



# Maine Veterans' Homes

FINANCIAL STATEMENTS

with

REPORTS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

and

THE UNIFORM GUIDANCE

June 30, 2024

With Independent Auditor's Report



# MAINE VETERANS' HOMES

June 30, 2024

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## 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 statement of net position as of June 30, 2024, and the related statements of revenues, expenses, and changes in net position and cash flows for the year 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, 2024 and the changes in its financial position and 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 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.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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.

Board of Trustees  
Maine Veterans' Homes

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.

***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 43 through 46 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.

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Board of Trustees  
Maine Veterans' Homes

**Report on Summarized Comparative Information**

We have previously audited MVH's 2023 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 31, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023 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 the 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 MVH's internal control over financial reporting or on compliance. That 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.

*Berry Dunn McNeil & Parker, LLC*

Portland, Maine  
October 30, 2024

# MAINE VETERANS' HOMES

## Management's Discussion and Analysis (Unaudited)

June 30, 2024

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, 2024. 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, 2024.
- Basic Financial Statements: This section includes the following:
  - ⇒ *Statement of Net Position*: Shows the financial status of MVH at June 30, 2024, 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 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.

## MAINE VETERANS' HOMES

### Management's Discussion and Analysis (Unaudited)

June 30, 2024

#### Statement of Net Position

##### Comparison of 2024 to 2023

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Total current assets	\$ 18,753,986	\$ 13,244,641
Assets whose use is limited, net of amount required for current liabilities	14,501,663	22,591,699
Net property, plant, and equipment	127,694,980	135,159,417
Total other assets	<u>2,987,228</u>	<u>2,994,031</u>
Total assets	<u>\$ 163,937,857</u>	<u>\$ 173,989,788</u>
Total deferred outflows of resources	<u>\$ 8,691,868</u>	<u>\$ 11,112,012</u>
Total current liabilities	\$ 9,901,910	\$ 13,255,340
Long-term debt and capital lease obligations, excluding current portion	20,421,848	20,449,951
Net other postemployment benefit obligations	777,930	815,736
Net pension liability	<u>17,071,517</u>	<u>15,332,239</u>
Total liabilities	<u>\$ 48,173,205</u>	<u>\$ 49,853,266</u>
Total deferred inflows of resources	<u>\$ 3,905,113</u>	<u>\$ 7,187,920</u>
Total net position	<u>\$ 120,551,407</u>	<u>\$ 128,060,614</u>

MVH's total assets decreased by approximately \$10,052,000 due primarily to decreases in assets whose use is limited and property, plant, and equipment.

Current assets increased primarily due to increases in the cash balance attributable to a decrease in assets whose use is limited. Resident accounts receivable, net of allowance for doubtful accounts, which is included in total current assets, increased approximately \$1,145,000.

The allowance for doubtful accounts of approximately \$1,269,000 at June 30, 2024 reflects certain account balances that may be uncollectible, and increased by \$293,000 from the June 30, 2023 balance.

Net property, plant, and equipment decreased from approximately \$135,159,000 to \$127,695,000, a decrease of \$7,464,000, or 5.5%, during the year ended June 30, 2024. MVH recorded new assets of approximately \$526,240 (not including the transfer of construction in progress of \$553,633 and current year construction in progress additions that total \$280,853), disposed of assets with a net book value totaling approximately \$81,000, and recognized depreciation of capital assets totaling approximately \$8,183,000.

# MAINE VETERANS' HOMES

## Management's Discussion and Analysis (Unaudited)

June 30, 2024

The deferred outflows of resources and deferred inflows of resources related to the pension plan as of June 30, 2024 and 2023 were recorded in connection with Governmental Accounting Standards Board (GASB) Statements Nos. 68 and 71. Deferred outflows of resources related to the pension plan decreased approximately \$2,362,000 primarily due to a difference between expected and actual experience used to value the pension plan. Deferred inflows of resources related to the pension plan decreased approximately \$3,150,000 primarily due to changes in the net difference between projected and actual earnings on pension plan investments. These items are further discussed in Note 14 to the financial statements.

Total liabilities decreased from June 30, 2023 to June 30, 2024 by approximately \$1,680,000, or 3.4%. The major changes in liabilities relate to the net pension liability and long-term debt. 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, 2023 was approximately \$15,332,000 and at June 30, 2024 was approximately \$17,072,000. Long term debt increased by approximately \$28,000 during the year ended June 30, 2024 when the previous long-term debt was re-financed. Current liabilities decreased approximately \$3,353,000 primarily due to a decrease in accounts payable of \$4,478,000 or 58.5% due to improved financial performance, rate relief received from the State of Maine, and use of investments.

Net position decreased by \$7,509,000 or 5.8% from June 30, 2023 to June 30, 2024. There are three categories of net position, as follows:

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Net investment in capital assets	<b>\$ 106,804,000</b>	\$ 113,525,000
Unrestricted	<b>13,366,000</b>	14,164,000
Restricted – expendable	<u><b>381,000</b></u>	<u>371,000</u>
Total	<u><b>\$ 120,551,000</b></u>	<u>\$ 128,060,000</u>

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 increase in unrestricted net position from June 30, 2023 to June 30, 2024 includes decreased interest expense of \$180,000 from June 30, 2023 to June 30, 2024.

## MAINE VETERANS' HOMES

### Management's Discussion and Analysis (Unaudited)

June 30, 2024

#### Revenues

Total revenues for the year ended June 30, 2024 were approximately \$113,468,000, an increase from the year ended June 30, 2023 of \$18,726,000, or 19.8%. Revenues are divided into two categories: operating revenues and non-operating revenues. Each category is sub-divided as follows:

	<u>FY 2024</u>	<u>FY 2023</u>
<u>Operating</u>		
Net resident service revenue	\$ 86,730,000	\$ 73,860,000
Net V.A. stipend revenue	7,575,000	6,312,000
Net pharmacy revenue	12,628,000	10,303,000
Meal, laundry, and other revenue, net	3,644,000	816,000
Gain/(Loss) on disposal of property, plant, and equipment	<u>115,000</u>	<u>(986,000)</u>
Subtotal	<u>110,692,000</u>	<u>90,305,000</u>
<u>Nonoperating</u>		
Contribution revenue	322,000	289,000
Investment gain	918,000	1,165,000
Interest and dividend income, net of fees	507,000	603,000
V.A. construction grant revenue	<u>145,000</u>	<u>2,380,000</u>
Subtotal	<u>1,892,000</u>	<u>4,437,000</u>
Total revenues	<u>\$ 113,468,000</u>	<u>94,742,000</u>

Operating revenues increased by approximately \$20,387,000 or 22.6% from the year ended June 30, 2023 to June 30, 2024. Net resident service revenue increased by approximately \$12,870,000 or 17.4% from the year ended June 30, 2023 to June 30, 2024. This increase was due to an increase in resident days in FY 2024 compared to FY 2023, as well as supplemental payments from the State of Maine Medicaid in the amount of approximately \$7,026,000. Census has been slow to recover since the pandemic, but has increased steadily since the end of the public health emergency. Census at the end of June 30, 2024 approached pre-pandemic levels at the majority of MVH homes.

## MAINE VETERANS' HOMES

### Management's Discussion and Analysis (Unaudited)

June 30, 2024

Net V.A. stipend revenue increased in FY 2024 by approximately \$1,263,000, or 20.0%, primarily due to an increase in nursing facility stipend associated with an increase in nursing facility resident days compared to FY 2023.

Net pharmacy revenue increased by \$2,325,000 or 22.6% from the year ended June 30, 2023 to June 30, 2024. Pharmacy script volumes increased primarily due to increases in census and resident days at MVH facilities as well as the external clients serviced by MVH Pharmacy which was the primary driver for the increase in pharmacy revenue.

Nonoperating revenues decreased \$2,545,000 from the year ended June 30, 2023 to June 30, 2024. V.A. construction grant revenue decreased by \$2,235,000 to \$145,000 in FY 2024. Also, MVH realized investment gains of \$918,000 in FY 2024 compared to investment gains of \$1,165,000 in FY 2023, which contributed to the large decrease in nonoperating revenue.

#### **Expenses**

Total expenses increased from \$108,768,000 to \$120,978,000 from June 30, 2023 to June 30, 2024, an increase of \$12,210,000. Comparison with prior year expense activity is as follows:

	<b><u>FY 2024</u></b>	<b><u>FY 2023</u></b>
Operating expenses	\$ <b>118,931,000</b>	\$ 107,448,000
Nonoperating expenses	<u>1,162,000</u>	<u>1,320,000</u>
Total	\$ <b><u>120,093,000</u></b>	\$ <u>108,768,000</u>

Operating expenses increased by 10% from the year ended June 30, 2023 to June 30, 2024. This increase was due primarily to increases in salaries and benefits, pension expense, and pharmacy cost of sales.

