



FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION

June 30, 2022
(With Comparative Totals for June 30, 2021)
With Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

Board of Directors
OHI

Report on the Audit of the Financial Statements ***Opinion***

We have audited the accompanying financial statements of OHI (a Maine nonprofit corporation), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of OHI as of June 30, 2022, and the results of its operations and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

Basis for Opinion

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, 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 OHI ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 U.S. 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 U.S. 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 entity'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 entity'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of Department agreements is presented for purposes of additional analysis as required by the *Maine Uniform Accounting and Auditing Practices for Community Agencies* and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Board of Directors
OHI

Report on Summarized Comparative Information

We previously audited the financial statements of OHI as of and for the year ended June 30, 2021, and, in our report dated November 8, 2021, we expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information herein, as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Berry Dunn McNeil & Parker, LLC

Bangor, Maine
November 16, 2022

OHI

Statement of Financial Position

June 30, 2022
(With Comparative Totals for June 30, 2021)

ASSETS

	<u>2022</u>	<u>2021</u>
Current assets		
Cash and cash equivalents	\$ 4,266,297	\$ 4,673,497
Accounts receivable, less allowance for doubtful accounts of \$47,000 in 2022 and \$28,000 in 2021	1,896,772	1,587,968
Current portion of assets whose use is limited	30,037	26,697
Prepaid expenses	<u>189,683</u>	<u>200,018</u>
Total current assets	<u>6,382,789</u>	<u>6,488,180</u>
Assets whose use is limited, net of current portion		
Deferred compensation	32,164	507,532
Custodial funds, operating reserves, and other	314,201	478,373
Donor restricted	97,150	132,311
Board designated for investment	<u>350,687</u>	<u>391,083</u>
	794,202	1,509,299
Less current portion of assets whose use is limited	<u>(30,037)</u>	<u>(26,697)</u>
Assets whose use is limited, net of current portion	<u>764,165</u>	<u>1,482,602</u>
Property and equipment		
Land	640,358	640,358
Building and improvements	9,009,074	8,521,804
Furniture and equipment	789,710	788,808
Vehicles	295,771	295,771
Projects-in-process	<u>41,394</u>	<u>218,249</u>
	10,776,307	10,464,990
Less accumulated depreciation	<u>(4,838,456)</u>	<u>(4,351,176)</u>
Net property and equipment	<u>5,937,851</u>	<u>6,113,814</u>
Total assets	<u>\$13,084,805</u>	<u>\$14,084,596</u>

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND NET ASSETS

	<u>2022</u>	<u>2021</u>
Current liabilities		
Current portion of long-term debt	\$ 23,300	\$ 21,800
Accounts payable	227,407	339,082
Accrued payroll, taxes, and withholdings	590,790	537,082
Other accrued expenses	30,763	27,212
Estimated third-party payor settlements and deferred revenue	<u>189,013</u>	<u>996,797</u>
Total current liabilities	1,061,273	1,921,973
Non-current liabilities		
Deferred compensation plan liability	32,164	507,532
Long-term debt, less current portion	<u>1,490,419</u>	<u>1,487,533</u>
Total liabilities	<u>2,583,856</u>	<u>3,917,038</u>
Net assets		
Without donor restrictions		
Undesignated	9,813,517	9,392,700
Board designated	<u>586,757</u>	<u>636,570</u>
Total without donor restrictions	10,400,274	10,029,270
With donor restrictions	<u>100,675</u>	<u>138,288</u>
Total net assets	<u>10,500,949</u>	<u>10,167,558</u>
Total liabilities and net assets	<u>\$13,084,805</u>	<u>\$14,084,596</u>

OHI

Statement of Activities

Year Ended June 30, 2022
(With Comparative Totals for Year Ended June 30, 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and revenue				
State and federal grants	\$ 206,174	\$ -	\$ 206,174	\$ 182,501
MaineCare programs	15,690,223	-	15,690,223	14,749,858
Social Security	449,530	-	449,530	462,612
Donations	53,970	57,055	111,025	85,327
Rent and energy assistance	59,039	-	59,039	57,583
U.S. Department of Agriculture food stamps	136,664	-	136,664	146,735
Room and board	382,923	-	382,923	399,158
Registrations	34,501	-	34,501	52,410
Interest income	14,364	-	14,364	10,361
Realized and unrealized (loss) gain on investments	(58,941)	-	(58,941)	78,392
Paycheck Protection Program loan forgiveness	-	-	-	2,414,500
Provider Relief Funding	367,255	-	367,255	-
Home and Community Based Services Workforce Retention and Recruitment Initiative	1,300,245	-	1,300,245	-
Other income	293,194	-	293,194	127,625
(Loss) gain on sale of assets	(41,313)	-	(41,313)	96,163
Net assets released from restrictions	94,668	(94,668)	-	-
Total support and revenue	18,982,496	(37,613)	18,944,883	18,863,225
Operating expenses				
Program services	16,352,815	-	16,352,815	14,927,481
Management and general	2,249,260	-	2,249,260	1,693,083
Total operating expenses	18,602,075	-	18,602,075	16,620,564
Change in net assets from operations	380,421	(37,613)	342,808	2,242,661
Unemployment tax expense charged to board designated reserve	(9,417)	-	(9,417)	(86,239)
Change in net assets	371,004	(37,613)	333,391	2,156,422
Net assets, beginning of year	10,029,270	138,288	10,167,558	8,011,136
Net assets, end of year	\$10,400,274	\$ 100,675	\$ 10,500,949	\$ 10,167,558

