

Financial Statements



SMPDC
SOUTHERN MINING PLANNING & DEVELOPMENT COMMISSION

June 30, 2020

Contents

Southern Maine Planning and Development Commission, Inc.

June 30, 2020

Financial Statements:

Independent Auditors' Report	1
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

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, 2020, and the related statements of activities, functional expenses, 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 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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 15, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, 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 March 10, 2021, 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 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 Southern Maine Planning and Development Commission, Inc.'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 Southern Maine Planning and Development Commission, Inc.'s internal control over financial reporting and compliance.

Purdy, Powell & Company

Professional Association

Portland, Maine
March 10, 2021

Statement of Financial Position

Southern Maine Planning and Development Commission, Inc.

As of June 30, 2020

(with comparative totals for June 30, 2019)

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets		
Cash	\$ 1,123,192	\$ 1,088,643
Accounts receivable (net of allowance for doubtful accounts of \$ -0- at June 30, 2020 and 2019)	183,211	199,160
Current portion of notes receivable	366,903	339,059
Prepaid expenses	13,119	12,270
Total Current Assets	<u>1,686,425</u>	<u>1,639,132</u>
Fixed Assets		
Office equipment	104,935	104,935
Less: accumulated depreciation	104,917	104,858
	18	77
Other Assets		
Lease deposit	2,325	2,325
Section 457 plan assets	1,414,663	1,364,122
Notes receivable (net of allowance for doubtful notes of \$ -0- at June 30, 2020 and 2019), less current portion	2,995,626	2,675,972
	<u>4,412,614</u>	<u>4,042,419</u>
Total Assets	<u>\$ 6,099,057</u>	<u>\$ 5,681,628</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 109,986	\$ 81,716
Accrued expenses	72,708	83,618
Total Current Liabilities	<u>182,694</u>	<u>165,334</u>
Long-Term Liabilities		
Section 457 plan payable	1,414,663	1,364,122
Total Liabilities	<u>1,597,357</u>	<u>1,529,456</u>
Net Assets		
Without donor restrictions	301,564	298,297
With donor restrictions	4,200,136	3,853,875
Net Assets	<u>4,501,700</u>	<u>4,152,172</u>
Total Liabilities and Net Assets	<u>\$ 6,099,057</u>	<u>\$ 5,681,628</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, 2020
(with comparative totals for June 30, 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues and Other Support				
Grants and contracts	\$ -	\$ 1,510,319	\$ 1,510,319	\$ 1,102,177
Service income	373,649	-	373,649	308,049
Town memberships	103,090	-	103,090	92,812
County appropriation	36,300	-	36,300	33,000
Interest income	5,765	-	5,765	4,448
Revolving loan interest	-	60,045	60,045	62,697
Miscellaneous	-	-	-	1,200
Net assets released from restrictions	1,224,103	(1,224,103)	-	-
Total Revenues and Other Support	1,742,907	346,261	2,089,168	1,604,383
Expenses				
Program	1,562,341	-	1,562,341	1,311,182
Management and general	177,299	-	177,299	32,079
Total Expenses	1,739,640	-	1,739,640	1,343,261
Increase in Net Assets	3,267	346,261	349,528	261,122
Net assets at beginning of year	298,297	3,853,875	4,152,172	3,891,050
Net Assets at End of Year	\$ 301,564	\$ 4,200,136	\$ 4,501,700	\$ 4,152,172

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

Statement of Functional Expenses

Southern Maine Planning and Development Commissio

For the Year Ended June 30, 2020

(with comparative totals for June 30, 2019)

	2020		2019	
	Program Services	Management & General	Total	Total
Salaries and benefits	\$ 324,819	\$ 396,270	\$ 721,089	\$ 662,288
Occupancy	-	35,729	35,729	34,880
Travel	15,097	7,028	22,125	3,043
Office supplies	-	14,033	14,033	11,619
Dues and subscriptions	-	6,039	6,039	5,027
Telephone	-	8,161	8,161	4,224
Postage	-	1,102	1,102	392
Printing	-	3,459	3,459	1,094
Insurance	-	13,994	13,994	14,348
Professional fees	2,729	61,698	64,427	53,725
Consultants	221,105	3,521	224,626	185,621
Project costs	571,492	-	571,492	347,398
Information technology	2,363	46,833	49,196	-
Repairs and maintenance	-	1,900	1,900	-
Depreciation	59	-	59	207
Miscellaneous	835	1,374	2,209	19,395
Allocated management and administration expenses	423,842	(423,842)	-	-
	<u>\$ 1,562,341</u>	<u>\$ 177,299</u>	<u>\$ 1,739,640</u>	<u>\$ 1,343,261</u>

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

Statement of Cash Flows

Southern Maine Planning and Development Commission, Inc.

