issued Amount

New Hampshire Health and Education Facility Authority Healthcare System Revenue Bonds,
Covenant Health Systems Obligated Group Issue,
Series 2012

<u>MATURITY</u>	<u>CUSIP NO.</u>
7/1/2019	64461PAG7
7/1/2020	64461PAH5
7/1/2021	64461PAJ1
7/1/2022	64461PAK8
7/1/2023	64461PAL6
7/1/2024	64461PAM4
7/1/2025	64461PAN2
7/1/2026	64461PAP7
7/1/2027	64461PAQ5
7/1/2032	64461PAR3
7/1/2042	64461PAS1

Bonds Covered by This Report *(continued)*

\$16,900,000 Original Issued Amount

New Hampshire Health and Education Facility Authority Healthcare System Revenue Bonds,
Covenant Health Systems Obligated Group Issue, Series 2014
Direct Placement with TD Bank

\$2,530,707 Original Issued Amount

Massachusetts Health and Educational Facility Authority Healthcare System Revenue Bonds,
Covenant Health Systems Obligated Group Issue, Series 2017
Direct Placement with Siemens AG

\$7,960,000 Original Issued Amount

New Hampshire Health and Education Facility Authority Healthcare System Revenue Bonds,
Covenant Health Systems Obligated Group Issue, Series 2017
Direct Placement with Siemens AG

Appendix 3

Legal Disclosures

Period to Which Report Relates

Quarter Ended March 31, 2019

This Continuing Disclosure Report (this "Report") is provided on behalf of the Covenant Health Obligated Group (the "Obligated Group") by Covenant Health, Inc. (formerly Covenant Health Systems, Inc.)("Covenant"), as Obligated Group Agent. The Obligated Group consists of Covenant and the organizations listed on **Exhibit A** attached hereto. The Obligated Group does not include all of the organizations controlled by Covenant. Covenant has excluded from the Obligated Group certain of its sponsored controlled organizations based upon regulatory and tax-exempt financing requirements in the jurisdictions in which they operate. The organizations that are directly or indirectly controlled by Covenant (including those within the Obligated Group) are referred to as "Controlled Organizations," and Covenant and all of its Controlled Organizations are referred to collectively as the "Consolidated Group." **The following discussion contains reference to certain organizations that are not members of the Obligated Group; such organizations that are not members of the Obligated Group have no obligation with respect to the Bonds or under the Master Indenture and none of the assets or revenues of such organizations are available to make payments of principal or interest on the Bonds or the Notes.**

This Report is being filed with the Municipal Securities Rulemaking Board (the "Board") pursuant to Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission (the "Rule"), and is pursuant to the Continuing Disclosure Agreement pertaining to certain Bonds which were issued concurrently with the formation of the Obligated Group.

Period to Which Report Relates *(continued)*

THIS REPORT IS INTENDED SOLELY TO PROVIDE CERTAIN LIMITED FINANCIAL AND OPERATING DATA IN ACCORDANCE WITH UNDERTAKINGS OF COVENANT AND THE OBLIGATED GROUP UNDER THE RULE (THE "UNDERTAKING") AND DOES NOT CONSTITUTE A REISSUANCE OF ANY OFFICIAL STATEMENT RELATING TO THE BONDS OR A SUPPLEMENT OR AMENDMENT TO ANY SUCH OFFICIAL STATEMENT.

THIS REPORT CONTAINS CERTAIN FINANCIAL, OPERATING AND OTHER DATA AS OF MARCH 31, 2019. COVENANT AND THE OBLIGATED GROUP HAVE UNDERTAKEN NO RESPONSIBILITY TO UPDATE ANY ELEMENTS OF THAT DATA SINCE THAT DATE OR TO UPDATE THIS REPORT AND DISCLAIM ANY OBLIGATION TO UPDATE THIS REPORT OR TO FILE ANY REPORTS OR OTHER INFORMATION WITH THE BOARD OR ANY OTHER PERSON EXCEPT AS SPECIFICALLY REQUIRED BY THE UNDERTAKING.

Period to Which Report Relates *(continued)*

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

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) (ASU 2016-02). Under ASU 2016-02, at the commencement of a long-term lease, lessees will recognize a liability equivalent to the discounted payments due under the lease agreement, as well as an offsetting right-of-use asset. ASU 2016-02 is effective for the System in fiscal 2019. Lessees must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees may not apply a full retrospective transition approach. The System is currently evaluating the impact of its adoption of ASU 2016-02 on the Obligated Group and consolidated financial statements and plans to implement the standard during 2019.