BAKER NEWMAN NOYES

Maine Health Access Foundation, Inc.

Audited Financial Statements

Years Ended December 31, 2022 and 2021
With Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Maine Health Access Foundation, Inc.

Opinion

We have audited the financial statements of Maine Health Access Foundation, Inc. (the Foundation), which comprise the statements of financial position as of December 31, 2022 and 2021, the related statements of activities and changes in changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a period of within one year after the date that the financial statements are issued or available to be issued.

The Board of Trustees
Maine Health Access Foundation, Inc.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

Baker Newman + Noyes LLC

Portland, Maine
October 12, 2023

MAINE HEALTH ACCESS FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents	$ 55,774	$ 40,975
Prepaid expenses and other current assets	90,980	77,947
Accounts receivable	–	5,000
Refundable excise taxes	144,000	170,000
Investments	120,985,481	148,577,549
Equipment, net of accumulated depreciation of $168,951 in 2022 and $152,824 in 2021	26,864	32,468
Right-of-use asset	109,125	–
Total assets	$ 121,412,224	$ 148,903,939
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 44,690	$ 36,123
Grants payable	6,162,900	3,012,595
Deferred tax liability	456,000	60,000
Operating lease liability	109,125	–
Total liabilities	6,772,715	3,108,718
Net assets:		
Without donor restrictions	114,639,509	145,795,221
Total liabilities and net assets	$ 121,412,224	$ 148,903,939

See accompanying notes.

MAINE HEALTH ACCESS FOUNDATION, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Years Ended December 31, 2022 and 2021

	2022	2021
Revenues without donor restrictions, gains and other support:		
Revenues and gains:		
Net investment (losses) returns	$ (20,256,473)	$ 18,938,411
Contributions	17,000	18,500
Other income - miscellaneous	1,281	21,604
Total revenues without donor restrictions, (losses) gains and other support	(20,238,192)	18,978,515
Expenses:		
Program:		
Grants, net of refunds of unspent amounts	8,447,077	6,951,924
Program service expenses	526,244	411,469
Total program	8,973,321	7,363,393
Management and general:		
Program related	1,345,769	1,268,877
Support services	176,402	148,821
Total management and general	1,522,171	1,417,698
Excise tax expense	422,028	80,000
Total expenses	10,917,520	8,861,091
Change in net assets	(31,155,712)	10,117,424
Net assets, beginning of year	145,795,221	135,677,797
Net assets, end of year	$ 114,639,509	$ 145,795,221

See accompanying notes.

MAINE HEALTH ACCESS FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	$(31,155,712)	$ 10,117,424
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Net realized and unrealized losses (gains) on investments	21,033,469	(18,312,941)
Depreciation	16,127	14,713
Refundable/deferred excise taxes	422,000	(270,000)
Change in accounts receivable	5,000	(5,000)
Change in prepaid expenses and other current assets	(13,033)	(16,570)
Change in accounts payable and accrued expenses	8,567	2,844
Change in grants payable	3,150,305	2,687,595
Net cash used by operating activities	(6,533,277)	(5,781,935)
Cash flows from investing activities:		
Purchase of equipment	(10,523)	(18,537)
Proceeds from sale of investments	38,325,396	44,779,511
Purchase of investments	(31,766,797)	(39,018,915)
Net cash provided by investing activities	6,548,076	5,742,059
Net increase (decrease) in cash	14,799	(39,876)
Cash and cash equivalents, beginning of year	40,975	80,851
Cash and cash equivalents, end of year	$ 55,774	$ 40,975
Supplemental disclosure of cash flow information:		
Cash paid for excise taxes	$ 151,850	$ 100,000
Right-of-use lease assets obtained in exchange for new operating lease liabilities	$ 190,227	$ –

See accompanying notes.

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. There were no net assets with donor restrictions as of December 31, 2022 or 2021.

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.

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.

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.

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, 2022 and 2021, the balance in the fund was $58,835 and $327,535, 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).

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 2021 has been met and the estimated 2022 requirement of approximately $4,608,000 is expected to be met during 2023.

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 (FASB), 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.

Newly Adopted Accounting Pronouncements

In September 2020, the FASB issued Accounting Standards Update (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 activities and disclose the amount of contributed nonfinancial assets recognized within the statements of activities 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. The Foundation adopted this standard beginning January 1, 2022. ASU 2020-07 did not have a significant impact on the Foundation's financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard, including subsequently issued amendments, collectively referred to as Accounting Standards Codification (ASC) 842, *Leases*, established the principles that lessees and lessors will apply to report useful information to users of financial statements about the amount, timing and uncertainty of cash flows arising from a lease. The Foundation adopted this standard using the modified retrospective transition approach as applied to leases existing as of or entered into after the adoption date (January 1, 2022) in fiscal year 2022. See Note 9 for a discussion of the Foundation's adoption of this standard and its impact on the financial statements and related disclosures.

