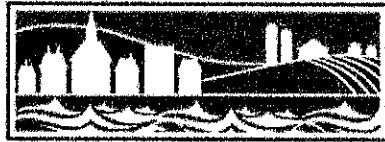


Financial Statements



SMPDC
SOUTHERN MAINE PLANNING & DEVELOPMENT COMMISSION

June 30, 2022

Contents

Southern Maine Planning and Development Commission, Inc.

June 30, 2022

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Independent Auditors' Report

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

Opinion

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, 2022, 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 Southern Maine Planning and Development Commission, Inc. as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Southern Maine Planning and Development Commission, Inc. 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.

Responsibilities of Management 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; 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 Southern Maine Planning and Development Commission, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Southern Maine Planning and Development Commission, Inc.'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 Southern Maine Planning and Development Commission, Inc.'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.

Report on Summarized Comparative Information

We have previously audited Southern Maine Planning and Development Commission, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 21, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2022, 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, Power & Company
Professional Association

**Portland, Maine
December 20, 2022**

Statement of Financial Position

Southern Maine Planning and Development Commission, Inc.

As of June 30, 2022
(with comparative totals for June 30, 2021)

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,604,688	\$ 1,652,658
Accounts receivable (net of allowance for doubtful accounts of \$ -0- at June 30, 2022 and 2021)	360,999	243,057
Current portion of notes receivable	229,733	365,310
Prepaid expenses	7,094	15,770
Total Current Assets	<u>4,202,514</u>	<u>2,276,795</u>
Fixed Assets		
Office equipment	44,974	36,109
Less: accumulated depreciation	38,325	36,109
	<u>6,649</u>	<u>-</u>
Other Assets		
Lease deposit	2,325	2,325
Section 457 plan assets	1,484,158	1,834,986
Notes receivable (net of allowance for doubtful notes of \$ -0- at June 30, 2022 and 2021), less current portion	3,050,985	3,278,462
	<u>4,537,468</u>	<u>5,115,773</u>
Total Assets	<u>\$ 8,746,631</u>	<u>\$ 7,392,568</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 153,970	\$ 124,410
Accrued expenses	52,034	104,692
Refundable advances	139,500	-
Total Current Liabilities	<u>345,504</u>	<u>229,102</u>
Long-Term Liabilities		
Section 457 plan payable	1,484,158	1,834,986
Total Liabilities	<u>1,829,662</u>	<u>2,064,088</u>
Net Assets		
Without donor restrictions	1,048,153	559,374
With donor restrictions	5,868,816	4,769,106
Net Assets	<u>6,916,969</u>	<u>5,328,480</u>
Total Liabilities and Net Assets	<u>\$ 8,746,631</u>	<u>\$ 7,392,568</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, 2022
(with comparative totals for June 30, 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues and Other Support				
Grants and contracts	\$ -	\$ 7,073,548	\$ 7,073,548	\$ 42,733,482
Service income	209,397	-	209,397	313,165
Town memberships	105,612	-	105,612	108,556
County appropriation	37,000	-	37,000	37,000
Interest income	406	-	406	649
Revolving loan interest	-	67,352	67,352	63,980
Miscellaneous	83,740	-	83,740	303,042
Net assets released from restrictions	6,041,190	(6,041,190)	-	-
Total Revenues and Other Support	6,477,345	1,099,710	7,577,055	43,559,874
Expenses				
Program	5,899,636	-	5,899,636	42,640,474
Management and general	88,930	-	88,930	92,620
Total Expenses	5,988,566	-	5,988,566	42,733,094
Increase in Net Assets	488,779	1,099,710	1,588,489	826,780
Net assets at beginning of year	559,374	4,769,106	5,328,480	4,501,700
Net Assets at End of Year	\$ 1,048,153	\$ 5,868,816	\$ 6,916,969	\$ 5,328,480

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

Statement of Functional Expenses

Southern Maine Planning and Development Commission, Inc.

For the Year Ended June 30, 2022

(with comparative totals for June 30, 2021)

	2022			2021
	Program Services	Management & General	Total	Total
Salaries and benefits	\$ 500,363	\$ 520,412	\$ 1,020,775	\$ 916,800
Occupancy	463	48,971	49,434	39,315
Travel	3,657	6,325	9,982	9,076
Office supplies	441	15,318	15,759	13,424
Dues and subscriptions	597	4,949	5,546	6,620
Telephone	1,065	52,445	53,510	3,140
Postage	-	-	-	663
Printing	-	-	-	1,098
Insurance	-	19,614	19,614	17,763
Professional fees	-	42,245	42,245	70,997
Consultants	27,600	-	27,600	40,640
Project costs	4,713,481	-	4,713,481	41,555,702
Information technology	-	12,533	12,533	46,691
Repairs and maintenance	-	-	-	3,410
Depreciation	1,108	1,108	2,216	18
Miscellaneous	10,740	5,131	15,871	7,737
Allocated management and administration expenses	640,121	(640,121)	-	-
	<u>\$ 5,899,636</u>	<u>\$ 88,930</u>	<u>\$ 5,988,566</u>	<u>\$ 42,733,094</u>