Salaries increased approximately \$6,381,000 or 13.1% from the year ended June 30, 2023 to June 30, 2024. MVH provided a significant wage increase at the beginning of FY 2024 to direct care staff. Staffing levels also improved in FY 2024 which contributed to the increase in salaries and benefits. Pharmacy cost of sales increased \$1,203,000 or 21.0% from the year ended June 30, 2023 to June 30, 2024. The increase is associated with having a full year of the increase in external business brought on in FY 2023 and an increase in resident census realized at MVH homes and external facilities serviced by MVH Pharmacy.

Nonoperating expenses decreased by \$158,000 from the year ended June 30, 2023 to June 30, 2024. Interest expense decreased approximately \$180,000 from the year ended June 30, 2023 to June 30, 2024. The decrease was due to the defeasance of previous tax-exempt bonds issued through the Finance Authority of Maine (FAME) and re-financing with tax-exempt bonds issued through the Maine Health & Higher Education Facilities Authority (MHHEFA) at a much lower interest rate. The re-financed debt provided lower interest expense and lower debt service payments which positively impacted cash flow in FY 2024.

# MAINE VETERANS' HOMES

## Management's Discussion and Analysis (Unaudited)

June 30, 2024

### **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 2024 was \$1,590,000 and was \$6,409,000 at the end of FY 2024. This represents a net increase in cash of approximately \$4,819,000. The net increase in cash from FY 2023 to FY 2024 is due to cash provided by capital and related financing activities, cash provided by noncapital financing activities, and cash provided by investment activities exceeding cash used by operating activities.

For the year ended June 30, 2024, net cash used by operating activities was approximately \$2.8 million, a decrease of approximately \$8,255,000 from FY 2023.

Net cash provided by capital and related financing activities was approximately \$6.9 million for FY 2024 which represents a decrease from FY 2023 of approximately \$2.7 million. This is mostly due to proceeds from draws from funded depreciation and bond debt service offset by additions to property, plant, and equipment, and principal and interest paid on long term debt.

Net cash provided from investing activities in FY 2024 only consists of interest income from investing activities and remained relatively consistent compared to FY 2023.

### **FINANCIAL ACTIVITY – BUDGET VS. ACTUAL**

The total deficit of \$7,509,000 for the year ended June 30, 2024 was more than the budgeted deficit of \$6,343,000 by \$1,166,000 or 18.4%. The negative variance from budget was due primarily to the operating loss exceeding the budget target. Gains on the investment portfolio in FY 2024 totaled \$918,000, which fell below the budgeted amount by \$1,000,000. The loss from operations of \$8.2 million exceeded the budgeted loss from operations by \$1.9 million. The loss from operations was caused in large part to continued recovery from the COVID-19 pandemic. Revenue was lost as census slowly built back to pre-pandemic levels, high costs for contract labor to offset staffing shortages were incurred in three of MVH's facilities, and MVH recognized additional pension expense due to the underfunding of the Maine Public Employee Retirement System (MePERS) pension plan. The loss from operations was partially offset by MaineCare rate relief and shortfall funding which totaled \$7.0 million in FY 2024.

Net V.A. stipend revenues of \$7,575,000 accounted for 6.8% of operating revenues and 6.7% of total revenues for the year ended June 30, 2024. 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.

# MAINE VETERANS' HOMES

## Management's Discussion and Analysis (Unaudited)

June 30, 2024

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

	<u>Actual Surplus/(Deficit)</u>	<u>Budgeted Surplus/(Deficit)</u>	<u>Difference</u>
Total	\$ (15,223,000)	\$ (13,067,000)	\$ 2,156,000

### Resident Occupancy

The most recently available data indicates the occupancy rate in the state of Maine is 85.4% for nursing homes and 89.0% for residential care facilities. The occupancy rate for MVH for FY 2024 was 91.3% for its nursing home beds and 91.6% for its residential care beds. The combined rate for both levels of care was 91.4%. COVID-19 negatively impacted occupancy rates for nursing facilities and residential care facilities across Maine since the pandemic began in March 2020. Census recovery has been challenged by the labor shortage.

### Payor Sources

Payor sources for all MVH facilities combined in FY 2024 were:

	<u>Nursing Home</u>	<u>Residential Care</u>
Private/Commercial	24.9%	23.8%
V.A.	26.7%	n/a
Medicaid	44.9%	76.2%
Medicare	3.5%	n/a

### Next Year's Budget and Rates

A combined budgeted occupancy of 94.8% was approved for FY 2025. Occupancy at June 30, 2024 came in at 91.4% which is similar to pre-pandemic occupancy levels. The FY 2025 budgeted occupancy of 94.8% is aggressive but should be achievable if each facility is efficient in its admissions process.

The approved budget for FY 2025 forecasts an operating loss of \$929,000 including budgeted V.A. stipend revenue of \$11,805,000 which, as mentioned above, is limited in its use.

Budgeted operating expenses for FY 2025 are \$124,845,000, including budgeted cost of sales of \$9,741,000 for MVH Pharmacy. This is \$5, 914,000, or 5.0%, higher than FY 24 actual operating expenses of \$8,931,000. 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 an increase in professional services expense associated with additional contracted information technology services.

Total FY 2025 budgeted operating revenues are \$123,916,000. This is an increase of \$13,224,000 from FY 2024 actual operating revenues of \$110,692,000. Pharmacy revenue is budgeted to increase \$1,936,000 in FY 2025 compared to the prior year actual amount associated with the increased resident census and an increase in reimbursement rates. MVH recorded investment gains of \$918,000 in FY 2024 and budgeted \$1.0 million for investment gains in FY 2025. MVH recorded a gain on disposal of property, plant, and equipment of \$114,000 in FY 2024 which was reflected as an increase to operating revenues.

## **MAINE VETERANS' HOMES**

### **Management's Discussion and Analysis (Unaudited)**

**June 30, 2024**

Neither a gain nor loss on disposal was budgeted for FY 2025. Finally, the average daily census budgeted for FY 2025 is 595.4 compared to the actual daily census for FY 2024 of 566.2. This is estimated to impact net resident service revenue by \$3.0 million.

The FY 2025 budget does not include the potential impact of GASB No. 68 as that amount cannot be reasonably estimated at this time.

MVH was successful in advocacy efforts with the Maine Legislature to secure additional supplemental payments to be paid in FY 2025. Potential additional supplemental payments could exceed \$20 million depending on shortfall amounts from services provided to MaineCare residents. MVH included just under \$10 million of these supplemental payments in the FY 2025 budget.

#### **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, 2024  
(With Comparative Totals for June 30, 2023)**

**ASSETS AND DEFERRED OUTFLOWS**

	<u>Operating Fund</u>	<u>Restricted Fund</u>	<u>Eliminations</u>	<u>2024 Total</u>	<u>2023 Total</u>
Current assets					
Cash	\$ 6,408,898	\$ -	\$ -	\$ 6,408,898	\$ 1,590,200
Accounts receivable, net of allowance for doubtful accounts of \$1,269,100 and \$976,100 in 2024 and 2023, respectively	6,544,680	-	-	6,544,680	5,399,599
Pharmacy inventory	1,176,558	-	-	1,176,558	763,791
Employee receivables	34,657	-	-	34,657	92,962
U.S. Department of Veteran Affairs (V.A.) stipend receivable	-	952,423	-	952,423	886,850
V.A. construction grant receivable	-	44,782	-	44,782	452,324
Prepaid expenses, supplies, and other current assets	328,759	-	-	328,759	101,489
Assets whose use is limited	993,343	-	-	993,343	254,656
Due from other fund	615,751	-	(615,751)	-	-
Estimated third-party payor settlements	<u>2,269,886</u>	<u>-</u>	<u>-</u>	<u>2,269,886</u>	<u>3,702,770</u>
Total current assets	<u>18,372,532</u>	<u>997,205</u>	<u>(615,751)</u>	<u>18,753,986</u>	<u>13,244,641</u>
Assets whose use is limited, net of amount required for current liabilities	<u>14,501,663</u>	<u>-</u>	<u>-</u>	<u>14,501,663</u>	<u>22,591,699</u>
Property, plant, and equipment	203,703,908	530,000	-	204,233,908	204,259,918
Less accumulated depreciation and amortization	<u>(76,538,928)</u>	<u>-</u>	<u>-</u>	<u>(76,538,928)</u>	<u>(69,100,501)</u>
Net property, plant, and equipment	<u>127,164,980</u>	<u>530,000</u>	<u>-</u>	<u>127,694,980</u>	<u>135,159,417</u>
Other assets					
Computer software, net of amortization	49,613	-	-	49,613	56,416
License rights	<u>2,937,615</u>	<u>-</u>	<u>-</u>	<u>2,937,615</u>	<u>2,937,615</u>
Total other assets	<u>2,987,228</u>	<u>-</u>	<u>-</u>	<u>2,987,228</u>	<u>2,994,031</u>
Total assets	<u>\$ 163,026,403</u>	<u>\$ 1,527,205</u>	<u>\$ (615,751)</u>	<u>\$ 163,937,857</u>	<u>\$ 173,989,788</u>
Deferred outflows of resources	<u>\$ 8,691,868</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,691,868</u>	<u>\$ 11,112,012</u>

