

Financial Statements



SMPDC

SOUTHERN MAINE PLANNING & DEVELOPMENT COMMISSION

June 30, 2017

Contents

Southern Maine Planning and Development Commission, Inc.

June 30, 2017

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Independent Auditors' Report

To the Board of Directors
Southern Maine Planning and Development Commission, Inc.
Saco, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of Southern Maine Planning and Development Commission, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements that are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

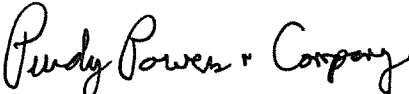
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southern Maine Planning and Development Commission, Inc. as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Southern Maine Planning and Development Commission, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 17, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, 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 January 8, 2018, on our consideration of Southern Maine Planning and Development Commission, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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 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 Southern Maine Planning and Development Commission, Inc.'s internal control over financial reporting and compliance.


Professional Association

**Portland, Maine
January 8, 2018**

Statement of Financial Position

Southern Maine Planning and Development Commission, Inc.

As of June 30, 2017

(with comparative totals for June 30, 2016)

	<u>2017</u>	<u>2016</u>
Assets		
Current Assets		
Cash	\$ 562,438	\$ 351,878
Accounts receivable (net of allowance for doubtful accounts of \$ -0- at June 30, 2017 and 2016)	124,154	124,558
Current portion of notes receivable	<u>334,826</u>	<u>276,955</u>
Total Current Assets	1,021,418	753,391
Fixed Assets		
Office equipment	104,935	104,935
Less: accumulated depreciation	<u>104,111</u>	<u>103,234</u>
	824	1,701
Other Assets		
Lease deposit	2,325	2,325
Section 457 plan assets	1,142,684	966,627
Notes receivable (net of allowance for doubtful notes of \$ -0- and \$49,423 at June 30, 2017 and 2016, respectively), less current portion	<u>2,700,259</u>	<u>2,819,129</u>
	<u>3,845,268</u>	<u>3,788,081</u>
Total Assets	<u>\$ 4,867,510</u>	<u>\$ 4,543,173</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 59,670	\$ 56,277
Accrued expenses	67,142	60,228
Refundable advances	<u>7,379</u>	<u>809</u>
Total Current Liabilities	134,191	117,314
Long-Term Liabilities		
Section 457 plan payable	<u>1,142,684</u>	<u>966,627</u>
Total Liabilities	1,276,875	1,083,941
Net Assets		
Unrestricted:		
Available for operations	130,472	88,857
Net investment in fixed assets	<u>824</u>	<u>1,701</u>
Total Unrestricted	131,296	90,558
Temporarily restricted	<u>3,459,339</u>	<u>3,368,674</u>
Net Assets	<u>3,590,635</u>	<u>3,459,232</u>
Total Liabilities and Net Assets	<u>\$ 4,867,510</u>	<u>\$ 4,543,173</u>

See accompanying independent auditors' report and notes to the financial statements.

Statement of Activities

Southern Maine Planning and Development Commission, Inc.

For the Year Ended June 30, 2017
(with comparative totals for June 30, 2016)