The accompanying notes are an integral part of these financial statements.

OHI

Statement of Functional Expenses

Year Ended June 30, 2022
(With Comparative Totals for Year Ended June 30, 2021)

	Home and Community Based Waiver	PNMI Adult and Children's Services	Community Support	Housing	Other Programs	Total Program Services	Management and General	2022 Total	2021 Total
Labor costs	\$ 8,574,284	\$ 4,521,321	\$ 414,615	\$ 43,020	\$ 46,076	\$ 13,599,316	\$ 1,559,075	\$ 15,158,391	\$ 13,354,381
Consultants	10,292	22	16,433	-	317	27,064	20,807	47,871	23,590
Rent - residential	82,170	-	31,039	-	-	113,209	-	113,209	144,690
Depreciation - building	103,468	104,975	443	70,430	14,855	294,171	102,614	396,785	354,332
Interest - mortgage	-	9,605	-	6,181	-	15,786	-	15,786	17,234
Food and household	194,630	144,843	646	-	1,313	341,432	-	341,432	330,322
Utilities	130,278	67,114	7,077	54,579	10,764	269,812	49,164	318,976	274,477
Maintenance	92,653	55,783	4,530	87,970	14,633	255,569	54,673	310,242	214,600
Minor equipment and furniture	132,310	79,016	13,969	6,919	22,004	254,218	275,537	529,755	633,714
Travel	76,064	39,206	435	340	396	116,441	3,088	119,529	116,825
Insurance	49,150	23,359	2,657	4,686	1,451	81,303	20,641	101,944	87,352
Training	604	2,697	426	-	198	3,925	12,994	16,919	6,362
Consumer activities and support	8,633	28,963	103	-	26,800	64,499	6,348	70,847	37,367
Service provider tax	526,633	326,818	3,029	-	-	856,480	-	856,480	839,733
Other costs	<u>12,732</u>	<u>8,038</u>	<u>504</u>	<u>24,403</u>	<u>13,913</u>	<u>59,590</u>	<u>144,319</u>	<u>203,909</u>	<u>185,585</u>
Total expenses	<u>\$ 9,993,901</u>	<u>\$ 5,411,760</u>	<u>\$ 495,906</u>	<u>\$ 298,528</u>	<u>\$ 152,720</u>	<u>\$ 16,352,815</u>	<u>\$ 2,249,260</u>	<u>\$ 18,602,075</u>	<u>\$ 16,620,564</u>

The accompanying notes are an integral part of these financial statements.

OHI

Statement of Cash Flows

Year Ended June 30, 2022
(With Comparative Totals for Year Ended June 30, 2021)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Increase in net assets	\$ 333,391	\$ 2,156,422
Adjustments to reconcile increase in net assets to net cash (used) provided by operating activities		
Depreciation	517,944	504,775
Loss (gain) on disposal of assets	41,313	(96,163)
Provision for bad debts, net of recoveries	68,864	177,450
Paycheck Protection Program loan forgiveness	-	(2,414,500)
Unrealized (loss) gain on investments	(55)	3,462
Decrease (increase) in		
Accounts receivable	(377,668)	25,483
Prepaid expenses	10,335	(42,202)
Assets whose use is limited for operating activities	475,423	(124,221)
Increase (Decrease) in		
Accounts payable	(111,675)	155,894
Accrued payroll, taxes, and withholdings	53,708	(78,794)
Other accrued expenses	3,551	10,958
Estimated third-party payor settlements and deferred revenue	(807,784)	530,062
Deferred compensation plan liability	<u>(475,368)</u>	<u>120,759</u>
Net cash (used) provided by operating activities	<u>(268,021)</u>	<u>929,385</u>
Cash flows from investing activities		
Purchase of property and equipment	(383,394)	(642,992)
Decrease (increase) in other assets whose use is limited	58,941	(78,392)
Proceeds from sale of property	100	252,270
Purchase of investments	<u>(15,698)</u>	<u>(3,032)</u>
Net cash used by investing activities	<u>(340,051)</u>	<u>(472,146)</u>
Cash flows from financing activities		
Repayment on long-term debt	(21,777)	(20,328)
Proceeds from long-term borrowings	<u>26,163</u>	<u>302,618</u>
Net cash provided by financing activities	<u>4,386</u>	<u>282,290</u>
Net (decrease) increase in cash, cash equivalents and restricted cash	(603,686)	739,529
Cash, cash equivalents and restricted cash, beginning of year	<u>5,287,695</u>	<u>4,548,166</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 4,684,009</u>	<u>\$ 5,287,695</u>
Composition of cash, cash equivalents and restricted cash, end of the year:		
Cash and cash equivalents	\$ 4,266,297	\$ 4,673,497
Restricted cash included in assets whose use is limited	<u>417,712</u>	<u>614,198</u>
	<u>\$ 4,684,009</u>	<u>\$ 5,287,695</u>
Supplemental cash flow disclosures		
Cash paid during the year for interest	\$ 15,786	\$ 17,234
Noncash transaction - property and equipment purchases included in accounts payable	\$ -	\$ 21,906