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

**LIABILITIES, DEFERRED INFLOWS, AND NET POSITION**

	<u>Operating Fund</u>	<u>Restricted Fund</u>	<u>Eliminations</u>	<u>2024 Total</u>	<u>2023 Total</u>
Current liabilities					
Current portion of long-term debt and lease obligations	\$ 469,305	\$ -	\$ -	\$ 469,305	\$ 154,476
Accounts payable	3,179,302	-	-	3,179,302	7,657,404
Accrued expenses and other current liabilities	596,666	-	-	596,666	295,232
Accrued payroll and related expenses	5,224,627	-	-	5,224,627	4,650,608
Resident funds held in trust	194,895	-	-	194,895	254,656
Refunds due to third-party payors	237,115	-	-	237,115	242,964
Due to other fund	<u>-</u>	<u>615,751</u>	<u>(615,751)</u>	<u>-</u>	<u>-</u>
Total current liabilities	<b>9,901,910</b>	<b>615,751</b>	<b>(615,751)</b>	<b>9,901,910</b>	13,255,340
Long-term debt and lease obligations, net	20,421,848	-	-	20,421,848	20,449,951
Net other post-employment benefit obligation liabilities	777,930	-	-	777,930	815,736
Net pension liability	<u>17,071,517</u>	<u>-</u>	<u>-</u>	<u>17,071,517</u>	<u>15,332,239</u>
Total liabilities	<b>\$ 48,173,205</b>	<b>\$ 615,751</b>	<b>\$ (615,751)</b>	<b>\$ 48,173,205</b>	<b>\$ 49,853,266</b>
Deferred inflows of resources	<u>\$ 3,905,113</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,905,113</u>	<u>\$ 7,187,920</u>
Net position					
Net investment in capital assets	106,273,827	530,000	-	106,803,827	113,525,108
Unrestricted	13,366,126	-	-	13,366,126	14,164,208
Restricted—expendable	<u>-</u>	<u>381,454</u>	<u>-</u>	<u>381,454</u>	<u>371,298</u>
Total net position	<b><u>\$119,639,953</u></b>	<b><u>\$ 911,454</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 120,551,407</u></b>	<b><u>\$ 128,060,614</u></b>

## MAINE VETERANS' HOMES

### Statement of Revenues, Expenses, and Changes in Net Position

**Year Ended June 30, 2024**  
**(With Comparative Totals for Year Ended June 30, 2023)**

	<u>Operating Fund</u>	<u>Restricted Fund</u>	<u>2024 Total</u>	<u>2023 Total</u>
Operating revenues				
Net resident service revenue	\$ 86,730,149	\$ -	\$ 86,730,149	\$ 73,859,806
Net V.A. stipend revenue	-	7,575,281	7,575,281	6,312,184
Net pharmacy revenue	12,628,348	-	12,628,348	10,302,857
Meal, laundry, and other revenue, net	3,643,668	-	3,643,668	815,871
Gain (loss) on sale and impairment of property, plant, and equipment	<u>114,234</u>	<u>-</u>	<u>114,234</u>	<u>(985,595)</u>
Total operating revenues	<u>103,116,399</u>	<u>7,575,281</u>	<u>110,691,680</u>	<u>90,305,123</u>
Operating expenses				
Salaries	55,093,901	-	55,093,901	48,712,801
Benefits	16,023,043	-	16,023,043	13,127,063
Pharmacy cost of sales	6,921,615	-	6,921,615	5,718,521
Purchased services	15,434,035	-	15,434,035	16,099,658
Supplies	5,647,709	-	5,647,709	5,123,792
Other	5,664,934	-	5,664,934	5,510,396
Bad debts	856,506	-	856,506	538,447
Depreciation and amortization	8,182,735	-	8,182,735	8,355,686
Health care provider tax	<u>5,106,717</u>	<u>-</u>	<u>5,106,717</u>	<u>4,261,709</u>
Total operating expenses	<u>118,931,195</u>	<u>-</u>	<u>118,931,195</u>	<u>107,448,073</u>
Operating (deficiency) excess of revenues over expenses	<u>(15,814,796)</u>	<u>7,575,281</u>	<u>(8,239,515)</u>	<u>(17,142,950)</u>
Nonoperating revenues and expenses				
Contribution revenue	172,785	149,343	322,128	289,683
Investment gain	918,042	-	918,042	1,165,368
Interest and dividend income, net of fees	506,763	-	506,763	602,845
Interest expense	(1,022,420)	-	(1,022,420)	(1,202,604)
Restricted expenses	-	(139,187)	(139,187)	(117,390)
V.A. construction grant revenue	<u>-</u>	<u>144,982</u>	<u>144,982</u>	<u>2,380,057</u>
Total nonoperating revenues and expenses	<u>575,170</u>	<u>155,138</u>	<u>730,308</u>	<u>3,117,959</u>
Total (deficiency) excess of revenues over expenses	<u>(15,239,626)</u>	<u>7,730,419</u>	<u>(7,509,207)</u>	<u>(14,024,991)</u>
Funding of depreciation and capital expenditures	<u>7,720,263</u>	<u>(7,720,263)</u>	<u>-</u>	<u>-</u>
Total (decrease) increase in net position	<u>(7,519,363)</u>	<u>10,156</u>	<u>(7,509,207)</u>	<u>(14,024,991)</u>
Net position, beginning of year	<u>127,159,316</u>	<u>901,298</u>	<u>128,060,614</u>	<u>142,085,605</u>
Net position, end of year	<u>\$ 119,639,953</u>	<u>\$ 911,454</u>	<u>\$ 120,551,407</u>	<u>\$ 128,060,614</u>

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

**MAINE VETERANS' HOMES**

**Statement of Cash Flows**

**Year Ended June 30, 2024**

**(With Comparative Totals for Year Ended June 30, 2023)**

	<b>Operating Fund</b>	<b>Restricted Fund</b>	<b>2024 Total</b>	<b>2023 Total</b>
Cash flows from operating activities				
Cash received from V.A. stipend	\$ -	\$ 7,509,708	\$ 7,509,708	\$ 5,997,361
Cash received from other sources	16,500,784	-	16,500,784	10,739,111
Cash received from residents and third-party payors	86,656,714	-	86,656,714	70,271,280
Cash paid to employees	(54,461,577)	-	(54,461,577)	(49,033,162)
Cash paid to vendors	<u>(59,006,622)</u>	<u>-</u>	<u>(59,006,622)</u>	<u>(49,030,321)</u>
Net cash (used) provided by operating activities	<u>(10,310,701)</u>	<u>7,509,708</u>	<u>(2,800,993)</u>	<u>(11,055,731)</u>
Cash flows from capital and related financing activities				
Proceeds from long-term debt	1,857,464	-	1,857,464	-
Interest paid on long-term debt and lease obligations	(651,923)	-	(651,923)	(1,202,604)
Principal payments on long- term debt and lease obligations	(1,570,738)	-	(1,570,738)	(179,033)
Proceeds from V.A. construction grants	144,982	-	144,982	2,380,057
Additions to property, plant, and equipment	(1,654,943)	-	(1,654,943)	(2,200,605)
Proceeds from sale of property, plant, and equipment	184,967	-	184,967	3,051,460
Interfund transfers	7,927,406	(7,519,864)	407,542	572,809
Proceeds from draw from funded depreciation and bond debt service	9,500,000	-	9,500,000	7,750,000
Increase in funded depreciation and bond debt service	<u>(1,287,338)</u>	<u>-</u>	<u>(1,287,338)</u>	<u>(605,895)</u>
Net cash provided (used) by capital and related financing activities	<u>14,449,877</u>	<u>(7,519,864)</u>	<u>6,930,013</u>	<u>9,566,189</u>
Cash flows from noncapital financing activities				
Cash received from contributions	172,785	149,343	322,128	289,683
Cash paid for restricted expenses	<u>-</u>	<u>(139,187)</u>	<u>(139,187)</u>	<u>(117,390)</u>
Net cash provided by noncapital financing activities	<u>172,785</u>	<u>10,156</u>	<u>182,941</u>	<u>172,293</u>
Cash flows from investing activities				
Interest income from investing activities	<u>506,737</u>	<u>-</u>	<u>506,737</u>	<u>605,845</u>
Net cash provided by investing activities	<u>506,737</u>	<u>-</u>	<u>506,737</u>	<u>605,845</u>
Net increase (decrease) in cash	4,818,698	-	4,818,698	(711,404)
Cash, beginning of year	<u>1,590,200</u>	<u>-</u>	<u>1,590,200</u>	<u>2,301,604</u>
Cash, end of year	<u>\$ 6,408,898</u>	<u>\$ -</u>	<u>\$ 6,408,898</u>	<u>\$ 1,590,200</u>

