MAINE VETERANS' HOMES

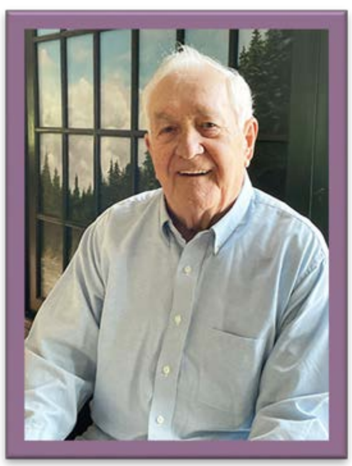
caring for those who served

ANNUAL REPORT TO VETERANS AND LEGAL AFFAIRS COMMITTEE

Sharon R. Fusco, CEO

MAINE VETERANS' HOMES, 460 CIVIC CENTER DRIVE, AUGUSTA, ME 04330

Contents



Note: Throughout this report we have sprinkled photos of our residents and a few of our staff so that you can see the faces of those we serve because they first served us. These individuals have kindly given us permission to use their photos.

February 14, 2023

The Honorable Craig Hickman
The Honorable Laura Supica
Co-Chairs, Joint Standing Committee on Veterans and Legal Affairs
c/o Legislative Information Office
100 State House Station
Augusta, ME 04333

RE: Maine Veterans' Homes - Annual Report to the Joint Standing Committee on Veterans and Legal Affairs

Dear Senator Hickman, Representative Supica, and Committee Members:

I am pleased to provide our 2022 Annual Report to the Veterans and Legal Affairs Committee. Per the requirements outlined in Title 37-B MRS§611, this report contains the following required information:

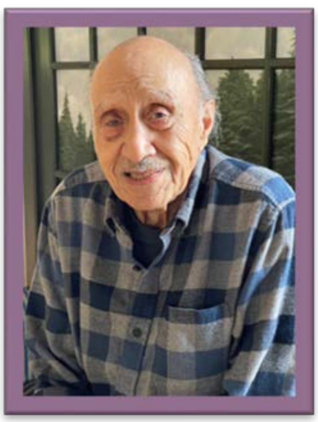
1. Copy of audited financial statements;
2. Statistics on members who resided in the homes during the year;
3. Any amendments to the rules regarding the administration of the homes made by the board since its last report on the administration of the homes;
4. Description of any efforts to seek funding as required under section 604, subsection 6; and,
5. Recommendations to the Governor and Legislature and information regarding such other matters as the board considers pertinent.

Highlights from 2022 include:

- MVH served a total of 691 veterans and 169 family members in fiscal year 2022.
- We grew our daily census (number of residents served) to 516 as of December 31, 2022. This represents 82.3% occupancy of the available beds across all homes.
- As of December 31, 2022, we employed more than 1050 employees, including full-time, part-time and per diem staff and had over 150 unfilled, full time positions.
- New leaders joined MVH, including three new board members, a new Chief Operating Officer in July and Chief Executive Officer in December.
- All of our homes scored in the top 15% of the nation across a 12-month average in all types of care, including skilled nursing facility, nursing facility, and assisted living care. As a result, we've earned the 2023 Pinnacle Customer Experience Award™.

- We opened our new Augusta facility on March 22, 2022 which represents the next generation of care, utilizing the 'small house model' now required by the VA.

In the reports referenced above, you will learn that MVH continues to provide unmatched, award-winning care to Maine's eligible veterans and family members but is facing significant financial headwinds. These resulted in a loss of $16.4MM in FY2022. These losses are being driven by unprecedented inflation, particularly in wages, benefits, and cost of temporary staffing; significant revenue loss and increased expenses due to the COVID-19 pandemic; and slow recovery driven by workforce shortages. During my onboarding and initial assessment of the organization that began on December 5, 2022, it became clear that these issues are not new; rather they are systemic issues that have reached a critical point and require immediate attention. These issues are the root cause of nursing home closures across Maine and it is very likely more will be announced this year.



In the current fiscal year, we have increased the number of residents in our homes but are not yet at pre-pandemic levels because of the workforce shortage. As such, there is a sense of urgency to find long-term, viable workforce and financial solutions. While these issues are felt across the entire nursing home industry, they are amplified for state veterans' homes which have additional and unique state and federal requirements as noted in the Stakeholder Group research conducted by BerryDunn. We have outlined these additional costs and revenue restrictions in this report to add context to the recommendations found in *Section 5, Recommendations to the Governor and Legislature, Financial Request.*

While we are very proud to have opened a new home in Augusta during the last fiscal year, the VA required that all new construction at the time conform to the "small house" model of care. The small house model design's overall goal is to achieve better quality of care and quality life for residents. It is a person-centered design in which there are small, self-contained "homes" that are clustered together. Each home has its own kitchen, laundry and staff. This model is based on providing the next generation of nursing home care but is considerably more expensive to operate because of the physical layout of the facility and additional staffing requirements. The inflationary pressures noted have added a sense of urgency to our recommended actions.

I call your attention to the fact that the recommendations from the MVH Board to the Governor and Legislature outlined in this report draw heavily upon the findings and recommendations of the Stakeholder Group which was formed via LD2001. Tammy Brunetti from Berry Dunn and Don Lagace, MVH's Board of Trustees President, are scheduled to report these findings to this committee later this month. The research shared with the stakeholders in the meetings clearly stated:

- Veterans are receiving exceptional care.
- Stakeholders want MVH homes in their local communities.

- The State of Maine is receiving tremendous value from MVH. MVH costs of care were found to be significantly less than the US averages for state veteran's homes, roughly $300 less per resident per day.
- While census data show Maine has a significant higher number of beds per veteran than comparative states, the stakeholder group recommendations support keeping all six locations open.
- The total gap between the cost of care and reimbursements is $15MM.

As detailed in Section 5, the MVH Board of Trustees has agreed to all of the recommendations and to take appropriate action as recommended. Among these are a request to the State to provide funding to MVH that covers the gap between Medicaid allowable cost and the actual cost of care which is inclusive of the additional costs born by MVH to operate a home designated solely for eligible veterans and their families. ***Our request to the State is a total of $3,411,557 which is an additional $2,645,927 more than is proposed in the Governor's 2023 budget.*** With this additional funding, MVH can leverage state, federal and VA funding to cover the entire $15MM gap.

In Section 5, we have also provided background information under the subsection titled, "*The Makings of the Current Crisis: How did we get here and why do we need to act now?"* This information is designed to help the committee understand how the financial crisis developed and the need for immediate action.

As you read this report, you will learn that ***because MVH exists, the State is saving over $12.3MM per year.*** Last year, 23% of residents met the 70% disability threshold, qualifying them for benefits under the VA which pay a "prevailing rate". This benefit keeps residents off MaineCare (Medicaid) and helps them avoid spending down their assets to receive care. MVH was a driving force in advocating for this benefit from the VA. What an unbelievable value this is to veterans, their families and the State!

As the new CEO, a newcomer to Maine, and the wife of a veteran, I am grateful to the committee for your interest in ensuring those who served have access to the highest quality care possible. There is no doubt: Maine leads the way for other states to follow and offers an amazing system of care. I look forward to continuing that tradition and taking MVH to the next level of success. Doing so while meeting the desires of the State and its constituents will require funding the homes at a sustainable level. Failure to act quickly will result in dismantling a system of care that is unparalleled nationally. I am eager to work with the State to save this system of care so Maine can continue to proudly say, "We serve those who served."

Sincerely,

Sharon R Fusco

Sharon Fusco
Chief Executive Officer

Audited Financials[1,2]

This audit is currently in draft form and MVH will send the final audit upon receipt, which we expect to be ready no later than March 15, 2023. As this draft audit shows, there were no material findings for FY2022. This audit also highlights the financial impact of the pandemic on MVH, as well as the challenges the organization currently faces the organization brought on by the workforce shortage and inflation. The following are highlights from the report.

Financial Performance

Total Revenues for FY2022 were $77.2MM, an increase of $7.8 million over FY2021. The increase is primarily attributed to an increase in resident days in FY2022 compared to FY2021 and the receipt of Medicaid supplemental payments in FY 2022. Overall, net operating revenues from resident services increased by $10.8MM in FY 2022.

Total expenses for FY2022 were $93.5MM.
Operating expenses increased by 6.7% from June 30, 2021 to June 30, 2022. This increase was due primarily to increases in salaries and contract labor used to offset staffing shortages brought on by the pandemic.

Balance Sheet

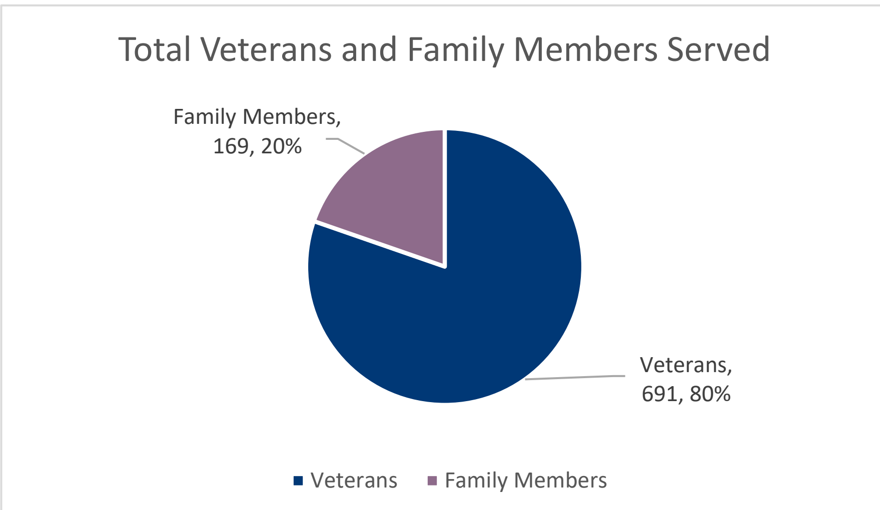
The net position as of June 30, 2022 was $142.3MM. Total Assets were $189.2MM. Total Liabilities were $32.4MM. The net change in MVH's total assets from FY2021 to FY2022 was a decrease of $20.7MM due primarily to decreases in cash and assets whose use is limited which is a direct result of the market activity during the year.

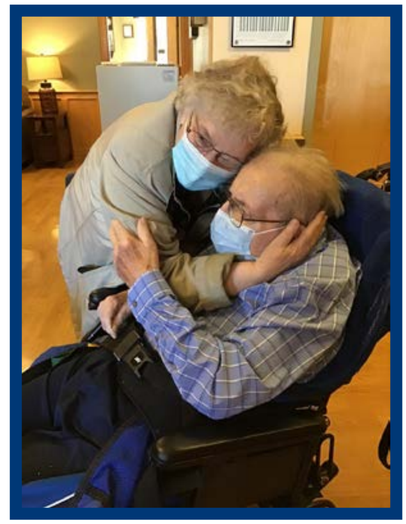
[1] MVH operates on a July to June fiscal year. In order to provide the most recent information, census and demographic data may be offered on a calendar year basis. We have noted this in the report where it occurs.
[2] The Draft Audit Report is attached to this report in a separate file.

1. Resident Statistics[3]

Key statistics for CY2022 (calendar year) across all Maine Veterans' Homes include:

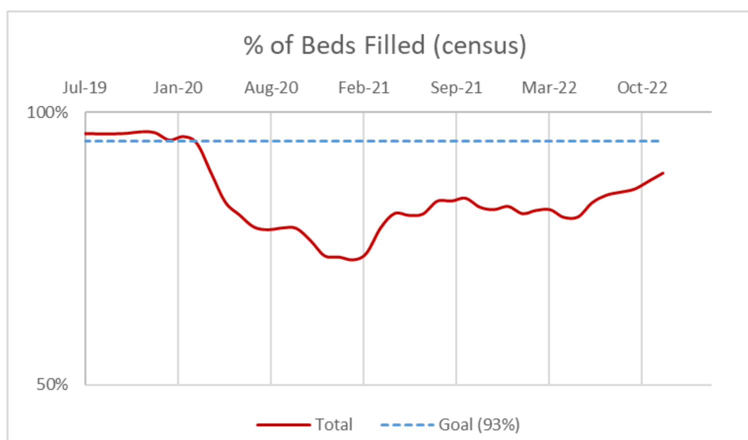
- **860 total clients served** – an unduplicated number of clients served from January 1 to December 31, 2022. Of these, 691 were veterans and 169 were family members.





- **82% average occupancy rate** – the number of people living in the facilities divided by the number of beds available in the facility. From January 1 to December 31, 2022, the rate grew from 78% to 86%. Our goal is to reach pre-pandemic levels of 93%[4].

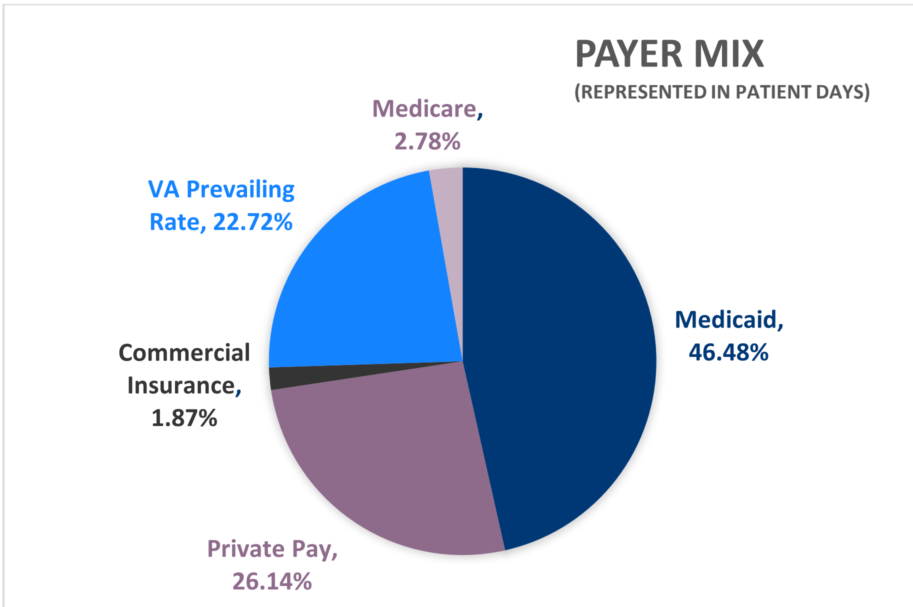
In 2022, emphasis was placed on growing the number of clients served and increasing our daily bed occupancy rates, or census, to an average of 93%, which is consistent with pre-pandemic levels. As noted, we were successful in raising our occupancy rate from 78% to 86%. Our ability to increase our census is directly related to the number of staff as regulations dictate minimum required staffing



[3] Resident statistics are provided on a calendar year basis.
[4] All nursing homes experienced significant reductions in resident population during the pandemic and rebuilding our census has been a top priority. This effort has been challenging because of the workforce shortage. Without adequate staffing, we are unable to fill all of the available beds.

levels. The workforce shortage has impacted nursing home care especially hard, thereby slowing our efforts to reach maximum census levels.