For the Year Ended June 30, 2020
(with comparative totals for June 30, 2019)

	<u>2020</u>	<u>2019</u>
Operating Activities		
Increase in net assets	\$ 349,528	\$ 261,122
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	59	207
(Increase) Decrease in operating assets:		
Accounts receivable	15,949	(857)
Prepaid expenses	(849)	(12,270)
Increase (Decrease) in operating liabilities:		
Accounts payable	28,270	(23,736)
Accrued expenses	<u>(10,910)</u>	<u>18,654</u>
Net Cash Provided by Operating Activities	382,047	243,120
Investing Activities		
Notes receivable collected (advanced)	<u>(347,498)</u>	<u>88,215</u>
Net Cash Provided (Used) by Investing Activities	<u>(347,498)</u>	<u>88,215</u>
Increase in Cash	34,549	331,335
Cash at beginning of year	<u>1,088,643</u>	<u>757,308</u>
Cash at End of Year	<u>\$ 1,123,192</u>	<u>\$ 1,088,643</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 71% of revenues for the year ended June 30, 2020 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, statement of functional expenses, and a statement of cash flows. The Commission is required to report information regarding its financial position and activities according to two classes of net assets as follows:

Net Assets without Donor Restrictions – Represents those resources that are not subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants), and can be used for any purpose designated by the Commission's governing board.

Net Assets with Donor Restrictions – Represents resources and the portion of net assets resulting from contributions and other inflows of assets whose use is subject to donor-imposed restrictions.

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 net assets without donor restrictions or net assets with donor restrictions 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. Revenue received are recorded as revenue without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in net assets with donor restrictions.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions 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

The financial statements report certain categories of expenses that are attributable to more than one program or supporting functions of the Commission. Those expenses include salaries and benefits, consultants, project costs, and office supplies. Salaries and benefits are allocated based on estimates of time and effort. Consultants, projects costs, and office supplies are allocated based on management's estimate of the appropriate allocations of each expense.

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, 2020. Delinquent loans are determined by the borrower's failure to pay as agreed. No notes receivable are past due as of June 30, 2020.

Notes to Financial Statements - Continued

Southern Maine Planning and Development Commission, Inc.

Note A - Summary of Significant Accounting Policies - Continued

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.

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, 2019, from which the summarized information was derived. Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

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.

New Accounting Pronouncements

On July 1, 2019, the Commission adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU includes specific criteria to consider when determining whether a contract or agreement should be accounted for as a contribution or as an exchange transaction. It also provides a framework for determining whether a contribution is conditional or unconditional, and thus the timing of revenue recognition.

Notes to Financial Statements - Continued

Southern Maine Planning and Development Commission, Inc.

Note A - Summary of Significant Accounting Policies - Continued

Pending Accounting Pronouncements

Revenue Recognition

In May 2014, the Financial Accounting Standards Board issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). ASC 606 (as revised) is a single, principle-based model for recognizing contract revenue and related incremental expenses. For entities other than public business entities, certain not-for-profit entities, and certain employee benefit plans, the ASU is effective for annual reporting periods beginning after December 15, 2018. On June 30, 2020 the FASB issued an ASU that grants a one-year effective date delay in applying the guidance to private companies and not-for-profit organizations. Those entities that have not yet applied the standard may delay implementation until reporting periods beginning after December 15, 2019. Management has not yet implemented the guidance and has chosen to delay and implement until the next fiscal year. The effects on the Commission's future financial statements of these changes have not yet been determined.

