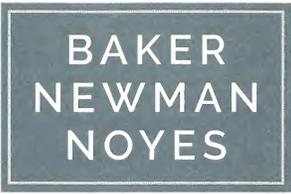


# **Maine Health Access Foundation, Inc.**

**Audited Financial Statements**

*Years Ended December 31, 2018 and 2017  
With Independent Auditors' Report*



**INDEPENDENT AUDITORS' REPORT**

The Board of Trustees  
Maine Health Access Foundation, Inc.

**Report on the Financial Statements**

We have audited the accompanying financial statements of Maine Health Access Foundation, Inc., which comprise the statements of financial position as of December 31, 2018 and 2017, the related statements of activities and cash flows for the years then ended and the related notes to the financial statements.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audits. 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 financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 Trustees  
Maine Health Access Foundation, Inc.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Maine Health Access Foundation, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Emphasis of Matter*

As discussed in Note 2 to the financial statements, in 2018, the Foundation adopted the provisions of Accounting Standards Update No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Baker Newman + Noyes LLC

Portland, Maine  
October 10, 2019

**MAINE HEALTH ACCESS FOUNDATION, INC.**

**STATEMENTS OF FINANCIAL POSITION**

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ —	\$ 25,832
Accounts receivable	245	1,482
Prepaid expenses and other current assets	60,818	479,380
Refundable excise taxes	35,000	90,000
Investments	110,914,604	126,766,796
Program-related investments	—	34,000
Equipment, net of accumulated depreciation of \$146,000 in 2018 and \$157,311 in 2017	<u>27,601</u>	<u>38,204</u>
Total assets	<u>\$ 111,038,268</u>	<u>\$ 127,435,694</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 32,522	\$ 35,366
Grants payable	600,000	2,211,752
Deferred tax liability	<u>417,000</u>	<u>624,000</u>
Total liabilities	1,049,522	2,871,118
Net assets without donor restrictions	<u>109,988,746</u>	<u>124,564,576</u>
Total liabilities and net assets	<u>\$ 111,038,268</u>	<u>\$ 127,435,694</u>

See accompanying notes.

**MAINE HEALTH ACCESS FOUNDATION, INC.**

**STATEMENTS OF ACTIVITIES**

Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenues without donor restrictions, gains and other support:		
Revenues and gains:		
Contributions	\$ 2,000	\$ 64,000
Net investment return	(10,325,563)	18,190,220
Other revenue	<u>5,539</u>	<u>22,191</u>
Total revenues without donor restrictions, gains and other support	(10,318,024)	18,276,411
Expenses:		
Program:		
Grants, net of refunds of unspent amounts	1,977,922	3,427,286
Program service expenses	<u>928,280</u>	<u>1,174,967</u>
Total program	2,906,202	4,602,253
Management and general:		
Program related	1,177,226	1,156,843
Support services	<u>139,378</u>	<u>128,538</u>
Total management and general	1,316,604	1,285,381
Excise tax expense	<u>35,000</u>	<u>351,000</u>
Total expenses	<u>4,257,806</u>	<u>6,238,634</u>
Change in net assets without donor restrictions	(14,575,830)	12,037,777
Net assets without donor restrictions, beginning of year	<u>124,564,576</u>	<u>112,526,799</u>
Net assets without donor restrictions, end of year	<u>\$109,988,746</u>	<u>\$124,564,576</u>

See accompanying notes.

**MAINE HEALTH ACCESS FOUNDATION, INC.**

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets without donor restrictions	\$(14,575,830)	\$ 12,037,777
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Net realized and unrealized losses (gains) on investments	11,342,640	(17,345,838)
Depreciation	17,342	16,992
Refundable/deferred excise taxes	(152,000)	206,000
Change in accounts receivable	1,237	93
Change in prepaid expenses and other current assets	418,562	(419,890)
Change in refundable excise taxes	-	145,000
Change in accounts payable and accrued expenses	(2,844)	(121,211)
Change in grants payable	<u>(1,611,752)</u>	<u>38,475</u>
Net cash used by operating activities	(4,562,645)	(5,442,602)
Cash flows from investing activities:		
Purchase of equipment	(6,739)	(27,634)
Proceeds from sale of investments	11,214,501	15,927,743
Purchase of investments	(6,704,949)	(10,805,411)
Repayment of program related investments	<u>34,000</u>	<u>316,000</u>
Net cash provided by investing activities	<u>4,536,813</u>	<u>5,410,698</u>
Net decrease in cash	(25,832)	(31,904)
Cash and cash equivalents, beginning of year	<u>25,832</u>	<u>57,736</u>
Cash and cash equivalents, end of year	\$ <u>      -</u>	\$ <u>25,832</u>
Supplemental disclosure of cash flow information:		
Cash paid for excise taxes	\$ <u>187,000</u>	\$ <u>      -</u>

See accompanying notes.