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

## MAINE VETERANS' HOMES

### Statements of Cash Flows (Concluded)

**Year Ended June 30, 2024  
(With Comparative Totals for Year Ended June 30, 2023)**

	<u>Operating Fund</u>	<u>Restricted Fund</u>	<u>2024 Total</u>	<u>2023 Total</u>
Reconciliation of operating (deficiency) excess of revenues over expenses to net cash (used) provided by operating activities				
Operating (deficiency) excess of revenues over expenses	\$ (15,814,796)	\$ 7,575,281	\$ (8,239,515)	\$ (17,142,950)
Adjustments to reconcile operating (deficiency) excess of revenues over expenses to net cash (used) provided by operating activities				
Depreciation and amortization	8,182,735	-	8,182,735	8,355,686
(Gain) loss on sale and impairment of property, plant, and equipment	(114,234)	-	(114,234)	985,595
(Increase) decrease in				
Accounts and employee receivables, net	(1,086,776)	-	(1,086,776)	(1,288,614)
Pharmacy inventory	(412,767)	-	(412,767)	256,640
V.A. stipend receivable	-	(65,573)	(65,573)	(314,823)
Prepaid expenses, supplies, and other current assets	(227,276)	-	(227,276)	198,572
Estimated third-party payor settlements	1,432,884	-	1,432,884	(2,273,000)
Net pension asset	-	-	-	1,880,590
Deferred outflows of resources	2,420,144	-	2,420,144	1,460,603
Increase (decrease) in				
Accounts payable	(3,608,387)	-	(3,608,387)	1,702,117
Accrued expenses and other current liabilities	499,107	-	499,107	(494,901)
Net other post-employment benefit obligation liabilities	(37,806)	-	(37,806)	48,381
Net pension liability	1,739,278	-	1,739,278	15,332,239
Deferred inflows of resources	<u>(3,282,807)</u>	<u>-</u>	<u>(3,282,807)</u>	<u>(19,761,866)</u>
Net cash (used) provided by operating activities	<u>\$ (10,310,701)</u>	<u>\$ 7,509,708</u>	<u>\$ (2,800,993)</u>	<u>\$ (11,055,731)</u>

Supplemental cash flow disclosures:

At June 30, 2024, additions to property, plant, and equipment totaling \$160,168 were included in accounts payable. Additions to property, plant, and equipment of \$1,029,882 included in accounts payable at June 30, 2023 were paid in 2024.

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

# MAINE VETERANS' HOMES

## Notes to Financial Statements

June 30, 2024  
(With Comparative Totals for June 30, 2023)

### 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

The Augusta facility has 108 nursing facility beds and 30 residential care beds. The nursing facility has been operating its 108 nursing home beds in the current location since March 2022. Construction was funded by a grant from the U.S. Department of Veterans' Affairs (V.A.) for 65% of allowed costs, board designated investments, and long-term financing.

The 30-bed residential care unit in Augusta has been in operation at the current location since March 2022. Construction of this unit was funded by a grant from the V.A. for 65% of allowed costs, board designated investments, and long-term financing. The residential care unit is adjacent to the nursing facility.

### 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.

# MAINE VETERANS' HOMES

## Notes to Financial Statements

June 30, 2024  
(With Comparative Totals for June 30, 2023)

### Nature of Business (continued)

Construction was funded by a grant from the 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.

# MAINE VETERANS' HOMES

## Notes to Financial Statements

June 30, 2024  
(With Comparative Totals for June 30, 2023)

### **Nature of Business (concluded)**

#### **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 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.

**MAINE VETERANS' HOMES**

**Notes to Financial Statements**

**June 30, 2024**

**(With Comparative Totals for June 30, 2023)**

**1. Summary of Significant Accounting Policies (continued)**

**Pharmacy 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:

	<u>Estimated Useful Lives (Years)</u>
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. The license rights to operate 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.

# MAINE VETERANS' HOMES

## Notes to Financial Statements

June 30, 2024  
(With Comparative Totals for June 30, 2023)

### 1. Summary of Significant Accounting Policies (continued)

#### License Rights (concluded)

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 that was placed in service in 2022.

#### 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, 2023, from which the summarized information was derived.

# MAINE VETERANS' HOMES

## Notes to Financial Statements

June 30, 2024  
(With Comparative Totals for June 30, 2023)

### 1. Summary of Significant Accounting Policies (continued)

#### 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 amortization, 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 from 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.

# MAINE VETERANS' HOMES

## Notes to Financial Statements

June 30, 2024  
(With Comparative Totals for June 30, 2023)

### 1. Summary of Significant Accounting Policies (concluded)

#### 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 (the System) Participating Local District (PLD) Consolidated Plan (the PLD Plan) and additions to or 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 deferred inflows of resources relative to its pension plan and OPEB plans. As discussed in Notes 11 and 14, 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 deferred inflows of resources are amortized over various lives and are charged to OPEB and pension expense. The unamortized portion is reported in the Statement of Net Position as a deferred outflow of resources or deferred inflow of resources, as applicable.

## MAINE VETERANS' HOMES

### Notes to Financial Statements

**June 30, 2024**  
**(With Comparative Totals for June 30, 2023)**

#### 2. 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, funded depreciation, and bond debt service as follows at June 30:

	<u>2024</u>	<u>2023</u>
Resident funds held in trust	\$ 194,895	\$ 254,656
Funded depreciation*	14,501,663	22,591,699
Bond debt service	<u>798,448</u>	<u>-</u>
Total assets whose use is limited	<b>15,495,006</b>	22,846,355
Less those required for current liabilities	<u>993,343</u>	<u>254,656</u>
Noncurrent assets whose use is limited	<b><u>\$ 14,501,663</u></b>	<b><u>\$ 22,591,699</u></b>

\* In addition to cash \$1,342 at June 30, 2023, funded depreciation included assets held in investments; see Notes 3 and 4.

#### 3. Investments

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

	<u>2024</u>	
	<u>Cost</u>	<u>Fair Value</u>
Vanguard Total Bond Market Index Fund Institutional Shares	\$ 3,561,816	\$ 3,156,420
Vanguard Short-Term Investment Grade Admiral Shares	1,441,902	1,406,260
Vanguard Intermediate-Term Investment Grade Admiral Shares	1,138,035	988,888
Vanguard Total Stock Market Index Fund Institutional Shares	1,395,072	4,501,401
Vanguard Total International Stock Index Fund Institutional Shares	2,327,540	2,937,317
Vanguard Long-Term Investment Grade Admiral Shares	1,083,655	762,086
Vanguard REIT Index Fund Admiral Shares	604,389	703,381
Vanguard Federal Money Market Fund	<u>45,910</u>	<u>45,910</u>
	<b><u>\$ 11,598,319</u></b>	<b><u>\$ 14,501,663</u></b>
	<u>2023</u>	
	<u>Cost</u>	<u>Fair Value</u>
Vanguard Total Bond Market Index Fund Institutional Shares	\$ 5,618,560	\$ 4,994,726
Vanguard Short-Term Investment Grade Institutional Shares	2,324,688	2,217,696
Vanguard Intermediate-Term Investment Grade Admiral Shares	1,826,584	1,562,201
Vanguard Total Stock Market Index Fund Institutional Shares	2,584,825	7,079,097
Vanguard Total International Stock Index Fund Institutional Shares	3,784,505	4,472,123
Vanguard Long-Term Investment Grade Admiral Shares	1,687,429	1,220,647
Vanguard REIT Index Fund Admiral Shares	<u>905,547</u>	<u>1,043,867</u>
	<b><u>\$ 18,732,138</u></b>	<b><u>\$ 22,590,357</u></b>

# MAINE VETERANS' HOMES

## Notes to Financial Statements

June 30, 2024  
(With Comparative Totals for June 30, 2023)

### 3. Investments (concluded)

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, 2024: AAA (71%), AA (3%), A (13%), and BBB (13%).