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, 2022
(with comparative totals for June 30, 2021)

	<u>2022</u>	<u>2021</u>
Operating Activities		
Increase in net assets	\$ 1,588,489	\$ 826,780
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	2,216	18
(Increase) Decrease in operating assets:		
Accounts receivable	(117,942)	(59,846)
Prepaid expenses	8,676	(2,651)
Increase (Decrease) in operating liabilities:		
Accounts payable	29,560	14,424
Accrued expenses	(52,658)	31,984
Refundable advances	139,500	-
Net Cash Provided by Operating Activities	<u>1,597,841</u>	<u>810,709</u>
Investing Activities		
Purchase of fixed assets	(8,865)	-
Notes receivable collected (advanced)	363,054	(281,243)
Net Cash Provided (Used) by Investing Activities	<u>354,189</u>	<u>(281,243)</u>
Increase in Cash and Cash Equivalents	1,952,030	529,466
Cash and cash equivalents at beginning of year	<u>1,652,658</u>	<u>1,123,192</u>
Cash and Cash Equivalents at End of Year	<u>\$ 3,604,688</u>	<u>\$ 1,652,658</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 93% of revenues for the year ended June 30, 2022 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. Revenues 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.

In accordance with ASC 606, the Commission recognizes revenue when it satisfies a performance obligation by transferring control of a promised good or service, in an amount that reflects the consideration it expects to be entitled to in exchange for those goods or services.

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 & 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 and cash equivalents. The Commission maintains cash with local banks, and at times, balances may exceed federally insured limits. At June 30, 2022, the Commission's uninsured and uncollateralized cash balances totaled \$3,400,189. The Commission has not experienced any losses in such accounts.

Notes to Financial Statements - Continued

Southern Maine Planning and Development Commission, Inc.

Note A - Summary of Significant Accounting Policies - Continued

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, 2022. Delinquent loans are determined by the borrower's failure to pay as agreed. One receivable of \$467 is considered past due as of June 30, 2022.

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, 2021, 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.

New Accounting Pronouncement

In September 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2020-07, *Presentation and Disclosures of Not-for-Profit Entities for Contributed Nonfinancial Assets*, which is intended to increase transparency of contributed nonfinancial assets for not-for-profit entities. The Update requires enhancement to presentation and disclosure of these contributed assets.

Management has evaluated and determined that the Commission has no contributed nonfinancial assets.

Notes to Financial Statements - Continued

Southern Maine Planning and Development Commission, Inc.

Note A - Summary of Significant Accounting Policies - Continued

Pending Accounting Pronouncement

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.

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, 2022:

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.	\$ 42,805
Note receivable with a local business, secured by personal property, monthly payments of principal and interest at 8% over 10 years.	38,491
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.	966,197
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.	2,580
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.	467
Note receivable with a local business, secured by personal property, monthly payments of principal and interest at 7% over ten years.	158,908

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 8% for five years.	587
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.	404,492
Note receivable with a local business, secured by personal property, monthly payments of principal and interest at 8% over five years.	48,041
Note receivable with a local business, secured by personal property, monthly payments of principal and interest at 3% over five years.	18,281
Note receivable with a local business, secured by personal property, monthly payments of principal and interest at 5% over seven years.	42,349
Note receivable with a local business, secured by personal property, monthly payments of principal and interest at 5% over twenty five years.	97,668
Note receivable with a local business, secured by personal property, monthly payments of principal and interest at 3% over ten years.	181,181
Note receivable with a local business, secured by personal property and second mortgage on real property in Berwick, ME, monthly payments of interest only at 3% until December 2023 at which time principal and interest payments at 3% over ten years are due.	480,663
Note receivable with a local business, secured by personal property, monthly payments of principal and interest at 5% over seven years.	45,384
Note receivable with a local business, secured by personal property, monthly payments of principal and interest at 3% over eight years.	299,790
Note receivable with a local business, secured by personal property, monthly payments of principal and interest at 5% over ten years.	280,599
Note receivable with a local business, secured by personal property, monthly payments of principal and interest at 5% over twenty years.	73,003
Note receivable with a local business, secured by personal property, monthly payments of principal and interest at 5% over twenty-five years.	69,665

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 5% over six years.

	<u>29,567</u>
	3,280,718
Less: current portion	<u>229,733</u>
	<u>\$ 3,050,985</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 38% of the Commission's total assets at June 30, 2022.

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, 2022 and 2021 was \$46,648 and \$35,429, respectively.

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

2023	\$ 48,936
2024	51,236
2025	53,528
2026	36,704

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, 2022, amounted to \$1,484,158.

Notes to Financial Statements - Continued

Southern Maine Planning and Development Commission, Inc.

Note D - Deferred Compensation Plan - Continued

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, 2022 was \$60,218, which was charged to expense as wages. Additionally, the Commission contributed \$38,550 as a matching contribution to the plan for the year ended June 30, 2022.

Note E - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at June 30, 2022:

Subject to expenditure for specified purpose:

Revolving loan funds	<u>\$ 5,868,816</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, 2022, 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 Financial Position.