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
Revenues and Other Support				
Grants and contracts	\$ -	\$ 1,034,258	\$ 1,034,258	\$ 1,914,625
Service income	333,131	-	333,131	293,100
Town memberships	81,234	-	81,234	80,676
County appropriation	30,000	-	30,000	30,000
Interest income	179	-	179	231
Revolving loan interest	-	63,738	63,738	56,828
Miscellaneous	1,341	-	1,341	269
Net assets released from restrictions	1,007,331	(1,007,331)	-	-
Total Revenues and Other Support	1,453,216	90,665	1,543,881	2,375,729
Expenses				
Salaries and wages	604,635	-	604,635	608,377
Travel	7,242	-	7,242	7,054
Consultants	199,094	-	199,094	238,434
Professional fees	55,048	-	55,048	48,533
Miscellaneous	19,224	-	19,224	25,857
Occupancy	36,901	-	36,901	31,344
Insurance	8,489	-	8,489	7,683
Supplies	7,047	-	7,047	11,599
Printing and postage	2,109	-	2,109	2,195
Repairs and maintenance	1,335	-	1,335	380
Depreciation	877	-	877	1,191
Dues and subscriptions	5,348	-	5,348	1,679
Telephone	3,106	-	3,106	4,658
Allowance for doubtful notes	-	-	-	49,423
Grants and contractual	462,023	-	462,023	455,753
Total Expenses	1,412,478	-	1,412,478	1,494,160
Increase in Net Assets	40,738	90,665	131,403	881,569
Net assets at beginning of year	90,558	3,368,674	3,459,232	2,577,663
Net Assets at End of Year	\$ 131,296	\$ 3,459,339	\$ 3,590,635	\$ 3,459,232

See accompanying independent auditors' report and notes to the financial statements.

Statement of Cash Flows

Southern Maine Planning and Development Commission, Inc.

For the Year Ended June 30, 2017
(with comparative totals for June 30, 2016)

	<u>2017</u>	<u>2016</u>
Operating Activities		
Increase in net assets	\$ 131,403	\$ 881,569
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	877	1,191
Allowance for doubtful notes	-	49,423
(Increase) Decrease in operating assets:		
Accounts receivable	404	113,971
Lease deposits	-	(2,325)
Increase (Decrease) in operating liabilities:		
Accounts payable	3,393	(122,208)
Accrued expenses	6,914	18,746
Refundable advances	6,570	809
Net Cash Provided by Operating Activities	<u>149,561</u>	<u>941,176</u>
Investing Activities		
Notes receivable collected (advanced)	<u>60,999</u>	<u>(876,154)</u>
Net Cash Provided (Used) by Investing Activities	<u>60,999</u>	<u>(876,154)</u>
Increase in Cash	210,560	65,022
Cash at beginning of year	<u>351,878</u>	<u>286,856</u>
Cash at End of Year	<u>\$ 562,438</u>	<u>\$ 351,878</u>

See accompanying independent auditors' report and notes to the financial statements.

Notes to Financial Statements

Southern Maine Planning and Development Commission, Inc.

Note A - Summary of Significant Accounting Policies

Nature of Activities

The Southern Maine Planning and Development Commission, Inc. (formerly known as the Southern Maine Regional Planning Commission) was organized in 1965 as a regional planning commission. The purpose of the Commission is to prepare a coordinated plan for the development of the Southern Maine Planning and Development District in order to promote the health, safety, education and general welfare of the Southern Maine District and its inhabitants and to assist the member municipalities and counties with their planning activities. Approximately 80% of revenues for the year ended June 30, 2017 were grants from the Federal government and the State of Maine.

On September 30, 1981, the Commission voted to incorporate as a nonprofit development corporation organized pursuant to council of government enabling legislation (Title 13, Chapter 81, and Title 30, Section 1981 et seq. M.R.S.A.). This change in legal status was made to enable the Commission to provide additional services to its members and to participate in the financing of economic development activities. Accordingly, as of October 1, 1981, all assets, liabilities and contracts in process of S.M.R.P.C. were assumed by the new legal entity, Southern Maine Regional Planning Commission, Inc. (now known as Southern Maine Planning and Development Commission, Inc.)

On June 12, 2013, the Annual Meeting of the Commission approved a proposal to change the Commission's name to the Southern Maine Planning and Development Commission. The change took legal effect during the year ended June 30, 2014.

Basis of Presentation

The accompanying financial statements include a statement of financial position, a statement of activities, and a statement of cash flows. The Commission is required to report information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted - Represents those resources that have no donor-imposed restrictions, neither permanently nor temporarily, and can be used for any purpose designated by the Commission's governing board.

Temporarily Restricted - Represents resources and the portion of net assets resulting from contributions and other inflows of assets whose use by the Commission is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Commission pursuant to those stipulations.