MVH services are paid for by five distinct payers: Medicaid, Medicare, VA, private pay, and commercial insurance. The overall breakdown of the payment source is shown in the pie chart below.



For those residents whose care is covered by the "VA Prevailing Rate" (roughly 23% of clients), it is important to note that:

- The prevailing rate is slightly more than the Medicaid rate and significantly less than the Medicare rate.
- Residents eligible for this program do not receive the VA stipend that all other residents receive.
- Residents eligible for this program cannot use any other payer source including Medicare, Medicaid, private pay, or insurance.
- Applies to approximately 23% of our residents who have a service-connected disability and meet the minimum threshold of 70% disabled.

MVH receives a stipend in addition to the above for residents who do not receive VA prevailing rate funding (applies to roughly 77% of residents). This stipend helps cover the gap between the cost of care and the reimbursement rates.

MVH provides assisted living (residential care), long term care, short term skilled nursing care, rehabilitation and therapy, dementia and memory care, and respite care. Beds are classified in two types: nursing or residential. The following chart shows the number of beds in each home location and the average occupancy data as of December 31, 2022:

Table 1: Resident Statistics by Home

Location	Type of Care	Beds Available	Average Census	Occupancy
MVH Total	Nursing	450	363	80.7%
	Residential	178	154	86.4%
	Total	**628**	**517**	**82.3%**
Augusta	Nursing	108	85	79.1%
	Residential	30	28	94.4%
	Total	**138**	**114**	**82.5%**
Bangor	Nursing	120	85	70.5%
	Residential	30	27	91.4%
	Total	**150**	**112**	**74.7%**
Caribou	Nursing	40	33	83.3%
	Residential	30	23	76.1%
	Total	**70**	**56**	**80.2%**
Machias	Nursing	NA	NA	NA
	Residential	30	26	86.6%
	Total	**30**	**26**	**86.6%**
Scarborough	Nursing	120	105	87.4%
	Residential	30	29	97.9%
	Total	**150**	**134**	**89.5%**
South Paris	Nursing	62	55	88.5%
	Residential	28	20	70.7%
	Total	**90**	**75**	**83.0%**

In addition, there were some significant successes for MVH in 2022. These include:

- **Over 1050 people were employed in full, part-time, and per diem roles as of December 31, 2022**. At the same time, MVH had 159 vacancies and over 30 people employed through temporary staffing agencies.
- MVH collaborated with Maine Adult and Community Education to implement a Certified Nurse Assistant training course to address the workforce shortage. This program benefits not only MVH, but the entire nursing home industry in Maine as graduates are employed across the system.
- **Customer experience in all MVH homes scored in the top 15% of the nation across a 12-month average**. As a result, MVH has earned the 2023 Pinnacle Customer Experience Award™.
- **Two MVH Nursing Home Administrators, Brad Peck (South Paris) and Melissa Graham (Caribou) were selected as nominees for the Eli Pick Award through the American College of Healthcare Administrators.** Eligibility for this prestigious nomination has very high standards including very high quality scores, occupancy rates above 70%,

and no significant survey findings for health, fire safety, and complaints in the past three years. Only the best of the best can be nominated and only 2% of facilities nationwide qualify.

Quality of care is a hallmark of MVH services. To achieve this, MVH has an extensive quality and compliance program which has resulted in three Gold Star Baldrige Awards (Bangor, Machias, and Scarborough) and one Silver Star Award (South Paris). Since 2004, there have only been 43 nursing homes in the United States to achieve the Gold Star rating. MVH's interdisciplinary Quality Assurance and Performance Improvement Committee monitors full range of quality indicators. As warranted, the committee also initiates action plans to sustain or improve quality. A few key successes in 2022 include:

- MVH has sustained excellent performance in preventing and reducing the number of facility acquired pressure ulcers. MVH scores are well under the goal of under 6%, with scores ranging from zero to 3.08%. With focused effort, we saw a dramatic decrease in July and sustained the reduction to end the year with an average of 1.82%.

- Our resident satisfaction surveys show MVH consistently ranks very high family recommendation to others, exceeding best in class. In 2022, we surpassed our goal every month.

3. Amendments to Rules

The only administrative rule changes in calendar year 2022 were those rule changes contained in LD2001 passed by the legislature.

4. Requests for Funding in Calendar Year 2022

The following table outlines the requests for funding which have been made and the outcome of those requests.

Table 2: Requests for Funding in Calendar Year 2022

From	Amount	For	Disposition
State Budget	$765,630 (which draws ~$1.5MM Federal Match)	Operating Expenses	Included in the Governor's budget, awaiting appropriations
Federal Budget	$3.0MM	Specifics for the award have not been issued. We submitted capital projects in all six homes to the federal delegation for the FY2023 federal budget.	Approved
VA	$3.9MM	Capital Expenses (HVAC replacement in Bangor, Scarborough, and South Paris)	Approved

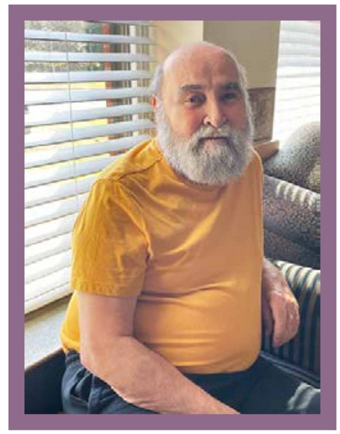
MVH is grateful to the Governor for inclusion in this year's budget and for those who supported the earmark in the federal budget.

5. Recommendations to the Governor and Legislature

As required by LD 2001, MVH's Board of Trustees is being scheduled to present the findings and recommendations of the Stakeholders Group to this committee. Below is a synopsis of the group's recommendations along with additional sub-proposals or comments by MVH for each recommendation.

LD2001 Stakeholder Group Recommendations

Purpose: In an effort to continue and enhance our focus on veterans in Maine Veterans' Homes and across the state, we have created the following list of shared principles/recommendations that makes financial sense for the sustainability of the organization and meets a 'do no harm' financial criteria:



1. *Keep the current non-profit model versus a state-owned or operated Veterans' Homes*
2. *Suggest the legislature examine financing options used in other states, as described in the report to ensure MVH financial sustainability*
3. *Maintain quality of care*
4. *Remain open in current geographic locations*
5. *Diversify services to support a continuum of care for Veterans*
6. *Develop shared staff relationship and recruitment strategies to address workforce challenges*

MVH Recommendations to the Governor and Legislature

1) Keep the current non-profit model versus a state-owned or operated Veterans' Homes

Recommendation: MVH Board supports this recommendation.

2) Suggest that the legislature examine financing options used in other states, as described in the report to ensure MVH financial sustainability

Recommendation: Provide financial support to MVH that covers the gap between the cost of care and the reimbursement rate. (See Financial Request section below for details.) Tie the rate to an inflation index so that annual adjustments can be made to provide a long-term, viable solution. Provide the funding in such a way that it can draw federal match.

Note: MVH is prepared to work with the Department of Health and Human Services to identify the model of payment that works best (per resident per day or cost reimbursement).

3) Maintain quality of care

Note: MVH fully intends to continue offering the same level of quality care we have offered in the past. MVH has invested in the staff resources and infrastructure required to maintain high quality care. With unprecedented wage inflation and labor shortages, the cost of providing high quality care has significantly increased. The cost of quality is imbedded in our calculation noted the Financial Request section of this report.

4) ***Remain open in current geographic locations***
Note: MVH Board commits to remaining open as long as the demand is present and the labor force is available. Financial support from the State is required to make all homes within the MVH system of care sustainable as noted in recommendations #2 and #3.

5) ***Diversify services to support a continuum of care for Veterans***
Note: MVH Board commits to exploring other business lines within the scope of our mission to serve veterans that will diversify revenue streams. Examples include exploring outpatient therapies, expanding pharmacy services, and exploring other types of services needed by veterans and their families as they age.
    - This is a longer-term solution that can take 12-36 months to show net gains from idea generation to break-even status.
    - Revenue diversification also requires investment to cover the costs of start-up. MVH does not have ready access to funds for this type of investment.
    - MVH faces some restrictions and barriers from the Veteran's Administration that other facilities do not face.
    - Given the extreme urgency of our current revenue shortfalls, increasing costs and limited investment reserves, our priority is to stabilize current funding and employ strategies to control costs while maintaining quality.

6) ***Develop shared staff relationship and recruitment strategies to address workforce challenges***
Note: MVH is prepared to engage with the State on strategies to address workforce challenges. In addition, MVH will develop and execute an internal strategy that supports the State's efforts. An excellent example of this is our work with Maine Adult and Community Education Program to implement a Certified Nursing Assistant training program.

Financial Request

Cost of Sustainability

MVH is requesting a total of $3,411,557 in state funding which can be matched with federal funds equal to approximately $6,968,425 to close the real gap of $10,379,985. At an occupancy rate of 93%, this is $16.18 per resident per day being funded by the State. This amount may be paid on a per resident rate basis or via a lump or cost reimbursement basis. We ask that the reimbursement be tied to an inflation factor to ensure MVH is here to serve the veteran population in perpetuity, as recommended by the Stakeholders Group.

Table 3: Overview of Financial Request

Proposed State Contribution in Governor's FY2024 Budget	$765,630
Additional State Funding Needed	$2,645,927
Total State Funding Requested by MVH	$3,411,557
Plus Federal Match	$6,968,425
Total Gap Filled	$10,379,982

It is worth noting that MVH is proposing an increase that is less than the reported gap by Berry Dunn and far less than the savings the State benefits from supporting the system of care MVH offers:

- On page 17 of the Berry Dunn Maine DHHS LD2001 Veterans' Homes Study, Table 5, Berry Dunn analyzed MVH's cost data for FY2021 relevant to MaineCare (Medicaid) allowable costs versus MaineCare revenue (or reimbursements). ***They identified the total gap between revenue and cost was $15.8M.*** The shortfall across all homes for nursing facility care totaled $10.3MM and $5.5 for domiciliary and assisted living care.

- As noted elsewhere, MVH saves the State an estimated $12.3MM annually. Last year, 23% of residents met the 70% disability threshold, qualifying them for benefits under the VA which pay a "prevailing rate" established by the VA. This benefit keeps residents off MaineCare (Medicaid) and helps them avoid spending down their assets to receive care. MVH was a driving force in advocating for this benefit from the VA.

- Nearly 77% of our residents receive a stipend. This stipend was not included in the Berry Dunn calculations and MVH uses it to cover the gap between reimbursements and costs. Hence, our calculation of $10.3MM above is what MVH is basing our funding recommendation upon.

Assumptions

Assumption 1: All allowable costs as defined by state regulations are included and these cover:

- ✓ Additional costs of operating a home designated for veterans' care, detailed below.
- ✓ Additional costs because we are a quasi-state entity, detailed below.

- ✓ All allowable costs related to providing the high quality care referenced in the stakeholder recommendations.
- ✓ The gap between allowable costs and reimbursement rates.

Assumption 2: MVH will continue to provide the same high quality care we provide today.

Assumption 3: The calculations above include all allowable costs for operating only one small home facility in the MVH system. This model is significantly more expensive to operate as explained below.

Assumption 4: MVH will be able to reach targeted census goals within eighteen months across all homes.

Assumption 5: MVH will be able to reduce reliance on temporary staffing agencies.

Assumption 6: Per resident per day uses a target occupancy rate of 93%.

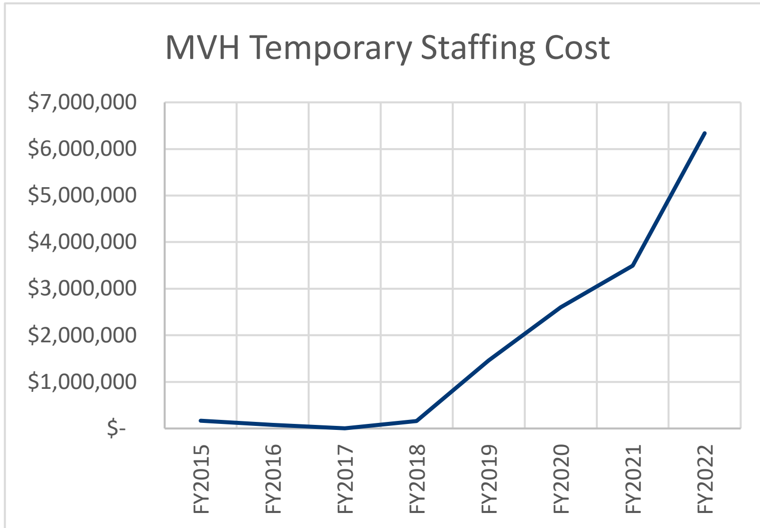
The Makings of the Current Crisis: How did we get here and why do we need to act now?

The current crisis has been in the making over several years. The pandemic both accelerated and worsened the problems identified below. The following represents a breakdown of the components of the current crisis. All costs depicted are from our FY2022 financials except where otherwise indicated.