Financial assets, at year end	\$ 7,246,405
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>(5,868,816)</u>
Financial assets available to meet cash needs for general Expenditures within one year	<u>\$ 1,377,589</u>

Notes to Financial Statements - Continued

Southern Maine Planning and Development Commission, Inc.

Note F - Liquidity and Availability - Continued

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 2023.

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.

Note G - Revenue Recognition

Disaggregation of Revenue

The following table shows the Commission's contract revenue disaggregated according to product type/revenue stream and the timing of transfer of goods or services at June 30, 2022:

Revenue Recognized Over Time

Town and county dues	\$ 142,612
Service income	209,397
Grants and contracts	<u>1,063,751</u>
Total Revenue Recognized Over Time	<u>\$ 1,415,760</u>

Revenue Recognized at a Point in Time

Grants and contracts	\$ 4,147,075
Miscellaneous	<u>49,255</u>
Total Revenue Recognized at a Point in Time	<u>4,196,330</u>
Total Revenue from Contracts with Customers	<u>\$ 5,612,090</u>

Contract Assets and Contract Liabilities

In accordance with FASB ASC 606-10-50 the Commission has considered the need to record contract assets and contract liabilities from contracts with customers. No such balances exist as of June 30, 2022.

Receivables

The Commission has \$360,999 of accounts receivable from contracts with customers at June 30, 2022.

Performance Obligations

The Commission receives revenue from its various programs. The Commission recognizes revenue as the promised activity is provided to and utilized by the customer.

Notes to Financial Statements - Continued

Southern Maine Planning and Development Commission, Inc.

Note G - Revenue Recognition - Continued

Performance Obligations - Continued

There are no credit terms extended to certain customers based on credit worthiness. Accounts receivable are typically due within 30 days of invoicing, and an allowance for doubtful accounts is provided for based on an analysis of individual balances.

Management has determined that there are no significant warranties or return, refund, or discount obligations related to contracts with its customers.

Transaction Price Allocated to Remaining Performance Obligations

Revenue expected to be recognized in the future related to performance obligations that are unsatisfied (or partially satisfied) is estimated to be \$568,000 at June 30, 2022. The revenue will be recognized as the remaining obligations are satisfied, which is expected to occur over the next two years. No consideration from contracts with customers is excluded from the transaction price.

Significant Judgments

Contract transaction price includes the Commission's judgment of variable consideration. Variable consideration is broadly defined and includes incentives, price concessions, rebates and refunds, as well as if the amount to be received is contingent on the occurrence of a future event. Based on available information, management must include an estimate of any variable consideration when determining the contract transaction price, using either the "expected value" or the "most likely amount" approach. Management has determined that any refunds would be very rare and immaterial to the financial statements.

The Commission uses the input method of time elapsed to recognize revenue related to these contracts. The costs of making loans are approximately the same each day. As such, the Commission has determined it appropriate to recognize town and county dues, service income, and certain grants and contracts over the loan term.

The Commission has elected not to identify promised goods or services that are immaterial in the context of the contract for further evaluation under ASC 606, and has applied the decision consistently to similar types of transactions.

Financing Components

The Commission's contracts with customers contain no significant financing components.

Notes to Financial Statements - Continued

Southern Maine Planning and Development Commission, Inc.

Note H - 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, 2019 through 2022.

Note I - 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 J - Subsequent Events

Subsequent to year end, in August 2022, the Commission loaned out funds to a local business for \$160,000 maturing in August 2047. The loan is to be repaid with monthly payments of principal and interest at 5% interest over 60 months, thereafter, the interest rate shall be determined by the lender, which shall not exceed the higher of 5% or the New York Prime Rate plus 1.5%.

Management has made an evaluation of subsequent events to and including December 20, 2022, 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.

Independent Auditors' Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based On an Audit of Financial Statements Performed In Accordance With *Government Auditing Standards*

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

We have audited, in accordance with the 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, the financial statements of Southern Maine Planning and Development Commission, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 20, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southern Maine Planning and Development Commission, Inc.'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 Southern Maine Planning and Development Commission, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

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

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

2022-001: Segregation of Duties

Condition and Context: The setup of the Organization's financial staff precludes certain internal controls that would be desired if the staff were organized in such a way to provide an optimum segregation of duties.

Criteria: Responsibility of authorizing transactions, recording transactions, and maintaining custody of the assets is performed by two or more individuals.

Cause: One person is responsible for two or more of these functions in the normal course of performing their duties.

Effect: Critical accounting functions are being performed by one individual.

Recommendation: We recommend the Board remain involved in the financial affairs of the Organization to provide oversight and independent review functions. A segregation of duties concern will exist as long as the size of the Organization's staff and the assignment of duties is unchanged.

Views of Responsible Officials and Planned Corrective Action: Due to the staff size of the Organization, it makes sense for the Finance Director to continue to have the authority to sign checks and deposit funds. As a measure of accountability, the Executive Director will review and initial the monthly bank statement reconciliation.

Compliance and Other Matters

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

Purpose of this Report

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

Purdy, Power & Company
Professional Association

Portland, Maine
December 20, 2022