



[Date]

Board of Directors
OHI
203 Maine Avenue
Bangor, ME 04401

In connection with our audit of the June 30, 2024 financial statements of OHI, we noted matters for your consideration, both best practices recommendations and brief summaries of emerging issues. As OHI's independent accountants, we are in a unique position to provide you with constructive ideas and insights. Despite our working relationship, we are, in fact, outsiders to OHI and can, therefore, be objective in presenting to you our observations and suggestions.

Internal Control Best Practices

The Organization is required to implement a system of internal control such that material misstatements, either intentional or unintentional, would be prevented or detected in the course of business. We identified the following opportunities for improvements to the internal control process in line with industry best practices.

Monthly Reconciliations

One critical component of that system of internal control is timely review of the monthly balance sheet account reconciliations, which are designed to help management identify variances between the accounting records and underlying information so corrections can be made in as close to real-time as possible. During our audit, we observed that monthly reconciliations were not being performed or reviewed in a timely manner.

We recommend that the Organization implement a process whereby reconciliations are prepared and reviewed within thirty days of the month end.

Employee Access Rights

Proper separation of duties and restricting access rights to financial software, is an important internal control to help to prevent fraud. During our audit, we observed that the Senior Accountant position had access rights above and beyond what was required to perform their job responsibilities.

We recommend that the Organization review access rights of finance employee positions and revise to allow for proper separation of access rights in line with role responsibilities.

Emerging Issues

Maine Sales Taxes

On April 22nd, Maine Governor Janet Mills signed a bill that includes a blanket sales and use tax exemption for all 501(c)(3). This exemption, effective January 1, 2025, will provide relief to nonprofits and brings clarity to Maine's sales and use tax laws.

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The exemption applies to all 501(c)(3) organizations, regardless of whether they are incorporated in Maine. Therefore, 501(c)(3) organizations from other states should be eligible to apply for an exemption certificate for purchases made in Maine, as long as these purchases are used to primarily support their mission.

The new law does not provide any sales tax exemptions to sales made by a nonprofit organization. If the nonprofit makes sales to the public on a regular basis, the items sold are still likely subject to sales tax. It is the responsibility of the organization to register with the state of Maine as a retailer and collect and remit sales tax on any items sold as required.

This exemption will not be granted automatically. Organizations will still need to apply for an exemption certificate. Maine Revenue Services is currently developing the new application form, which will be made available through their website at a later date.

We recommend consulting your tax advisor should you have any questions related to this matter.

* * * * *

We sincerely appreciate the cooperation, courtesy, and working environment provided to our personnel by management and the employees of OHI during the engagement. This report is intended solely for the information and use of the Board of Directors and management of OHI and is not intended to be, and should not be, used by anyone other than these specified parties. It does not comment on the many positive aspects we noted in OHI's accounting, reporting, and control systems during our engagement.

Bangor, Maine
[Date]



FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION

June 30, 2024
(With Comparative Totals for July 01, 2023)
With Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

Board of Directors
OHI

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of OHI (a Maine nonprofit corporation), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of OHI as of June 30, 2024, and the results of its operations and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

Basis for Opinion

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

Change in Accounting Principle

As discussed in Note 1 to the financial statements, OHI adopted Financial Accounting Standards Board Accounting Standards Update No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, and related guidance, during the year ended June 30, 2024. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Board of Directors
OHI

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OHI'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 OHI's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

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

Board of Directors
OHI

Report on Summarized Comparative Information

We previously audited the financial statements of OHI as of and for the year ended June 30, 2023, and, in our report dated November 9, 2023, we expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information herein, as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Bangor, Maine
REPORT DATE