1) **Growing Medicaid Reimbursement Gap – Cost: 10.3MM in FY2021**: Medicaid rates have not kept pace with the costs of providing care. While Maine does perform rate-rebasing, the actual rates comparative to the cost of care continue to lose ground. As noted in the cover letter, Berry Dunn reported in the Senior Living Industry Outlook on January 25, 2022 that the gap between the average cost of care in Maine and the Medicaid reimbursement rates increased to $36.95 per resident per day in 2021. In 2012, the gap was $17.33. It has more than doubled and continues to widen, despite bi-annual rebasing. Reasons for this widening gap include:
   a) Inflation is growing at rates not seen in decades and costs have dramatically increased.
   b) While the labor shortage has impacted nearly every industry, the impact is significantly larger in healthcare and even larger in nursing facilities as the pandemic drove people out of this industry. This shortage has led to:
      i) Wage inflation that is outpacing other expenses at a dramatic rate.
      ii) To combat labor shortages, we have had to resort to temporary staffing agencies. These agencies are charging exorbitant rates, sometimes as much as four to five times the hourly rate MVH pays staff. Per the Berry Dunn Maine DHHS LD2001 Veterans' Homes Study, page 4, average contract labor costs at state veterans' homes increased by approximately $34 per resident day from 2020 to 2021. In order to maintain

appropriate staffing ratios and ensure resident safety, MVH spent $6MM in FY2022 for temporary staffing and is projected to spend over $10MM in 2023.

This imposes not only an enormous financial burden but negatively impacts our ability to deliver high quality care and maintain a healthy work culture. While we are actively working to dramatically reduce temporary staffing, data show that Maine has lost a significant number of licensed medical staff. The people to fill vacant positions simply do not exist.



2) **VA Funding has Not Kept Pace with Inflation.** Similar to other reimbursement rates, the VA stipend for veterans with service connected disabilities has not kept pace with the cost of care as noted in the Berry Dunn Maine DHHS LD2001 Veterans' Homes Study, page 10. Annual increases have ranged from 2% to 3% which is significantly lower than inflation rates.

3) **Impact of Being a Quasi-Government Agency – Cost: $1.7MM per year.** MVH is required to participate in Maine-PERS. The required contribution has grown 10.2%, which is 3.7% higher than other nursing facilities contribute to social security. This represents $1.7MM in additional expense to the agency. It is expected to grow to 12%. Current cost to withdraw from Maine-PERS is $15.3MM, making withdrawal financially challenging. Previous requests to withdraw were also denied. Participation in Maine-PERS also negatively impacts recruiting as employees are required to pay 8.5%, versus 6.5%, reducing their take home pay. For front-line staff, this is a significant financial burden. Allowing MVH to exit Maine-PERS will save MVH $1.7MM yearly while boosting its ability to recruit and retain the best professionals in the industry.

4) **Costs Associated with Being a Veteran Designated Home – Cost: minimum $704K per year,** which are allowable under the State regulations, are higher than other nursing facilities and are absorbed by MVH. Examples are outlined in Table 4:

Table 4: Examples of Costs Specific to MVH as a Designated State Veterans' Home

Cost	Annual Estimate	What it means
Higher staff ratio requirements	$440K (assuming no temporary staffing)	VA requires RN on staff 24 hours a day, seven days a week. The state requires an RN on staff eight hours a day, seven days a week.
Lower reimbursements for residents admitted under the required VA 70% Program	$214K	Veterans who qualify for this payment program are required to use it to pay for services. Medicare Parts A and B cannot be used. The prevailing rate for these services is significantly less and MVH must also absorb the cost for provider services that otherwise would be covered by Medicare Parts A and B. As census grows, the annual loss will increase to over $500K (based on FY2018).
Lost revenue due to VA occupancy requirements for holding beds	$50K (FY2019)	The VA rules require a 90% occupancy before MVH can be paid for holding a bed for a prospective resident. Other nursing facilities do not have this requirement.
Lost revenue due to VA mandated eligibility requirements	Not Quantifiable	Lost admissions and revenue due to mandated veteran to family member ratios. Other nursing homes may admit any eligible person.
Larger physical plant requirements	Not Quantifiable	VA standard for resident space is nearly 50% larger than the state limit, increasing the costs associated with construction, maintenance, and housekeeping. VA requirement is 150 square feet versus state requirement of 100 square feet. This requirement is even higher for the small home concept as explained below.
More medically complex residents requiring more expensive care	Not Quantifiable	Differences in resident populations (over 80% male) which requires more attendants, additional lift and transport equipment. This population also has more complex medical conditions and comorbidities requiring a higher level of care. Most nursing homes serve predominantly female and experience fewer issues with conditions such as PTSD, substance abuse, and mental health issues more common in veterans.
Additional auditing and procedural expenses.	Not Quantifiable	The following expenses are not quantifiable but do impact our cost structure and are <u>NOT</u> requirements for other nursing facilities: 1. Additional extensive VA audits that duplicate state audits. 2. Additional fire marshal inspections. 3. Required credentialing of all medical directors, physicians, physician extenders, and contracted providers. 4. Sentinel events require extensive review, analysis and follow-up processes. 5. Adherence to Uniform Guidance 2CFR200 subpart F purchasing procedures, which are more arduous and will now require use of American made products. 6. Duplicative reporting in a separate, VA mandated, electronic health record for all admissions.
Total quantifiable difference	**$704K** (minimum)	This is a minimum based on the additional costs which are easily quantified. These costs are likely low due to the low census numbers in FY2022. MVH estimates the actual total cost of being a designated home for veterans to be in excess of $1 to $1.5MM annually.

5) **Construction and Capital Expenditures – Costs: varies by year.** MVH and the VA have paid for new construction and renovation costs – no state appropriations were used to fund construction, including construction of our newest property in Augusta.

6) **VA Required Small Home Concept – Costs: to be determined.** When MVH determined the need to replace the Augusta facility, the VA funding was limited to only small home concepts. While many requirements in this rule changed mid-construction, this is the preferred VA model. MVH made the decision to continue the project as significant investment had already been made in the project and it was determined to be the future of care. Operating this model of care is costly.
   a) Room sizes are significantly larger than state minimums. All rooms are private with minimum required 300 square feet for the bedroom and 100 square feet for the private bathroom.
   b) The facility layout requires more staff for direct care as well as for dietary, housekeeping and maintenance.

   MVH is still in the first year of operating and actual operating costs are still being analyzed. Projections indicate that we will not break even on a cash basis until the end of FY2024 (6/30/24). We anticipate the need to replace Scarborough and Bangor facilities in the next five years. In the past, the VA has covered 65% of capital expenditures and MVH has covered the remaining 35%, including the cost of our most recent Augusta home. However, the current financial crisis is quickly depleting our reserves for future new construction and major renovations of existing properties. The VA building and purchasing requirements for larger and more private rooms, and procuring American-made only products will make this significantly more expensive.

7) **Change in Payer Mix – Cost: Difficult to calculate.** Over time, we are seeing a dramatic shift in the payer mix which is negatively impacting our revenue. A reduction in admissions under Medicare Part A, combined with an increase in the prevalence of Medicare Advantage Plans, particularly in Maine, has shifted our payer mix. While this shift is difficult to quantify, it’s worthy to note that across Maine, there has been a 17% increase in Medicare Advantage enrollees. Medicare Advantage plans typically have shorter stays, higher resident turnover, more requirements for admission, and more re-certifications which increase cost to MVH.

8) **No incentives or additional reimbursement for quality**. Our quality infrastructure has received national recognition and is noted throughout the Berry Dunn Maine DHHS LD2001 Veterans’ Homes Study. Maintaining quality systems and structures at the level MVH provides requires significant oversight and expense including record keeping, data analysis, planning, and coordination of effort.

Summary

The simplest way to express the widening gap between reimbursement rates and the cost of providing high quality care is to refer to the Berry Dunn Maine DHHS LD2001 Veterans' Homes Study, Table 5, on page 17. The study evaluated MVH's cost data for FY2021 relevant to MaineCare (Medicaid) allowable costs versus MaineCare revenue (or reimbursements) on. ***The total gap was $15.8M.*** The shortfall across all homes for nursing facility care totaled $10.3MM and $5.5 for domiciliary and assisted living care. Hence, the sense of urgency to resolve this financial crisis cannot be overstated. ***Our recommendation to the State is to provide an additional $2,645,927 in funding, for a total state contribution of $3,411,557.*** This will allow us to draw down an additional $6,968,425 in federal match, thereby closing the $10.3MM gap referenced in Table 3 above. We also ask that this amount be tied to an annual inflation indicator to keep pace with inflation to ensure we can meet the stakeholder's recommendation to find a sustainable solution for years to come.

We must save this system of care so Maine can continue to proudly say, "We serve those who served."

BerryDunn

Maine Veterans' Homes

BASIC FINANCIAL STATEMENTS

and

SUPPLEMENTARY INFORMATION

June 30, 2022

With Independent Auditor's Report

MAINE VETERANS' HOMES

June 30, 2022

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BerryDunn

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Maine Veterans' Homes

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Maine Veterans' Homes (MVH), which comprise the statements of net position as of June 30, 2022, and the related statements of revenues, expenses, and changes in net position, 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 MVH as of June 30, 2022, and the changes in its financial position 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) and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 MVH 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2022, MVH adopted Governmental Accounting Standards Board Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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 MVH's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 MVH'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 MVH'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.

Board of Trustees
Maine Veterans' Home

Required Supplementary Information

U.S. GAAP require the Management's Discussion and Analysis on Pages 4 through 11 and the Required Supplementary Information on Pages 44 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Summarized Comparative Information

We have previously audited MVH's 2021 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 25, 2021. In our opinion, the summarized comparative information presented 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated REPORT DATE on our consideration of MVH's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Maine Veterans' Homes' internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MVH's internal control over financial reporting and compliance.

Portland, Maine
REPORT DATE

MAINE VETERANS' HOMES

Management's Discussion and Analysis (Unaudited)

June 30, 2022

This discussion and analysis of the Maine Veterans' Homes' (MVH) performance provides an analytical overview of its financial activities for the fiscal year ended June 30, 2022. Please read it in conjunction with the attached financial statements.

USING THIS ANNUAL REPORT

This annual report consists of four parts:

- Management's Discussion and Analysis (MD&A) (this section): This section provides an analytical overview of the MVH's financial activities as of and for the year ended June 30, 2022.

- Basic Financial Statements: This section includes the following:

  ⇒ *Statement of Net Position*: Shows the financial status of MVH at June 30, 2022, including a listing of all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

  ⇒ *Statement of Revenues, Expenses, and Changes in Net Position*: Provides information on financial activity of MVH during the fiscal year and the resulting surpluses or deficits; also shows the resultant changes in the net position.

  ⇒ *Statement of Cash Flows*: Shows a categorical listing of MVH's flow of cash during the fiscal year.

- Notes to Basic Financial Statements: These notes explain some of the information in the financial statements and provide more detailed data.

- Required Supplementary Information: This section includes the following:

  ⇒ *Schedule of MVH's Proportionate Share of the Net Pension (Asset) Liability:* Shows MVH's share of the Participating Local District (PLD) Consolidated Plan (the Plan) net pension (asset) liability with the Maine Public Employment Retirement System (MePERS).

  ⇒ *Schedule of MVH Contributions:* Shows the trend of MVH contributions to the Plan as a percent of covered payroll.

  ⇒ *Schedule of MVH's Proportionate Share of the Post-Employment Benefits Other than Pensions (OPEB) Liability and Related Ratios (Retiree Group Life Insurance Plan)*

  ⇒ *Schedule of Changes in OPEB Liability and Related Ratios:* Shows changes in total OPEB liabilities and trends and total OPEB liabilities as a percent of covered payroll for the Retiree Welfare Plan.

Statement of Net Position

Comparison of 2022 to 2021

	June 30, 2022	June 30, 2021
Total current assets	**$ 11,102,752**	$ 25,464,175
Assets whose use is limited, net of amount required for current liabilities	**28,576,438**	34,867,530
Net property, plant and equipment	**144,650,605**	146,626,458
Total other assets	**4,821,461**	2,955,765
Total assets	**$ 189,151,256**	$ 209,913,928
Total deferred outflows of resources	**$ 12,572,615**	$ 7,613,263
Total current liabilities	**$ 11,053,146**	$ 14,983,859
Long-term debt and capital lease obligations, excluding current portion	**20,628,583**	18,102,122
Net other postemployment benefit obligations	**767,355**	848,798
Net pension liability	**-**	24,253,567
Total liabilities	**$ 32,449,084**	$ 58,188,346
Total deferred inflows of resources	**26,949,786**	1,065,549
Total net position	**$ 142,325,001**	$ 158,273,296

MVH's total assets decreased by approximately $20,763,000 due primarily to decreases in cash and assets whose use is limited, which is a direct result of the market activity during the year.

Current assets decreased primarily due to decreases in cash and stimulus receivable, as there was more stimulus funding in prior years associated with the COVID-19 pandemic. Resident accounts receivable, net of allowance for doubtful accounts, which is included in total current assets, decreased approximately $69,000.

The allowance for doubtful accounts of $898,000 at June 30, 2022 reflects certain account balances that may be uncollectible, and increased by $333,000 from the June 30, 2021 balance.

Net property, plant and equipment decreased from approximately $146,626,000 to $144,651,000, a decrease of $1,975,000, or 1.3%, during the year ended June 30, 2022. MVH recorded new assets of approximately $4,129,000 (not including the transfer of construction in progress and current year construction in progress additions that total approximately $86,739,000), disposed of assets with a net book value totaling approximately $1,525,000, and recognized depreciation of capital assets totaling approximately $5,686,000.

During FY 2016, MVH began planning for a replacement facility in Augusta. Planning for the Augusta replacement facility continued in FY 2018 and included filing a Certificate of Need (CON) with the State of Maine in February 2018. The CON was approved by the State of Maine in August 2018. The project was completed in FY 2022 and residents moved into the new facility on March 22, 2022.

The deferred outflows of resources and deferred inflows of resources related to the pension plan as of June 30, 2022 and 2021 were recorded in connection with Governmental Accounting Standards Board (GASB) Statements Nos. 68 and 71. Deferred outflows of resources related to the pension plan increased approximately $4,959,000 primarily due to change in assumptions used to value the pension plan. Deferred inflows of resources related to the pension plan increased approximately $25,884,000 primarily due to changes the net difference between projected and actual earnings on pension plan investments. These items are further discussed in Note 15 to the financial statements.

Total liabilities decreased from June 30, 2021 to June 30, 2022 by approximately $25,740,000, or 44.0%. The major changes in liabilities relate to the net pension liability. Under GASB No. 68, cost sharing governments, such as MVH, are required to report a net pension asset or liability, pension expense and pension-related deferred inflows and outflows of resources based on their proportionate share of the collective amounts of all governmental entity participants in the plan. The net pension liability at June 30, 2021 was approximately $24,254,000 and at June 30, 2022 became a net pension asset of approximately $1,881,000. Current liabilities decreased primarily due to a decrease in accounts payable of $3,102,000 or 38.5% due to a decrease in the retainage amount owed to the construction manager related to the Augusta replacement facility construction project. Long-term debt also increased by $2,526,000 due primarily to an additional draw on the construction loan for the Augusta replacement facility of approximately $2,700,000, net of principal payments on existing debt.