The accompanying notes are an integral part of these financial statements.

OHI

Notes to Financial Statements

June 30, 2022
(With Comparative Totals for June 30, 2021)

Nature of Organization

OHI is organized as a nonprofit Maine corporation whose mission is to inspire people (with diagnoses of both intellectual disabilities and mental illness) to recognize possibilities and lead meaningful lives. OHI provides prescriptive, individualized residences, rehabilitation programs, and other services, directly or indirectly to persons it serves. OHI operates numerous adult licensed and unlicensed residential programs, along with several community support programs. OHI also provides regional, as well as national, training and consultation in the field of disabilities. The accounting practices of OHI are designed primarily to demonstrate stewardship of the funds entrusted to it and compliance with prescribed federal and state grant and program conditions and other special requirements.

1. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

The financial statements of OHI have been prepared in accordance with U.S. GAAP, which require OHI to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of OHI. These net assets may be used at the discretion of OHI's management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of OHI or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with OHI's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

OHI

Notes to Financial Statements

June 30, 2022
(With Comparative Totals for June 30, 2021)

Cash and Cash Equivalents

For purposes of the statements of cash flows, OHI considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents. OHI considers funds held in a money market account to be cash equivalents.

OHI maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. It has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash and cash equivalents.

Accounts Receivable

Accounts receivable consist primarily of revenue earned from various government grants, contracts, and programs. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Property and Equipment

Property and equipment acquisitions, including those obtained under capital leases, with individual costs in excess of \$3,000 are capitalized at cost. OHI uses the straight-line method to compute depreciation expense over assumed useful lives of four years for vehicles, three to ten years for furniture and equipment, twenty-five years for building and improvements, and five years for minor improvements (not repairs).

Revenue Recognition and Accounts Receivable

Client service revenue is reported at the estimated net realizable amount that reflects the consideration to which OHI expects to be entitled in exchange for providing therapy, developmental, case management and supervised housing services. OHI has contractual arrangements with the Maine Department of Health and Human Services (DHHS) (MaineCare) to render services to qualifying MaineCare beneficiaries under certain programs, which may result in OHI receiving payments for such services which differ from the standard charges. Any differences of this nature are recorded as contractual adjustments.

Generally, OHI bills third-party payors several days after services are provided. Revenue is recognized as performance obligations are satisfied. It is OHI's expectation that the period between the time the service is provided to a client and the time that the client or a third-party payor pays for that service will be one year or less.

OHI

Notes to Financial Statements

June 30, 2022
(With Comparative Totals for June 30, 2021)

OHI's clinical support and case management services are provided to clients under an hourly rate, with in home community support based on certain minimum authorized units per home. OHI recognizes revenue for community based, case management, and clinical support services in accordance with the provisions.

Performance obligations are determined based on the nature of the services provided by OHI. Revenue for performance obligations satisfied over time is recognized based on actual services rendered. Generally, performance obligations satisfied over time relate to clients receiving community based, case management and clinical support services. OHI measures the period over which the performance obligation is satisfied from admission into the program to the point when it is no longer required to provide services to that client, which is generally at the time of discharge.

Each performance obligation is separately identifiable from other promises in the client contract. As the performance obligations are met (i.e., room, board, level of care), revenue is recognized based upon the portion of the transaction price allocated to that performance obligation. The transaction price is allocated to separate performance obligations based upon their relative standalone selling price.