Permanently Restricted - Represents resources and the portion of net assets resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by action of the Commission.

Notes to Financial Statements - Continued

Southern Maine Planning and Development Commission, Inc.

Note A - Summary of Significant Accounting Policies - Continued

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Revenue and Expense Recognition

The financial statements of the Commission have been prepared on the accrual basis of accounting. Revenues received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted, net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Expenses are recognized as incurred. Expense amounts are allocated among the various program funds on both a direct basis and according to a cost allocation basis.

Functional Expenses

Costs of administration are allocated among programs according to a method that distributes the pooled administrative costs to programs on the basis of total direct labor.

Cash Equivalents

For purposes of the statement of cash flows, the Commission considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. The Commission maintains cash with local banks, and at times, balances may exceed federally insured limits. The Commission has not experienced any losses in such accounts.

Notes Receivable

Notes receivable that management intends to hold until maturity are recorded at the outstanding principal balance. Notes are generally collateralized by real estate (see Note B). Management has deemed that an allowance for doubtful loans is unnecessary as of June 30, 2017. Delinquent loans are determined by the borrower's failure to pay as agreed. No notes receivable are past due as of June 30, 2017.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Commission's accounts receivable consists primarily of amounts owed under contracts and service agreements with the State of Maine and the municipalities in its service region. Based upon the history of collections, management has deemed that an allowance for doubtful accounts is unnecessary.

Notes to Financial Statements - Continued

Southern Maine Planning and Development Commission, Inc.

Note A - Summary of Significant Accounting Policies - Continued

Fixed Assets

Equipment acquisitions of the Commission are capitalized at cost, or at fair value if donated, and depreciated over an estimated useful life of five years on a straight-line basis. Expenditures for repairs and maintenance are expensed when incurred and betterments are capitalized. Assets sold or otherwise disposed of are removed from the accounts, along with the related depreciation allowances, and any gain or loss recognized.

Comparative Data

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Commission's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note B - Notes Receivable

The Commission has received funding from the U.S. Environmental Protection Agency and the U.S. Department of Commerce for the purpose of providing revolving loans meeting specifications within the grant agreements. The outstanding notes consist of the following as of June 30, 2017:

Note receivable with a local business for environmental remediation, collateralized by a third mortgage on real estate in Biddeford, ME, the personal guarantee of the borrower's member, and the assignment of the member's life insurance policy. Payments of interest only for 24 months at 3% at which time principal to be repaid over ten years with a final balloon payment.	\$ 706,449
Note receivable with a local business for property revitalization, collateralized by a junior mortgage on real estate in Sanford, ME, the personal guarantee of two of the borrower's members, and business assets of the borrower. Payments of interest only for 24 months at 2.5% at which time principal to be repaid over seven years with a final balloon payment.	859,553

Notes to Financial Statements - Continued

Southern Maine Planning and Development Commission, Inc.

Note B - Notes Receivable - Continued

Note receivable with the City of Sanford for environmental remediation secured by a general obligation bond issued by the City. Interest only payments for 12 months at which time principal payments to be received over nine years.	139,372
Note receivable with a local business, collateralized by a junior mortgage on real and personal property located in Biddeford, ME, repayable over ten years with monthly payments of principal and interest at 3%.	345,576
Note receivable with a local business collateralized by real and personal property located in Biddeford and Portland, ME, monthly payments of interest only at 8% until maturity after eighteen months from issue at which time all remaining interest and principal are due in full.	99,603
Note receivable with a local business, collateralized by a junior mortgage on real and personal property located in Biddeford, ME, monthly payments of interest only at 3% for 24 months at which time principal payments to be received over eight years with a final balloon payment.	604,620
Note receivable with a local business, secured by personal property, monthly payments of interest only at 8% for 12 months at which time principal payments to be received over five years.	29,338
Note receivable with a local business, secured by personal property, monthly payments of interest only at 8% for until January 2017 at which time principal payments to be received over five years.	32,099
Note receivable with a local business, secured by personal property, monthly payments of principal and interest at 7% over ten years.	180,956
Note receivable with a local business, secured by personal property and second mortgage on real property in Buxton, ME, monthly payments of principal and interest at 7% for 12 months at which time principal payments to be received over twenty years.	37,519
	<u>3,035,085</u>
Less: current portion	<u>334,826</u>
	<u>\$ 2,700,259</u>