Net position decreased by $15,948,000 or -10% from June 30, 2021 to June 30, 2022. There are three categories of net position, as follows:

	June 30, 2022	June 30, 2021
Net investment in capital assets	**$ 123,867,000**	$ 128,236,000
Unrestricted	**18,162,000**	29,785,000
Restricted – expendable	**296,000**	252,000
Total	**$ 142,325,000**	$ 158,273,000

Net investment in capital assets includes capital assets (e.g., land, buildings, equipment, vehicles, etc.) reduced by outstanding balances of any bonds, notes, or other borrowings that are attributable to these assets. Restricted/expendable net assets represent restricted gifts donated to MVH that remain unspent at fiscal year-end.

The decrease in unrestricted net position from June 30, 2021 to June 30, 2022 includes the loss on investments, which was a decrease of $12,159,000 from the June 31, 2021 investment results. Also, VA capital grants recognized in FY 2022 amounted to $95,000 compared to $16,766,000 in VA capital grants in FY 2021.

Revenues

Total revenues for the year ended June 30, 2022 were approximately $78,517,000, a decrease from the year ended June 30, 2021 of $25,667,000, or 24.6%. Revenues are divided into two categories: operating revenues and non-operating revenues. Each category is sub-divided as follows:

	FY 2022	FY 2021
Operating		
Net resident service revenue	**$ 64,345,000**	$ 53,520,000
Net V.A. stipend revenue	**6,364,000**	7,807,000
Net pharmacy revenue	**7,535,000**	7,423,000
Loss on disposal of property, plant and equipment	**(1,475,000)**	-
Other	**439,000**	658,000
Subtotal	**77,208,000**	69,408,000
Non-Operating		
Contribution revenue	**335,000**	377,000
COVID-19 federal relief grant revenue	**5,669,000**	10,170,000
Investment (loss)/gain	**(5,562,000)**	6,597,000
Interest and dividend income, net of fees	**772,000**	866,000
V.A. construction grant revenue	**95,000**	16,766,000
Subtotal	**1,309,000**	34,776,000
Total	**$ 78,517,000**	104,184,000

Operating revenues increased by approximately $7,801,000 or 11.2% from June 30, 2021 to June 30, 2022. Net resident service revenue increased by approximately $10,825,000 or 20.2% from June 30, 2021 to June 30, 2022. This increase was due to an increase in resident days in FY 2022 compared to FY 2021, as well as payments under the State of Maine Medicaid Supplemental Payment Program in the amount of approximately $7,500,000. The pandemic forced long term care facilities, including MVH, to limit admissions to prevent the spread of COVID-19. This caused census to decline dramatically in FY 2021. Census has been slow to recover due to ongoing staffing shortages. COVID-19 stimulus funds from MaineCare and Medicare $12,932,000 were received in FY 2022 which helped offset a portion of the lost revenue and increased costs incurred related to the COVID-19 pandemic.

Net V.A. stipend revenue decreased in FY 2022 by approximately $1,443,000, or 18.4%, primarily due to a drop in resident days from MaineCare and Medicare nursing facility residents.

Net pharmacy revenue increased by $112,000 or 1.5% from June 30, 2021 to June 30, 2022. Pharmacy script volumes increased slightly associated with the increase in census and resident days at MVH facilities. External pharmacy clients experienced a slight decrease in pharmacy script volumes in FY 2022 compared to FY 2021.

Non-operating revenues decreased $33,467,000 from June 30, 2021 to June 30, 2022. VA construction grant revenue of $16,776,000 was included in FY 2021 associated with the construction of the new Augusta facility. VA construction grant revenue declined to $95,000 in FY 2022. Also, MVH incurred investment losses of $5,562,000 in FY 2022 compared to investment gains of $6,597,000 in FY 2021, which contributed to the large decrease in non-operating revenue.

Expenses

Total expenses increased from $88,132,000 to $94,466,000 from June 30, 2021 to June 30, 2022, an increase of $6,334,000. Comparison with prior year expense activity is as follows:

	FY 2022	FY 2021
Operating expenses	**$ 93,593,000**	$ 87,710,000
Non-operating expenses	**873,000**	422,000
Total	**$ 94,466,000**	$ 88,132,000

Operating expenses increased by 6.7% from June 30, 2021 to June 30, 2022. This increase was due primarily to increases in salaries and contract labor used to offset staffing shortages brought on by the pandemic. Costs incurred for COVID-19 testing of residents and employees continued to be a large expense at June 30, 2022.

Salaries increased approximately $5,345,000 or 12.8% from June 30, 2021 to June 30, 2022. MVH provided a wage increase early in FY 2022 to all staff. MVH also incurred high compensation costs associated with COVID pay during outbreaks and paying high incentive rates for staff to pick up work shifts. Pharmacy cost of goods increased $251,000 or 6.2% from June 30, 2021 to June 30, 2022. The increase is associated, in part, with the increase in resident days for MVH facilities.

Non-operating expenses increased by $451,000 from June 30, 2021 to June 30, 2022. In FY 2022, MVH withdrew the remainder of the debt incurred to build the new Augusta facility which caused an increase in interest expense of $650,000 during the year ended June 30, 2022.

Statement of Cash Flows

The statement of cash flows reports MVH's sources and uses of cash. The four categories considered are operating, capital and related financing, noncapital financing, and investing activities. Cash at the beginning of FY 2022 was $12,142,000 and was $2,302,000 at the end of FY 2022. This represents a net decrease in cash of $9,840,000. The net decrease in cash from FY 2021 to FY 2022 is primarily due to cash used by operating activities and by capital and related financing activities exceeding cash provided by noncapital financing activities, and investment activities.

For the year ended June 30, 2022, net cash used by operating activities was approximately $12.4 million, an increase of approximately $830,000 from FY 2021.

Net cash used by capital and related financing activities was approximately $8.9 million for FY 2022 which represents a decrease from FY 2021 of approximately $13.9 million. This is mostly due to purchases of property, plant, and equipment of $11.5 million and interest paid on long-term debt of $719,000, offset by proceeds from long-term debt and draw from funded depreciation.

Net cash provided by noncapital financing activities for FY 2022 was $10 million primarily due to cash received from COVID-19 federal relief grants.

Net cash provided from investing activities in FY 2022 only consists of interest income from investing activities and remained relatively consistent with FY 2021.

FINANCIAL ACTIVITY – BUDGET VS. ACTUAL

The total deficit of $15,948,000 for the year ended June 30, 2022 was more than the budgeted deficit of $10,825,000 by $5,123,000 or 47%. The negative variance from budget was due primarily to the increased operating loss. Losses on the investment portfolio in FY 2022 totaled $5.6 million, which fell below the budgeted amount by $6.6 million. The loss from operations of $16.4 million fell below budget by $2.1 million. The loss from operations was caused in large part to the COVID-19 pandemic: lost revenue due to low census, high costs for contract labor to offset staffing shortages, high costs for COVID supplies and testing. The loss from operations was partially offset by unbudgeted COVID stimulus funds which totaled $12.9 million in FY 2022.

Net V.A. stipend revenues of $6,364,000 accounted for 8.2% of operating revenues and 8.0% of total revenues for the year ended June 30, 2022. MVH is restricted by state statute in its use of these revenues, primarily for the payment of its long-term and other debt and funding for future capital acquisitions (funded depreciation). Consequently, MVH measures its financial performance by excluding this revenue source and any V.A. construction grant revenues received during the year.

Excluding the V.A. stipend revenues and V.A. construction grant revenues, the financial performance of MVH was as follows:

	Actual Surplus/(Deficit)	Budgeted Surplus/(Deficit)	Difference
Total	$(22,407,000)	$(22,222,000)	$(185,000)

Resident Occupancy

The most recently available data indicates the occupancy rate in the state of Maine is 77.9% for nursing homes and 84.9% for residential care facilities. The occupancy rate for MVH for FY 2022 was 74.3% for its nursing home beds and 86.6% for its residential care beds. The combined rate for both levels of care was 78.4%. COVID-19 negatively impacted occupancy rates for nursing facilities and residential care facilities across Maine since the pandemic began in March 2020.

Payor Sources

Payor sources for all MVH facilities combined in FY 2022 were:

	Nursing Home	Residential Care
Private/Commercial	22.2%	23.6%
V.A.	22.0%	n/a
Medicaid	52.8%	76.4%
Medicare	3.0%	n/a

Next Year's Budget and Rates

A combined budgeted occupancy of 84.7% was approved for FY 2023. Admissions were budgeted to slowly improve each month in FY 2023 to recover from the pandemic, but not to pre-pandemic levels until early FY 2024.

The approved budget for FY 2023 forecasts an operating loss of $20,312,000 including budgeted V.A. stipend revenue of $8,694,000 which, as mentioned above, is limited in its use.

Budgeted operating expenses for FY 2023 are $105,130,000, including budgeted cost of sales of $5,651,000 for MVH's pharmacy. This is $11,537,000, or 12.3%, higher than FY 22 actual operating expenses of $93,593,000. This higher budgeted amount is attributed to an increase in wages and benefits, an increase in cost of sales associated with MVH's pharmacy operations due to expected census improvement as recovery from the pandemic continues, and a full year of increased depreciation expense associated with opening the new Augusta replacement facility.

Total FY 2023 budgeted operating revenues are $84,818,000. This is an increase of $7,610,000 from FY 2022 actual operating revenues of $77,208,000. Pharmacy revenue is budgeted to increase $1,827,000 in FY 2023 compared to the prior year actual amount associated with the increased resident census noted above. MVH recorded investment losses of $5.6 million in FY 2022 and budgeted $1.0 million for investment gains in FY 2023. MVH recorded a loss on disposal of property, plant and equipment of $1,475,000 in FY 2022 which was reflected as a reduction to operating revenues. Neither a gain nor loss on disposal was budgeted for FY 2023. Finally, the average daily census budgeted for FY 2023 is 532.0

compared to the actual daily census for FY 2022 of 497.5. This is estimated to impact net resident service revenue by $4.3 million.

The FY 2023 budget does not include the potential impact of GASB No. 68 as that amount cannot be reasonably estimated at this time.

The Augusta replacement facility opened in March 2022. MVH management has signed a contract with a realtor to list the old Augusta facility for sale. Management is in the process of negotiating with a potential buyer of the property.

Contacting the Maine Veterans' Homes Financial Management

This financial report is designed to provide the public with a general overview of MVH's finances and to demonstrate MVH's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact the MVH central office finance department, 460 Civic Center Drive, Augusta, ME 04330.

MAINE VETERANS' HOMES

Statement of Net Position

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

ASSETS AND DEFERRED OUTFLOWS

	Operating Fund	Restricted Fund	Eliminations	2022 Total	2021 Total
Current assets					
Cash	$ 2,301,604	$ -	$ -	$ 2,301,604	$ 12,141,642
Accounts receivable, net of allowance for doubtful accounts of $897,800 and $565,200 in 2022 and 2021, respectively	4,120,579	-	-	4,120,579	4,189,925
Pharmacy inventory	1,020,431	-	-	1,020,431	998,540
Employee receivables	83,368	-	-	83,368	64,158
Stimulus receivable	-	-	-	-	4,861,398
U.S. Department of Veteran Affairs (V.A.) stipend receivable	-	572,027	-	572,027	813,778
V.A. construction grant receivable	-	1,025,133	-	1,025,133	916,425
Prepaid expenses, supplies and other current assets	300,059	-	-	300,059	314,138
Assets whose use is limited	249,781	-	-	249,781	330,265
Due from other fund	1,300,759	-	(1,300,759)	-	-
Estimated third-party payor settlements	1,429,770	-	-	1,429,770	833,906
Total current assets	10,806,351	1,597,160	(1,300,759)	11,102,752	25,464,175
Assets whose use is limited, net of amount required for current liabilities	28,576,438	-	-	28,576,438	34,867,530
Property, plant and equipment	217,290,223	530,000	-	217,820,223	214,411,759
Less accumulated depreciation	(73,169,618)	-	-	(73,169,618)	(67,785,301)
Net property, plant and equipment	144,120,605	530,000	-	144,650,605	146,626,458
Other assets					
Computer software, net of amortization	3,256	-	-	3,256	18,150
Net pension asset	1,880,590	-	-	1,880,590	-
License rights	2,937,615	-	-	2,937,615	2,937,615
Total other assets	4,821,461	-	-	4,821,461	2,955,765
Total assets	$ 188,324,855	$ 2,127,160	$ (1,300,759)	$ 189,151,256	$ 209,913,928
Deferred outflows of resources	$ 12,572,615	$ -	$ -	$ 12,572,615	$ 7,613,263

DRAFT

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

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

	Operating Fund	Restricted Fund	Eliminations	2022 Total	2021 Total
Current liabilities					
Current portion of long-term debt and capital lease obligations	$ 154,877	$ -	$ -	$ 154,877	$ 288,257
Accounts payable	4,964,783	-	-	4,964,783	8,066,716
Accrued expenses and other current liabilities	594,145	-	-	594,145	206,221
Accrued payroll and related expenses	4,961,375	-	-	4,961,375	5,902,181
Resident funds held in trust	249,781	-	-	249,781	330,265
Refunds due to third-party payors	128,185	-	-	128,185	190,219
Due to other fund	-	1,300,759	(1,300,759)	-	-
Total current liabilities	11,053,146	1,300,759	(1,300,759)	11,053,146	14,983,859
Long-term debt and capital lease obligations, excluding current portion	20,628,583	-	-	20,628,583	18,102,122
Net other post-employment benefit obligation liabilities	767,355	-	-	767,355	848,798
Net pension liability	-	-	-	-	24,253,567
Total liabilities	$ 32,449,084	$ 1,300,759	$ (1,300,759)	$ 32,449,084	$ 58,188,346
Deferred inflows of resources	$ 26,949,786	$ -	$ -	$ 26,949,786	$ 1,065,549
Net position					
Net investment in capital assets	123,337,145	530,000	-	123,867,145	128,236,079
Unrestricted	18,161,455	-	-	18,161,455	29,784,763
Restricted – expendable	-	296,401	-	296,401	252,454
Total net position	$ 141,498,600	$ 826,401	$ -	$ 142,325,001	$ 158,273,296