Because all of its performance obligations relate to contracts, OHI has elected to apply the optional exemption provided in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Subtopic 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

Donations

Contributions received are recorded as donations with or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

Donations without donor stipulations as to use is reported as an increase in net assets without donor restrictions. All donor restricted donations are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are transferred to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

OHI

Notes to Financial Statements

June 30, 2022
(With Comparative Totals for June 30, 2021)

In-Kind Contributions and Expenses

Supplies and labor donated to programs and used for program purposes are immaterial and are not recorded or presented in the financial statements. Donated services that meet certain criteria and donated goods auctioned to benefit OHI are valued and reported at their estimated fair value in the financial statements based on current rates for similar services or items. Donated services of \$14,390 and \$9,450 were received and recorded in 2022 and 2021, respectively.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function of OHI. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses are allocated to individual functions based on actual or estimated usage of resources. Time records are utilized to allocate payroll costs. Other costs are allocated based on physical usage of facilities, number of residents served, and other estimates of resource usage.

Income Taxes

OHI is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) whereby only unrelated business income as defined by Section 512(a)(1) of the Code is subject to federal and state income tax.

Subsequent Events

For the purpose of preparation of these financial statements, in conformity with U.S. GAAP, OHI has considered transactions or events occurring through November 16, 2022, which was the date that the financial statements were available to be issued. Management has not evaluated subsequent events after that date for inclusion in the financial statements.

2. Client Service Revenue

OHI determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, and implicit price concessions provided to uninsured clients. OHI determines its estimates of contractual adjustments based on contractual agreements and historical experience. OHI determines its estimate of implicit price concessions based on its historical collection experience.

Due to the large concentration of clients who receive benefits from the MaineCare reimbursement programs, OHI is highly dependent upon regulatory authorities establishing reimbursement rates that are adequate to sustain OHI's operations.

OHI

Notes to Financial Statements

June 30, 2022
(With Comparative Totals for June 30, 2021)

Approximately 83% and 78% of total support and revenues in 2022 and 2021 respectively, and substantially all accounts receivable for each year, were from MaineCare programs. Charges for services to individuals were billed through the MaineCare intermediary. Settlements for differences between interim rates paid by MaineCare and OHI's actual cost for rendering services, as defined by the "Principles of Reimbursement" which govern the respective programs, are based on annual cost reporting. Laws and regulations governing the programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The financial statements reflect estimated settlements due under these programs. Settlements do not become final until cost reports are audited and approved by DHHS. Differences between estimated and actual settlements are netted against the actual revenue sources in the year of final determination. The cost reports for fiscal years 2020-2022 have not been audited yet.

A summary of the payment arrangements with major third-party payors follows:

MaineCare – OHI records its revenue based on the rates it receives for services rendered. OHI has a contractual agreement with the Maine DHHS to render MaineCare services to qualifying individuals under certain cost-based reimbursement programs which may result in OHI's receiving payments for such services that differ from actual charges.

DHHS Contract Services – OHI also contracts with DHHS to operate various programs to assist individuals in need of mental health services. OHI receives periodic payments for the contract periods that primarily end June 30 of each year. These services are recorded at the contracted amount. Contract funds must be used for qualified program expenses and any excess funds must be repaid via cost sharing.

In assessing collectibility, OHI has elected the portfolio approach. This portfolio approach is being used as OHI has similar contracts with similar classes of customers. OHI reasonably expects that the effect of applying a portfolio approach to a group of contracts would not differ materially from considering each contract separately. Management's judgment to group the contracts by portfolio is based on the payment behavior expected in each portfolio category. As a result, management believes aggregating contracts (which are at the client level) by the particular payor or group of payors results in the recognition of revenue approximating that which would result from applying the analysis at the individual client level.

OHI's net program service fee revenue is comprised of services transferred over time. The composition of net program service fee revenue based on OHI's service lines payor types for the years ended June 30, 2022 and 2021 are as follows:

OHI

Notes to Financial Statements

June 30, 2022
(With Comparative Totals for June 30, 2021)

2022

	Home and Community Based <u>Services</u>	Adult <u>PNMI</u>	<u>Other</u>	<u>Total</u>
Payor				
MaineCare programs	\$ 8,988,297	\$ 5,610,683	\$ 1,091,243	\$ 15,690,223
Other - included in U.S. Department of Agriculture food stamps	<u>101,681</u>	<u>34,983</u>	<u>-</u>	<u>136,664</u>
Net program service fee revenue	<u>\$ 9,089,978</u>	<u>\$ 5,645,666</u>	<u>\$ 1,091,243</u>	<u>\$ 15,826,887</u>

2021

	Home and Community Based <u>Services</u>	Adult <u>PNMI</u>	<u>Other</u>	<u>Total</u>
Payor				
MaineCare programs	\$ 8,760,009	\$ 4,778,514	\$ 1,211,335	\$ 14,749,858
Other - included in U.S. Department of Agriculture food stamps	<u>109,167</u>	<u>37,568</u>	<u>-</u>	<u>146,735</u>
Net program service fee revenue	<u>\$ 8,869,176</u>	<u>\$ 4,816,082</u>	<u>\$ 1,211,335</u>	<u>\$ 14,896,593</u>