OHI

Statement of Financial Position

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

ASSETS

	<u>2024</u>	<u>2023</u>
Current assets		
Cash and cash equivalents	\$ 4,712,503	\$ 5,162,228
Accounts receivable, less allowance for estimated credit losses of approximately \$46,000 in 2024 and \$35,600 in 2023	1,394,092	1,076,367
Current portion of assets whose use is limited	20,263	29,583
Prepaid expenses	<u>60,769</u>	<u>201,129</u>
Total current assets	<u>6,187,627</u>	<u>6,469,307</u>
Assets whose use is limited, net of current portion		
Deferred compensation	96,759	46,581
Custodial funds, operating reserves, and other	333,175	340,447
Donor restricted	65,105	98,909
Board-designated for investment	<u>517,092</u>	<u>416,400</u>
	1,012,131	902,337
Less current portion of assets whose use is limited	<u>(20,263)</u>	<u>(29,583)</u>
Assets whose use is limited, net of current portion	<u>991,868</u>	<u>872,754</u>
Property and equipment		
Land	679,158	640,358
Building and improvements	9,726,606	9,299,989
Furniture and equipment	466,578	465,036
Vehicles	500,107	332,436
Projects-in-process	<u>133,359</u>	<u>175,134</u>
	11,505,808	10,912,953
Less accumulated depreciation	<u>(5,326,740)</u>	<u>(4,940,421)</u>
Net property and equipment	<u>6,179,068</u>	<u>5,972,532</u>
Right-of-use assets—operating lease	<u>15,171</u>	<u>49,310</u>
Total assets	<u>\$ 13,373,734</u>	<u>\$ 13,363,903</u>

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

LIABILITIES AND NET ASSETS

	<u>2024</u>	<u>2023</u>
Current liabilities		
Current portion of long-term debt	\$ 26,800	\$ 25,000
Current portion of lease liabilities—operating	15,805	30,745
Accounts payable and other current liabilities	283,818	200,221
Accrued payroll, taxes, and withholdings	855,010	704,667
Other accrued expenses	22,094	30,825
Estimated third-party payor settlements and deferred revenue	<u>399,295</u>	<u>796,107</u>
Total current liabilities	1,602,822	1,787,565
Non-current liabilities		
Deferred compensation plan liability	96,759	46,581
Long-term debt, less current portion	1,438,576	1,465,385
Lease liability—operating, net of current portion	<u>-</u>	<u>18,565</u>
Total liabilities	<u>3,138,157</u>	<u>3,318,096</u>
Net assets		
Without donor restrictions		
Undesignated	9,431,979	9,305,302
Board-designated	<u>737,743</u>	<u>641,446</u>
Total without donor restrictions	10,169,722	9,946,748
With donor restrictions	<u>65,855</u>	<u>99,059</u>
Total net assets	<u>10,235,577</u>	<u>10,045,807</u>
Total liabilities and net assets	<u>\$ 13,373,734</u>	<u>\$ 13,363,903</u>

OHI

Statement of Activities

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

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and revenue				
State and federal grants	\$ 152,241	\$ -	\$ 152,241	\$ 131,273
MaineCare programs	17,207,810	-	17,207,810	16,663,328
Social Security	483,893	-	483,893	469,509
Donations	22,343	97,953	120,296	119,171
Rent and energy assistance	43,972	-	43,972	56,809
U.S. Department of Agriculture food stamps	54,657	-	54,657	107,814
Room and board	395,513	-	395,513	377,063
Registrations	27,795	-	27,795	27,365
Interest income	257,392	3,320	260,712	189,490
Realized and unrealized gain on investments	49,017	-	49,017	28,762
Other income	437,818	-	437,818	335,509
Gain (loss) on sale of assets	106,439	-	106,439	(10,273)
Net assets released from restrictions	134,477	(134,477)	-	-
Total support and revenue	19,373,367	(33,204)	19,340,163	18,495,820
Operating expenses				
Program services	16,711,860	-	16,711,860	16,662,883
Management and general	2,434,138	-	2,434,138	2,277,055
Total operating expenses	19,145,998	-	19,145,998	18,939,938
Change in net assets from operations	227,369	(33,204)	194,165	(444,118)
Unemployment tax expense charged to board-designated reserve	(4,395)	-	(4,395)	(11,024)
Change in net assets	222,974	(33,204)	189,770	(455,142)
Net assets, beginning of year	9,946,748	99,059	10,045,807	10,500,949
Net assets, end of year	\$10,169,722	\$ 65,855	\$ 10,235,577	\$ 10,045,807

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

OHI

Statement of Functional Expenses
 Year Ended June 30, 2024
 (With Comparative Totals for Year Ended June 30, 2023)

