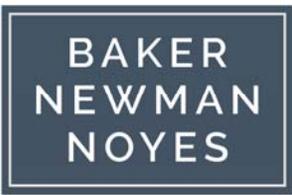


Maine Health Access Foundation, Inc.

Audited Financial Statements

*Years Ended December 31, 2017 and 2016
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, 2017 and 2016, and 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, 2017 and 2016, 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
September 11, 2018

MAINE HEALTH ACCESS FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 25,832	\$ 57,736
Accounts receivable	1,482	1,575
Prepaid expenses and other current assets	479,380	59,490
Refundable excise taxes	90,000	235,000
Investments	126,766,796	114,543,290
Program-related investments	34,000	350,000
Equipment, net of accumulated depreciation of \$157,311 in 2017 and \$140,319 in 2016	<u>38,204</u>	<u>27,562</u>
Total assets	<u>\$ 127,435,694</u>	<u>\$ 115,274,653</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 35,366	\$ 156,577
Grants payable	2,211,752	2,173,277
Deferred tax liability	<u>624,000</u>	<u>418,000</u>
Total liabilities	2,871,118	2,747,854
Unrestricted net assets	<u>124,564,576</u>	<u>112,526,799</u>
Total liabilities and net assets	<u>\$ 127,435,694</u>	<u>\$ 115,274,653</u>

See accompanying notes.

MAINE HEALTH ACCESS FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Changes in unrestricted net assets:		
Revenues and gains:		
Contributions	\$ 64,000	\$ 37,000
Gains on investments:		
Interest and dividends	1,200,518	1,399,853
Investment advisory, management and custodial fees	(256,667)	(234,320)
Net realized and unrealized gains on investments	<u>17,345,838</u>	<u>7,843,030</u>
Total gains on investments	18,289,689	9,008,563
Other revenue	<u>22,191</u>	<u>19,727</u>
Total revenues and gains	18,375,880	9,065,290
Expenses:		
Program:		
Grants, net of refunds of unspent amounts	3,427,286	4,257,003
Program service expenses	<u>1,174,967</u>	<u>1,172,013</u>
Total program	4,602,253	5,429,016
Management and general	1,384,850	1,558,618
Excise tax expense	<u>351,000</u>	<u>157,000</u>
Total expenses	<u>6,338,103</u>	<u>7,144,634</u>
Change in unrestricted net assets	12,037,777	1,920,656
Unrestricted net assets, beginning of year	<u>112,526,799</u>	<u>110,606,143</u>
Unrestricted net assets, end of year	<u>\$ 124,564,576</u>	<u>\$ 112,526,799</u>

See accompanying notes.

MAINE HEALTH ACCESS FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 12,037,777	\$ 1,920,656
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Net realized and unrealized gains on investments	(17,345,838)	(7,843,030)
Depreciation	16,992	16,675
Deferred excise taxes	206,000	106,000
Change in accounts receivable	93	2,422
Change in prepaid expenses and other current assets	(419,890)	170,061
Change in refundable excise taxes	145,000	(180,000)
Change in accounts payable and accrued expenses	(121,211)	110,604
Change in grants payable	<u>38,475</u>	<u>731,058</u>
Net cash used by operating activities	(5,442,602)	(4,965,554)
Cash flows from investing activities:		
Purchase of equipment	(27,634)	(4,976)
Proceeds from sale of investments	15,927,743	5,981,970
Purchase of investments	(10,805,411)	(11,395,824)
Funds received from broker	-	10,101,821
Repayment of program related investments	<u>316,000</u>	<u>-</u>
Net cash provided by investing activities	<u>5,410,698</u>	<u>4,682,991</u>
Net decrease in cash	(31,904)	(282,563)
Cash and cash equivalents, beginning of year	<u>57,736</u>	<u>340,299</u>
Cash and cash equivalents, end of year	\$ <u>25,832</u>	\$ <u>57,736</u>
Supplemental disclosure of cash flow information:		
Cash paid for excise taxes	\$ -	\$ 231,000

See accompanying notes.

MAINE HEALTH ACCESS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

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, 2017 and 2016, all activities of the Foundation were classified as unrestricted 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, 2017 and 2016

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.

Investment Fees

Several of the Foundation's investments report income net of fees and the Foundation follows the same practice. As a result, some of the fees paid to investment managers are reflected as a reduction of investment income.

MAINE HEALTH ACCESS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

2. Summary of Significant Accounting Policies (Continued)

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 4 for fair value disclosures related to investments.

Functional Expenses

Expenses are allocated to both programs and support services. All expenses are charged to each functional area based on direct expenditures incurred by functional area.

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 2016 has been met and the estimated 2017 requirement of approximately \$5,547,000 is expected to be met during 2018.

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.

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 September 11, 2018, which is the date the financial statements were available to be issued.

MAINE HEALTH ACCESS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

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 beginning on January 1, 2018, with early adoption permitted. The Foundation is currently evaluating the impact of the pending adoption of ASU 2016-14 on the financial statements.

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.

3. 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 matures in 2018. Repayments received will increase the Foundation's distribution requirement in the year such repayments, if any, are received. In 2017, the Foundation received a repayment of \$316,000.

The Foundation has the option to convert any or all of the PRI into a grant should collectibility become uncertain or for other programmatic reasons. Management believes the PRI is fully collectible at December 31, 2017 and 2016.