MAINE VETERANS' HOMES

Statement of Revenues, Expenses, and Changes in Net Position

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

	Operating Fund	Restricted Fund	2022 Total	2021 Total
Operating revenues				
Net resident service revenue	$ 64,345,350	$ -	$ 64,345,350	$ 53,519,685
Net V.A. stipend revenue	-	6,364,063	6,364,063	7,806,538
Net pharmacy revenue	7,534,798	-	7,534,798	7,423,267
Meal, laundry and other revenue, net	438,970	-	438,970	658,413
Loss on sale and impairment of property, plant and equipment	(1,475,113)	-	(1,475,113)	-
Total operating revenues	70,844,005	6,364,063	77,208,068	69,407,903
Operating expenses				
Salaries	47,010,768	-	47,010,768	41,665,492
Benefits	7,776,519	-	7,776,519	13,192,359
Pharmacy – cost of sales	4,310,264	-	4,310,264	4,059,029
Purchased services	12,540,111	-	12,540,111	8,699,397
Supplies	4,923,341	-	4,923,341	5,741,766
Other	7,023,269	-	7,023,269	5,970,221
Bad debts	528,883	-	528,883	304,513
Depreciation and amortization	5,686,921	-	5,686,921	4,887,006
Health care provider tax	3,792,660	-	3,792,660	3,190,170
Total operating expenses	93,592,736	-	93,592,736	87,709,953
Operating (deficiency) excess of revenues over expenses	(22,748,731)	6,364,063	(16,384,668)	(18,302,049)
Nonoperating revenues and expenses				
Contribution revenue	145,039	190,032	335,071	337,102
COVID-19 relief grant revenue	5,669,973	-	5,669,973	10,170,143
Investment (loss) gain	(5,562,408)	-	(5,562,408)	6,596,686
Interest and dividend income, net of fees	771,744	-	771,744	866,348
Interest expense	(719,126)	-	(719,126)	(68,600)
Development expenses	(7,365)	-	(7,365)	(187,499)
Restricted expenses	-	(146,085)	(146,085)	(166,064)
V.A. construction grant revenue	-	94,569	94,569	16,765,865
Total nonoperating revenues and expenses	297,857	138,516	436,373	34,313,981
Total (deficiency) excess of revenues over expenses	(22,450,874)	6,502,579	(15,948,295)	16,011,932
Funding of depreciation and capital expenditures	6,458,632	(6,458,632)	-	-
Total (decrease) increase in net position	(15,992,242)	43,947	(15,948,295)	16,011,932
Net position, beginning of year	157,490,842	782,454	158,273,296	142,261,364
Net position, end of year	$ 141,498,600	$ 826,401	$ 142,325,001	$ 158,273,296

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

MAINE VETERANS' HOMES

Statement of Cash Flows

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

	Operating Fund	Restricted Fund	2022 Total	2021 Total
Cash flows from operating activities				
Cash received from V.A. stipend	$ -	$ 6,605,814	$ 6,605,814	$ 7,899,580
Cash received from other sources	7,865,943	-	7,865,943	7,980,947
Cash received from residents and third-party payors	63,328,718	-	63,328,718	53,345,013
Cash paid to employees	(47,970,784)	-	(47,970,784)	(41,822,716)
Cash paid to vendors	(42,237,227)	-	(42,237,227)	(38,980,578)
Net cash (used) provided by operating activities	(19,013,350)	6,605,814	(12,407,536)	(11,577,754)
Cash flows from capital and related financing activities				
Proceeds from long-term debt	2,668,316	-	2,668,316	11,572,071
Interest paid on long-term debt and capital lease obligation	(719,126)	-	(719,126)	(62,420)
Principal payments on capital lease obligations	(275,235)	-	(275,235)	(315,206)
Proceeds from V.A. construction grants	94,569	-	94,569	16,765,865
Additions to property, plant and equipment	(11,463,713)	-	(11,463,713)	(32,615,787)
Proceeds from sale of property, plant and equipment	157,975	-	157,975	38,585
Interfund transfers	6,541,053	(6,649,761)	(108,708)	2,683,040
Cash paid for development activities	(7,365)	-	(7,365)	(187,499)
Proceeds from draw from funded depreciation	1,500,000	-	1,500,000	8,000,000
Increase in funded depreciation and bond debt service	(771,316)	-	(771,316)	(866,098)
Net cash (used) provided by capital and related financing activities	(2,274,842)	(6,649,761)	(8,924,603)	5,012,551
Cash flows from noncapital financing activities				
Cash received from contributions	145,039	190,032	335,071	337,349
Cash received from COVID-19 federal relief grants	10,531,371	-	10,531,371	5,308,745
Cash paid for restricted expenses	-	(146,085)	(146,085)	(166,311)
Net cash provided by noncapital financing activities	10,676,410	43,947	10,720,357	5,479,783
Cash flows from investing activities				
Interest income from investing activities	771,744	-	771,744	866,348
Net cash provided by investing activities	771,744	-	771,744	866,348
Net decrease in cash	(9,840,038)	-	(9,840,038)	(219,072)
Cash, beginning of year	12,141,642	-	12,141,642	12,360,714
Cash, end of year	$ 2,301,604	$ -	$ 2,301,604	$ 12,141,642

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

MAINE VETERANS' HOMES

Statements of Cash Flows (Concluded)

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

	Operating Fund	**Restricted Fund**	**2022 Total**	2021 Total
Reconciliation of operating (deficiency) excess of revenues over expenses to net cash (used) provided by operating activities				
Operating (deficiency) excess of revenues over expenses	**$ (22,748,731)**	**$ 6,364,063**	**$(16,384,668)**	$ (18,302,049)
Adjustments to reconcile operating (deficiency) excess of revenues over expenses to net cash (used) provided by operating activities				
Depreciation and amortization	**5,686,921**	**-**	**5,686,921**	4,887,006
Loss (gain) on sale and impairment of property, plant and equipment	**1,475,113**	**-**	**1,475,113**	(37,889)
(Increase) decrease in				
Accounts and employee receivables, net	**50,136**	**-**	**50,136**	(54,916)
Pharmacy inventory	**(21,891)**	**-**	**(21,891)**	136,180
V.A. stipend receivable	**-**	**241,751**	**241,751**	93,042
Prepaid expenses, supplies and other current assets	**14,079**	**-**	**14,079**	299,641
Estimated third-party payor settlements	**(595,864)**	**-**	**(595,864)**	61,911
Net pension asset	**(1,880,590)**	**-**	**(1,880,590)**	-
Deferred outflows of resources	**(4,959,352)**	**-**	**(4,959,352)**	(294,646)
Increase (decrease) in				
Accounts payable	**3,032,518**	**-**	**3,032,518**	338,639
Accrued expenses and other current liabilities	**(614,916)**	**-**	**(614,916)**	49,121
Net other post-employment benefit obligation liabilities	**(81,443)**	**-**	**(81,443)**	(182,864)
Net pension liability	**(24,253,567)**	**-**	**(24,253,567)**	5,872,938
Deferred inflows of resources	**25,884,237**	**-**	**25,884,237**	(4,443,868)
Net cash (used) provided by operating activities	**$ (19,013,350)**	**$ 6,605,814**	**$(12,407,536)**	$ (11,577,754)

Supplemental cash flow disclosures:

At June 30, 2022, additions to property, plant and equipment totaling $278,774 were included in accounts payable. Additions to property, plant and equipment of $6,413,225 included in accounts payable at June 30, 2021 were paid in 2022.

Equipment financed through capital lease obligations totaled $46,998 during the year ended June 30, 2021.

Nature of Business

Maine Veterans' Homes (MVH) provides nursing and residential care to qualified veterans and their spouses, widows, widowers and "gold star" parents. MVH operates six facilities in Maine.

Augusta

Construction on an Augusta replacement facility with 108 nursing facility beds and 30 residential care beds was completed and opened in March 2022. The original facility, which was vacated, was held for sale at June 30, 2022.

The former Augusta facility had 120 nursing facility beds and 30 residential care beds. The nursing facility had been operating its 120 nursing home beds since 1983. Construction of this original facility was funded by a grant from the U.S. Department of Veterans' Affairs (V.A.) for 65% of allowed costs, and the balance was funded by a general obligation bond issue of the State of Maine (State). The land was deeded to MVH by the State Bureau of Public Lands (Bureau). Title to the land was to revert back to the Bureau after a certain tax-free general obligation bond was redeemed. During 2022, MVH purchased the land from the Bureau to facilitate the sale of the building

The 30-bed residential care unit in Augusta had been in operation since August 2004. Construction of this unit was funded by a grant from the V.A. for 65% of allowed costs and the balance was funded by a tax-free revenue bond issue of MVH. The residential care unit was adjacent to the nursing facility.

In October 2022 MVH entered into a contract to sell the former Augusta facility and land for $3,250,000.

Caribou

The Caribou facility has 40 nursing facility beds and 30 residential care beds attached to Cary Medical Center. The 40-bed nursing facility has been in operation since January 1990. Construction was funded by a grant from the V.A. for 65% of allowed costs, and the balance was funded by a tax-free revenue bond issue of MVH. The property is under a lease from the Caribou Hospital District. Although the term of the lease is for 99 years, the landlord has retained the right to terminate the lease upon 30 days' written notice in the event MVH shall cease to operate a veterans' facility at the premises. The lease expires in August 2087. In the event of a termination, MVH is entitled to receive, from Caribou Hospital District, a prescribed pro-rata portion of the original construction cost based on the number of years the facility has been in existence.

The 30-bed residential care unit in Caribou has been in operation since September 2003. Construction was funded by a grant from the V.A. for 65% of allowed costs, and the balance was funded by a tax-free revenue bond issue of MVH. The land occupied by MVH for the residential care unit is under lease from the Caribou Hospital District. Although the term of the lease is for 99 years, the landlord has retained the right to terminate the lease upon 30-day written notice in the event MVH shall cease to operate a veterans' facility at the premises. The lease expires in March 2101. The residential care unit is adjacent to the nursing facility.

Construction was funded by a grant from the U.S. Department of Veterans Affairs (V.A.) for 65% of allowed costs, and the balance was funded with board designated investments and long-term financing.

The Caribou facility also has a management contract with Cary Medical Center for the provision of various clinical and non-clinical ancillary services. The agreement can be terminated by either party with 90 days written notice.

Scarborough

The Scarborough facility has 120 nursing facility beds and 30 residential care beds. The nursing facility has been operating its 120 nursing home beds since July 1990. Construction was funded by a grant from the V.A. for 65% of allowed costs, and the balance was funded by a tax-free bond issue of MVH. The land was donated by the Town of Scarborough and the American Legion Post #76 of Scarborough. Title to the land would revert back to the town should MVH cease to operate as a veterans' facility.

The 30-bed residential care unit in Scarborough has been in operation since March 2003. Construction of this unit was funded by a grant from the V.A. for 65% of allowed costs and the balance was funded by a tax-free revenue bond issue of MVH. The residential care unit is adjacent to the nursing facility.

South Paris

The South Paris facility has 62 nursing facility beds and 28 residential care beds and has been in operation since July 1995. Construction was funded by a grant from the V.A. for 65% of allowed costs, and by tax-free revenue bonds of MVH. Most of the land was donated by Oxford Bank and Trust Company and Peoples Heritage Bank, and adjacent parcels were purchased from, or donated by, private land owners.

Bangor

The Bangor facility has 120 nursing facility beds and 30 residential care beds. The nursing facility has been operating its 120 nursing home beds since October 1995. Construction was funded by a grant from the V.A. for 65% of allowed costs, and by a tax-free revenue bond issue of MVH. The land was donated by the State. The 30-bed residential care unit has been in operation since June 2003. Construction was funded by a grant from the V.A. for 65% of allowed costs, and by a tax-free revenue bond issue. The residential care unit is adjacent to the nursing facility.

Machias

The Machias facility has 30 residential care beds and has been in operation since September 2005. Construction was funded partially by a grant from the V.A. for 65% of allowed costs.

The land occupied by MVH for the residential care unit in Machias is under lease from Down East Community Hospital. Although the term of the lease is for 99 years with a $1 payment due annually, the landlord has retained the right to terminate the lease upon 30 days written notice in the event MVH shall cease to operate a veterans' facility at the premises. The lease expires in April 2104. In the event of a termination, MVH is entitled to an apportionment equal to the value of the facility.

MVH also has a central office whose costs are allocated to each of the facilities. The central office provides accounting, human resources, and other management support.

In addition, MVH operates a pharmacy at the central office location. The pharmacy provides pharmaceuticals and pharmacy consulting services to residents of MVH facilities and to certain other long-term care facilities in Maine under contracts for professional services which are renewable on an annual basis.

MVH was created by the Maine (State) Legislature to provide public homes for veterans, and the State has the authority to appoint its governing board. However, MVH is a separate and distinct legal entity, and is not included in the State's component unit financial statements. It receives no annual appropriation from the State legislature, and there are no appropriated budgets to include for reporting purposes. In addition, its employees are classified as public, not State, employees.

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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

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. MVH extends credit at regular terms without collateral to its residents.

Inventory

Inventory consists of pharmaceuticals and is stated at cost.

Assets Whose Use is Limited

Assets whose use is limited includes investments which are stated at fair value. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in the values of the investment securities will occur and that such changes could materially affect the amounts reported in the statement of net position.

Investment income, including interest, dividends and realized and unrealized gains (losses), is excluded from operating revenue. Interest and dividends are included with interest income from other sources in the statement of revenues, expenses, and changes in net position.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost or, if donated, at the fair market value at date of donation. Depreciation and amortization are provided on the straight-line basis over the assets' estimated useful lives, as outlined in *Estimated Useful Lives of Depreciable Hospital Assets, 2013 Edition*, published by the American Hospital Association. Following is a summary of estimated useful lives by asset category:

	Estimated Useful Lives (Years)
Land improvements	8 - 20
Buildings and improvements	5 - 40
Equipment	5 - 15
Motor vehicles	4

Computer Software

Computer software costs are being amortized using the straight-line method over three years.