# MAINE HEALTH ACCESS FOUNDATION, INC.

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

### 1. Nature of the Foundation

Maine Health Access Foundation, Inc. (the Foundation or MeHAF), founded in April 2000 following the sale of Blue Cross and Blue Shield of Maine to Anthem Insurance Companies, is Maine's largest not-for-profit health care foundation.

The Foundation's mission is to promote access to quality health care, especially for those who are uninsured and underserved, and improve the health of everyone in Maine. The Foundation's human and financial resources are used to ensure all people have access to high quality, affordable health care to achieve or preserve better health.

As a statewide organization, MeHAF supports strategic solutions to address Maine's health care needs through grants and other programs with an emphasis on targeting the uninsured and medically underserved.

### 2. Summary of Significant Accounting Policies

#### Basis of Presentation

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

The Foundation recognizes contributions as revenue in the period received or when an unconditional promise to give is received. Contributions, net assets, and changes therein are classified and reported based on the existence or absence of donor-imposed restrictions. For the years ended December 31, 2018 and 2017, all activities of the Foundation were classified as net assets without donor restrictions due to the lack of donor-imposed restrictions.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

#### Investments and Investment Income

Investment securities are stated at fair value. The Foundation invests in money market funds, mutual funds, collective trusts and limited partnerships. The fair value of money market funds and mutual funds are based on quoted market prices. The fair value of other investment securities (i.e. alternative investments) for which quoted market prices are not available (i.e. collective trusts and limited partnerships) are determined by management based upon valuations provided by the respective investment managers, which are generally based upon the investment's audited financial statements. Gains and losses on investments are computed on a specific identification basis. Purchases and sales are recorded on a trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

# MAINE HEALTH ACCESS FOUNDATION, INC.

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

### 2. Summary of Significant Accounting Policies (Continued)

The Foundation has applied the accounting guidance in Accounting Standards Codification (ASC) Topic 820 which permits the use of net asset value (NAV) or its equivalent reported for certain alternative investment funds as a practical expedient to estimate the fair value of the investment. These investments are generally redeemable or may be liquidated at NAV under the original terms of the subscription agreements or operations of the underlying assets. However, it is possible that these redemption rights may be restricted by the fund manager in the future in accordance with the underlying fund agreements, as applicable. Changes in market conditions, the economic environment, or the funds' liquidity provisions may significantly impact the NAV of the funds, and consequently, the fair value of the Foundation's interest in such funds. Although certain investments may be sold in a secondary market, the secondary market is not public and individual transactions are not necessarily observable.

The Foundation's management is responsible for the fair value measurement of investments reported in the financial statements. The Foundation has implemented policies and procedures to assess the reasonableness of the fair values provided. Because of the inherent uncertainty of valuation for these investments, the estimate of the fund manager or general partner may differ from actual values, and the differences could be significant. The Foundation believes that reported fair values of its alternative investments at the statement of financial position dates are reasonable.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, liquidity and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

#### Equipment

Equipment is recorded at cost on the date of acquisition and is being depreciated using the straight-line method over the estimated useful life of between three and five years.

#### Cash and Cash Equivalents

The Foundation considers all money market and highly liquid securities with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents residing within the Foundation's managed investment portfolios are reported as investments.

#### Grants Payable

Grant awards are recorded when approved by the Board of Trustees and the payment of such grant is unconditional.

#### Donor Advised Fund

In 2018, the Foundation established the Maine Health access Foundation donor advised fund at the Maine Community Foundation. The fund provides the Foundation with additional opportunities to further its mission and goals. Grants from the fund are made upon the recommendation of the board of Directors of the Foundation and acceptance by the Maine Community Foundation. At December 31, 2018, the balance in the fund was \$155,000.

# MAINE HEALTH ACCESS FOUNDATION, INC.

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

### 2. Summary of Significant Accounting Policies (Continued)

#### Net Investment Return

Net investment return is reported in the statements of activities and consists of interest and dividend income, realized and unrealized investment gains and losses, less internal and external investment expenses.