3. Accounts Receivable

A rollforward of accounts receivable, net activity, for the years ended June 30, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 1,587,968	\$ 1,790,901
Net charges, payments, and adjustments	<u>308,804</u>	<u>(202,933)</u>
Balance, end of year	<u>\$ 1,896,772</u>	<u>\$ 1,587,968</u>

OHI

Notes to Financial Statements

June 30, 2022
(With Comparative Totals for June 30, 2021)

4. Investments

Investments are recorded at fair value and are included in assets whose use is limited in the statement of financial position. Investments consist of the following:

	<u>2022</u>	<u>2021</u>
Deposit accounts	\$ 8,156	\$ 8,106
Exchange traded funds		
Bonds	49,422	85,296
U.S. Government securities	57,746	28,435
Stocks	<u>229,002</u>	<u>265,732</u>
	<u>\$ 344,326</u>	<u>\$ 387,569</u>

5. Fair Value Measurement

FASB ASC Topic 820, *Fair Value Measurement*, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC Topic 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that OHI has the ability to access as of the measurement date.

Level 2: Significant observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Financial assets measured at fair value on a recurring basis, which consist of investments (Note 4) and retirement plan assets (Note 14), consisted of Level 1 assets. Fair value of the investments is measured using quoted market prices in active markets.

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Notes to Financial Statements

June 30, 2022
(With Comparative Totals for June 30, 2021)

6. **Assets Whose Use is Limited**

Assets whose use is limited consist of funds required by the terms of debt agreements to fund repair and replacement for certain buildings, custodial funds, investments, and deposits. Assets whose use is limited were comprised of the following:

	<u>2022</u>	<u>2021</u>
Harrington House repair and replacement reserve	\$ 39,082	\$ 34,422
Cedar Street repair and replacement reserve	12,145	10,169
Hudson Street repair and replacement reserve	25,401	20,537
Atrium House repair and replacement reserve	15,566	13,436
Custodial funds	30,037	26,697
Ohio Street repair and replacement reserve	18,881	52,072
Maine Employment Security Commission surety bond escrow	168,967	185,004
Maine State Housing Authority (MSHA) reserves for rehabilitation loans - Cedar St	597	-
MSHA reserves for rehabilitation loans - Church Rd	-	24,367
MSHA reserves for rehabilitation loans - Ohio St	-	108,794
Duffy - donor restricted	3,525	2,875
Deferred compensation plan	32,164	507,532
Donor restricted	97,150	132,311
Board designated	<u>350,687</u>	<u>391,083</u>
	794,202	1,509,299
Less current portion	<u>(30,037)</u>	<u>(26,697)</u>
	<u>\$ 764,165</u>	<u>\$ 1,482,602</u>

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(With Comparative Totals for June 30, 2021)

7. Long-term Debt

Long-term debt consists of the following:

	<u>2022</u>		<u>2021</u>
Note payable to a housing authority, collateralized by real estate, monthly payments of \$786, including interest at 8%, through December 2026.	\$ 35,555	\$	41,868
Note payable to a housing authority, collateralized by real estate, note forgiven over 20 years, to December 2026, if OHI stays in compliance with associated mortgage. No payments due during this period.	5,834		7,000
Note payable to a housing authority, collateralized by real estate, monthly payments of \$1,230, including interest at 7%, through April 2030.	88,090		96,368
Note payable to a housing authority, collateralized by real estate, note forgiven in 30 years, April 2030, if OHI stays in compliance with associated mortgage. No payments due during this period.	195,877		195,877
Note payable to a housing authority, collateralized by real estate, note forgiven in 30 years, July 2034, if OHI stays in compliance with associated mortgage. No payments due during this period.	130,000		130,000
Notes payable to a housing authority, collateralized by real estate, \$186,000 forgiven in 30 years, June 2035, if OHI stays in compliance with associated mortgage. No payments due during this period. Remaining \$120,000 at 0% interest, payments deferred 30 years until June 2035 if OHI stays in compliance with associated mortgage. No payments due during this period.	306,000		306,000
Notes payable to a housing authority, collateralized by real estate, \$125,000 forgiven in 30 years, December 2031, if OHI stays in compliance with associated mortgage. No payments due during this period. Remaining \$40,000 at 0% interest, payments deferred until October 2032 if OHI stays in compliance with associated mortgage. No payments due during this period.	165,000		165,000
Note payable to a housing authority, collateralized by real estate, monthly payments of \$1,017, including interest at 7%, through January 2032.	85,009		91,029

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Notes to Financial Statements