License Rights

MVH capitalized the Medicaid funding stream rights acquired from other long-term care facilities, to construct and operate residential care units at its Scarborough, Augusta, Bangor, Caribou, and Machias locations. These beds have been placed in service and through June 30, 2008, MVH had been amortizing the costs by the straight-line method over 20 years. Under Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, intangible assets with indefinite useful lives should not be amortized. If changes in factors and conditions result in the service capacity being reduced or the useful life of the license rights no longer being indefinite, the assets are to be tested for impairment.

In September 2014, MVH purchased $2,600,000 of MaineCare revenue stream for use in future projects. Utilization of the license rights and related revenue stream is subject to review and approval by the Maine Department of Health and Human Services (DHHS). DHHS approved the use of approximately $2,400,000 of this revenue stream to meet MaineCare neutrality requirements for the Augusta replacement facility (see Note 8).

Operating Revenues and Expenses

The operating (deficiency) excess of revenues over expenses reported in the financial statements includes revenues and expenses related to the primary, continuing operations of MVH. Principal operating revenues are charges to residents for services and pharmaceuticals and stipends received from the V.A. for eligible resident services. Principal operating expenses are the costs of providing services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as nonoperating in the financial statements.

Restricted Revenue

When both restricted and unrestricted resources are available for use, it is MVH's policy to use restricted resources first, then unrestricted resources as needed, as permitted by GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*.

Resident Revenue

MVH records its revenue based on its standard charges for resident services rendered. MVH has contractual arrangements with Medicare, DHHS, and other third-party payors to render services to qualifying residents under certain cost-based programs which may result in MVH receiving payments for such services which differ from the standard charges. Any differences of this nature are recorded as contractual adjustments.

Basis of Presentation – Fund Accounting

The accounts of MVH are maintained in accordance with the principles of fund accounting recognized on the accrual basis using the economic resources measurement focus. MVH maintains two proprietary type funds. It has no fiduciary or endowment type funds.

The financial statements include certain prior-year summarized comparative information in total, not by fund. 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 MVH's financial statements as of and for the year ended June 30, 2021, from which the summarized information was derived.

Risk Management

MVH is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Net Position

Net position of MVH is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation, and is reduced by the current balances of any outstanding accounts payable and borrowings used to finance the purchase or construction of those assets. Expendable restricted net position is noncapital net position that must be used for a particular purpose, as specified by creditors, grantors or contributors external to MVH. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or expendable restricted net position.

Operating Fund

Included in the operating fund, in addition to the unrestricted net position, are amounts received from the V.A. for completed construction, contributed land on which the facilities are built, and an initial state appropriation for the planning of the Augusta home in 1982.

Restricted Fund

Under Maine law, MVH is allowed to retain, as revenue, any stipend funds it receives from the V.A. for MVH's Medicaid-eligible resident population. The law stipulates that MVH shall expend stipend funds received for the support and maintenance of its facilities primarily on the payment of debt service. It is the policy of MVH to release funds from restrictions when the required parameters are met.

Income Taxes

MVH is a nonprofit organization and has been recognized as tax-exempt pursuant to Internal Revenue Code (the Code) Section 501(c)(3), whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to federal and state income tax.

Defined Benefit Pension Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to the pension and pension expense, information about the fiduciary net position of the Maine Public Employees Retirement System (System) Participating Local District (PLD) Consolidated Plan (the PLD Plan) and additions to/deductions from the Plan's fiduciary net position has been determined on the same basis as it is reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Post-Employment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position of the System PLD Consolidated Plan - Retiree Group Life Insurance Plan and the MVH Retiree Welfare Plan (collectively, OPEB Plans) and additions to/deductions from the OPEB Plans' fiduciary net position has been determined on the same basis as it is reported by the OPEB Plans. For this purpose, the OPEB Plans recognize benefit payments when due and payable in accordance with the benefit terms.

Deferred Outflows of Resources and Inflows of Resources

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, MVH has recorded deferred outflows of resources and inflows of resources relative to its pension plan and OPEB plans. As discussed in Notes 12 and 15, amounts reported as deferred outflows of resources and deferred inflows of resources are results of differences between expected and actual experience, projected and actual earnings on pension plan investments, changes of assumptions, changes in proportion and differences between contributions and proportionate share of contributions, and contributions made subsequent to the actuarial measurement date. These deferred outflows of resources and inflows of resources are amortized over various lives and are charged to OPEB and pension expense as discussed in Notes 12 and 15, respectively. The unamortized portion is reported in the Statement of Net Position as a deferred outflow of resources or inflow of resources, as applicable.

Accounting Standards Adoption

During 2022, MVH adopted the provisions of GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which requires interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. As a result, there is a charge to interest expense in the statement of revenues, expenses, and changes in net position for the year ended June 30, 2022 in the amount of $719,126 that relates to the debt incurred relative to the construction of the new facility in Augusta. See Notes 8 and 9 for additional information on these transactions. There was no impact to total assets, liabilities, deferred outflows of resources, deferred inflows of resources, revenues, expenses or net position as of and for the year ended June 30, 2021 as a result of this adoption.

2. Bank Deposits

MVH had bank balances as follows at June 30:

	2022	2021
Insured (Federal Deposit Insurance Corporation)	**$ 1,466,565**	$ 2,498,946
Collateralized (by securities held by financial institution's trust department in the financial institution's name)	**844,157**	4,316,320
Uncollateralized	**658,535**	5,871,166
Total	**$ 2,969,257**	$ 12,686,432

3. Assets Whose Use is Limited

Unrestricted assets whose use is limited consist of cash and cash equivalents and investments, and include resident funds held in trust and funded depreciation as follows at June 30:

	2022	2021
Resident funds held in trust	**$ 249,781**	$ 330,265
Funded depreciation*	**28,576,438**	34,867,530
Total assets whose use is limited	**28,826,219**	35,197,795
Less those required for current liabilities	**249,781**	330,265
Noncurrent assets whose use is limited	**$ 28,576,438**	$ 34,867,530

* In addition to cash of $1,318 and $1,312 at June 30, 2022 and 2021, respectively, funded depreciation includes assets held in investments; see Notes 4 and 5.

4. Investments

Investments are reported at fair value and consist of the following as of June 30:

	2022	
	Cost	**Fair Value**
Vanguard Total Bond Market Index Fund Institutional Shares	**$ 7,023,080**	**$ 6,459,243**
Vanguard Short-Term Investment Grade Admiral Shares	**3,038,921**	**2,924,767**
Vanguard Intermediate-Term Investment Grade Admiral Shares	**2,383,964**	**2,061,932**
Vanguard Total Stock Market Index Fund Institutional Shares	**3,561,100**	**8,551,454**
Vanguard Total International Stock Index Fund Institutional Shares	**5,159,177**	**5,617,837**
Vanguard Long-Term Investment Grade Admiral Shares	**1,985,350**	**1,492,075**
Vanguard REIT Index Fund Admiral Shares	**1,178,526**	**1,467,812**
	$ 24,330,118	**$ 28,575,120**

	2021	
	Cost	Fair Value
Vanguard Total Bond Market Index Fund Institutional Shares	$ 6,866,615	$ 7,207,915
Vanguard Short-Term Investment Grade Institutional Shares	3,148,300	3,295,531
Vanguard Intermediate-Term Investment Grade Admiral Shares	2,337,890	2,404,355
Vanguard Total Stock Market Index Fund Institutional Shares	3,756,014	10,936,931
Vanguard Total International Stock Index Fund Institutional Shares	5,130,099	7,183,945
Vanguard Long-Term Investment Grade Admiral Shares	1,891,917	1,876,984
Vanguard REIT Index Fund Admiral Shares	1,411,337	1,960,557
	$ 24,542,172	$ 34,866,218

The Vanguard Total Bond Market Index Fund (VBTIX) tracks the Barclays Capital U.S. Aggregate Float Adjusted Index. This index tracks investment grade bonds commonly traded in the U.S. The holdings of the VBTIX are rated as follows as of June 30, 2022: AAA (71%), AA (3%), A (12%), and BBB (14%).

The Vanguard Short-Term Investment Grade Fund (VFSUX) seeks to provide current income while maintaining limited price volatility. The holdings of VFSUX are as follows as of June 30, 2022: AAA (19%), AA (2%), A (29%), BBB (47%), and other (3%).

The Vanguard Intermediate-Term Investment Grade Fund (VFIDX) tracks high and mid-quality fixed-income securities. The holdings of VFIDX are as follows as of June 30, 2022: AAA (12%), AA (3%), A (30%), BBB (50%), and other (5%).

The Vanguard Long-Term Investment Grade Fund (VWETX) provides diversified exposure to medium- and high-quality investment-grade corporate bonds with an average maturity of 15 to 25 years. The holdings of VWETX are as follows as of June 30, 2022: AAA (12%), AA (22%), A (60%), BBB (5%), and other (1%).

5. Fair Value Measurement and Application

GASB Statement No. 72, *Fair Value Measurement and Application*, 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. GASB Statement No. 72 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 the entity has the ability to access as of the measurement date.

Level 2: Significant other 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.

Assets and liabilities measured at fair value on a recurring basis are summarized below.

	Fair Value Measurements at June 30, 2022, Using:			
	Total	**Level 1**	**Level 2**	**Level 3**
Investments:				
Equity mutual funds	**$ 14,169,291**	**$ 14,169,291**	**$ -**	**$ -**
Fixed income mutual funds	**12,938,017**	**12,938,017**	**$ -**	**$ -**
Real estate investment trusts	**1,467,812**	**1,467,812**	**-**	**-**
	$ 28,575,120	**$ 28,575,120**	**$ -**	**$ -**

	Fair Value Measurements at June 30, 2021, Using:			
	Total	Level 1	Level 2	Level 3
Investments:				
Equity mutual funds	$ 18,120,876	$ 18,120,876	$ -	$ -
Fixed income mutual funds	14,784,785	14,784,785	-	-
Real estate investment trusts	1,960,557	1,960,557	-	-
	$ 34,866,218	$ 34,866,218	$ -	$ -

Investment (loss) return consisted of the following for the years ended June 30:

	2022	2021
Interest and dividends, net of investment fees of $43,907 and $39,356 in 2022 and 2021, respectively.	**$ 771,744**	$ 866,348
Investment (loss) gain	**(5,562,408)**	6,596,686
	$ (4,790,664)	$ 7,463,034

Investment Practices

Investments are managed to generate maximum total return (interest, dividends and capital appreciation) from MVH's invested assets consistent with accepted risk levels and objectives of the MVH Board of Trustees. The long-term objective of the portfolio is to produce total returns, net of fees, which exceed the inflation rate (as measured by the Consumer Price Index) by at least four percentage points.

Fund assets are allocated across the three broad asset classes in accordance with the following guidelines:

Asset Class	Sub-Asset Class	Target Allocation	
Equity			
	Domestic (U.S.)	30 %	
	International (non-U.S.)	20 %	50 %
Fixed income			
	Investment Grade	23 %	
	Bond Market Index	22 %	45 %
Real estate investment trusts			5 %

6. Interfund Balances

Outstanding balances between the operating and restricted fund reported as "due from (to) other fund" include V.A. stipend receivables, V.A. construction grant receivables, and restricted funds.

Substantially all of these interfund balances at June 30, 2022 are expected to be repaid within one year.

7. Significant Concentration and Estimated Third-Party Payor Settlements

Approximately 63% and 56% of the residents served during 2022 and 2021, respectively, were beneficiaries of the Maine Medicaid or federal Medicare programs. Revenue from the Medicaid program accounted for approximately 55% and 56% of MVH's net resident service revenue for 2022 and 2021, respectively. Under the Medicaid program, the provider is reimbursed for the care of qualified residents at specified interim contractual rates during the year. Differences between these interim contractual rates and the "cost" of this care, as defined by the Principles of Reimbursement governing the respective programs, are determined and settled on a retroactive basis. Nursing facility rates are released bi-annually and include inflationary increases and additional funds for facilities servicing a high MaineCare population. Providers of services to nursing care residents eligible for Medicare benefits are paid on a prospective basis, with no retrospective settlement. The prospective payment is based on the scoring attributed to the acuity level of the resident at a rate determined by federal guidelines. Laws and regulations governing the Medicaid program 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.

A per diem allowance is received from the V.A. for all eligible veterans. This allowance is for support of a mutual obligation between the federal and state governments. Through June 30, 2017, the per diem allowance for Medicare eligible veterans for the first 20 days of their stay was returned to Medicare via the annual cost report filing and settlement process. Due to a rule change, MVH ceased returning these funds to Medicare in 2018 and recorded them as a liability until the related cost report filing was audited to help ensure MVH's interpretation of the rule change was consistent with Medicare's interpretation. During2022 and 2021, $185,072 and $164,990 of V.A. per diem payments for the first 20 days of Medicare eligible veteran stays was reported in net V.A. stipend revenue. The per diem allowance for the remaining days of stay is recorded as a reduction of accounts receivable. The per diem allowance for private pay veterans is recorded as a reduction of accounts receivable. The per diem allowance for Medicaid veterans is recorded as revenue by MVH. Net V.A. stipend revenue, excluding amounts discussed above was $6,179,001 and $7,641,548 in 2022 and 2021, respectively.

In December 2018, the V.A. changed enforcement of existing rules that include a work requirement for veterans under the domiciliary care per diem stipend program, which impacts eligibility. MVH was granted equitable relief from this enforcement through September 30, 2022, and was therefore able to bill for residents who were initially deemed ineligible. MVH is required to file for equitable relief annually in order to continue to bill for certain veterans deemed ineligible under the domiciliary care per diem stipend program. Such billings approximated $916,000 and $538,000 for the years ended June 30, 2022 and 2021, respectively.

During 2020, the Maine State Plan Under Title XIX of the Social Security Act was amended to allow supplemental payments for nursing facilities meeting certain criteria, including providing critical access to veteran-focused care which MVH meets. The amendment allows for a temporary payment adjustment of the lesser of approximately $2 million per year for two years or the difference between MaineCare payments and actual allowed MaineCare costs as reported on the most recent filed cost reports for each year. MVH received supplemental payments totaling approximately $2 million in both 2021 and 2020 which is included in net resident service revenue in the statement of revenues, expenses, and changes in net position.

In addition, during 2022 the Maine legislature approved supplemental appropriations to MVH in the amounts of $1,063,830 and $2,442,200 during the years ended June 30, 2022 and 2023, respectively. Supplemental appropriations for the year ended June 30, 2022, are included in net resident service revenue.