#### Disclosures About the Fair Value of Financial Instruments

The carrying value of the Foundation's cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate their fair values due to the short term nature of the instruments. There is no market for program-related investments or grants payable and fair value is not determinable. The carrying value of program-related investments is based on the amount advanced and grants payable is based on the present value of the future payments of the grants. Refer to note 5 for fair value disclosures related to investments.

#### Functional Allocation of Expenses

The costs of providing program services and other activities have been summarized on a functional basis in Note 11. Accordingly, costs have been allocated among program services and supporting services benefitted based on estimates of time spent by the members of the staff.

#### Excise Taxes

MeHAF is a not-for-profit corporation recognized as income tax exempt under Section 501(c)(3) of the Internal Revenue Code (IRC) and is a private foundation under Section 509(a) of the Code. The IRC imposes an excise tax on private foundations equal to 2% of net investment income (principally interest, dividends, and net realized capital gains, less expenses incurred in the production of investment income). This tax is reduced to 1% for foundations that meet certain distribution requirements. The Foundation provides for excise taxes at 1.4%.

The IRC provides that each year the Foundation must distribute within 12 months of the end of such year approximately 5% of the average fair value of its assets. The distribution requirement for 2017 has been met and the estimated 2018 requirement of approximately \$5,590,000 is expected to be met during 2019.

In certain circumstances, tax-exempt organizations may 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.

Management has evaluated the Foundation's tax positions and concluded that the Foundation has maintained its tax-exempt status, does not have any significant unrelated business income and has taken no uncertain tax positions that require adjustment to the financial statements.

# MAINE HEALTH ACCESS FOUNDATION, INC.

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

### 2. Summary of Significant Accounting Policies (Continued)

#### New Accounting Pronouncements

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities (Topic 958)* (ASU 2016-14). Under ASU 2016-14, the existing three-category classification of net assets (i.e., unrestricted, temporarily restricted and permanently restricted) will be replaced with a simplified model that combines temporarily restricted and permanently restricted into a single category called "net assets with donor restrictions". ASU 2016-14 also enhances certain disclosures regarding board designations, donor restrictions and qualitative information regarding management of liquid resources. In addition to reporting expenses by functional classifications, ASU 2016-14 will also require the financial statements to provide information about expenses by their nature, along with enhanced disclosures about the methods used to allocate costs among program and support functions. ASU 2016-14 is effective for the Foundation for the year ended December 31, 2018. The Foundation has adjusted the presentation of these financial statements and related disclosures accordingly. ASU 2016-14 has been applied retrospectively to all periods presented and had no impact on previously reported net assets.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08). ASU 2018-08 clarifies and improves current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. It also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. This is important because such classification affects the timing of contribution revenues and expense recognition. ASU 2018-08 is effective for the Foundation for transactions in which they serve as the resource recipient beginning January 1, 2019 and effective for transactions beginning January 1, 2020 in which the Foundation serves as the resource provider, with early adoption permitted. The Foundation is currently evaluating the impact of the pending adoption of ASU 2018-08 on the financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (ASU 2016-02), which was issued to increase transparency and comparability among organizations by requiring reporting entities to recognize all leases, including operating leases, as lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The amendments in ASU 2016-02 are effective in 2020. The Foundation is currently reviewing ASU 2016-02 to determine the future impact on its financial statements.

#### Reclassifications

Certain 2017 amounts have been reclassified to permit comparison with the 2018 financial statements presentation format.

MAINE HEALTH ACCESS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

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

*Subsequent Events*

Events occurring after the statement of financial position date are evaluated by management to determine whether such events should be recognized or disclosed in the financial statements. Management has evaluated subsequent events through October 10, 2019, which is the date the financial statements were available to be issued.

3. **Liquidity and Availability**

Financial assets available for general expenditure within one year of the statement of financial position date, consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ —	\$ 25,832
Accounts receivable	245	1,482
Investments without donor restrictions	110,914,604	126,766,796
Program related investments	<u>—</u>	<u>34,000</u>
	110,914,849	126,828,110
Less grants payable due in 2020	<u>(350,000)</u>	<u>(50,000)</u>
	<u>\$110,564,849</u>	<u>\$126,778,110</u>

The Foundation regularly monitors liquidity required to meet operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Foundation has various sources of liquidity at its disposal, including cash and cash equivalents and investments.

The Foundation's governing Board has designated a portion of unrestricted resources for future purposes. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the Board, with the intent of spending 5% each year. Accordingly, these assets have been included in the quantitative information above.