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Note payable to a housing authority, collateralized by real estate, note forgiven in 30 years, March 2047, if OHI stays in compliance with associated mortgage. No payments due during this period.	70,000	70,000
Note payable to a housing authority, collateralized by real estate, note forgiven in 30 years, March 2047, if OHI stays in compliance with associated mortgage. No payments due during this period.	53,815	53,815
Note payable to a housing authority, collateralized by real estate, note forgiven in 30 years, March 2047, if OHI stays in compliance with associated mortgage. No payments due during this period.	49,758	49,758
Note payable to a housing authority, collateralized by real estate, note forgiven in 5 years, January 2026, if OHI stays in compliance with associate mortgage. No payments due during this period.	26,163	-
Note payable to a housing authority, collateralized by real estate, note forgiven in 5 years, October 2025, if OHI stays in compliance with associated mortgage. No payments due during this period.	68,495	68,495
Note payable to a housing authority, collateralized by real estate, note forgiven in 5 years, July 2025, if OHI stays in compliance with associated mortgage. No payments due during this period.	77,122	77,122
Note payable to a housing authority, collateralized by real estate, note forgiven in 5 years, July 2025, if OHI stays in compliance with associated mortgage. No payments due during this period.	68,207	68,207
Note payable to a housing authority, collateralized by real estate, note forgiven in 5 years, April 2026, if OHI stays in compliance with associated mortgage. No payments due during this period.	88,794	88,794
	1,513,719	1,509,333
Less current portion	23,300	21,800
Long-term debt, excluding current portion	\$ 1,490,419	\$ 1,487,533

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Notes to Financial Statements

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(With Comparative Totals for June 30, 2021)

Maturities of long-term debt for the next five years are as follows:

2023	\$	23,300
2024		25,000
2025		26,800
2026		357,500
2027		26,000

8. Revolving Line of Credit

At June 30, 2022 and 2021, OHI had an operating line of credit of \$1,000,000, none of which was used. Advances are payable on demand and carry a variable interest rate of 1% over the bank's prime rate. The credit line is collateralized by accounts receivable and equipment of OHI.

9. Reducing Revolver Credit Agreement

At June 30, 2022 and 2021, OHI had a reducing revolver credit agreement with Bangor Savings Bank, which bears interest at 4.85%, in the amount of \$1,850,000. Advances under the reducing revolver credit agreement are collateralized by property and improvements on 203 Maine Avenue in Bangor, Maine and 35 Deer Run in Glenburn, Maine, and require monthly payments of interest through the agreement's maturity in August 2028. There were no outstanding borrowings at June 30, 2022 or 2021. The borrowing limit under this agreement reduces quarterly based on a 10-year schedule; the borrowing limit at June 30, 2022 and 2021 was \$1,503,125, and \$1,595,625, respectively.

10. Board Designated Net Assets

OHI has elected the direct reimbursement method for Maine unemployment taxes. Any unemployment payments made are charged directly against the reserve. Payments were made to the Maine Employment Security Commission in the amounts of \$9,417 and \$86,239 in fiscal years 2022 and 2021, respectively. As of June 30, 2022 and 2021, there is \$236,070 and \$245,487, respectively, reflected as net assets without donor restrictions - board designated accrued and available for payments in the future.

Board designated net assets also include operating funds set aside for long-term investment as of June 30, 2022 and 2021 of \$327,278 and \$367,728, respectively, as well as funds set aside for the benefit of the Chalila House as of June 30, 2022 and 2021 of \$23,409 and \$23,355, respectively.

11. Grants

OHI was awarded federal and state grants for its various programs. These grants are subject to laws, regulations, and other provisions covering grant administration, audits, and allowable costs that are complex and subject to interpretation. Final settlements of the grants are subject to review by the granting agencies. Accordingly, the extent of OHI's compliance with certain program requirements may be established at some future date. The amount, if any, of liabilities arising from disallowance of expenditures or ineligibility of certain revenues cannot be determined at this time.

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Notes to Financial Statements

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(With Comparative Totals for June 30, 2021)

At June 30, 2022 and 2021, there are no known unrecorded contingent liabilities relating to compliance with the rules and regulations governing the funds. OHI has reflected receivables and payables relating to the grants at the estimated amount it expects to receive or pay. These amounts could change by a material amount once settled.

