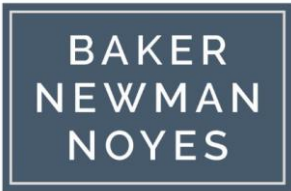


Maine Health Access Foundation, Inc.

Audited Financial Statements

*Years Ended December 31, 2020 and 2019
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, 2020 and 2019, 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.

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, 2020 and 2019, 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.

Baker Newman + Noyes LLC

Portland, Maine
October 14, 2021

MAINE HEALTH ACCESS FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 80,851	\$ 75,759
Prepaid expenses and other current assets	61,377	65,759
Refundable excise taxes	35,000	137,000
Investments	136,025,204	125,448,288
Equipment, net of accumulated depreciation of \$138,111 in 2020 and \$160,584 in 2019	<u>28,644</u>	<u>33,850</u>
Total assets	<u>\$ 136,231,076</u>	<u>\$ 125,760,656</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 33,279	\$ 25,748
Grants payable	325,000	1,015,000
Deferred tax liability	<u>195,000</u>	<u>296,000</u>
Total liabilities	553,279	1,336,748
Net assets:		
Without donor restrictions	135,677,797	124,063,903
With donor restrictions	<u>—</u>	<u>360,005</u>
Total net assets	<u>135,677,797</u>	<u>124,423,908</u>
Total liabilities and net assets	<u>\$ 136,231,076</u>	<u>\$ 125,760,656</u>

See accompanying notes.

MAINE HEALTH ACCESS FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2020 and 2019

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and revenues:				
Net investment returns	\$ 17,627,323	\$ —	\$ 17,627,323	\$ 20,246,392
Contributions	26,000	—	26,000	894,090
Other income - miscellaneous	6,248	—	6,248	8,502
Total support and revenues	17,659,571	—	17,659,571	21,148,984
Net assets released from restrictions	360,005	(360,005)	—	—
Total revenue and other support	18,019,576	(360,005)	17,659,571	21,148,984
Expenses:				
Program:				
Grants, net of refunds of unspent amounts	4,369,632	—	4,369,632	4,537,225
Program service expenses	618,012	—	618,012	824,116
Total program	4,987,644	—	4,987,644	5,361,341
Management and general:				
Program related	1,260,830	—	1,260,830	1,266,117
Support services	149,208	—	149,208	159,364
Total management and general	1,410,038	—	1,410,038	1,425,481
Excise tax expense (benefit)	8,000	—	8,000	(73,000)
Total expenses	6,405,682	—	6,405,682	6,713,822
Change in net assets	11,613,894	(360,005)	11,253,889	14,435,162
Net assets, beginning of year	124,063,903	360,005	124,423,908	109,988,746
Net assets, end of year	\$135,677,797	\$ —	\$135,677,797	\$124,423,908

See accompanying notes.

MAINE HEALTH ACCESS FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 11,253,889	\$ 14,435,162
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Net realized and unrealized gains on investments	(16,896,496)	(19,384,038)
Restricted contributions	—	(874,090)
Depreciation	15,071	14,584
Refundable/deferred excise taxes	1,000	(223,000)
Change in accounts receivable	—	245
Change in prepaid expenses and other current assets	4,382	(4,941)
Change in accounts payable and accrued expenses	7,531	(6,774)
Change in grants payable	<u>(690,000)</u>	<u>415,000</u>
Net cash used by operating activities	(6,304,623)	(5,627,852)
Cash flows from investing activities:		
Purchase of equipment	(9,865)	(20,833)
Proceeds from sale of investments	45,207,090	31,879,241
Purchase of investments	<u>(38,887,510)</u>	<u>(27,028,887)</u>
Net cash provided by investing activities	6,309,715	4,829,521
Cash flows from financing activities:		
Contributions with donor restrictions	<u>—</u>	<u>874,090</u>
Net cash provided by financing activities	<u>—</u>	<u>874,090</u>
Net increase in cash	5,092	75,759
Cash and cash equivalents, beginning of year	<u>75,759</u>	<u>—</u>
Cash and cash equivalents, end of year	\$ <u>80,851</u>	\$ <u>75,759</u>
Supplemental disclosure of cash flow information:		
Cash paid for excise taxes	\$ <u>7,000</u>	\$ <u>150,000</u>

See accompanying notes.