4. **Program-Related Investments**

In addition to making grants, MeHAF may advance its mission through program-related investments (PRI). In prior years, the Foundation advanced \$750,000 to the Finance Authority of Maine (FAME) as a PRI in the form of a loan bearing below-market interest. The loan agreement provides that FAME will disburse the funds in the form of loans to borrowers qualifying under the program terms. The PRI is receivable by the Foundation within five years of the date FAME disburses funds or as repayments are received. The PRI agreement matured in 2018. Repayments received increased the Foundation's distribution requirement in the year such repayments, if any, are received. In 2018 and 2017, the Foundation received repayments of \$34,000 and \$316,000, respectively.

**MAINE HEALTH ACCESS FOUNDATION, INC.**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

**5. Investments**

Investments are comprised of the following at December 31:

	<u>2018</u>	<u>2017</u>
Invested cash and cash equivalents	\$ 925,629	\$ 4,667,772
Mutual funds:		
Bond funds	7,602,824	3,689,583
U.S. government obligations fund	4,210,878	4,288,346
Domestic equity securities funds	37,572,828	47,131,074
Collective trusts and limited partnerships primarily invested in:		
Domestic equity securities	18,914,931	19,710,603
Foreign equity securities	15,712,902	19,941,934
Real assets	4,063,254	4,647,212
Limited partnerships	15,950,458	16,664,937
Global bond fund	<u>5,960,900</u>	<u>6,025,335</u>
	<u>\$110,914,604</u>	<u>\$126,766,796</u>

Net Investment Return

The principal components of net investment return consist of the following at December 31:

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 1,378,253	\$ 1,200,518
Net realized and unrealized (losses) gains	(11,342,640)	17,345,838
External and direct internal investment expenses	<u>(361,176)</u>	<u>(356,136)</u>
Net investment return	<u>\$(10,325,563)</u>	<u>\$18,190,220</u>

Fair Value Measurements

The Foundation has adopted a framework for measuring fair value under GAAP for all financial instruments that are being measured and reported on a fair value basis.

Fair value is defined as the exchange price that would be received for an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are:

Level 1 - Valuations are based on quoted prices in active markets for identical assets.

**MAINE HEALTH ACCESS FOUNDATION, INC.**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

**5. Investments (Continued)**

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets.

In determining the appropriate levels, the Foundation performs a detailed analysis of the assets that are subject to fair value measurements. At each reporting period, if there are assets for which the fair value measurement is based on significant unobservable inputs, they are classified as Level 3.

Fair values of assets measured at fair value on a recurring basis are summarized below based on input level:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>2018</u>				
Investments:				
Cash and cash equivalents	\$ 925,629	\$ -	\$ -	\$ 925,629
Mutual funds:				
Fixed income:				
Bond funds	7,602,824	-	-	7,602,824
U.S. government obligations fund	4,210,878	-	-	4,210,878
Long-term capital appreciation:				
Domestic equity securities funds	<u>37,572,828</u>	<u>-</u>	<u>-</u>	<u>37,572,828</u>
	<u>\$50,312,159</u>	<u>\$ -</u>	<u>\$ -</u>	50,312,159
Investments valued at NAV:				
Fixed income:				
Global bond fund				5,960,900
Long-term capital appreciation:				
Domestic equity securities				18,914,931
Foreign equity securities				15,712,902
Volatility reduction:				
Real assets				4,063,254
Limited partnerships				<u>15,950,458</u>
				<u>\$ 110,914,604</u>

**MAINE HEALTH ACCESS FOUNDATION, INC.**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

**5. Investments (Continued)**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>2017</u>				
Investments:				
Cash and cash equivalents	\$ 4,667,772	\$ -	\$ -	\$ 4,667,772
Mutual funds:				
Fixed income:				
Bond funds	3,689,583	-	-	3,689,583
U.S. government obligations fund	4,288,346	-	-	4,288,346
Long-term capital appreciation:				
Domestic equity securities funds	<u>47,131,074</u>	<u>-</u>	<u>-</u>	<u>47,131,074</u>
	<u>\$59,776,775</u>	<u>\$ -</u>	<u>\$ -</u>	59,776,775
Investments valued at NAV:				
Fixed income:				
Global bond fund				6,025,335
Long-term capital appreciation:				
Domestic equity securities				19,710,603
Foreign equity securities				19,941,934
Volatility reduction:				
Real assets				4,647,212
Limited partnerships				<u>16,664,937</u>
				<u>\$126,766,796</u>

Valuation methodologies have been consistent in 2018 and 2017.