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, 2024: AAA (11%), AA (3%), A (34%), BBB (50%), and other (2%).

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, 2024: AAA (8%), AA (2%), A (38%), BBB (51%), and other (1%).

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, 2024: AAA (11%), AA (20%), A (62%), and BBB (7%).

### 4. 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.

## MAINE VETERANS' HOMES

### Notes to Financial Statements

June 30, 2024  
(With Comparative Totals for June 30, 2023)

#### 4. Fair Value Measurement and Application (continued)

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

	<u>Fair Value Measurements at June 30, 2024, Using:</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Equity mutual funds	\$ 7,484,628	\$ 7,484,628	\$ -	\$ -
Fixed income mutual funds	6,313,654	6,313,654	-	-
Real estate investment trusts	<u>703,381</u>	<u>703,381</u>	-	-
	<u>\$ 14,501,663</u>	<u>\$ 14,501,663</u>	<u>\$ -</u>	<u>\$ -</u>

	<u>Fair Value Measurements at June 30, 2023, Using:</u>			
	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Equity mutual funds	\$ 11,551,220	\$ 11,551,220	\$ -	\$ -
Fixed income mutual funds	9,995,270	9,995,270	-	-
Real estate investment trusts	<u>1,043,867</u>	<u>1,043,867</u>	-	-
	<u>\$ 22,590,357</u>	<u>\$ 22,590,357</u>	<u>\$ -</u>	<u>\$ -</u>

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

	<u>2024</u>	<u>2023</u>
Interest and dividends, net of investment fees of \$32,678 and \$35,761 in 2024 and 2023, respectively.	\$ 506,763	\$ 602,845
Investment return	<u>918,042</u>	<u>1,165,368</u>
	<u>\$ 1,424,805</u>	<u>\$ 1,768,213</u>

#### 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.

**MAINE VETERANS' HOMES**

**Notes to Financial Statements**

**June 30, 2024**  
**(With Comparative Totals for June 30, 2023)**

**4. Fair Value Measurement and Application (concluded)**

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

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

**5. 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, 2024 are expected to be repaid within one year.

**6. Significant Concentration and Estimated Third-Party Payor Settlements**

Approximately 48% and 56% of the residents served during 2024 and 2023, respectively, were beneficiaries of the Maine Medicaid or federal Medicare programs. Revenue from the Medicaid program accounted for approximately 42% and 50% of MVH's net resident service revenue for 2024 and 2023, 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.

# MAINE VETERANS' HOMES

## Notes to Financial Statements

June 30, 2024  
(With Comparative Totals for June 30, 2023)

### 6. Significant Concentration and Estimated Third-Party Payor Settlements (continued)

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. The 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. Net V.A. stipend revenue and reduction of accounts receivable was \$11,533,743 and \$10,017,541 in 2024 and 2023, 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, 2023, 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 \$536,700 for the year ended June 30, 2023.

In addition, during 2022, the Maine legislature approved supplemental appropriations to MVH. MVH received and reported as revenue \$4,784,059 and \$2,442,200 during the years ended June 30, 2024 and 2023, respectively, which is included in net resident service revenue. A remaining amount of \$4,401,816 is expected to be received and reported as revenue during the year ending June 30, 2025. In addition, another \$3.1 million was approved through the legislature and will be paid to MVH during the year ending June 30, 2025.

MVH received \$2,798,982 and \$201,356 in congressional direct spending during the year ended June 30, 2024 to fund operating shortfalls and capital spending needs, respectively, in Caribou and Machias. This is included in meals, laundry, and other revenues, expenses and changes in net position.

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 \$20,370,988 and \$14,939,035 in 2024 and 2023, 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 \$63,000 in 2024 and by approximately \$687,000 in 2023 due to changes in prior years' estimated settlements. Medicaid cost reports have been audited through 2021 and Medicare cost reports have been audited through 2023.

## MAINE VETERANS' HOMES

### Notes to Financial Statements

June 30, 2024  
(With Comparative Totals for June 30, 2023)

#### 6. Significant Concentration and Estimated Third-Party Payor Settlements (concluded)

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

	<u>2024</u>	<u>2023</u>
Routine services	\$ 81,964,587	\$ 67,474,345
Ancillary services	15,033,319	11,715,060
Contractual adjustments under third-party reimbursement programs	<u>(10,267,757)</u>	<u>(5,329,599)</u>
Net resident service revenue	<u>\$ 86,730,149</u>	<u>\$ 73,859,806</u>

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.

#### 7. Property, Plant, and Equipment

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

	June 30, <u>2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	June 30, <u>2024</u>
<b>Cost</b>					
Land	\$ 6,898,776	\$ -	\$ -	\$ -	\$ 6,898,776
Land improvements	11,774,012	-	-	-	11,774,012
Buildings and improvements	157,599,148	725,383	140,631	-	158,183,900
Equipment	23,933,618	314,094	661,318	-	23,586,394
Motor vehicles	1,631,629	40,396	31,154	-	1,640,871
Construction in process	<u>2,422,735</u>	<u>280,853</u>	<u>553,633</u>	-	<u>2,149,955</u>
Property, plant, and equipment, at cost	<u>204,259,918</u>	<u>1,360,726</u>	<u>1,386,736</u>	-	<u>204,233,908</u>
<b>Accumulated depreciation and amortization</b>					
Land improvements	3,126,452	590,365	-	-	3,716,817
Buildings and improvements	49,954,017	5,985,203	102,661	-	55,836,559
Equipment	14,526,869	1,549,691	622,969	-	15,453,591
Motor vehicles	<u>1,493,163</u>	<u>65,539</u>	<u>26,741</u>	-	<u>1,531,961</u>
Total accumulated depreciation and amortization	<u>69,100,501</u>	<u>8,190,798</u>	<u>752,371</u>	-	<u>76,538,928</u>
Net property, plant, and equipment	<u>\$ 135,159,417</u>	<u>\$ (6,830,072)</u>	<u>\$ 634,365</u>	<u>\$ -</u>	<u>\$ 127,694,980</u>

## MAINE VETERANS' HOMES

### Notes to Financial Statements

**June 30, 2024**  
**(With Comparative Totals for June 30, 2023)**

#### 7. Property, Plant, and Equipment (concluded)

	June 30, <u>2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	June 30, <u>2023</u>
Cost					
Land	\$ 7,129,369	\$ -	\$ 230,593	\$ -	\$ 6,898,776
Land improvements	12,387,198	115,472	728,658	-	11,774,012
Buildings and improvements	168,404,400	1,676,892	12,482,144	-	157,599,148
Equipment	26,465,978	507,210	3,011,159	28,411	23,933,618
Motor vehicles	1,624,734	-	21,516	(28,411)	1,631,629
Construction in process	<u>1,808,544</u>	<u>614,191</u>	<u>-</u>	<u>-</u>	<u>2,422,735</u>
Property, plant, and equipment, at cost	<u>217,820,223</u>	<u>2,913,765</u>	<u>16,474,070</u>	<u>-</u>	<u>204,259,918</u>
Accumulated depreciation and amortization					
Land improvements	2,953,834	585,836	413,218	-	3,126,452
Buildings and improvements	53,244,312	5,942,432	9,232,727	-	49,954,017
Equipment	15,726,898	1,591,041	2,791,070	-	14,526,869
Motor vehicles	<u>1,244,574</u>	<u>248,589</u>	<u>-</u>	<u>-</u>	<u>1,493,163</u>
Total accumulated depreciation and amortization	<u>73,169,618</u>	<u>8,367,898</u>	<u>12,437,015</u>	<u>-</u>	<u>69,100,501</u>
Net property, plant, and equipment	<u>\$ 144,650,605</u>	<u>\$ (5,454,133)</u>	<u>\$ 4,037,055</u>	<u>\$ -</u>	<u>\$ 135,159,417</u>

#### 8. Noncurrent Liabilities

Noncurrent liability activity for the year ended June 30, 2024 was as follows:

	June 30, <u>2023</u>	<u>Additions</u>	<u>Reductions</u>	June 30, <u>2024</u>	<u>Due Within One Year</u>
Net other post-employment benefits obligation liabilities	\$ 815,736	\$ -	\$ 37,806	\$ 777,930	\$ -
Net pension liability	<u>15,332,239</u>	<u>1,739,278</u>	<u>-</u>	<u>17,071,517</u>	<u>-</u>
	<u>\$16,147,975</u>	<u>\$ 1,739,278</u>	<u>\$ 37,806</u>	<u>\$ 17,849,447</u>	<u>\$ -</u>