MAINE HEALTH ACCESS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

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).

Classification of Net Assets

The following provides a description of the net asset classifications represented in the Foundation's statement of financial position:

Net Assets With Donor Restrictions include contributions subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that are expected to be met either by actions of the Foundation and/or the passage of time. As of December 31, 2019, the Foundation's net assets with donor restrictions were restricted for funding various community needs as specified by the donors. There were no net assets with donor restrictions as of December 31, 2020.

Net Assets Without Donor Restrictions represent expendable resources that are available for operations at management's discretion; this includes net assets available but designated to fund grants, scholarships and initiatives not subject to donor restrictions, which includes amounts appropriated for expenditure from net assets with donor restrictions.

Revenue Recognition

Unconditional promises to give cash and other assets to the Foundation are reported at their fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at their fair value at the date the gift is actually received or the conditions are met. Gifts are reported as donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When donor restrictions expire, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the accompanying financial statements.

MAINE HEALTH ACCESS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

2. Summary of Significant Accounting Policies (Continued)

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 Spending Policies

In July 2006, The National Conference of Commissioners on Uniform State Laws approved the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA). In 2009, the State of Maine passed a version of UPMIFA, effective on July 1, 2009. In accordance with the By-laws of the Foundation, the Board of Trustees shall administer the assets of the Foundation in accordance with UPMIFA.

The Foundation makes the following disclosures related to this guidance and adoption of UPMIFA:

Investments will be managed on a total return basis, consistent with the applicable standard of conduct set forth in UPMIFA.

The Foundation has adopted an investment policy, approved by the Board of Trustees, which seeks to maximize the long-term total return of financial assets consistent with the current and future funding needs of the Foundation.

Accordingly, the Foundation's ability to achieve these returns will depend upon the ability to accept reasonable risk, recognizing that some degree of volatility in market value is necessary to achieve long-term capital appreciation and maintain spending growth. The Foundation's investments are invested in a well-diversified asset mix, which includes money market funds, mutual funds, collective trusts and limited partnerships.

The Foundation has adopted a spending policy, approved by the Board of Trustees, which allows for distributions of up to 5% of the market value of the endowment funds on an annual basis, calculated on a three year rolling average. In the event that the Board determines that 5% is insufficient in any year or years, it may vote to exceed the maximum 5% in that/those years only. Expenditures should not exceed the defined level of "prudence" of 7% as set forth in UPMIFA. Distributions from the unrestricted investment general fund may be made at any time at the discretion of the Foundation's Finance and Investment Committee.

The Board of Trustees interpreted UPMIFA as requiring the preservation of the fair value of the endowed gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

MAINE HEALTH ACCESS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

2. Summary of Significant Accounting Policies (Continued)

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.

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.

MAINE HEALTH ACCESS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

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

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 Trustees of the Foundation and acceptance by the Maine Community Foundation. At December 31, 2020 and 2019, the balance in the fund was \$50,452 and \$171,000, respectively, and is not reflected in the statements of financial position.

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 grants payable and fair value is not determinable. The carrying value of grants payable is based on the present value of the future payments of the grants. Refer to note 4 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 10. 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 1.39% of net investment income (principally interest, dividends, and net realized capital gains, less expenses incurred in the production of investment income).

MAINE HEALTH ACCESS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

2. Summary of Significant Accounting Policies (Continued)

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 2019 has been met and the estimated 2020 requirement of approximately \$4,703,000 is expected to be met during 2021.

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.

Risks and Uncertainties

The continued outbreak of the coronavirus disease (COVID-19) has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally, resulting in an economic slowdown. The duration and impact of the COVID-19 outbreak is unknown at this time, nor is the efficacy of the government and central bank monetary and fiscal interventions designed to stabilize economic conditions. Investment markets have experienced increased volatility which may negatively affect the carrying value of the Foundation's investments. Any potential future impact on the Foundation's operations is unknown at this time.

New Accounting Pronouncements

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). Due to diversity in practice, 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 was effective for and adopted by the Foundation as the resource recipient on January 1, 2019 and was effective as the resource provider on January 1, 2020. The Foundation adopted ASU 2018-08 as the resource provider effective January 1, 2020. Adoption of this standard did not result in a significant change in the financial statements.