2. Summary of Significant Accounting Policies (Continued)

Leases

At inception of a contract, the Foundation determines if a contract meets the definition of a lease. A lease is a contract, or part of a contract, that conveys the right to control the use of identified property, plant, or equipment (an identified asset) for a period of time in exchange for consideration. The Foundation determines if the contract conveys the right to control the use of an identified asset for a period of time. The Foundation assesses throughout the period of use whether the Foundation has both of the following: (1) the right to obtain substantially all of the economic benefits from use of the identified asset, and (2) the right to direct the use of the identified asset. This determination is reassessed if the terms of the contract are changed. Leases are classified as operating or finance leases based on the terms of the lease agreement and certain characteristics of the identified asset. Right-of-use assets and lease liabilities are recognized at lease commencement date based on the present value of the minimum future lease payments.

The Foundation leases office space under a noncancellable operating lease. The carrying value of the Foundation's right-of-use lease assets is substantially concentrated in its office space leases. The Foundation's policy is to not record leases with an original term of twelve months or less on the balance sheets. The Foundation recognizes lease expense for these short-term leases on a straight-line basis over the lease term.

The lease may require the Foundation to pay additional amounts for taxes, insurance, maintenance and other expenses, which are generally referred to as nonlease components. Such adjustments to rental payments and variable nonlease components are treated as variable lease payments and recognized in the period in which the obligation for these payments was incurred. Variable lease components and variable nonlease components are not measured as part of the right-of-use asset and liability. Only when lease components and their associated nonlease components are fixed are they accounted for as a single lease component and are recognized as part of a right-of-use asset and liability. Total contract consideration is allocated to the combined fixed lease and nonlease component. This policy election applies consistently to all asset classes under lease agreements.

The Foundation's lease agreement does contain options to renew or extend the lease in future periods.

The Foundation's lease agreement does not contain any significant residual value guarantees or material restrictive covenants imposed by the leases.

The Foundation does not have any sublease agreements.

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 12, 2023, 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, 2022:

Cash and cash equivalents	$ 55,774
Investments without donor restrictions	120,985,481
	121,041,255
Less grants payable due in 2023	6,162,900
	$114,878,355

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:

	2022	2021
Invested cash and cash equivalents	$ 3,591,482	$ 1,271,258
Mutual funds:		
Bond funds	3,843,045	4,072,947
U.S. government obligations fund	2,320,334	3,291,568
Domestic equity securities funds	38,638,817	53,399,600
Collective trusts and limited partnerships primarily invested in:		
Domestic equity securities	26,802,450	32,934,599
Foreign equity securities	26,192,753	29,690,579
Real assets	8,335,699	11,215,588
Limited partnerships	7,960,430	8,823,943
Global bond fund	3,300,471	3,877,467
	$120,985,481	$148,577,549

4. Investments (Continued)

Net Investment (Loss) Return

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

	2022	2021
Interest and dividend income	$ 1,206,705	$ 1,215,172
Net realized and unrealized (losses) gains	(21,033,469)	18,312,941
External and direct internal investment expenses	(429,709)	(589,702)
Net investment (loss) return	$(20,256,473)	$ 18,938,411

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 $72,591,803 and $86,542,176 at December 31, 2022 and 2021, 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.

4. Investments (Continued)

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

	Level 1	Level 2	Level 3	Total
2022				
Investments:				
Cash and cash equivalents	$ 3,591,482	$ –	$ –	$ 3,591,482
Mutual funds:				
Fixed income:				
Bond funds	3,843,045	–	–	3,843,045
U.S. government obligations fund	2,320,334	–	–	2,320,334
Long-term capital appreciation:				
Domestic equity securities funds	38,638,817	–	–	38,638,817
	$48,393,678	$ –	$ –	48,393,678
Investments valued at NAV:				
Fixed income:				
Global bond fund				3,300,471
Long-term capital appreciation:				
Domestic equity securities				26,802,450
Foreign equity securities				26,192,753
Volatility reduction:				
Real assets				8,335,699
Limited partnerships				7,960,430
				$120,985,481