	Home and Community Based Waiver	PNMI Adult and Children's Services	Community Support	Housing	Other Programs	Total Program Services	Management and General	2024 Total	2023 Total
Labor costs	\$ 8,260,156	\$ 4,906,182	\$ 358,011	\$ 40,054	\$ 65,814	\$ 13,630,217	\$ 1,658,159	\$ 15,288,376	\$ 15,063,074
Consultants	11,725	5	17,805	-	471	30,006	5,482	35,488	65,944
Rent—residential	69,508	183	33,688	-	103	103,482	3	103,485	106,189
Depreciation— building	101,693	131,402	391	71,284	16,558	321,328	102,330	423,658	400,327
Interest—mortgage	-	7,274	-	5,280	-	12,554	-	12,554	14,229
Food and household Utilities	200,384	201,806	1,418	-	4,392	408,000	983	408,983	400,529
Maintenance	131,130	89,845	9,127	43,962	11,648	285,712	53,658	339,370	348,089
Minor equipment and furniture	107,935	120,078	2,448	31,991	7,482	269,934	70,266	340,200	316,399
Travel	141,142	123,674	16,046	5,935	14,107	300,904	376,466	677,370	680,520
Insurance	111,540	42,170	2,349	108	16,656	172,823	1,729	174,552	124,568
Training	53,369	32,138	3,055	6,384	3,312	98,258	32,160	130,418	114,226
Consumer activities and support	2,488	8,205	12,743	-	293	23,729	3,318	27,047	14,543
Service provider tax	6,738	16,339	56	-	12,194	35,327	10,280	45,607	147,260
Other costs	532,609	415,480	1,475	-	-	949,564	-	949,564	933,595
	<u>12,076</u>	<u>11,354</u>	<u>636</u>	<u>10,329</u>	<u>35,627</u>	<u>70,022</u>	<u>119,304</u>	<u>189,326</u>	<u>210,446</u>
Total expenses	\$ <u>9,742,493</u>	\$ <u>6,106,135</u>	\$ <u>459,248</u>	\$ <u>215,327</u>	\$ <u>188,657</u>	\$ <u>16,711,860</u>	\$ <u>2,434,138</u>	\$ <u>19,145,998</u>	\$ <u>18,939,938</u>

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

OHI

Statement of Cash Flows

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

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 189,770	\$ (455,142)
Adjustments to reconcile increase in net assets to net cash (used) provided by operating activities		
Depreciation	508,215	507,748
(Gain) loss on disposal of assets	(106,439)	10,273
Provision for bad debts, net of recoveries	55,641	28,906
Unrealized gain on investments	(2,183)	(884)
Decrease (increase) in		
Accounts receivable	(373,366)	791,499
Prepaid expenses	140,360	(11,446)
Assets whose use is limited for operating activities	(48,880)	(13,534)
Increase (decrease) in		
Accounts payable	83,597	(27,186)
Accrued payroll, taxes, and withholdings	150,343	113,877
Other accrued expenses	(8,731)	62
Estimated third-party payor settlements and deferred revenue	(396,812)	607,094
ROU assets, net	634	-
Deferred compensation plan liability	50,178	14,417
Net cash provided by operating activities	<u>242,327</u>	<u>1,565,684</u>
Cash flows from investing activities		
Purchase of property and equipment	(768,312)	(552,702)
(Increase) decrease in other assets whose use is limited	(49,017)	(28,762)
Proceeds from sale of property	160,000	-
Purchase of investments	(52,212)	(41,685)
Net cash used by investing activities	<u>(709,541)</u>	<u>(623,149)</u>
Cash flows from financing activities		
Repayment on long-term debt	(25,009)	(23,334)
Net cash (used) provided by financing activities	<u>(25,009)</u>	<u>(23,334)</u>
Net (decrease) increase in cash, cash equivalents, and restricted cash	(492,223)	919,201
Cash, cash equivalents, and restricted cash, beginning of year	<u>5,603,210</u>	<u>4,684,009</u>
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 5,110,987</u>	<u>\$ 5,603,210</u>
Composition of cash, cash equivalents, and restricted cash, end of the year:		
Cash and cash equivalents	\$ 4,712,503	\$ 5,162,228
Restricted cash included in assets whose use is limited	<u>398,484</u>	<u>440,982</u>
	<u>\$ 5,110,987</u>	<u>\$ 5,603,210</u>
Supplemental cash flow disclosures		
Cash paid during the year for interest	\$ 12,553	\$ 14,229

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

OHI

Notes to Financial Statements

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

Nature of Organization

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

1. Summary of Significant Accounting Policies**Recently Adopted Accounting Principle**

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, and related guidance as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, which includes accounts receivable. The adoption of Topic 326 during the year ended June 30, 2024 did not have a material impact on the financial statements of OHI as a significant portion of the payors to OHI either have the full faith and backing of the U.S. government, or are credit worthy with limited to no credit risk associated with them. Other than accounts receivable, there are no other financial assets that are measured at amortized cost.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

OHI

Notes to Financial Statements

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

Basis of Presentation

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

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

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

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with OHI's financial statements for the year ended June 30, 2023, from which the summarized information was derived.