Liquidity

Following are additional details regarding the liquidity of investments as of December 31, 2018:

	<u>Fair Value</u>	<u>Redemption Notice Period</u>
Daily	\$ 50,312,159	1 Day
Daily	4,063,254	3 Days
Monthly	21,673,802	10 Days
Quarterly	18,914,931	60 Days
Annually	<u>15,950,458</u>	90 Days
Total investments	<u>\$110,914,604</u>	

**MAINE HEALTH ACCESS FOUNDATION, INC.**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

**5. Investments (Continued)**

*Net Asset Value (NAV) Per Share*

Certain investments are measured at NAV and are redeemable with the fund or limited partnership at NAV under the original terms of the subscription agreement and/or partnership agreement, and require 90 days or less written notice prior to the redemption period. The domestic equity security funds' general partner has the right to limit the amount of withdrawals on any withdrawal date to an aggregate amount equal to 20% of the value of the aggregate capital accounts of all limited partners. The following table discloses the fair value and redemption frequency of those assets whose fair value is determined using net asset value per share at December 31, 2018:

<u>Investment</u>	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Real assets	\$ 4,063,254	\$ –	Daily	3 days
Bond funds	5,960,900	–	Monthly	10 days
Foreign equity securities	15,712,902	–	Monthly	10 days
Domestic equity securities	18,914,931	–	Quarterly	60 days
Limited partnerships	15,950,458	–	Annually	90 days

The significant investment strategies of the investment categories which are carried at fair value based on NAV are as follows:

**Foreign Equity Securities** – The primary purpose of foreign equity investments is to provide appreciation of principal and growth of income with the recognition that this requires the assumption of greater market volatility and risk of loss.

**Real Assets** – The primary purpose of real assets investments is to provide further portfolio diversification and to reduce overall portfolio volatility by investing in strategies that are less correlated with traditional equity and fixed income investments. Alternative investments may provide access to strategies otherwise not accessible through traditional equities and fixed income such as derivative instruments, real estate, distressed debt and private equity and debt.

**Limited Partnerships** – The purpose of limited partnerships 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.

**Domestic Equity Securities** – The primary purpose of domestic equity investments is to participate in the common stocks of U.S. companies with the goal to provide annual long-term returns superior to the S&P 500 Index.

**Global Bond Funds** – The primary purpose is to achieve favorable income-oriented results from a globally diversified portfolio of debt instruments while preserving principal.

**MAINE HEALTH ACCESS FOUNDATION, INC.**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

**6. Grants and Grants Payable**

A summary of grants made and payable on the accrual basis as required under GAAP by the Foundation follows:

	<u>Grant Amount</u>	<u>Amount Paid (Received)</u>	<u>Grants Payable</u>
<u>2018</u>			
Grants awarded during the year ended December 31, 2018	\$1,980,093	\$1,430,093	\$ 550,000
Less refunds of grants unspent	<u>(2,171)</u>	<u>(2,171)</u>	<u>—</u>
	<u>\$1,977,922</u>	<u>\$1,427,922</u>	550,000
Status of grants made in 2016 and 2017 – remaining grant amounts, net of reductions	<u>\$2,211,752</u>	<u>\$2,161,752</u>	<u>50,000</u>
Grants payable at December 31, 2018			<u>\$ 600,000</u>
<u>2017</u>			
Grants awarded during the year ended December 31, 2017	\$3,446,307	2,094,555	\$1,351,752
Less refunds of grants unspent	<u>(19,021)</u>	<u>(19,021)</u>	<u>—</u>
	<u>\$3,427,286</u>	<u>\$2,075,534</u>	1,351,752
Status of grants made in 2015 – remaining grant amounts, net of reductions	<u>\$2,173,277</u>	<u>\$1,313,277</u>	<u>860,000</u>
Grants payable at December 31, 2017			<u>\$2,211,752</u>
Grants payable at December 31, 2018 are as follows:			
2019			\$ 250,000
2020			<u>350,000</u>
			<u>\$ 600,000</u>

**7. Contracts**

During 2018 and 2017, the Foundation entered into seven contracts with vendors for certain consultant services through 2019 and 2020, respectively. Future estimated obligations related to the contracts subsequent to December 31, 2018 are \$95,151. Total payments on these contracts in 2018 and 2017 were \$167,357 and \$580,547, respectively.