MAINE HEALTH ACCESS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

2. Summary of Significant Accounting Policies (Continued)

In August 2018, the FASB issued Accounting Standards Update (ASU) No. 2018-13, *Fair Value Measurement (Topic 820) – Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* (ASU 2018-13). The objective of this update is to improve the effectiveness of disclosures in the notes to the financial statements by facilitating clear communication of the information required by U.S. GAAP that is most important to users of each entity's financial statements. The amendments in this ASU modify the disclosure requirements for fair value measurements for Level 3 assets and liabilities, and eliminate the requirement to disclose transfers between Levels 1 and 2 of the fair value hierarchy, among other modifications. The amendments in this update were effective for the Foundation on January 1, 2020. The adoption of this ASU did not have a significant impact on the Foundation's financial statements.

Prospective Accounting Pronouncement

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 Foundation on January 1, 2022, with early adoption permitted. Lessees (for capital and operating leases) 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 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 Foundation is currently evaluating the impact of the pending adoption of ASU 2016-02 on the financial statements but does not expect significant changes as a result of adoption.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 enhances the presentation of disclosure requirements for contributed nonfinancial assets. ASU 2020-07 requires entities to present contributed nonfinancial assets as a separate line item in the statements of operations and disclose the amount of contributed nonfinancial assets recognized within the statements of operations by category that depicts the type of contributed nonfinancial assets, as well as a description of any donor-imposed restrictions associated with the contributed nonfinancial assets and the valuation techniques used to arrive at a fair value measure at initial recognition. ASU 2020-07 is effective for the Foundation beginning January 1, 2021. The Foundation is currently evaluating the impact of the pending adoption of ASU 2020-07 on its financial statements; however, it does not anticipate it will result in a significant change.

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 14, 2021, which is the date the financial statements were available to be issued.

MAINE HEALTH ACCESS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

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, 2020:

Cash and cash equivalents	\$ 80,851
Investments without donor restrictions	<u>136,025,204</u>
	136,106,055
Less grants payable due in 2021	<u>(250,000)</u>
	<u>\$135,856,055</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. **Investments**

Investments are comprised of the following at December 31:

	<u>2020</u>	<u>2019</u>
Invested cash and cash equivalents	\$ 1,125,513	\$ 2,330,714
Mutual funds:		
Bond funds	4,039,377	4,266,661
U.S. government obligations fund	3,448,978	4,318,929
Domestic equity securities funds	51,534,375	39,311,364
Collective trusts and limited partnerships primarily invested in:		
Domestic equity securities	32,123,989	25,335,754
Foreign equity securities	22,313,745	18,330,609
Real assets	8,412,953	12,701,241
Limited partnerships	8,803,367	14,526,005
Global bond fund	<u>4,222,907</u>	<u>4,327,011</u>
	<u>\$136,025,204</u>	<u>\$125,448,288</u>

MAINE HEALTH ACCESS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

4. **Investments (Continued)**

Net Investment Return

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

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 1,057,540	\$ 1,207,756
Net realized and unrealized gains	16,896,496	19,383,897
External and direct internal investment expenses	<u>(326,713)</u>	<u>(345,261)</u>
Net investment return	<u>\$17,627,323</u>	<u>\$ 20,246,392</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.

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 accordance with ASU 2015-07, certain investments that are measured at fair value using the NAV or its equivalent practical expedient have not been classified in the fair value hierarchy. Therefore, there is no hierarchy required for the collective trust funds and limited partnership investments held by the Foundation totaling \$75,876,961 and \$75,220,620 at December 31, 2020 and 2019, respectively.

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.

MAINE HEALTH ACCESS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

4. Investments (Continued)

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>2020</u>				
Investments:				
Cash and cash equivalents	\$ 1,125,513	\$ -	\$ -	\$ 1,125,513
Mutual funds:				
Fixed income:				
Bond funds	4,039,377	-	-	4,039,377
U.S. government obligations fund	3,448,978	-	-	3,448,978
Long-term capital appreciation:				
Domestic equity securities funds	<u>51,534,375</u>	<u>-</u>	<u>-</u>	<u>51,534,375</u>
	<u>\$60,148,243</u>	<u>\$ -</u>	<u>\$ -</u>	60,148,243
Investments valued at NAV:				
Fixed income:				
Global bond fund				4,222,907
Long-term capital appreciation:				
Domestic equity securities				32,123,989
Foreign equity securities				22,313,745
Volatility reduction:				
Real assets				8,412,953
Limited partnerships				<u>8,803,367</u>
				<u>\$136,025,204</u>