Cash and Cash Equivalents

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

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

Accounts Receivable

Accounts receivable consist primarily of revenue earned from various government grants, contracts, and programs. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for expected credit losses after considering the current status of individual accounts and estimates an allowance for expected credit losses according to the nature of the receivable. Allowances for credit losses are estimated from historical performance and projected trends. 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.

OHI

Notes to Financial Statements

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

Property and Equipment

Property and equipment acquisitions with individual costs in excess of \$3,000 are capitalized at cost. OHI uses the straight-line method to compute depreciation expense over assumed useful lives of 4 years for vehicles, 3 to 10 years for furniture and equipment, 25 years for building and improvements, and 5 years for minor improvements (not repairs).

Right-of-Use Assets and Lease Liabilities

OHI determines if an arrangement is a lease, or contains a lease, at inception of a contract. A contract is determined to be, or to contain, a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. OHI determined the asset is leased because OHI has the right to obtain substantially all of the economic benefit from, and the right to direct the use of, the identified asset. Assets in which the supplier or lessor has the practical ability and right to substitute alternative assets for the identified asset, and would benefit economically from the exercise of its right to substitute the asset, are not considered to be or contain a lease because OHI determines it does not have the right to control and direct the use of the identified asset. OHI's lease agreement does not contain any material residual value guarantees or material restrictive covenants.

In evaluating its contracts, OHI separately identifies lease and non-lease components, such as maintenance costs, in calculating the right-of-use (ROU) assets and lease liability for its facility and equipment lease. OHI has elected the practical expedient to not separate lease and non-lease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the non-lease agreement.

The lease resulted in the recognition of an ROU asset and lease liability on the balance sheet. ROU assets represent the right to use an underlying asset for the lease term, and the lease liability represents the obligation to make a lease payment arising from the lease, measured on a discounted basis. OHI determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. Topic 842 requires the use of the implicit rate in the lease when readily determinable. OHI has elected to use their incremental borrowing rate when the rate of the lease is not implicit in the lease agreement.

The lease term may include options to extend or to terminate the lease that OHI is reasonably certain to exercise. Lease expense for operating leases is recognized on a straight-line basis over the lease term.

OHI has elected not to record leases with an initial term of 12 months or less on the statement of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

OHI

Notes to Financial Statements

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

Revenue Recognition

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

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

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

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

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

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

OHI

Notes to Financial Statements

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

Donations

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

In-Kind Contributions and Expenses

Supplies and labor donated to programs and used for program purposes are immaterial, and are not recorded or presented in the financial statements. Donated services that meet certain criteria and donated goods auctioned to benefit OHI are valued and reported at their estimated fair value in the financial statements based on current rates for similar services or items. Donated services of \$14,897 and \$39,205 were received and recorded in 2024 and 2023, respectively.

Functional Allocation of Expenses

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

Income Taxes

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

Subsequent Events

For the purpose of preparation of these financial statements, in conformity with U.S. GAAP, OHI has considered transactions or events occurring through **REPORT DATE**, which was the date that the financial statements were available to be issued.

OHI

Notes to Financial Statements

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

2. Client Service Revenue

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

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

Approximately 89% and 90% of total support and revenues in 2024 and 2023, respectively, and substantially all accounts receivable for each year, were from MaineCare programs. Charges for services to individuals were billed through the MaineCare intermediary. Settlements for differences between interim rates paid by MaineCare and OHI's actual cost for rendering services, as defined by the "Principles of Reimbursement" which govern the respective programs, are based on annual cost reporting. Laws and regulations governing the programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The financial statements reflect estimated settlements due under these programs. Settlements do not become final until cost reports are audited and approved by DHHS. Differences between estimated and actual settlements are netted against the actual revenue sources in the year of final determination. The cost reports for fiscal years 2022-2023 have not been audited yet.