12. Net Assets With Donor Restrictions

The following is a summary of the nature of restrictions on net assets with donor restrictions:

	<u>2022</u>	<u>2021</u>
<i>Purpose restrictions</i>		
Next great adventure	\$ 26,705	\$ 25,870
Camp scholarships	-	1,204
Holiday memories	2,968	3,462
Food Pantry	24,253	65,941
N. Braley Memorial Fund	2,616	2,616
Other	<u>23,560</u>	<u>16,480</u>
Total purpose restricted	<u>80,102</u>	<u>115,573</u>
<i>Perpetual duration restrictions</i>		
Duffy endowment	11,478	11,958
Bonnie Brooks endowment	<u>9,095</u>	<u>10,757</u>
Total perpetually restricted	<u>20,573</u>	<u>22,715</u>
Total net assets with donor restrictions	<u>\$ 100,675</u>	<u>\$ 138,288</u>

13. Leases

OHI leases buildings, office space, and equipment under the terms of operating leases expiring at various dates through 2024. Future minimum lease payments under these leases are as follows:

2023	\$ 30,889
2024	<u>18,131</u>
Total	<u>\$ 49,020</u>

Rent expense totaled \$113,209 and \$144,690 for the years ended June 30, 2022 and 2021, respectively.

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(With Comparative Totals for June 30, 2021)

14. Retirement Plan

OHI has established a Code Section 457(b) deferred compensation plan for the benefit of key employees with ten or more years of service. Payments made under the plan are discretionary as funding allows. Those employees eligible for the plan have the option to receive their allocated benefit in cash or have it invested in OHI's plan for future distribution.

OHI's deferred compensation expense was \$8,889 in 2022 and \$22,609 in 2021.

As of November 1, 2020, OHI participates in a defined contribution retirement plan offered through the Group Plan of the Maine Association for Community Service Providers, which is available to certain employees meeting eligibility requirements. OHI's contributions to the Plan are made at a discretionary percentage of gross wages and totaled \$69,382 in 2022, and \$58,400 in 2021. In 2022, the board approved a 2% match for the retirement plan with no minimum service requirements.

15. Service Provider Tax

The Maine Legislature enacted legislation that imposes a Service Provider Tax (SPT) on the "value" (i.e., sales price) of certain services provided in the State including Private Non-Medical Institutions services and certain clinical and outpatient services. Effective January 1, 2016, the SPT was increased to 6%. Providers are taxed based on revenue received for the purpose of providing food, shelter, and treatment. MaineCare is then reimbursing facilities for their portion of the tax by increasing their direct care per diem rate. The portion of the tax paid on revenue generated from private pay residents will not be funded by MaineCare.

Total SPT expense was \$856,480 in 2022 and \$839,733 in 2021.

16. Liquidity and Availability of Financial Assets

The following table reflects OHI's financial assets as of June 30 available to meet cash needs for general expenditures within one year, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date.

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 4,266,297	\$ 4,673,497
Accounts receivable	<u>1,896,772</u>	<u>1,587,968</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,163,069</u>	<u>\$ 6,261,465</u>

OHI strives to maintain financial assets to meet 120 days of operating expenses (approximately \$5,000,000), and maintain current assets less current liabilities at a minimum of 30 days of operating expenses. To help achieve these targets, OHI monitors cash flows monthly. As part of

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Notes to Financial Statements

June 30, 2022
(With Comparative Totals for June 30, 2021)

the liquidity plan OHI has a \$1,000,000 line of credit available to meet cash flow requirements as disclosed in Note 8, as well as a reducing revolver with an available balance of \$1,503,125 as of June 30, 2022 as disclosed in Note 9. In addition, included in assets whose use is limited are board designated investments that can be used for general expenditure if approved by the Board of Directors.

17. COVID-19 Considerations, Relief, and Uncertainty

During 2020, in response to the coronavirus disease (COVID-19) global pandemic, local, U.S., and world governments encouraged self-isolation to curtail the spread of COVID-19, by mandating the temporary shut-down of business in many sectors and imposing limitations on travel and the size and duration of group meetings. Most sectors have experienced disruption to business operations and may feel further impacts related to delayed government reimbursement, volatility in investment returns, and reduced philanthropic support. There continues to be uncertainty surrounding the potential economic ramifications and any government actions to mitigate them. While management expects this matter to have an impact on OHI's operating results, the full financial impact and duration cannot be reasonably determined at this time.

Provider Relief Funds

As a response to the COVID-19 outbreak, the U.S. government enacted relief legislation. Legislation was signed into law on March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), a statute to address the economic impact of the COVID-19 outbreak. The CARES Act, among other things, 1) authorized emergency loans to distressed businesses by establishing, and providing funding for forgivable bridge loans, 2) provided additional funding for grants and technical assistance, 3) delayed due dates for employer payroll taxes and estimated tax payments for organizations, and 4) revised provisions of the Internal Revenue Code, including those related to losses, charitable deductions, and business interest. The American Rescue Plan Act (ARPA) enacted into legislation during 2021, continued many of the programs started by the CARES Act by adding new phases, new allocations, and new guidance to address issues related to the continuation of the COVID-19 pandemic.