MAINE HEALTH ACCESS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

4. Investments

Investments are comprised of the following at December 31:

	<u>2017</u>	<u>2016</u>
Invested cash and cash equivalents	\$ 4,667,772	\$ 106,592
Mutual funds:		
Bond funds	3,689,583	3,585,102
U.S. government obligations fund	4,288,346	4,213,830
Domestic equity securities funds	47,131,074	43,683,387
Collective trusts and limited partnerships primarily invested in:		
Domestic equity securities	19,710,603	15,945,956
Foreign equity securities	19,941,934	16,562,452
Real assets	4,647,212	4,265,122
Limited partnerships	16,664,937	20,603,109
Global bond fund	<u>6,025,335</u>	<u>5,577,740</u>
	<u>\$ 126,766,796</u>	<u>\$ 114,543,290</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 determining the appropriate levels, the Foundation performs a detailed analysis of the assets that are subject to fair value measurements. At each reporting period, all assets for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

MAINE HEALTH ACCESS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

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>2017</u>				
Investments:				
Cash and cash equivalents	\$ 4,667,772	\$ -	\$ -	\$ 4,667,772
Mutual funds:				
Fixed income:				
U.S. government obligations fund	4,288,346	-	-	4,288,346
Bond funds	3,689,583	-	-	3,689,583
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 asset funds				4,647,212
Limited partnerships				<u>16,664,937</u>
				<u>\$126,766,796</u>
<u>2016</u>				
Investments:				
Cash and cash equivalents	\$ 106,592	\$ -	\$ -	\$ 106,592
Mutual funds:				
Fixed income:				
U.S. government obligations fund	4,213,830	-	-	4,213,830
Bond funds	3,585,102	-	-	3,585,102
Long-term capital appreciation:				
Domestic equity securities	<u>43,683,387</u>	<u>-</u>	<u>-</u>	<u>43,683,387</u>
	<u>\$51,588,911</u>	<u>\$-</u>	<u>\$-</u>	51,588,911
Investments valued at NAV:				
Fixed income:				
Global bond fund				\$ 5,577,740

MAINE HEALTH ACCESS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

4. Investments (Continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Long-term capital appreciation:				
Domestic equity securities				\$ 15,945,956
Foreign equity securities				16,562,452
Volatility reduction:				
Real asset funds				4,265,122
Limited partnerships				<u>20,603,109</u>
				<u>\$114,543,290</u>

Valuation methodologies have been consistent in 2017 and 2016.

Liquidity

Following are additional details regarding the liquidity of investments as of December 31, 2017:

	<u>Fair Value</u>	<u>Redemption Notice Period</u>
Daily	\$ 59,776,775	1 Day
Daily	4,647,212	3 Days
Monthly	25,967,269	10 Days
Quarterly	19,710,603	60 Days
Annually	<u>16,664,937</u>	90 Days
Total investments	<u>\$ 126,766,796</u>	

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, 2017:

<u>Investment</u>	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Real assets	\$ 4,647,212	\$ –	Daily	3 days
Bond funds	6,025,335	–	Monthly	10 days
Foreign equity securities	19,941,934	–	Monthly	10 days
Domestic equity securities	19,710,603	–	Quarterly	60 days
Limited partnerships	16,664,937	–	Annually	90 days

MAINE HEALTH ACCESS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

4. Investments (Continued)

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:

	<u>Grant Amount</u>	<u>Amount Paid (Received)</u>	<u>Grants Payable</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 and 2016 – 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>

MAINE HEALTH ACCESS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

5. Grants and Grants Payable (Continued)

	<u>Grant Amount</u>	<u>Amount Paid (Received)</u>	<u>Grants Payable</u>
<u>2016</u>			
Grants awarded during the year ended December 31, 2016	\$4,323,666	\$2,566,750	\$1,756,916
Less refunds of grants unspent	<u>(66,663)</u>	<u>(66,663)</u>	<u>—</u>
	<u>\$4,257,003</u>	<u>\$2,500,087</u>	1,756,916
Status of grants made in 2014 and 2015 – remaining grant amounts, net of reductions	<u>\$1,442,219</u>	<u>\$1,025,858</u>	<u>416,361</u>
Grants payable at December 31, 2016			<u>\$2,173,277</u>
Grants payable at December 31, 2017 are as follows:			
2018			\$2,161,752
2019			<u>50,000</u>
			<u>\$2,211,752</u>

6. Contracts

During 2016 and 2017, the Foundation entered into two and seven contracts with vendors for certain consultant services through 2018 and 2019, respectively. Future estimated obligations related to the contracts subsequent to December 31, 2017 are \$339,895. Total payments on these contracts in 2017 and 2016 were \$580,547 and \$261,025, respectively.

7. Excise Tax

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

	<u>2017</u>	<u>2016</u>
Current	\$145,000	\$ 51,000
Deferred	<u>206,000</u>	<u>106,000</u>
	<u>\$351,000</u>	<u>\$157,000</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 2017 and 2016 were \$43,973 and \$49,342, respectively, and represent 6% of employee salaries.

MAINE HEALTH ACCESS FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017 and 2016

9. Lease

MeHAF leases its office space under a noncancelable operating lease agreement expiring April 2018.

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

2018	\$ 16,587
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Rent expense under the lease was \$66,325 in 2017 and 2016. In May of 2018 MeHAF signed a three year extension on the lease. Annual future minimum lease payments under the extension are \$76,937.

10. Related Party Transactions

During 2017, grants awarded to organizations affiliated with a MeHAF trustee or staff person were as follows and represent 7% of total grants awarded:

Tri-County Mental Health Services	\$107,429
Maine Community Foundation	<u>150,000</u>
	<u>\$257,429</u>

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 2017 and 2016 grant awards.

During 2016, grants totaling \$174,832 were awarded to organizations affiliated with a MeHAF trustee or staff person which represented 4% of total grants awarded

11. 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, 2017 and 2016, the Foundation has three and two, respectively, investments with a fund manager that each exceed 10% of total investments. Such investments totaled \$54,948,308 and \$31,291,188 and comprised 43% and 27% of total investments at December 31, 2017 and 2016, 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.