These notes are not held for trading purposes. The Commission estimates the fair value of the notes does not differ materially from the carrying value.

The outstanding note balances make up 62% of the Commission's total assets at June 30, 2017.

Notes to Financial Statements - Continued

Southern Maine Planning and Development Commission, Inc.

Note C - Lease Commitment

The Commission leased new office space under the terms of an operating lease beginning in November 2015. The prior lease expired in November 2015. The total lease expense for the years ended June 30, 2017 and 2016 was \$21,179 and \$21,183, respectively.

Future minimum lease payments under the new lease agreement are as follows:

2018	\$ 28,743
2019	29,317
2020	29,904
2021	15,100

Note D - Deferred Compensation Plan

The Commission offers its employees a deferred compensation plan. The plan, available to all employees, permits the employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the Commission without being restricted to the provisions of benefits under the plan and subject to the claims of the Commission's general creditors. The total asset market value of the plan at June 30, 2017, amounted to \$1,142,684.

Participant's rights under the plan are equal to those of general creditors of the Commission in an amount equal to the fair market value of the deferred account for each participant.

As the trustee of the plan, the Commission has a duty of due care that would be required of an ordinary prudent investor. The Commission believes it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

The amount withheld from the Commission's employees as deferred compensation and contributed to the plan during the year ended June 30, 2017 was \$38,895, which was charged to expense as wages. Additionally, the Commission contributed \$22,206 as a matching contribution to the plan for the year ended June 30, 2017.

Notes to Financial Statements - Continued

Southern Maine Planning and Development Commission, Inc.

Note E - Functional Expense Classification

Expenses by function for the year ended June 30, 2017 were as follows:

Program Services:

Local and regional planning programs	\$ 1,305,226
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Supporting Services:

Management and general	<u>107,252</u>
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Total Statement of Activities	<u>\$ 1,412,478</u>
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Note F - Net Asset Restrictions

Net assets are restricted as follows:

Temporarily Restricted:

Revolving loan funds	<u>\$ 3,459,339</u>
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Note G - Income Taxes

The Commission qualifies as an organization exempt from federal income tax under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for income taxes has been made. The Commission also follows the provisions of FASB ASC 740-10 *Income Taxes*, which clarifies the criteria that an individual tax position must satisfy from some or all of the benefits of that position to be recognized in an entity's financial statements. It also prescribes a recognition threshold of more likely-than-not, and a measurement attribute for all tax positions taken or expected to be taken on a tax return, in order for those tax positions to be recognized in the financial statements. There was no cumulative effect on the Commission's financial statements related to the following provisions, and no interest or penalties related to uncertain tax positions were accrued. The Commission is currently open to audit under the statute of limitations by the Internal Revenue Service and state taxing authorities for the years ended June 30, 2014 through 2017.

Note H - Contingencies

The Commission has funding arrangements with the State of Maine and the Federal government that require the fulfillment of certain conditions as set forth in State or Federal law, or in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the State or Federal governments. Although that is a possibility, management deems the possibility of immediate needs for contingency funds remote and an estimate cannot be made of the funds needed.

Notes to Financial Statements - Continued

Southern Maine Planning and Development Commission, Inc.

Note I - Subsequent Events

Management has made an evaluation of subsequent events to and including January 8, 2018, which was the date the financial statements were available to be issued, and determined that any subsequent events that would require recognition or disclosure have been considered in the preparation of the financial statements.