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

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

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

OHI

Notes to Financial Statements

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

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

OHI's net program service fee revenue is comprised of services transferred over time. The composition of net program service fee revenue based on OHI's service lines payor types for the years ended June 30, 2024 and 2023 are as follows:

2024

	Home and Community Based Services	Adult PNMI	Other	Total
Payor				
MaineCare programs	\$ 9,022,865	\$ 6,684,656	\$ 1,500,289	\$ 17,207,810
Other—included in U.S. Department of Agriculture food stamps	<u>39,779</u>	<u>14,878</u>	<u>-</u>	<u>54,657</u>
Net program service fee revenue	<u>\$ 9,062,644</u>	<u>\$ 6,699,534</u>	<u>\$ 1,500,289</u>	<u>\$ 17,262,467</u>

2023

	Home and Community Based Services	Adult PNMI	Other	Total
Payor				
MaineCare programs	\$ 9,185,331	\$ 6,330,010	\$ 1,147,987	\$ 16,663,328
Other—included in U.S. Department of Agriculture food stamps	<u>83,734</u>	<u>24,080</u>	<u>-</u>	<u>107,814</u>
Net program service fee revenue	<u>\$ 9,269,065</u>	<u>\$ 6,354,090</u>	<u>\$ 1,147,987</u>	<u>\$ 16,771,142</u>

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Notes to Financial Statements

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

3. Accounts Receivable

A rollforward of accounts receivable, net activity, for the years ended June 30, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Balance, beginning of year	\$ 1,076,367	\$ 1,896,772
Net charges, payments, and adjustments	<u>317,725</u>	<u>(820,405)</u>
Balance, end of year	<u>\$ 1,394,092</u>	<u>\$ 1,076,367</u>

4. Investments

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

	<u>2024</u>	<u>2023</u>
Deposit accounts	\$ 31	\$ 11,379
U.S. Government securities	179,223	128,535
Exchange traded funds - stocks	<u>337,838</u>	<u>274,860</u>
	<u>\$ 517,092</u>	<u>\$ 414,774</u>

5. Fair Value Measurement

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

OHI

Notes to Financial Statements

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

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

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

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

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

6. Assets Whose Use is Limited

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

	<u>2024</u>	<u>2023</u>
Harrington House repair and replacement reserve	\$ 52,549	\$ 45,319
Cedar Street repair and replacement reserve	7,439	7,435
Hudson Street repair and replacement reserve	37,162	43,880
Atrium House repair and replacement reserve	21,476	18,320
Custodial funds	20,262	29,583
Ohio Street repair and replacement reserve	28,459	23,392
Maine Employment Security Commission surety bond escrow	165,078	172,368
Duffy—donor restricted	750	150
Deferred compensation plan	96,759	46,581
Donor restricted	65,105	98,909
Board-designated	<u>517,092</u>	<u>416,400</u>
	1,012,131	902,337
Less current portion	<u>(20,263)</u>	<u>(29,583)</u>
	<u>\$ 991,868</u>	<u>\$ 872,754</u>

OHI

Notes to Financial Statements

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

7. Long-term Debt

Long-term debt consists of the following:

	<u>2024</u>	<u>2023</u>
Note payable to a housing authority, collateralized by real estate, monthly payments of \$786, including interest at 8%, through December 2026.	\$ 21,313	\$ 28,717
Note payable to a housing authority, collateralized by real estate, note forgiven over 20 years, to December 2026, if OHI stays in compliance with associated mortgage. No payments due during this period.	3,500	4,667
Note payable to a housing authority, collateralized by real estate, monthly payments of \$1,230, including interest at 7%, through April 2030.	69,700	79,216
Note payable to a housing authority, collateralized by real estate, note forgiven in 30 years, April 2030, if OHI stays in compliance with associated mortgage. No payments due during this period.	195,877	195,877
Note payable to a housing authority, collateralized by real estate, note forgiven in 30 years, July 2034, if OHI stays in compliance with associated mortgage. No payments due during this period.	130,000	130,000
Notes payable to a housing authority, collateralized by real estate, \$186,000 forgiven in 30 years, June 2035, if OHI stays in compliance with associated mortgage. No payments due during this period. Remaining \$120,000 at 0% interest, payments deferred 30 years until June 2035 if OHI stays in compliance with associated mortgage. No payments due during this period.	306,000	306,000
Notes payable to a housing authority, collateralized by real estate, \$125,000 forgiven in 30 years, December 2031, if OHI stays in compliance with associated mortgage. No payments due during this period. Remaining \$40,000 at 0% interest, payments deferred until October 2032 if OHI stays in compliance with associated mortgage. No payments due during this period.	165,000	165,000
Note payable to a housing authority, collateralized by real estate, monthly payments of \$1,017, including interest at 7%, through January 2032.	71,632	78,554