The CARES Act also established the Provider Relief Fund (PRF) to support healthcare providers in the battle against the COVID-19 outbreak. The PRF is being administered by the U.S. Department of Health and Human Services (HHS). OHI received PRF in the amount of \$58,255 and \$309,000 during the years ended June 30, 2022 and 2021, respectively. These funds are to be used for qualifying expenses and to cover lost revenues due to COVID-19. The PRF is recognized as income when qualifying expenditures have been incurred, lost revenues have been identified, or incentive payments earned based on HHS criteria. Management believes OHI met the conditions necessary to recognize \$367,255 during the year ended June 30, 2022, which is included in Provider Relief Funding in the statement of activities. Due to the complexity of the reporting requirements and continued issuance of clarifying guidance, there is at least a reasonable possibility the amount of revenue recognized may change by a material amount. Any difference between amounts previously estimated and amounts subsequently determined to be recoverable or payable will be included in income in the year that such amounts become known.

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June 30, 2022
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Paycheck Protection Program

During 2020, OHI qualified for and received a loan pursuant to the Paycheck Protection Program (PPP), a program implemented by the U.S. Small Business Administration (SBA) under the CARES Act, in the amount of \$2,414,500. The PPP provided funds to pay up to 24 weeks of payroll and other specified costs, and forgiveness of the loan is dependant upon compliance with this and other terms and conditions of the CARES Act. In June 2021, OHI received approval for forgiveness from the SBA and has recognized the forgiveness in the statement of activities for the year ended June 30, 2021. Forgiveness is subject to audit from the SBA for six years from the date of forgiveness.

American Rescue Plan Act Funds (ARPA)

In February 2022, OHI received \$1,466,223 from the State of Maine for the Home and Community Based Services (HCBS) Workforce Retention and Recruitment Initiative. At June 30, 2022, management believes OHI has met the conditions necessary to recognize \$1,300,245 of the HCBS Workforce Retention and Recruitment Initiative funds included in Home and Community Based Services Workforce Retention and Recruitment Initiative in the statement of activities. The remaining HCBS Workforce Retention and Recruitment Initiative funds of \$165,978 are included as estimated third-party payor settlements and deferred revenue in the statement of financial position at June 30, 2022. The Organization has until December 31, 2022 to expend the funds.

Supplementary RAMP Payments

In March 2022, the Department of Health and Human Services issued "ramp" payments to providers under Section 2, 17, 26, 28, and 65 to support providers' ability to pay their direct service workers at least 125% of Maine minimum wage. Payments were issued, and will continue to be issued from March 2022 through December 2022. OHI received \$157,866 which is included in other income in the statement of activities for the year ended June 30, 2022.

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Schedule of Expenditures of Department Agreements

Year Ended June 30, 2022

<u>Department Office</u>	<u>Agreement Number</u>	<u>Agreement Amount</u>	<u>Agreement Period</u>	<u>Agreement Service</u>	<u>Agreement Status</u>	<u>Federal Expenses</u>	<u>State Expenses</u>	<u>Total Department Expenses</u>
DHHS:								
OADS	ADS-21-5577A	\$ 109,068	7/1/20-6/30/22	Rental Subsidy	Final	\$ -	\$ 100,074	\$ 100,074
OSAMHS	MH3-22-824	10,980	7/1/21-6/30/22	Section 17-CI/CRS	Final	-	7,172	7,172
OSAMHS	MH3-22-307	78,508	7/1/21-6/30/23	Residential Treatment-Spend Down	Final	-	39,189	39,189
				Subtotal direct		\$ -	\$ 146,435	\$ 146,435
DHHS Indirect:								
N/A						-	-	-
DOT:								
N/A						-	-	-
TOTAL						\$ -	\$ 146,435	\$ 146,435

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Notes to Schedule of Expenditures of Department Agreements

Year Ended June 30, 2022

1. **Summary of Significant Accounting Policies**

Basis of Presentation

The accompanying schedule of expenditures of Department agreements (the Schedule) includes the Department agreement activity of OHI under programs of the Department for the year ended June 30, 2022. The information in the Schedule is presented in accordance with requirements of *Maine Uniform Accounting and Auditing Practices for Community Agencies* (MAAP). Because the Schedule presents only a selected portion of the operations of OHI, it is not intended to and does not present the financial position, changes in net assets, or cash flows of OHI.

Basis of Settlement

Grants which are cost settled include an estimated settlement of state funds based upon the available grant revenue and other revenue based upon allowable costs.

2. **Summary of Significant Accounting Policies for Department Agreement Expenditures**

Expenditures reported on the Schedule consist of direct and indirect costs which are recognized as incurred using the accrual method of accounting. Such expenditures are recognized following the cost principles contained in MAAP. Under those cost principles, certain types of expenditures are not allowable or are limited as to reimbursement.

3. **Other Disclosures**

Is your Agency required to have a federal Single Audit? _____ Yes X No