4. Investments (Continued)

	Level 1	Level 2	Level 3	Total
2021				
Investments:				
Cash and cash equivalents	$ 1,271,258	$ –	$ –	$ 1,271,258
Mutual funds:				
Fixed income:				
Bond funds	4,072,947	–	–	4,072,947
U.S. government obligations fund	3,291,568	–	–	3,291,568
Long-term capital appreciation:				
Domestic equity securities funds	53,399,600	–	–	53,399,600
	$62,035,373	$ –	$ –	62,035,373
Investments valued at NAV:				
Fixed income:				
Global bond fund				3,877,467
Long-term capital appreciation:				
Domestic equity securities				32,934,599
Foreign equity securities				29,690,579
Volatility reduction:				
Real assets				11,215,588
Limited partnerships				8,823,943
				$148,577,549

Valuation methodologies have been consistent in 2022 and 2021.

Liquidity

Following are additional details regarding the liquidity of investments as of December 31, 2022:

	Fair Value	Redemption Notice Period
Daily	$ 53,729,377	1 Day
Semi-monthly	3,300,471	5 Days
Monthly	17,966,477	10 Days
Monthly	8,226,276	30 Days
Quarterly	5,245,632	30 Days
Quarterly	27,726,116	60 Days
Annually	4,791,132	90 Days
Total investments	$120,985,481	

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, 2022:

Investment	Fair Value	Unfunded Commitment	Redemption Frequency	Redemption Notice Period
Real assets	$ 8,335,699	$ –	Daily	1 day
Global bond funds	3,300,471	–	Semi-monthly	5 days
Foreign equity securities	17,966,477	–	Monthly	10 days
Foreign equity securities	8,226,276	–	Monthly	30 days
Domestic equity securities	2,245,632	–	Quarterly	30 days
Domestic equity securities	24,556,818	–	Quarterly	60 days
Limited partnerships	3,169,298	–	Quarterly	60 days
Limited partnerships	4,791,132	–	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.

5. Grants and Grants Payable

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

	Grant Amount	Amount Paid (Received)	Grants Payable
2022			
Grants awarded during the year ended December 31, 2022	$8,459,948	$3,299,048	$5,160,900
Less refunds of grants unspent	(12,871)	(12,871)	–
	$8,447,077	$3,286,177	5,160,900
Status of grants made in 2021 and prior - remaining grant amounts, net of reductions	$3,012,595	$2,010,595	1,002,000
Grants payable at December 31, 2022			$6,162,900
2021			
Grants awarded during the year ended December 31, 2021	$6,965,908	$4,028,313	$2,937,595
Less refunds of grants unspent	(13,984)	(13,984)	–
	$6,951,924	$4,014,329	2,937,595
Status of grants made in 2020 and prior - remaining grant amounts, net of reductions	$ 325,000	$ 250,000	75,000
Grants payable at December 31, 2021			$3,012,595

Grants payable at December 31, 2022 are expected to be paid as follows:

2023	$2,651,480
2024	1,616,420
2025	1,135,000
2026	760,000
	$6,162,900

6. Contracts

During 2022 and 2021, the Foundation entered into four contracts with vendors for certain consultant services through 2022. Future estimated obligations related to the contracts subsequent to December 31, 2022 are $212,232 through January 2025. Total payments on these contracts in 2022 and 2021 were $332,812 and $302,746, respectively.

7. Excise Tax

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

	2022	2021
Current	$ 26,028	$ 215,000
Deferred	396,000	(135,000)
	$422,028	$ 80,000

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 2022 and 2021 were $55,825 and $53,816, 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. In January 2023, this lease was cancelled and a new one was entered into. The new lease is a noncancelable operating lease agreement for office space that expires in January 2028. The Foundation recorded a right-of-use asset and lease liability of approximately $311,000 upon the execution of the lease.

Adoption of ASC Topic 842, Leases (ASC 842)

ASC 842 became effective for the Foundation on January 1, 2022 and was adopted using the modified retrospective method for its building lease, along with certain available practical expedients. The Foundation elected to recognize any effects of applying the new standard as a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption, which there were none. In addition, the Foundation elected to adopt the package of practical expedients permitted under the transition guidance within the new standard. The practical expedient package applied to leases that commenced prior to the effective date of the new standard and permits a reporting entity not to: i) reassess whether any expired or existing contracts are or contain leases, ii) reassess the historical lease classification for any expired or existing leases, and iii) reassess initial direct costs for any existing leases. The reporting results for fiscal year 2022 reflect the application of ASC 842 guidance while the historical results for fiscal year 2021 were prepared under the guidance of ASC 840. The adoption of the new standard did not have a significant impact upon the Foundation's statements of activities and cash flows. The adoption of the new standard resulted in the following impact to the balance sheets: i) the recording of right-of-use asset and corresponding lease liability of $190,227, pertaining to the Foundation's operating leases on the balance sheets.