Noncurrent liability (asset) activity for the year ended June 30, 2023 was as follow:

	June 30, <u>2022</u>	<u>Additions</u>	<u>Reductions</u>	June 30, <u>2023</u>	<u>Due Within One Year</u>
Net other post-employment benefits obligation liabilities	\$ 767,355	\$ 48,381	\$ -	\$ 815,736	\$ -
Net pension (asset) liability	<u>(1,880,590)</u>	<u>17,212,829</u>	<u>-</u>	<u>15,332,239</u>	<u>-</u>
	<u>\$ (1,113,235)</u>	<u>\$ 17,261,210</u>	<u>\$ -</u>	<u>\$ 16,147,975</u>	<u>\$ -</u>

**MAINE VETERANS' HOMES**

**Notes to Financial Statements**

**June 30, 2024  
(With Comparative Totals for June 30, 2023)**

**9. Borrowings**

Long-term debt and lease obligations consist of:

	June 30, <u>2023</u>	<u>Additions</u>	<u>Reductions</u>	June 30, <u>2024</u>	<u>Due Within One Year</u>
6.195% lease payable to vendor due in 84 monthly payments of \$14,736, including interest, through November 2026; collateralized by equipment.	\$ 607,866	\$ -	\$ 154,509	\$ 453,357	\$ 164,305
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. The loan was refinanced in July 2023.	19,996,561	-	19,996,561	-	-
Series 2023A (including original issue premium of \$729,025, net of debt service reserve fund of \$1,317,344 and unamortized bond issuances costs of \$76,609), which bears interest at rates ranging from 4.375% to 5%; annual principal payments due in amounts ranging from \$305,000 to \$1,260,000 through July 2038; collateralized by land and a building.	-	20,460,072	22,276	20,437,796	305,000
	<u>\$ 20,604,427</u>	<u>\$ 20,460,072</u>	<u>\$ 20,173,346</u>	<u>\$ 20,891,153</u>	<u>\$ 469,305</u>
	June 30, <u>2022</u>	<u>Additions</u>	<u>Reductions</u>	June 30, <u>2023</u>	<u>Due Within One Year</u>
5.00% lease payable to vendor due in 48 monthly payments of \$10,989, including interest, through July 2022; collateralized by equipment.	\$ 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.	772,471	-	164,605	607,866	154,476
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. The loan was refinanced in July 2023.	20,000,000	-	3,439	19,996,561	-
	<u>\$ 20,783,460</u>	<u>\$ -</u>	<u>\$ 179,033</u>	<u>\$ 20,604,427</u>	<u>\$ 154,476</u>

**MAINE VETERANS' HOMES**

**Notes to Financial Statements**

**June 30, 2024**

**(With Comparative Totals for June 30, 2023)**

**9. Borrowings (concluded)**

In July of 2023, MVH refinanced its Finance Authority of Maine loan and secured the Maine Health and Higher Educational Facilities Authority (MHHEFA) Series 2023A Revenue Bonds with an average coupon interest of 4.57%, a par amount of \$21,125,000 and a premium of \$729,025. The premium is being accreted on a straight-line basis over the life of the bonds. The bond issuance costs were incurred with the issuance of the MHHEFA Revenue Bonds and are being amortized over the life of the bonds. The par amount of the bonds is reduced by the debt service reserve fund, which is retained by MHHEFA until the final payment is due.

The annual debt service requirements to maturity of borrowings as of June 30, 2024 are as follows:

	<u>Principal</u>	<u>Interest</u>
2025	\$ 469,305	\$ 944,917
2026	514,651	985,736
2027	469,401	959,722
2028	375,000	940,844
2029	395,000	922,094
2030 - 2034	2,280,000	4,294,219
2035 - 2039	2,905,000	3,665,719
2040 - 2044	3,705,000	2,862,969
2045 - 2049	4,675,000	1,897,656
2050 - 2053	<u>5,790,000</u>	<u>781,594</u>
Total payments	21,578,357	\$ <u>18,255,470</u>
Add: Unamortized premium	706,749	
Less: Debt service reserve fund	(1,317,344)	
Less: Unamortized bond issuance costs	<u>(76,609)</u>	
	<u>\$ 20,891,153</u>	

**10. Leases**

The Caribou facility lease (see Nature of Business Note) provided 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 lease at June 30:

	<u>2024</u>	<u>2023</u>
Buildings and improvements	\$ 1,426,711	\$ 1,426,711
Less accumulated depreciation	<u>(1,221,975)</u>	<u>(1,186,308)</u>
	<u>\$ 204,736</u>	<u>\$ 240,403</u>

**MAINE VETERANS' HOMES**

**Notes to Financial Statements**

**June 30, 2024  
(With Comparative Totals for June 30, 2023)**

**11. OPEB Plans**

***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, 2024, the following employees were covered by the benefit terms:

	<u>Life Insurance Plan</u>	<u>Welfare Plan</u>
Inactive employees or beneficiaries currently receiving benefits	-	1
Inactive employees entitled to but not yet receiving benefit payments	-	-
Active plan members	<u>56</u>	<u>38</u>
	<u>56</u>	<u>39</u>

***Total OPEB Liability***

MVH's total OPEB liability of \$777,930 as of June 30, 2024 is comprised of an OPEB liability related to the Life Insurance Plan of \$218,711 and an OPEB liability related to the Welfare Plan of \$559,219. The Life Insurance Plan OPEB liability was measured as of June 30, 2023 and was determined by an actuarial valuation as of that date. The Welfare Plan OPEB liability was measured as of July 1, 2022, and was determined by an actuarial valuation as of that date.

**MAINE VETERANS' HOMES**

**Notes to Financial Statements**

**June 30, 2024  
(With Comparative Totals for June 30, 2023)**

**11. OPEB Plans (continued)**

***Actuarial Assumptions***

The OPEB's liabilities in the June 30, 2023 and July 1, 2022 actuarial valuations were determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	<u>Life Insurance Plan</u>	<u>Welfare Plan</u>
Inflation	2.75%	2.50%
Salary increases	2.75% – 11.48%	3.00%
Healthcare cost trend rates	N/A	5.00%
Retirees' share of benefit-related costs	N/A	50.00%
Investment rate of return	6.50%	5.47%

The discount rate used for the Life Insurance Plan valuation was 6.5% and was based the assumed long-term expected rate of return on plan investments. The discount rate used for the valuation of the Welfare Plan was 4.06% and was based on the S&P Municipal Bond 20-Year High Grade Index.

The 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC\_2020 model was used for the Life Insurance Plan.

The PubG-2010 Mortality Table projected generationally with scale MP-2020 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, 2023 valuation for the Life Insurance Plan were based on the results of an actuarial experience study conducted for the period of July 1, 2015 to June 30, 2020. The actuarial assumptions used in the July 1, 2022 valuations for the Welfare Plan were based on the latest experience studies published by the Society of Actuaries.

**MAINE VETERANS' HOMES**

**Notes to Financial Statements**

**June 30, 2024  
(With Comparative Totals for June 30, 2023)**

**11. OPEB Plans (continued)**

***Changes in the Total OPEB Liability***

	Total OPEB Liability	
	Life Insurance Plan	Welfare Plan
Balance at June 30, 2023	\$ <u>250,232</u>	\$ <u>565,504</u>
Changes for the year:		
Service cost	9,310	9,068
Interest	63,672	22,566
Differences between actual and expected experience	(63,043)	-
Benefit payments	<u>(41,460)</u>	<u>(37,919)</u>
Net changes	<u>(31,521)</u>	<u>(6,285)</u>
Balance at June 30, 2024	\$ <u><u>218,711</u></u>	\$ <u><u>559,219</u></u>

***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 <u>(5.50%)</u>	Discount Rate <u>(6.50%)</u>	1% Increase <u>(7.50%)</u>
Total OPEB liability	\$ <u>303,350</u>	\$ <u>218,711</u>	\$ <u>150,676</u>

***Welfare Plan***

	1 % Decrease <u>(3.06%)</u>	Discount Rate <u>(4.06%)</u>	1% Increase <u>(5.06%)</u>
Total OPEB liability	\$ <u>581,719</u>	\$ <u>559,219</u>	\$ <u>534,187</u>

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 <u>(4.00%)</u>	Trend Rate <u>(5.00%)</u>	1% Increase <u>(6.00%)</u>
Total OPEB liability	\$ <u>520,558</u>	\$ <u>559,219</u>	\$ <u>600,402</u>