MVH receives room and board per diem payments from the V.A. for qualifying service-connected disabled veterans. Eligibility criteria for this program is identified by statute based on a V.A. adjudicated service-connected disability. The room and board per diem under this program is included in net resident service revenue. Revenue under this program was $11,444,550 and $9,988,697 in 2022 and 2021, respectively.

Settlements do not become final until the cost reports are audited and approved by DHHS or the Medicare intermediary. Differences between the estimated and actual settlements are recorded as contractual adjustments in the year of final determination. Net resident service revenue increased by approximately $143,887 in 2022 and by approximately $2,900 in 2021 due to changes in prior years' estimated settlements. Medicaid cost reports have been audited through 2019 and Medicare cost reports have been audited through 2021.

Following is a summary of net resident service revenue for the years ended June 30:

	2022	2021
Routine services	**$ 61,162,049**	$ 57,358,106
Ancillary services	**8,721,865**	7,816,482
Contractual adjustments under third-party reimbursement programs	**(5,538,564)**	(11,654,903)
Net resident service revenue	**$ 64,345,350**	$ 53,519,685

Due to the large concentration of residents who receive benefits from the Medicaid and Medicare reimbursement programs, MVH is highly dependent upon regulatory authorities establishing reimbursement rates that are adequate to sustain MVH's operations, as is typical for most long-term healthcare facilities in the State.

8. Property, Plant and Equipment

The following tables provide a summary of changes in capital assets:

	June 30, 2021	**Increases**	**Decreases**	**Transfers**	**June 30, 2022**
Cost					
Land	**$ 8,544,130**	**$ 186,093**	**$ 1,600,854**	**$ -**	**$ 7,129,369**
Land improvements	**3,963,552**	**8,423,646**	**-**	**-**	**12,387,198**
Buildings and improvements	**93,977,370**	**74,427,030**	**-**	**-**	**168,404,400**
Equipment	**20,118,325**	**6,521,606**	**173,953**	**-**	**26,465,978**
Motor vehicles	**1,662,154**	**108,567**	**145,987**	**-**	**1,624,734**
Construction in process	**86,146,228**	**1,200,501**	**-**	**85,538,185**	**1,808,544**
Property, plant and equipment, at cost	**214,411,759**	**90,867,443**	**1,920,794**	**85,538,185**	**217,820,223**
Accumulated depreciation					
Land improvements	**2,675,279**	**278,555**	**-**	**-**	**2,953,834**
Buildings and improvements	**49,521,611**	**3,722,701**	**108,555**	**-**	**53,244,312**
Equipment	**14,183,878**	**1,543,020**	**-**	**-**	**15,726,898**
Motor vehicles	**1,404,533**	**127,745**	**287,704**	**287,704**	**1,244,574**
Total accumulated depreciation	**67,785,301**	**5,672,021**	**396,259**	**287,704**	**73,169,618**
Net property, plant and equipment	**$ 146,626,458**	**$ 85,195,422**	**$ 1,524,535**	**$ 85,250,481**	**$ 144,650,605**

	June 30, 2020	Increases	Transfers/ Decreases	June 30, 2021
Cost				
Land	$ 8,544,130	$ -	$ -	$ 8,544,130
Land improvements	3,837,501	126,051	-	3,963,552
Buildings and improvements	92,759,913	1,217,457	-	93,977,370
Equipment	19,584,209	552,305	18,189	20,118,325
Motor vehicles	1,743,506	-	81,352	1,662,154
Construction in process	54,181,603	33,130,569	1,165,944	86,146,228
Property, plant and equipment, at cost	180,650,862	35,026,382	1,265,485	214,411,759
Accumulated depreciation				
Land improvements	2,511,511	163,768	-	2,675,279
Buildings and improvements	46,633,124	2,888,487	-	49,521,611
Equipment	12,595,347	1,606,026	17,495	14,183,878
Motor vehicles	1,284,760	201,125	81,352	1,404,533
Total accumulated depreciation	63,024,742	4,859,406	98,847	67,785,301
Net property, plant and equipment	$117,626,120	$ 30,166,976	$ 1,166,638	$146,626,458

Residents moved into the new Augusta facility on March 22, 2022 which triggered a required survey from the Veterans Administration (V.A.). The survey required 100% compliance with all survey requirements in order to pass and to continue to receive stipend and prevailing rate payments. MVH Augusta passed the survey July 29, 2022. This delay in passing the survey resulted in lost stipend and prevailing rate payments totaling approximately $1.3 million through June 30, 2022.

In March 2022, MVH sold a portion of land owned at Challenger Drive in Lewiston. The sale of the land resulted in a loss of approximately $719,000. As a result of the value of the land sold, MVH recorded a loss impairment for the remaining portion of land owned by MVH at Challenger Drive in the amount of approximately $725,000.

9. Borrowings

Long-term debt and capital leases consist of:

	June 30, 2021	Additions	Reductions	June 30, 2022	Due Within One Year
Loan payable with principal due at original maturity of September 30, 2015, extended to September 30, 2023, interest due annually to registered holder Bangor Savings Bank. The bond bears interest at 1.75% per annum based on outstanding principal during the term of the bond; unsecured.	$ 5,000	$ -	$ 5,000	$ -	$ -
4.03% lease payable to vendor due in five annual payments of $36,449, including interest, through March 2022; collateralized by equipment.	35,037	-	35,037	-	-
5.00% lease payable to vendor due in 48 monthly payments of $10,989, including interest, through July 2022; collateralized by equipment.	128,362	-	117,373	10,989	10,989
6.195% lease payable to vendor due in 84 monthly payments of $14,736, including interest, through November 2026; collateralized by equipment.	890,294	-	117,823	772,471	143,888
3.51% construction loan payable due in monthly payments of interest only through July 10, 2025, at which time the entire balance is due; collateralized by land and building under construction, and guaranteed by a tax-exempt revenue bond through the Finance Authority of Maine. There was no amount left to draw on the loan as of June 30, 2022.	17,331,686	2,668,314	-	20,000,000	-
	$ 18,390,379	$ 2,668,314	$ 275,233	$ 20,783,460	$ 154,877

	June 30, 2020	Additions	Reductions	June 30, 2021	Due Within One Year
Loan payable with principal due at original maturity of September 30, 2015, extended to September 30, 2023, interest due quarterly to registered holder Bangor Savings Bank. The bond bears interest at 1.75% per annum based on outstanding principal during the term of the bond; unsecured.	$ 5,000	$ -	$ -	$ 5,000	$ -
4.03% lease payable to vendor due in five annual payments of $36,449, including interest, through March 2022; collateralized by equipment.	68,716	-	33,679	35,037	35,057
5.00% lease payable to vendor due in 48 monthly payments of $10,989, including interest, through May 2022; collateralized by equipment.	260,386	-	132,024	128,362	117,423
6.195% lease payable to vendor due in 84 monthly payments of $14,736, including interest, through November 2026; collateralized by equipment.	992,799	46,998	149,503	890,294	135,797
3.51% construction loan payable due in monthly payments of interest only through July 10, 2025, at which time the entire balance is due; collateralized by land and building under construction, and guaranteed by a tax-exempt revenue bond through the Finance Authority of Maine. Total available borrowing remaining as of June 30, 2021 was $2,668,314.	5,759,615	11,572,071	-	17,331,686	-
	$ 7,086,516	$ 11,619,069	$ 315,206	$ 18,390,379	$ 288,277

The annual debt service requirements to maturity of borrowings as of June 30, 2022 are as follows:

	Principal	Interest
2023	$ 154,877	$ 379,502
2024	159,400	369,347
2025	164,200	359,934
2026	20,174,700	10,142
2027	130,283	1,128
	$ 20,783,460	$ 1,120,053

10. Leases

The Caribou facility lease (see Nature of Business Note) provides for a one-time lease payment at inception equal to the cost of the facility. The mortgage on the Caribou facility is a leasehold mortgage on MVH's leasehold estate. The following amounts are included in property, plant and equipment related to this capital lease at June 30:

	2022	2021
Buildings and improvements	**$ 1,426,711**	$ 1,426,711
Less accumulated depreciation	**(1,150,639)**	(1,114,972)
	$ 276,072	$ 311,739

The Machias residential care unit lease provides for a $1 payment due annually (see Nature of Business Note).

11. Commitments

MVH entered into several ancillary service contracts with unrelated vendors. The contract fees are contingent upon the number of beds, occupancy, and acuity level and classification of residents at each facility, regardless of payor source. The contracts have one-year renewable terms.

12. Post-Employment Benefits Other than Pensions (OPEB)

Plan Description

MVH offers two defined benefit OPEB Plans, the System PLD Consolidated Plan – Retiree Group Life Insurance (Life Insurance Plan) and the MVH Retiree Welfare Plan (Welfare Plan). The Life Insurance Plan is a multiple-employer cost sharing plan administered by the System. The Welfare Plan is a single employer plan administered by MVH. Information regarding these plans is as follows:

Benefits Provided

The Life Insurance Plan provides basic group life insurance benefits, during retirement, to retirees who participated in the plan for a minimum of 10 years prior to retirement.

The Welfare Plan offers health insurance to employees who have attained age 59½ at the time of retirement and completed 15 consecutive years of service. The Welfare Plan is closed to new participants. Employees of MVH retiring prior to July 1, 2000 are not eligible. Employees of MVH as of September 28, 2001, who meet the established criteria are eligible to receive the benefit. Employees hired after September 28, 2001 are not eligible to receive the benefit. Under the Welfare Plan's provisions, MVH pays 50% of the premiums for individual coverage and the employee pays the remainder.

At June 30, 2022, the following employees were covered by the benefit terms at June 30:

	Life Insurance Plan	Welfare Plan
Inactive employees or beneficiaries currently receiving benefits	-	3
Inactive employees entitled to but not yet receiving benefit payments	-	-
Active plan members	56	59
	56	62

Total OPEB Liability

MVH's total OPEB liability of $767,355 as of June 30, 2022 is comprised of an OPEB liability related to the Life Insurance Plan of $177,220 and an OPEB liability related to the Welfare Plan of $590,135. The Life Insurance Plan OPEB liability was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date. The Welfare Plan OPEB liability was measured as of July 1, 2020, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The OPEB's liabilities in the June 30, 2020 and July 1, 2020 actuarial valuations were determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	Life Insurance Plan	Welfare Plan
Inflation	2.75%	2.50 %
Salary increases	2.75% - 9.00%	3.00 %
Healthcare cost trend rates	N/A	5.00 %
Retirees' share of benefit-related costs	N/A	50.00 %
Investment rate of return	6.75%	6.44 %

The discount rate used for the Life Insurance Plan valuation was 6.5% and was based the assumed long-term expected rate of return. The discount rate used for the valuation of the Welfare Plan was 2.00% and was based on the S&P Municipal Bond 20-Year High Grade Index (1.86% at July 1, 2020).

There were two mortality tables used for the mortality rates in the Life Insurance Plan. The RP-2014 Total Dataset Healthy Annuitant Mortality Table was used for active members and non-disabled retirees. The RP-2014 Total Dataset Disabled Annuitant Mortality Table was used for disability benefits.

The RP-2014 Mortality Table projected generationally with Scale MP-2016 for males and females was the mortality table used for all three assumptions related to the Welfare Plan—pre-retirement mortality, disabled mortality, and post-retirement mortality.

The actuarial assumptions used in the June 30, 2020 valuation for the Life Insurance Plan were based on the results of an actuarial experience study conducted for the period of June 30, 2012 to June 30, 2015. The actuarial assumptions used in the June 30, 2020 valuations for the Welfare Plan were based on an experience analysis published in 2014, updated to reflect data through January 1, 2016.

Changes in the Total OPEB Liability

	Total OPEB Liability	
	Life Insurance Plan	Welfare Plan
Balance at June 30, 2020	$ 234,704	$ 614,094
Changes for the year:		
Service cost	9,296	14,875
Interest	58,872	12,073
Differences between actual and expected experience	(116,122)	-
Changes in assumptions or other inputs	27,186	-
Benefit payments	(36,716)	(50,907)
Net changes	(57,484)	(23,959)
Balance at June 30, 2021	$ 177,220	$ 590,135

Changes in assumptions or other inputs for the Life Insurance Plan reflect a change in the discount rate from 6.75% in 2020 to 6.5% in 2021. Changes in assumptions or other outputs for the Welfare Plan reflect a change in the discount rate from 3.5% in 2019 to 2% in 2020.

Sensitivity

The following presents the total OPEB liability of MVH, as well as what MVH's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

Life Insurance Plan

	1 % Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Total OPEB liability	$ 263,074	$ 177,220	$ 108,348

Welfare Plan

	1 % Decrease (1.00%)	Discount Rate (2.00%)	1% Increase (3.00%)
Total OPEB liability	$ 609,163	$ 590,135	$ 567,737

The following presents the total OPEB liability of MVH, as well as what MVH's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

Welfare Plan

	1 % Decrease (3.50%)	Trend Rate (4.50%)	1% Increase (5.50%)
Total OPEB liability	$ 547,175	$ 590,135	$ 638,191

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the years ended June 30, 2022 and 2021, MVH recognized OPEB benefit of $56,135. At June 30, 2022 and 2021, MVH reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2022			
	Deferred Outflows of Resources		**Deferred Inflows of Resources**	
	Life Insurance Plan	**Welfare Plan**	**Life Insurance Plan**	**Welfare Plan**
Difference between projected and actual investment earnings	**$ -**	**$ -**	**$ 54,394**	**$ -**
Difference between expected and actual experience	**20,026**	**-**	**-**	**309,569**
Changes of assumptions	**29,898**	**96,746**	**119,508**	**-**
Changes in proportion	**5,351**	**-**	**21,068**	**-**
Total	**$ 55,275**	**$ 96,746**	**$ 194,970**	**$ 309,569**

	2021			
	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Life Insurance Plan	Welfare Plan	Life Insurance Plan	Welfare Plan
Difference between projected and actual investment earnings	$ -	$ -	$ 5,860	$ -
Difference between expected and actual experience	28,976	-	-	423,572
Changes of assumptions	24,426	117,686	167,260	-
Changes in proportion	7,134	-	18,447	-
Total	$ 60,536	$ 117,686	$ 191,567	$ 423,572

Amounts reported as net deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:	Life Insurance Plan	Welfare Plan
2023	$ (48,022)	$ (93,063)
2024	(23,308)	(93,063)
2025	(31,899)	(21,288)
2026	(37,352)	(3,340)
2027	443	(2,069)
Thereafter	443	-

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13. Contingencies

Legislation and regulations at all levels of government have affected, and may continue to affect, revenues and expenses of nursing facilities. These basic financial statements have been prepared based on all known legislation currently in effect. If future legislation or regulations related to nursing facilities are enacted or adopted, such legislation or regulations could have a material effect on future operations.