MAINE HEALTH ACCESS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

4. **Investments (Continued)**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>2019</u>				
Investments:				
Cash and cash equivalents	\$ 2,330,714	\$ –	\$ –	\$ 2,330,714
Mutual funds:				
Fixed income:				
Bond funds	4,266,661	–	–	4,266,661
U.S. government obligations fund	4,318,929	–	–	4,318,929
Long-term capital appreciation:				
Domestic equity securities funds	<u>39,311,364</u>	<u>–</u>	<u>–</u>	<u>39,311,364</u>
	<u>\$50,227,668</u>	<u>\$–</u>	<u>\$–</u>	50,227,668
Investments valued at NAV:				
Fixed income:				
Global bond fund				4,327,011
Long-term capital appreciation:				
Domestic equity securities				25,335,754
Foreign equity securities				18,330,609
Volatility reduction:				
Real assets				12,701,241
Limited partnerships				<u>14,526,005</u>
				<u>\$ 125,448,288</u>

Valuation methodologies have been consistent in 2020 and 2019.

One of the investments recorded at NAV with a value of approximately \$731,000 at December 31, 2020 has indicated that it will liquidate in 2021.

Liquidity

Following are additional details regarding the liquidity of investments as of December 31, 2020:

	<u>Fair Value</u>	<u>Redemption Notice Period</u>
Daily	\$ 68,561,196	1 Day
Semi-monthly	4,222,907	5 Days
Monthly	18,143,110	10 Days
Monthly	4,170,635	30 Days
Quarterly	35,269,341	60 Days
Annually	<u>5,658,015</u>	90 Days
Total investments	<u>\$ 136,025,204</u>	

MAINE HEALTH ACCESS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

4. 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, 2020:

<u>Investment</u>	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Real assets	\$ 8,412,953	\$ –	Daily	1 day
Bond funds	4,222,907	–	Semi-monthly	10 days
Foreign equity securities	18,143,110	–	Monthly	10 days
Foreign equity securities	4,170,635	–	Monthly	30 days
Domestic equity securities	35,269,341	–	Quarterly	60 days
Limited partnerships	5,658,015	–	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.

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5. 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>2020</u>			
Grants awarded during the year ended December 31, 2020	\$4,104,454	\$3,954,454	\$ 150,000
Less refunds of grants unspent	<u>(4,822)</u>	<u>(4,822)</u>	<u>—</u>
	<u>\$4,099,632</u>	<u>\$3,949,632</u>	150,000
Status of grants made in 2019 and 2018 - remaining grant amounts, net of reductions	<u>\$1,015,000</u>	<u>\$ 840,000</u>	<u>175,000</u>
Grants payable at December 31, 2020			<u>\$ 325,000</u>
<u>2019</u>			
Grants awarded during the year ended December 31, 2019	\$4,083,789	\$3,268,789	\$ 815,000
Less refunds of grants unspent	<u>(16,564)</u>	<u>(16,564)</u>	<u>—</u>
	<u>\$4,067,225</u>	<u>\$3,252,225</u>	815,000
Status of grants made in 2018 – remaining grant amounts, net of reductions	<u>\$ 600,000</u>	<u>\$ 400,000</u>	<u>200,000</u>
Grants payable at December 31, 2019			<u>\$1,015,000</u>
Grants payable at December 31, 2020 are expected to be paid as follows:			
2021			\$ 250,000
2022			<u>75,000</u>
			<u>\$ 325,000</u>

6. Contracts

During 2020 and 2019, the Foundation entered into four and five contracts with vendors for certain consultant services through 2021. Future estimated obligations related to the contracts subsequent to December 31, 2020 are \$95,091. Total payments on these contracts in 2020 and 2019 were \$149,911 and \$227,277, respectively.

MAINE HEALTH ACCESS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

7. **Excise Tax**

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

	<u>2020</u>	<u>2019</u>
Current	\$ 109,000	\$ 48,000
Deferred	<u>(101,000)</u>	<u>(121,000)</u>
	<u>\$ 8,000</u>	<u>\$ (73,000)</u>

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

8. **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 2020 and 2019 were \$50,471 and \$46,816, respectively, and represent a 3% employer contribution and a 3% safe harbor contribution.