MAINE VETERANS' HOMES

Notes to Financial Statements

June 30, 2024  
(With Comparative Totals for June 30, 2023)

11. OPEB Plans (continued)

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

For the years ended June 30, 2024 and 2023, MVH recognized OPEB benefit of \$66,875. At June 30, 2024 and 2023, MVH reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>2024</b>			
	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>Life Insurance Plan</u>	<u>Welfare Plan</u>	<u>Life Insurance Plan</u>	<u>Welfare Plan</u>
Difference between projected and actual investment earnings	\$ 7,040	\$ -	\$ 1,712	\$ -
Difference between expected and actual experience	3,885	-	-	91,868
Changes of assumptions	10,689	64,211	48,328	-
Changes in proportion	<u>3,182</u>	<u>-</u>	<u>24,759</u>	<u>-</u>
Total	<u>\$ 24,796</u>	<u>\$ 64,211</u>	<u>\$ 74,799</u>	<u>\$ 91,868</u>
	<b>2023</b>			
	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>Life Insurance Plan</u>	<u>Welfare Plan</u>	<u>Life Insurance Plan</u>	<u>Welfare Plan</u>
Difference between projected and actual investment earnings	\$ 21,634	\$ -	\$ 2,214	\$ -
Difference between expected and actual experience	12,172	-	-	207,969
Changes of assumptions	20,807	87,053	78,138	-
Changes in proportion	<u>5,246</u>	<u>-</u>	<u>11,232</u>	<u>-</u>
Total	<u>\$ 59,859</u>	<u>\$ 87,053</u>	<u>\$ 91,584</u>	<u>\$ 207,969</u>

**MAINE VETERANS' HOMES**

**Notes to Financial Statements**

**June 30, 2024**  
**(With Comparative Totals for June 30, 2023)**

**11. OPEB Plans (concluded)**

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

<u>Year ending June 30:</u>	<u>Life Insurance</u> <u>Plan</u>	<u>Welfare</u> <u>Plan</u>
2025	\$ (21,870)	\$ (21,484)
2026	(27,081)	(3,536)
2027	8,245	(2,265)
2028	(5,910)	(196)
2029	(3,387)	(176)

**12. 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 previous 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.

From time-to-time certain complaints are filed against MVH in the ordinary course of business. Management vigorously defends the MVH's actions in those cases and utilizes insurance to cover material losses. In the opinion of management, there are no matters that will materially affect the MVH's financial statements.

**MAINE VETERANS' HOMES**

**Notes to Financial Statements**

**June 30, 2024**  
**(With Comparative Totals for June 30, 2023)**

**13. Restricted Expendable Net Assets**

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

	<u>2024</u>	<u>2023</u>
Equipment	\$ 5,103	\$ 10,343
Activities	262,898	263,517
Scholarships	2,681	2,681
Memorials	2,713	1,053
Special events	9,493	9,239
Residents in need	25,767	23,174
Masonic	8,793	9,497
Future capital campaign	55,436	50,000
Other projects	<u>8,570</u>	<u>1,794</u>
	<u>\$ 381,454</u>	<u>\$ 371,298</u>

**14. 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 7.7% of wages in 2024 and 7.6% of wages in 2023 for the Age 60 Plan members. The contribution rates were 6.95% of wages in 2024 and 6.85% of wages in 2023 for the Age 65 PLD Plan members. Employer contribution rates are determined through actuarial valuations. Employer contributions determined by the System based on financing needs were 10.2% of wages in 2024 and 2023.

**MAINE VETERANS' HOMES**

**Notes to Financial Statements**

**June 30, 2024**  
**(With Comparative Totals for June 30, 2023)**

**14. Defined Benefit Pension Plan (continued)**

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

MVH reported a net pension liability of \$17,071,517 and \$15,332,239 at June 30, 2024 and 2023, respectively, for its proportionate share of the net pension liability. The net pension liability was measured on June 30, 2023 and 2022, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. MVH's proportion of the net pension 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 5.35% as of the June 30, 2023 valuation, which was an decrease of 0.42% from the June 30, 2022 valuation of the net pension liability.

For the years ended June 30, 2024 and 2023, MVH recognized pension expense of \$951,596 and pension benefit of \$888,558, respectively. At June 30, 2024 and 2023, MVH reported deferred outflows of resources and deferred inflows of resources related to the PLD Plan from the following sources:

	<b>2024</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 3,169,351	\$ -
Net difference between projected and actual earnings on pension plan investments	-	2,896,943
Changes in proportion and differences between MVH's contributions and proportionate share of contributions	-	841,503
MVH contributions subsequent to the measurement date (June 30, 2023)	<b>5,433,510</b>	-
Total	<b>\$ 8,602,861</b>	<b>\$ 3,738,446</b>

**MAINE VETERANS' HOMES**

**Notes to Financial Statements**

**June 30, 2024  
(With Comparative Totals for June 30, 2023)**

**14. Defined Benefit Pension Plan (continued)**

	2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,849,398	\$ -
Net difference between projected and actual earnings on pension plan investments	-	6,435,025
Changes in proportion and differences between MVH's contributions and proportionate share of contributions	-	453,342
Changes of assumptions	3,111,914	-
MVH contributions subsequent to the measurement date (June 30, 2022)	5,003,788	-
Total	\$ 10,965,100	\$ 6,888,367

The amount of \$5,433,510 reported as deferred outflows of resources related to pensions resulting from MVH contributions subsequent to the measurement date at June 30, 2023 will be recognized as a reduction of the net pension liability in the actuarial report for the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the PLD Plan will be recognized in pension expense (benefit) as follows:

<u>Year ending June 30:</u>	
2025	\$ (670,110)
2026	(2,971,941)
2027	2,938,286
2028	134,670

***Actuarial Assumptions***

The total pension liability in the June 30, 2023 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 May 13, 2021 meeting for use starting with the 2022 valuation. The demographic assumptions are based on an experience study covering the period from July 30, 2015 through June 30, 2020.

**MAINE VETERANS' HOMES**

**Notes to Financial Statements**

**June 30, 2024  
(With Comparative Totals for June 30, 2023)**

**14. Defined Benefit Pension Plan (continued)**

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, 2024 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Public equities	6.0%
U.S. Government	2.6
Private equity	7.6
Real assets:	
Real estate	5.2
Infrastructure	5.3
Natural resources	5.0
Traditional credit	3.2
Alternative credit	7.4
Diversified	5.0

***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 liability.

**MAINE VETERANS' HOMES**

**Notes to Financial Statements**

**June 30, 2024**  
**(With Comparative Totals for June 30, 2023)**

**14. Defined Benefit Pension Plan (concluded)**

***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 (6.50%)	1% Increase (7.50%)
MVH's proportionate share of the net pension liability	\$ <u>46,777,197</u>	\$ <u>17,071,517</u>	\$ <u>(7,433,255)</u>

***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.maineopers.org](http://www.maineopers.org).

**15. 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 \$373,479 and \$369,925 for the years ended June 30, 2024 and 2023, respectively.

**16. 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 \$4,471,897 and \$3,681,356 for the years ended June 30, 2024 and 2023, respectively.

# MAINE VETERANS' HOMES

## Notes to Financial Statements

June 30, 2024

(With Comparative Totals for June 30, 2023)

### 16. Health Care Provider Tax (concluded)

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 \$634,820 and \$580,353 for the years ended June 30, 2024 and 2023, respectively. The SPT was repealed effective January 1, 2025, at which time Medicaid rates will be reduced by the impact of the reduced SPT expense.

### 17. Medicaid Rate Relief Funding

MVH received \$2.2 million and \$2.7 million in 2024 and 2023, respectively, from funds from MaineCare to provide rate relief and alleviate further COVID-19 related operational challenges. The use of these funds is subject to audit by DHHS. MVH recognized the full \$2.2 million and \$2.7 million in net resident service revenue during the years ended June 30, 2024 and 2023, respectively. An additional \$2.6 million was received in September 2024 for use through December 2024.