MVH receives construction grants from the V.A. for the construction and major renovation of nursing home care facilities and residential care facilities. If MVH ceases to operate these homes for nursing home care, domiciliary care or hospital care to veterans within 20 years from the final approval and inspection of the construction and/or renovation, the V.A. shall be entitled to recover from MVH, or any subsequent owner, 65% of the project costs (but in no event an amount greater than the original grant awards). Management does not anticipate the V.A. will recover any funds from the initial construction of the existing Augusta facility.

In a prior year, MVH received a donation of land from the State valued at $530,000 which was included in restricted fund contributions as the deed includes certain restrictions including limiting the use of the land to principally provide services for Maine veterans such as hospice care, a community-based outpatient clinic, housing for veterans in need, and other such services. During 2010, MVH entered into a $1 ground lease agreement expiring in December 2030 with a third party, with permitted use under the lease as described above. If MVH fails to satisfy any conditions as outlined in the land deed, or the property is not used for the purposes described above, title to the land including any and all improvements thereon shall revert to the State of Maine.

14. Restricted Expendable Net Assets

Restricted expendable net assets at June 30, 2022 and 2021 consist of funds restricted for the following purposes:

	2022	2021
Activities	**$ 203,918**	$ 142,962
Scholarships	**3,031**	3,031
Memorials	**1,616**	1,878
Special events	**8,739**	9,870
Residents in need	**19,284**	20,019
Masonic	**8,858**	9,490
Future capital campaign	**50,000**	50,000
Other projects	**955**	15,204
	$ 296,401	$ 252,454

15. Defined Benefit Pension Plan

General Plan Description

All full-time, part-time, and intermittent employees are covered by the PLD Plan. The PLD Plan is a multiple-employer cost sharing plan and is administered by the System. Eligible employers are defined in Maine statute.

Benefit terms are proposed by an advisory group, established by Maine Statute, who review the terms of the plan and periodically make recommendations to the Legislature to amend the terms. The PLD Plan provides defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting occurs upon the earning of five years of service credit. The normal retirement age for PLD Plan members is 60 or 65. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below his/her normal retirement age.

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. Member and employer contribution rates are each a percentage of applicable member compensation. Member contribution rates are defined by the Board of Trustees of the System and Title 5 MRSA Part 20, Chapter 425, Subchapter 3 and were 8.1% of wages for the Age 60 Plan members and 7.35% of wages for the Age 65 PLD Plan members in both 2022 and 2021. Employer contribution rates are determined through actuarial valuations. Employer contributions determined by the System based on financing needs were 10.3% of wages in 2022 and 10.1% in 2021.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

At June 30, 2022, MVH reported a pension asset of $1,880,590 and reported a net pension liability of $24,253,567 at June 30, 2021 for its proportionate share of the net pension (asset) liability. The net pension (asset) liability was measured on June 30, 2021 and 2020, respectively, and the total pension (asset) liability used to calculate the net pension (asset) liability was determined by an actuarial valuation as of that date. MVH's proportion of the net pension (asset) liability was based on a projection of MVH's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. MVH's proportion of the net pension asset was 5.85% as of the June 30, 2021 valuation, which was an decrease of 0.25% from the June 30, 2020 valuation of the net pension liability.

For the years ended June 30, 2022 and 2021, MVH recognized pension (benefit) expense of $(5,124,872) and $1,099,757, respectively. At June 30, 2022 and 2021, MVH reported deferred outflows of resources and deferred inflows of resources related to the PLD Plan from the following sources:

	2022	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	**$ 1,216,515**	**$ 127,819**
Net difference between projected and actual earnings on pension plan investments	**-**	**25,633,134**
Changes in proportion and differences between MVH's contributions and proportionate share of contributions	**100,316**	**684,294**
Changes of assumptions	**6,314,866**	**-**
MVH contributions subsequent to the measurement date (June 30, 2021)	**4,788,897**	**-**
Total	**$ 12,420,594**	**$ 26,445,247**

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,455,416	$ 266,667
Net difference between projected and actual earnings on pension plan investments	1,578,213	-
Changes in proportion and differences between MVH's contributions and proportionate share of contributions	200,632	183,743
MVH contributions subsequent to the measurement date (June 30, 2020)	4,200,780	-
Total	$ 7,435,041	$ 450,410

The amount of $4,788,897 reported as deferred outflows of resources related to pensions resulting from MVH contributions subsequent to the measurement date at June 30, 2021 will be recognized as a reduction of the net pension asset/liability in the actuarial report for the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the PLD Plan will be recognized in pension (benefit) expense as follows:

Year ending June 30:	
2023	$ (3,138,415)
2024	(2,717,181)
2025	(5,835,016)
2026	(7,122,938)

Actuarial Assumptions

The total pension asset in the June 30, 2021 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

Salary increases	2.75% to 11.48%
Investment rate of return	6.50% per annum, compounded annually
Cost of living benefit increases	1.91%

Mortality rates were based on the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model.

The economic assumptions and mortality table were proposed by the actuary and adopted by the Board of Trustees of the System on July 14, 2016 for use starting with the 2016 valuation. The demographic assumptions are based on an experience study covering the period from June 30, 2012 through June 30, 2015.

The long-term expected rate of return on pension plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Public equities	6.0%
U.S. Government	2.3
Private equity	7.6
Real assets:	
Real estate	5.2
Infrastructure	5.3
Natural resources	5.0
Traditional credit	3.0
Alternative credit	7.2
Diversified	5.9

Discount Rate

The discount rate used to measure the total pension liability was 6.50% for the plan. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension (asset) liability.

Sensitivity

The following presents MVH's proportionate share of the net pension asset calculated using the discount rate of 6.50%, as well as what MVH's proportionate share of the net pension (asset) liability would be if it were calculated using a discount rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate	1% Increase (7.50%)
MVH's proportionate share of the net pension (asset) liability	$ 26,761,881	$ (1,880,590)	$ (25,571,689)

Changes in Assumptions

Differences due to changes in assumptions about future economic or demographic factors or other inputs are recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately-issued System financial report. A copy of the most recent financial statements can be obtained at www.mainepers.org.

16. Defined Contribution Retirement Plan

MVH has established a defined contribution retirement plan. MVH's Tax Sheltered Annuity Plan is administered by the System. MVH provides discretionary matching contributions to employees up to 3% of eligible compensation upon meeting certain service requirements. Total employer contributions to the plan were $395,163 and $391,200 for the years ended June 30, 2022 and 2021, respectively.

17. Health Care Provider Tax

A 6% health care provider tax is assessed on revenues derived from nursing care services. Total nursing home provider tax expense was $2,774,367 and $2,712,943 for the years ended June 30, 2022 and 2021, respectively.

A 6% Service Provider Tax (SPT) is assessed on the "value" (i.e., sales price) of certain services provided in the State including Private Non-Medical Institutions (PNMI) services. MVH's residential care services are considered PNMI services. Providers are taxed based on all revenue, regardless of source, received for the purpose of providing food, shelter and treatment. MaineCare reimburses 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 is not funded by MaineCare. Total SPT expense was $547,473 and $477,227 for the years ended June 30, 2022 and 2021, respectively.

18. COVID-19 Relief Funding

The U.S. government responded to the COVID-19 global pandemic with relief legislation. The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), was enacted into law March 7, 2020. The CARES Act, among other things, 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). The PRF program was expanded based on the passing of the American Rescue Plan Act (ARPA) of 2021. MVH received and reported as revenue PRF in the amount of approximately $4,145,000 during the year ended June 30, 2022 and approximately $2,834,000 during the year ended June 30, 2021. These funds are to be used for infection control, qualifying expenses and to cover lost revenue 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. Due to the complexity of the reporting requirements and the continued issuance of clarifying guidance, there is at least a reasonable possibility the amount of income 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.

During 2022 and 2021, MVH also received emergency grant funding under the CARES Act passed through the Maine Department of Economic and Community Development (DECD) in the form of Maine Health Care Financial Relief Grants totaling $1,525,000 and $500,000, respectively. The grant funds are intended to alleviate the disruption of operations as a result of the COVID-19 pandemic.

MVH also received an additional $7.2 million from funds appropriated by the State legislature and matched by federal HHS to alleviate further COVID-19 related operational challenges. The use of these funds is subject to audit by DHHS. MVH recognized the $7.2 million in net resident service revenue during the year ended June 30, 2022. Subsequent to June 30, 2022, MVH received an additional $1.3 million in this funding.

Management believes MVH has met the conditions necessary to recognize the PRF, ARPA and DECD funds received and accrued through June 30, 2022 as revenue.

MAINE VETERANS' HOMES

Required Supplementary Information

Schedule of Maine Veterans' Homes Proportionate Share of the Net Pension (Asset) Liability

Maine Public Employees Retirement System PLD Consolidated Plan

June 30, 2022

Last 10 Fiscal Years *

	Measurement Date								
	2021	2020	2019	2018	2017	2016	2015	2014	2013
Maine Veterans' Homes (MVH) proportion of the net pension (asset) liability	5.85%	6.10%	6.01%	6.14%	6.26%	6.19%	5.96%	5.79%	4.45%
MVH's proportionate share of the net pension (asset) liability	$ (1,880,590)	$ 24,253,567	$ 18,380,629	$ 16,794,428	$ 25,617,192	$ 32,871,051	$ 19,007,220	$ 8,902,081	$ 16,796,988
MVH's covered-employee payroll	$ 39,364,649	$ 39,754,900	$ 39,317,462	$ 35,485,002	$ 33,758,119	$ 32,617,986	$ 31,222,341	$ 30,851,076	$ 30,297,156
MVH's proportionate share of the net pension (asset) liability as a percentage of its covered-employee payroll	(4.78)%	61.01%	46.75%	47.33%	75.88%	100.78%	60.88%	28.86%	55.44%
Plan fiduciary net position as a percentage of the total pension liability	100.86%	88.35%	90.62%	91.14%	86.43%	81.61%	88.27%	94.10%	87.50%

* The amounts presented for each year were determined as of June 30 of the previous year. This schedule is designed to provide information for ten years. However, until a full ten-year trend is compiled, information for those years for which information is available is presented.

MAINE VETERANS' HOMES

Required Supplementary Information

Schedule of Maine Veterans' Homes Contributions

Maine Public Employees Retirement System
PLD Consolidated Plan

June 30, 2022

Last 10 Fiscal Years *

	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	$ 3,975,830	$ 3,943,124	$ 3,675,489	$ 3,406,561	$ 3,249,033	$ 2,945,950	$ 2,435,217	$ 2,005,609	$ 1,605,749
Contributions in relation to the contractually required contribution	(3,975,830)	(3,943,124)	(3,675,489)	(3,406,561)	(3,249,033)	(2,945,950)	(2,435,217)	(2,005,609)	(1,605,749)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Maine Veterans' Homes covered employee payroll	$ 39,364,649	$ 39,754,900	$ 39,317,462	$ 35,485,002	$ 33,758,119	$ 32,617,986	$ 31,222,341	$ 30,851,076	$ 30,297,156
Contributions as a percentage of covered employee payroll	10.10%	9.92%	9.35%	9.60%	9.62%	9.03%	7.80%	6.50%	5.30%

* This schedule is designed to provide information for ten years. However, until a full ten-year trend is compiled, information for those years for which information is available is presented.

MAINE VETERANS' HOMES

Required Supplementary Information

Schedule Maine Veteran's Homes Proportionate Share of the Post-Employment Benefits Other Than Pensions (OPEB) Liability and Related Ratios

Maine Public Employees Retirement System PLD Consolidated Plan - Retiree Group Life Insurance

June 30, 2022

Last 10 Fiscal Years *

	Measurement Date				
	2022	2021	2020	2019	2018
Maine Veterans' Homes (MVH) proportion of the net OPEB liability	1.72%	1.78%	1.79%	1.74%	1.77%
MVH's proportionate share of the net OPEB liability	$ 177,220	$ 234,704	$ 383,672	$ 352,386	$ 295,304
MVH's covered-employee payroll	$ 1,179,445	$ 1,145,285	$ 985,370	$ 953,850	$ 725,090
MVH's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	15.03%	20.49%	38.94%	36.94%	40.73%
OPEB plan fiduciary net position as a percentage of the total OPEB liability	67.26%	55.40%	43.18%	43.92%	47.42%

* This schedule is designed to provide information for ten years. However, until a full ten-year trend is compiled, information for those years for which information is available is presented.

MAINE VETERANS' HOMES

Required Supplementary Information

Schedule of Changes in Total OPEB Liability and Related Ratios

Maine Veterans' Homes Retiree Welfare Plan

June 30, 2022

	2021	2020	2019	2018	2017
Total OPEB Liability					
Service cost	$ 14,875	$ 14,583	$ 12,738	$ 37,793	$ 30,437
Interest	12,073	22,345	22,534	41,880	38,028
Differences between expected and actual experience	-	(160,735)	-	(548,467)	-
Changes in assumptions or other inputs	-	138,626	-	(7,819)	-
Benefit payments	(50,907)	(48,715)	(36,462)	(65,410)	(33,606)
Net change in total OPEB liability	(23,959)	(33,896)	(1,190)	(542,023)	34,859
Total OPEB liability - beginning	614,094	647,990	649,180	1,191,203	1,156,344
Total OPEB liability - ending	$ 590,135	$ 614,094	$ 647,990	$ 649,180	$1,191,203
Covered employee payroll	$ 2,810,290	$ 2,728,437	$ 3,157,652	$ 3,157,652	$3,939,656
Total OPEB liability as a percentage of covered employee payroll	21.00%	22.51%	20.52%	20.56%	30.24%

Notes to Schedule

Changes of assumptions

The discount rates used were as follows:

2021	2.00 %
2020	2.00 %
2019	3.50 %
2018	3.50 %
2017	3.25 %
2016	3.50 %

* This schedule is designed to provide information for ten years. However, until a full ten-year trend is compiled, information for those years for which information is available is presented.