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Notes to Financial Statements

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

	<u>2024</u>	<u>2023</u>
Note payable to a housing authority, collateralized by real estate, note forgiven in 30 years, March 2047, if OHI stays in compliance with associated mortgage. No payments due during this period.	\$ 70,000	\$ 70,000
Note payable to a housing authority, collateralized by real estate, note forgiven in 30 years, March 2047, if OHI stays in compliance with associated mortgage. No payments due during this period.	53,815	53,815
Note payable to a housing authority, collateralized by real estate, note forgiven in 30 years, March 2047, if OHI stays in compliance with associated mortgage. No payments due during this period.	49,758	49,758
Note payable to a housing authority, collateralized by real estate, note forgiven in five years, January 2026, if OHI stays in compliance with associate mortgage. No payments due during this period.	26,163	26,163
Note payable to a housing authority, collateralized by real estate, note forgiven in five years, October 2025, if OHI stays in compliance with associated mortgage. No payments due during this period.	68,495	68,495
Note payable to a housing authority, collateralized by real estate, note forgiven in five years, July 2025, if OHI stays in compliance with associated mortgage. No payments due during this period.	77,122	77,122
Note payable to a housing authority, collateralized by real estate, note forgiven in five years, July 2025, if OHI stays in compliance with associated mortgage. No payments due during this period.	68,207	68,207
Note payable to a housing authority, collateralized by real estate, note forgiven in five years, April 2026, if OHI stays in compliance with associated mortgage. No payments due during this period.	<u>88,794</u>	<u>88,794</u>
	1,465,376	1,490,385
Less current portion	<u>26,800</u>	<u>25,000</u>
Long-term debt, excluding current portion	<u>\$ 1,438,576</u>	<u>\$ 1,465,385</u>

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Notes to Financial Statements

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

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

2025	\$ 26,800
2026	357,500
2027	26,000
2028	21,700
2029	23,300

8. Revolving Line of Credit

At June 30, 2024 and 2023, OHI had an operating line of credit of \$1,000,000, none of which was used. Advances are payable on-demand and carry a variable interest rate of 1% over the bank's prime rate. The credit line is collateralized by accounts receivable and equipment of OHI.

9. Reducing Revolver Credit Agreement

At June 30, 2024 and 2023, OHI had a reducing revolver credit agreement with Bangor Savings Bank, which bears interest at 4.85%, in the amount of \$1,850,000. Advances under the reducing revolver credit agreement are collateralized by property and improvements on 203 Maine Avenue in Bangor, Maine and 35 Deer Run in Glenburn, Maine, and require monthly payments of interest through the agreement's maturity in August 2028. There were no outstanding borrowings at June 30, 2024 or 2023. The borrowing limit under this agreement reduces quarterly based on a 10-year schedule; the borrowing limit at June 30, 2024 and 2023 was \$1,318,125, and \$1,410,625, respectively.

10. Board-Designated Net Assets

OHI has elected the direct reimbursement method for Maine unemployment taxes. Any unemployment payments made are charged directly against the reserve. Payments were made to the Maine Employment Security Commission in the amounts of \$4,395 and \$11,024 in fiscal years 2024 and 2023, respectively. As of June 30, 2024 and 2023, there is \$220,651 and \$225,046, respectively, reflected as net assets without donor restrictions—board-designated accrued and available for payments in the future.

Board-designated net assets also include operating funds set aside for long-term investment as of June 30, 2024 and 2023 of \$491,499 and \$392,106, respectively, as well as funds set aside for the benefit of the Chalila House as of June 30, 2024 and 2023 of \$25,593 and \$24,294, respectively.

OHI

Notes to Financial Statements

June 30, 2024

(With Comparative Totals for June 30, 2023)

11. Grants

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

At June 30, 2024 and 2023, there are no known unrecorded contingent liabilities relating to compliance with the rules and regulations governing the funds. OHI has reflected receivables and payables relating to the grants at the estimated amount it expects to receive or pay. These amounts could change by a material amount once settled.