Leases

In February 2016, the Financial Accounting Standards Board issued ASU 2016-02, *Leases* (Topic 842). This new standard will provide users of the financial statements a more accurate picture of the assets and the long-term financial obligations of organizations that lease. The standard is for a dual-model approach: a lessee will account for most existing capital leases as Type A leases, and most existing operating leases as Type B leases. Both will be reported on the statement of financial position of the organization for leases with a term exceeding 12 months. Lessors will see some changes too, largely made to align with the revised lease model. For nonpublic organizations, the new leasing standard will apply for fiscal years beginning after December 15, 2021. The standard requires retroactive application to previously issued financial statements, if presented. Management is currently evaluating the impact of adoption on its financial statements.

Notes to Financial Statements - Continued

Southern Maine Planning and Development Commission, Inc.

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, 2020:

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.	\$ 688,971
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.	739,595
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.	83,151
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%.	654,809
Note receivable with a local business, secured by personal property, monthly payments of principal and interest at 8% over 10 years.	39,495
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.	466,208
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.	13,389
Note receivable with a local business, secured by personal property, monthly payments of interest only at 8% until January 2017 at which time principal payments to be received over five years.	14,728

Notes to Financial Statements - Continued

Southern Maine Planning and Development Commission, Inc.

Note B - Notes Receivable - Continued

Note receivable with a local business, secured by personal property, monthly payments of principal and interest at 7%, payments start one month after disbursement over 10 years.	31,232
Note receivable with a local business, secured by personal property, monthly payments of principal and interest at 7% over ten years.	173,301
Note receivable with a local business, secured by personal property, monthly payments of principal and interest at 8% for five years.	13,489
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.	28,930
Note receivable with a local business, secured by personal property, monthly payments of interest only at 7% for 12 months at which time principal payments to be received over twenty five years.	49,166
Note receivable with a local business, secured by personal property, monthly payments of interest only at 3% for 24 months at which time principal payments to be received over ten years.	317,061
Note receivable with a local business, secured by personal property, monthly payments of principal and interest at 8% over five years.	<u>49,004</u>
	3,362,529
Less: current portion	<u>366,903</u>
	<u>\$ 2,995,626</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 55% of the Commission's total assets at June 30, 2020.

Notes to Financial Statements - Continued

Southern Maine Planning and Development Commission, Inc.

Note C - Lease Commitment

The Commission leased office space under the terms of an operating lease beginning in November 2015. The total lease expense for the years ended June 30, 2020 and 2019 was \$29,904 and \$29,317, respectively.

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

2021	\$	15,100
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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, 2020, amounted to \$1,414,663.

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, 2020 was \$49,993, which was charged to expense as wages. Additionally, the Commission contributed \$27,984 as a matching contribution to the plan for the year ended June 30, 2020.

Notes to Financial Statements - Continued

Southern Maine Planning and Development Commission, Inc.

Note E - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at June 30, 2019:

Subject to expenditure for specified purpose:

Revolving loan funds	<u>\$ 4,200,136</u>
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Note F - Liquidity and Availability

Financial assets consist of the Commission's cash, accounts receivable, and notes receivable. The following reflects the Commission's financial assets as of June 30, 2020, reduced by amounts not available for general purpose because of contractual or donor-imposed restrictions within one year of the date of the Statement of Net Position.

Financial assets, at year end	\$ 4,668,932
Less those unavailable for general expenditures Within one year, due to:	
<i>Contractual or donor-imposed restrictions</i>	
Restricted by donor with time or purpose restrictions	<u>(4,200,136)</u>
Financial assets available to meet cash needs for general Expenditures within one year	<u>\$ 468,796</u>

The Commission's financial assets available to meet cash needs for general expenditures within one year represents funding for ongoing operational requirements and planned increases in program expenditures in 2020.

The Commission is substantially supported by federal and state contracts. The commission actively manages its cash flow to ensure funds are available for general expenditures, liabilities, and other obligations as they come due.

Notes to Financial Statements - Continued

Southern Maine Planning and Development Commission, Inc.

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 for 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, 2017 through 2020.

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.

Note I - Subsequent Events

Management has made an evaluation of subsequent events to and including March 10, 2021, 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.