9. **Lease**

MeHAF leases its office space under a noncancelable operating lease agreement expiring April 2024. Rent expense under the lease was \$95,026 and \$93,757 in 2020 and 2019, respectively.

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

2021	\$ 82,243
2022	82,243
2023	82,243
2024	<u>20,561</u>
	<u>\$267,290</u>

MAINE HEALTH ACCESS FOUNDATION, INC.

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December 31, 2020 and 2019

10. 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:

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
2020			
Grants	\$4,374,454	\$ –	\$4,374,454
Contracts and program activities	618,012	–	618,012
Grant refunds	(4,822)	–	(4,822)
Salaries and wages	784,522	87,169	871,691
Payroll taxes	57,831	6,426	64,257
Benefits and retirement	177,568	19,730	197,298
Professional services	4,773	4,773	9,546
Accounting services	25,952	2,884	28,836
Legal services	5,532	5,532	11,064
Meetings	8,169	908	9,077
Travel (Board of Trustees/Community Advisory Committee/Staff)	3,374	375	3,749
Professional development (Board of Trustees/ Community Advisory Committee/Staff)	13,530	1,503	15,033
Depreciation	13,564	1,507	15,071
Occupancy	104,284	11,587	115,871
Insurance	9,515	1,057	10,572
Computer and office maintenance	11,843	1,316	13,159
Website development and maintenance	22,302	2,478	24,780
Printing and publications	9,662	1,074	10,736
Supplies	4,395	488	4,883
Postage	1,588	176	1,764
Miscellaneous	2,031	225	2,256
Federal and state taxes	–	8,000	8,000
1099 excluded reimbursements	<u>395</u>	<u>–</u>	<u>395</u>
	<u>\$6,248,474</u>	<u>\$157,208</u>	<u>\$6,405,682</u>

MAINE HEALTH ACCESS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

10. Functional Expenses (Continued)

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
2019			
Grants	\$4,553,789	\$ –	\$4,553,789
Contracts and program activities	824,116	–	824,116
Grant refunds	(16,564)	–	(16,564)
Salaries and wages	726,836	80,760	807,596
Payroll taxes	53,904	5,989	59,893
Benefits and retirement	163,929	18,214	182,143
Professional services	13,775	13,776	27,551
Accounting services	25,276	2,808	28,084
Legal services	8,431	8,432	16,863
Meetings	11,186	1,243	12,429
Travel (Board of Trustees/Community Advisory Committee/Staff)	31,130	3,459	34,589
Professional development (Board of Trustees/ Community Advisory Committee/Staff)	49,225	5,469	54,694
Depreciation	13,126	1,458	14,584
Occupancy	108,598	12,067	120,665
Insurance	10,934	1,215	12,149
Computer and office maintenance	13,474	1,497	14,971
Website development and maintenance	2,563	285	2,848
Printing and publications	11,153	1,239	12,392
Supplies	5,525	614	6,139
Postage	2,245	249	2,494
Miscellaneous	3,217	358	3,575
Staff recruitment	2,093	232	2,325
Federal and state taxes	–	(73,000)	(73,000)
1099 excluded reimbursements	<u>9,497</u>	<u>–</u>	<u>9,497</u>
	<u>\$6,627,458</u>	<u>\$ 86,364</u>	<u>\$6,713,822</u>

11. Related Party Transactions

During 2020, grants awarded to organizations affiliated with a MeHAF trustee or staff person were as follows and represent 5% of total grants awarded:

In Her Presence	\$185,000
Maine Community Integration	10,000
New Mainers Public Initiative	<u>20,000</u>
	<u>\$215,000</u>

MAINE HEALTH ACCESS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

11. Related Party Transactions (Continued)

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 2020 and 2019 grant awards.

During 2019, grants totaling \$300,000 were awarded to organizations affiliated with a MeHAF trustee or staff person which represented 7% of total grants awarded.

12. 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 2019, a sweep account was added for any amounts over \$250,000. In addition, as of December 31, 2020 and 2019, the Foundation has four and three, respectively, investments with a fund manager that each exceed 10% of total investments. Such investments totaled \$85,139,220 and \$58,498,495 and comprised 63% and 47% of total investments at December 31, 2020 and 2019, 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.