12. Net Assets With Donor Restrictions

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

	<u>2024</u>	<u>2023</u>
<i>Purpose restrictions</i>		
Next great adventure	\$ 467	\$ 217
Holiday memories	4,908	1,811
Food pantry	14,119	34,446
Earnings on endowments, subject to appropriation	2,339	-
Other	<u>20,223</u>	<u>39,767</u>
Total purpose restricted	<u>42,056</u>	<u>76,241</u>
<i>Perpetual duration restrictions</i>		
Duffy endowment	13,839	12,858
Bonnie Brooks endowment	<u>9,960</u>	<u>9,960</u>
Total perpetually restricted	<u>23,799</u>	<u>22,818</u>
Total net assets with donor restrictions	<u>\$ 65,855</u>	<u>\$ 99,059</u>

OHI

Notes to Financial Statements

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

13. Leases

OHI has entered the following lease arrangements:

Operating Leases

OHI has one facility lease that expires in January 2025. This lease generally contains a renewal option. Termination of the leases is generally prohibited unless there is a violation under the lease agreement.

Short-Term Leases

OHI has certain leases that are for a period of 12 months or less or contain renewals for periods of 12 months or less. OHI does not include short-term leases within the statement of financial position since it has elected the practical expedient not to include these leases within the recognized operating lease ROU assets and lease liabilities.

Lease Cost

Lease cost for operating leases for the years ended June 30, 2024 and 2023 was \$24,204 and \$32,292, respectively.

Other Information

Operating Lease:	
Weighted average remaining term:	0.60 years
Weighted average discount rate:	4.38%

Future Minimum Operating Lease Payments and Reconciliation to the Balance Sheet

2025	\$ <u>16,037</u>
Total minimum lease payments	16,037
Amounts representing interest	<u>232</u>
Present value of future minimum lease payments	15,805
Less: current portion	<u>(15,805)</u>
	<u>\$ -</u>

OHI

Notes to Financial Statements

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

14. Retirement Plan

OHI has established a Code Section 457(b) deferred compensation plan for the benefit of key employees with 10 or more years of service. Payments made under the plan are discretionary as funding allows. Those employees eligible for the plan have the option to receive their allocated benefit in cash or have it invested in OHI's plan for future distribution.

OHI's deferred compensation expense was \$26,441 in 2024, and \$24,000 in 2023.

As of November 1, 2020, OHI participates in a defined contribution retirement plan offered through the Group Plan of the Maine Association for Community Service Providers, which is available to certain employees meeting eligibility requirements. OHI's contributions to the Plan are made at a discretionary percentage of gross wages and totaled \$185,119 in 2024, and \$180,634 in 2023.

15. Service Provider Tax

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

Total SPT expense was \$949,564 in 2024, and \$933,595 in 2023.

16. Liquidity and Availability of Financial Assets

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

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 4,712,503	\$ 5,162,228
Accounts receivable	<u>1,394,092</u>	<u>1,076,367</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,106,595</u>	<u>\$ 6,238,595</u>

OHI

Notes to Financial Statements

June 30, 2024

(With Comparative Totals for June 30, 2023)

OHI strives to maintain financial assets to meet 120 days of operating expenses (approximately \$6,000,000), and maintain current assets, less current liabilities at a minimum of 30 days of operating expenses. To help achieve these targets, OHI monitors cash flows monthly. As part of the liquidity plan OHI has a \$1,000,000 line of credit available to meet cash flow requirements as disclosed in Note 8, as well as a revolving revolver with an available balance of \$1,318,125 as of June 30, 2024 as disclosed in Note 9. In addition, included in assets whose use is limited are board-designated investments that can be used for general expenditure if approved by the Board of Directors.

17. Related Party Transactions

The Organization purchases liability, property and auto insurance from Cross Insurance. The Chief Information Officer of Cross Insurance is on the Board of Directors of the Organization. During the years ended June 30, 2024 and 2023, the Organization paid approximately \$132,240 and \$114,000, respectively, for insurance which is included in insurance on the statement of functional expenses and prepaid expenses on the statement of financial position.