**MAINE VETERANS' HOMES**

**Required Supplementary Information**

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

**Maine Public Employees Retirement System  
PLD Consolidated Plan**

**June 30, 2024**

**Last 10 Fiscal Years**

	Measurement Date									
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Maine Veterans' Homes (MVH) proportion of the net pension liability (asset)	5.35%	5.77%	5.85%	6.10%	6.01%	6.14%	6.26%	6.19%	5.96%	5.79%
MVH's proportionate share of the net pension liability (asset)	\$ 17,071,517	\$ 15,332,239	\$ (1,880,590)	\$ 24,253,567	\$ 18,380,629	\$ 16,794,428	\$ 25,617,192	\$ 32,871,051	\$ 19,007,220	\$ 8,902,081
MVH's covered-employee payroll	\$ 47,563,897	\$ 43,451,021	\$ 39,364,649	\$ 39,754,900	\$ 39,317,462	\$ 35,485,002	\$ 33,758,119	\$ 32,617,986	\$ 31,222,341	\$ 30,851,076
MVH's proportionate share of the net pension liability (asset) as a percentage of its covered- employee payroll	35.89%	35.29%	(4.78)%	61.01%	46.75%	47.33%	75.88%	100.78%	60.88%	28.86%
Plan fiduciary net position as a percentage of the total pension liability	92.34%	93.26%	100.86%	88.35%	90.62%	91.14%	86.43%	81.61%	88.27%	94.10%

**MAINE VETERANS' HOMES**

**Required Supplementary Information**

**Schedule of Maine Veterans' Homes Contributions**

**Maine Public Employees Retirement System  
PLD Consolidated Plan**

**June 30, 2024**

**Last 10 Fiscal Years**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 4,851,517	\$ 4,475,455	\$ 3,975,830	\$ 3,943,124	\$ 3,675,489	\$ 3,406,561	\$ 3,249,033	\$ 2,945,950	\$ 2,435,217	\$ 2,005,609
Contributions in relation to the contractually required contribution	<u>(4,851,517)</u>	<u>(4,475,455)</u>	<u>(3,975,830)</u>	<u>(3,943,124)</u>	<u>(3,675,489)</u>	<u>(3,406,561)</u>	<u>(3,249,033)</u>	<u>(2,945,950)</u>	<u>(2,435,217)</u>	<u>(2,005,609)</u>
Contribution deficiency (excess)	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>          -</u>
Maine Veterans' Homes covered employee payroll	\$ 47,563,897	\$ 43,451,021	\$ 39,364,649	\$ 39,754,900	\$ 39,317,462	\$ 35,485,002	\$ 33,758,119	\$ 32,617,986	\$ 31,222,341	\$ 30,851,076
Contributions as a percentage of covered employee payroll	10.20%	10.30%	10.10%	9.92%	9.35%	9.60%	9.62%	9.03%	7.80%	6.50%

**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, 2024**

**Last 10 Fiscal Years \***

	Measurement Date						
	2024	2023	2022	2021	2020	2019	2018
Maine Veterans' Homes (MVH) proportion of the net OPEB liability	1.60%	1.73%	1.72%	1.78%	1.79%	1.74%	1.77%
MVH's proportionate share of the net OPEB liability	\$ 218,711	\$ 250,232	\$ 177,220	\$ 234,704	\$ 383,672	\$ 352,386	\$ 295,304
MVH's covered-employee payroll	\$ 1,165,425	\$ 1,141,440	\$ 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	18.77%	21.92%	15.03%	20.49%	38.94%	36.94%	40.73%
OPEB plan fiduciary net position as a percentage of the total OPEB liability	59.71%	55.88%	67.26%	55.40%	43.18%	43.92%	47.42%

\* This schedule is designed to provide information for 10 years. However, until a full 10-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, 2024**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Total OPEB Liability</u>							
Service cost	\$ 9,068	\$ 14,780	\$ 14,875	\$ 14,583	\$ 12,738	\$ 37,793	\$ 30,437
Interest	22,566	11,604	12,073	22,345	22,534	41,880	38,028
Differences between expected and actual experience	-	13,149	-	(160,735)	-	(548,467)	-
Changes in assumptions or other inputs	-	(14,501)	-	138,626	-	(7,819)	-
Benefit payments	<u>(37,919)</u>	<u>(49,663)</u>	<u>(50,907)</u>	<u>(48,715)</u>	<u>(36,462)</u>	<u>(65,410)</u>	<u>(33,606)</u>
Net change in total OPEB liability	(6,285)	(24,631)	(23,959)	(33,896)	(1,190)	(542,023)	34,859
Total OPEB liability—beginning	<u>565,504</u>	<u>590,135</u>	<u>614,094</u>	<u>647,990</u>	<u>649,180</u>	<u>1,191,203</u>	<u>1,156,344</u>
Total OPEB liability—ending	<u>\$ 559,219</u>	<u>\$ 565,504</u>	<u>\$ 590,135</u>	<u>\$ 614,094</u>	<u>\$ 647,990</u>	<u>\$ 649,180</u>	<u>\$ 1,191,203</u>
Covered employee payroll	\$ 1,901,741	\$ 1,846,350	\$ 2,810,290	\$ 2,728,437	\$ 3,157,652	\$ 4,047,846	\$ 3,939,656
Total OPEB liability as a percentage of covered employee payroll	29.41%	30.63%	21.00%	22.51%	20.52%	16.04%	30.24%

**Notes to Schedule**

*Changes of assumptions*

The discount rates used were as follows:

2023	4.06 %
2022	4.06 %
2021	2.00 %
2020	2.00 %
2019	3.50 %
2018	3.50 %
2017	3.25 %

\* This schedule is designed to provide information for 10 years. However, until a full 10-year trend is compiled, information for those years for which information is available is presented.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees  
Maine Veterans' Homes

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Maine Veterans' Homes (MVH), which comprise the statement of net position as of June 30, 2024, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise MVH's financial statements, and have issued our report thereon dated October 30, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered MVH's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MVH's internal control. Accordingly, we do not express an opinion on the effectiveness of MVH's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether MVH's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Board of Trustees  
Maine Veterans' Homes

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Berry Dunn McNeil & Parker, LLC*

Portland, Maine  
October 30, 2024



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees  
Maine Veterans' Homes

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Maine Veterans' Homes' (MVH) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of MVH's major federal programs for the year ended June 30, 2024. MVH's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, MVH complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2024.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards (U.S. GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of MVH and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of MVH's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to MVH's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on MVH's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about MVH's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with U.S. GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 MVH's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the MVH's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the MVH's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Board of Trustees  
Maine Veterans' Homes

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Berry Dunn McNeil & Parker, LLC*

Portland, Maine  
October 30, 2024

**MAINE VETERANS' HOMES**

**Schedule of Expenditures of Federal Awards**

**Year Ended June 30, 2024**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>Pass-Through Agreement Number</u>	<u>Federal Expenditures</u>
Direct			
U.S. Department of Veterans Affairs			
Veterans State Nursing Home Care	64.015		\$ 31,006,114
Veterans State Domiciliary Care	64.014		898,617
Grants to States for Construction of State Home Facilities	64.005		<u>144,982</u>
Total U.S. Department of Veterans Affairs			<u>32,049,713</u>
U.S. Department of Health and Human Services			
Congressional Directives	93.493		<u>3,000,000</u>
Total Expenditures of Federal Awards			<u>\$ 35,049,713</u>

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The accompanying notes are an integral part of the schedule.

# MAINE VETERANS' HOMES

## Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2025

### 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Maine Veterans' Homes (MVH) under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of MVH, it is not intended to and does not present the financial position, changes in net position, or cash flows of MVH.

### 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

MVH has elected not to use the 10% de minimis indirect cost rate.

MAINE VETERANS' HOMES

Schedule of Findings and Questioned Costs

Year Ended June 30, 2024

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Section I—Summary of Auditor's Results

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General-purpose basic financial statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified?        yes   X   no

Significant deficiency(ies) identified not considered to be material weaknesses?        yes   X   none reported

Noncompliance material to general-purpose basic financial statements noted?        yes   X   no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?        yes   X   no

Significant deficiency(ies) identified not considered to be material weaknesses?        yes   X   none reported

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?        yes   X   no

Identification of major programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
64.015	U.S. Department of Veterans Affairs—Veterans State Nursing Home Care
93.493	U.S. Department of Health and Human Services – Congressional Directives

Dollar threshold used to distinguish between Type A and Type B programs: \$ 1,051,491

Auditee qualified as low-risk auditee?   X   yes        no

**MAINE VETERANS' HOMES**

**Schedule of Findings and Questioned Costs (Concluded)**

**Year Ended June 30, 2024**

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**Section II—Financial Statement Findings**

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None.

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**Section III—Federal Award Findings and Questioned Costs**

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None.

**MAINE VETERANS' HOMES**

**Summary Schedule of Prior Year Findings and Questioned Costs**

**Year Ended June 30, 2024**

**Finding 2023-001**

**Condition:**

There was no formal journal entry review process during the majority of fiscal year 2023. We understand there was turnover within a key position of the finance department, and the importance of the journal entry review was shifted to other reconciliations within the finance team.

**Recommendation:**

We recommend management develop a journal entry review process, paying heightened attention to non-standard journal entries.

**Status:**

Resolved.