9. Lease (Continued)

Operating Leases

Right-of-use lease assets and lease liabilities are reported in the Foundation's balance sheet as of December 31, 2022 as follows:

Operating lease right-of-use asset	$109,125
Lease liability	$109,125

The total operating lease costs for fiscal year 2022 were $100,831, which were included within occupancy expense.

Lease Term and Discounted Rate

Lease term and discount rate is as follows as of December 31, 2022:

Weighted-average remaining lease term (in years):	
Operating lease	1.33
Weighted-average discount rate:	
Operating lease	.78%

The Foundation has made a policy election to use a risk-free rate as the discount rate for all classes of underlying assets.

Future minimum lease payments under operating leases as of December 31, 2022 were as follows:

2023	$ 82,243
2024	27,414
Total minimum future lease payment	109,657
Less imputed interest	(532)
	$109,125

Future minimum lease payments subsequent to December 31, 2021 under this lease are as follows:

2022	$ 82,243
2023	82,243
2024	20,561
	$185,047

Rent expense under the lease agreements amounted to $95,044 for the year ended December 31, 2021.

MAINE HEALTH ACCESS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2022 and 2021

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:

	Program Services	Management and General	Total
2022			
Grants	$ 8,459,948	$ –	$ 8,459,948
Contracts and program activities	526,244	–	526,244
Grant refunds	(12,871)	–	(12,871)
Salaries and wages	839,597	93,288	932,885
Payroll taxes	61,709	6,857	68,566
Benefits and retirement	180,359	20,040	200,399
Professional services	15,719	15,718	31,437
Accounting services	25,200	2,800	28,000
Legal services	14,621	14,621	29,242
Meetings	11,129	1,237	12,366
Travel (Board of Trustees/Community Advisory Committee/Staff)	2,767	307	3,074
Professional development (Board of Trustees/ Community Advisory Committee/Staff)	18,579	2,064	20,643
Depreciation	14,514	1,613	16,127
Occupancy	115,655	12,851	128,506
Insurance	11,005	1,223	12,228
Computer and office maintenance	12,253	1,362	13,615
Website development and maintenance	3,566	396	3,962
Printing and publications	10,099	1,122	11,221
Supplies	5,185	576	5,761
Postage	1,093	122	1,215
Miscellaneous	1,844	205	2,049
Federal and state taxes	–	422,028	422,028
1099 excluded reimbursements	875	–	875
	$10,319,090	$ 598,430	$10,917,520

10. Functional Expenses (Continued)

	Program Services	Management and General	Total
2021			
Grants	$ 6,965,908	$ –	$ 6,965,908
Contracts and program activities	411,469	–	411,469
Grant refunds	(13,984)	–	(13,984)
Salaries and wages	801,786	89,087	890,873
Payroll taxes	59,654	6,628	66,282
Benefits and retirement	195,809	21,757	217,566
Professional services	2,760	2,761	5,521
Accounting services	24,075	2,675	26,750
Legal services	6,054	6,053	12,107
Meetings	3,663	407	4,070
Travel (Board of Trustees/Community Advisory Committee/Staff)	1,061	118	1,179
Professional development (Board of Trustees/ Community Advisory Committee/Staff)	4,905	545	5,450
Depreciation	13,242	1,471	14,713
Occupancy	106,457	11,829	118,286
Insurance	11,570	1,285	12,855
Computer and office maintenance	11,069	1,230	12,299
Website development and maintenance	4,040	449	4,489
Printing and publications	16,075	1,786	17,861
Supplies	4,460	496	4,956
Postage	1,626	181	1,807
Miscellaneous	571	63	634
Federal and state taxes	–	80,000	80,000
	$ 8,632,270	$228,821	$ 8,861,091

11. Related Party Transactions

During 2022, grants awarded to organizations affiliated with a MeHAF trustee or staff person were as follows and represent 15% of total grants awarded:

Maine Public Health Association	$100,000
Maine Council on Aging	890,839
Maine Behavioral Health Foundation	147,000
University of New England	120,000

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 2022 and 2021 grant awards.

During 2021, grants totaling $50,000 were awarded to organizations affiliated with a MeHAF trustee or staff person which represented 1% 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, 2022 and 2021, the Foundation has three and four investments, respectively, with a fund manager that each exceed 10% of total investments. Such investments totaled $57,003,016 and $86,099,466 and comprised 47% and 58% of total investments at December 31, 2022 and 2021, 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.