Schedule of Expenditures of Department Agreements

Year Ended June 30, 2024

Department Office	Agreement Number	Agreement Amount	Agreement Period	Agreement Service	Agreement Status	Federal Expenses	State Expenses	Total Department Expenses
DHHS:								
OADS	ADS-23-5577	\$ 109,068	7/1/23-6/30/24	Rental Subsidy	Final	\$ -	\$ 89,498	\$ 89,498
OSAMHS	MH3-24-824	6,145	7/1/23-6/30/24	Section 17-CI/CRS	Final	-	6,145	6,145
OSAMHS	MH3-24-307A	39,254	7/1/23-6/30/24	Residential Treatment-Spend Down	Final	-	34,093	34,093
DHHS		105,091	9/21/22-12/31/2	HCBS Remediation Grant	Final	-	55,591	55,591
				Subtotal direct		\$ -	\$ 185,326	\$ 185,326
DHHS Indirect:								
N/A						-	-	-
DOT:								
N/A						-	-	-
TOTAL						\$ -	\$ 185,326	\$ 185,326

The accompanying notes are an integral part of this schedule.

OHI

Notes to Schedule of Expenditures of Department Agreements

Year Ended June 30, 2024

1. **Summary of Significant Accounting Policies**

Basis of Presentation

The accompanying schedule of expenditures of Department agreements (the Schedule) includes the Department agreement activity of OHI under programs of the Department for the year ended June 30, 2024. The information in the Schedule is presented in accordance with requirements of *Maine Uniform Accounting and Auditing Practices for Community Agencies* (MAAP). Because the Schedule presents only a selected portion of the operations of OHI, it is not intended to and does not present the financial position, changes in net assets, or cash flows of OHI.

Basis of Settlement

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

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

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

3. **Other Disclosures**

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



[Date]

Board of Directors
OHI
203 Maine Avenue
Bangor, ME 04401

We have audited the financial statements of OHI as of and for the year ended June 30, 2024, and have issued our report thereon dated [Date]. Professional standards require that we communicate to you the following information related to our audit.

PART I – REQUIRED AUDITOR COMMUNICATIONS

Our Responsibility under U.S. Generally Accepted Auditing Standards (U.S. GAAS)

As stated in our engagement letter dated April 26, 2024, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles (U.S. GAAP). Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

With respect to the supplementary information accompanying the financial statements, which consists of the schedule of expenditures of Department agreements, is presented for purposes of additional analysis as required by *Maine Uniform Accounting and Auditing Practices for Community Agencies* and is not a required part of the basic financial statements. We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. GAAP, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Significant Risks

In our engagement letter, we identified the risks we expected would meet the definition of “significant risks” pursuant to U.S. GAAS, which are risks toward the upper end of the risk spectrum based on their likelihood and potential magnitude. In addition to the risks listed in that letter, we identified the risks associated with cash as significant risks during the audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by OHI are described in Note 1 to the financial statements. On July 1, 2023, OHI adopted Financial Accounting Standards Board Accounting Standards Update 2016-13, *Financial Instruments - Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments*, and related guidance as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, which includes accounts receivable.

No additional new accounting policies were adopted, and the application of existing policies was not otherwise changed during 2024. We noted no transactions entered into by OHI during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the third-party payor settlements, which is based on as-filed cost reports or cost reports audited by the Maine Department of Health and Human Services.
- Management's estimate of the cost allocations, which is based on estimated utilization of support services by functional cost centers, using the methods disclosed in the Functional Allocation of Expenses section of Note 1.
- Management's estimate of the credit loss reserve, which is based on historical collection and write-off experience.
- Management's estimate of depreciation expense, which is based on estimated useful lives of underlying assets.

We have evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- Note 2 – Client Service Revenue
- Note 16 – Liquidity and Availability of Financial Assets

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated [Date of Management Representation Letter].

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to OHI's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as OHI's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. GAAP, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

PART II – INTERNAL CONTROL MATTERS

In planning and performing our audit of the financial statements of OHI as of and for the year ended June 30, 2024, in accordance with U.S. GAAS, we considered OHI’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 OHI’s internal control. Accordingly, we do not express an opinion on the effectiveness of OHI’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.

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. 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 may exist that have not been identified.

This information is intended solely for the information and use of the Board of Directors and management of OHI and is not intended to be, and should not be, used by anyone other than these specified parties.

Bangor, Maine
[Date]