**MAINE HEALTH ACCESS FOUNDATION, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2018 and 2017

**8. Excise Tax**

Federal excise tax expense (benefit) consists of the following for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Current	\$ 242,000	\$145,000
Deferred	<u>(207,000)</u>	<u>206,000</u>
	<u>\$ 35,000</u>	<u>\$351,000</u>

Temporary differences related to unrealized gains on investments give rise to the deferred taxes.

**9. Defined Contribution Plan**

The Foundation provides a 401(k) defined contribution plan covering substantially all of its employees. At the discretion of the Board of Trustees, MeHAF may contribute a percentage of the employees' salaries to the defined contribution plan. The approved contributions for 2018 and 2017 were \$45,711 and \$43,973, respectively, and represent 6% of employee salaries.

**10. Lease**

MeHAF leases its office space under a noncancelable operating lease agreement expiring April 2024. Rent expense under the lease was \$86,768 and \$66,325 in 2018 and 2017, respectively.

Future minimum lease payments subsequent to December 31 under this lease are:

2019	\$ 82,243
2020	82,243
2021	82,243
2022	82,243
2023	82,243
2024	<u>82,243</u>
	<u>\$493,458</u>

**MAINE HEALTH ACCESS FOUNDATION, INC.**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

**11. Functional Expenses**

The Foundation provides grants and other programs to address Maine's health care needs. Costs have been allocated among program services and supporting services benefitted based on estimates of time spent by the members of the staff. Expenses related to providing these services are as follows for the year ended December 31, 2018:

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Grants	\$1,980,093	\$ —	\$1,980,093
Contracts and program activities	928,280	—	928,280
Grant refunds	(2,171)	—	(2,171)
Salaries and wages	688,703	76,523	765,226
Payroll taxes	51,059	5,673	56,732
Benefits and retirement	148,524	16,503	165,027
Professional services	8,698	8,698	17,396
Accounting services	25,592	2,844	28,436
Legal services	2,723	2,723	5,446
Meetings	11,275	1,253	12,528
Travel (Board of Trustees/Community Advisory Committee/Staff)	20,851	2,317	23,168
Professional development (Board of Trustees/ Community Advisory Committee/Staff)	35,397	3,933	39,330
Depreciation	15,608	1,734	17,342
Occupancy	101,207	11,245	112,452
Insurance	10,447	1,160	11,607
Computer and office maintenance	14,212	1,579	15,791
Website development and maintenance	3,663	407	4,070
Printing and publications	11,249	1,250	12,499
Supplies	4,030	448	4,478
Postage	1,358	151	1,509
Miscellaneous	4,275	475	4,750
Staff recruitment	4,160	462	4,622
Federal and state taxes	—	35,000	35,000
1099 excluded reimbursements	<u>14,195</u>	<u>—</u>	<u>14,195</u>
	<u>\$4,083,428</u>	<u>\$174,378</u>	<u>\$4,257,806</u>

# MAINE HEALTH ACCESS FOUNDATION, INC.

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2018 and 2017

### 12. Related Party Transactions

During 2018, grants awarded to organizations affiliated with a MeHAF trustee or staff person were as follows and represent 8% of total grants awarded:

Maine Community Foundation	<u>\$155,000</u>
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MeHAF has a very well-defined and comprehensive conflict of interest policy that requires trustees and staff to declare direct fiduciary relationships associated with employment by a grantee organization or Board affiliation. MeHAF also requires conflict of interest declarations of more tangential, perceived conflicts where there is no fiduciary relationship, such as when trustees or staff are affiliated through collaborating organizations to the primary grantee, or when trustees or staff have other conflicts of interest that may suggest a perceived lack of objectivity.

Affected trustees were not present during the Board discussion and voting on the grant proposals. In no instance did an affected MeHAF trustee receive compensation as part of any of the 2018 and 2017 grant awards.

During 2017, grants totaling \$257,429 were awarded to organizations affiliated with a MeHAF trustee or staff person which represented 7% of total grants awarded

### 13. Concentration of Credit Risk

MeHAF maintains its cash in a bank deposit account which, at times, may exceed federally insured limits. MeHAF has not experienced any losses with respect to this account and management believes it is not exposed to any significant risk with respect to this account. In addition, as of December 31, 2018 and 2017, the Foundation has two and three, respectively, investments with a fund manager that each exceed 10% of total investments. Such investments totaled \$34,627,833 and \$54,948,308 and comprised 31% and 43% of total investments at December 31, 2018 and 2017, respectively. The Foundation does not believe it is exposed to any significant risk with these investments as each fund invests in a diversified portfolio of investment vehicles and asset classes.