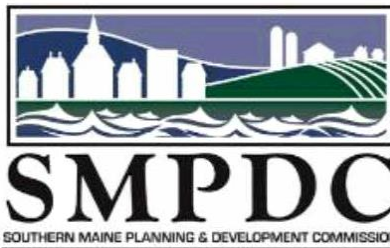


## **Financial Statements**



**June 30, 2023**

## Contents

# Southern Maine Planning and Development Commission, Inc.

June 30, 2023

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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, 2023, 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, 2023, 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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 20, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, 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 18, 2024, 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 Powers + Co.*  
Professional Association

**Portland, Maine  
March 18, 2024**

## Statement of Financial Position

### Southern Maine Planning and Development Commission, Inc.

As of June 30, 2023

(with comparative totals for June 30, 2022)

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 3,884,647	\$ 3,604,688
Accounts receivable	356,751	360,999
Current portion of notes receivable	338,572	229,733
Prepaid expenses	20,069	7,094
<b>Total Current Assets</b>	<u>4,600,039</u>	<u>4,202,514</u>
<b>Fixed Assets</b>		
Office equipment	55,619	44,974
Less: accumulated depreciation	42,001	38,325
	<u>13,618</u>	<u>6,649</u>
<b>Other Assets</b>		
Lease deposit	2,325	2,325
Right of use asset	132,937	-
Section 457 plan assets	1,021,540	1,484,158
Notes receivable, less current portion	4,514,196	3,050,985
	<u>5,670,998</u>	<u>4,537,468</u>
<b>Total Assets</b>	<u>\$ 10,284,655</u>	<u>\$ 8,746,631</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 309,874	\$ 153,970
Accrued expenses	73,631	52,034
Current portion of lease obligation	48,081	-
Refundable advances	135,559	139,500
<b>Total Current Liabilities</b>	<u>567,145</u>	<u>345,504</u>
<b>Long-Term Liabilities</b>		
Section 457 plan payable	1,021,540	1,484,158
Lease obligation, net of current portion	87,848	-
<b>Total Long-Term Liabilities</b>	<u>1,109,388</u>	<u>1,484,158</u>
<b>Total Liabilities</b>	1,676,533	1,829,662
<b>Net Assets</b>		
Without donor restrictions	759,886	1,048,153
With donor restrictions	7,848,236	5,868,816
<b>Net Assets</b>	<u>8,608,122</u>	<u>6,916,969</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 10,284,655</u>	<u>\$ 8,746,631</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, 2023

(with comparative totals for June 30, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Revenues and Other Support</b>				
Grants and contracts	\$ -	\$ 3,621,195	\$ 3,621,195	\$ 7,073,548
Service income	243,397	-	243,397	209,397
Town memberships	109,267	-	109,267	105,612
County appropriation	38,110	-	38,110	37,000
Interest income	3,595	-	3,595	406
Revolving loan interest	-	89,030	89,030	67,352
Miscellaneous	41,862	-	41,862	83,740
Net assets released from restrictions	1,730,805	(1,730,805)	-	-
<b>Total Revenues and Other Support</b>	<b>2,167,036</b>	<b>1,979,420</b>	<b>4,146,456</b>	<b>7,577,055</b>
<b>Expenses</b>				
Program	2,225,474	-	2,225,474	5,899,636
Management and general	229,829	-	229,829	88,930
<b>Total Expenses</b>	<b>2,455,303</b>	<b>-</b>	<b>2,455,303</b>	<b>5,988,566</b>
<b>Increase (Decrease) in Net Assets</b>	<b>(288,267)</b>	<b>1,979,420</b>	<b>1,691,153</b>	<b>1,588,489</b>
Net assets at beginning of year	1,048,153	5,868,816	6,916,969	5,328,480
<b>Net Assets at End of Year</b>	<b>\$ 759,886</b>	<b>\$ 7,848,236</b>	<b>\$ 8,608,122</b>	<b>\$ 6,916,969</b>

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, 2023

(with comparative totals for June 30, 2022)

	2023			2022
	Program Services	Management & General	Total	Total
Salaries and benefits	\$ 586,272	\$ 695,547	\$ 1,281,819	\$ 1,020,775
Occupancy	-	55,853	55,853	49,434
Travel	3,208	7,331	10,539	9,982
Office supplies	2,079	23,347	25,426	15,759
Dues and subscriptions	2,110	6,953	9,063	5,546
Telephone	11,262	51,466	62,728	53,510
Insurance	-	19,086	19,086	19,614
Professional fees	-	26,419	26,419	42,245
Consultants	281,331	-	281,331	27,600
Project costs	654,708	-	654,708	4,713,481
Information technology	2,898	4,531	7,429	12,533
Depreciation	1,838	1,838	3,676	2,216
Miscellaneous	2,830	14,396	17,226	15,871
Allocated management and administration expenses	676,938	(676,938)	-	-
	<u>\$ 2,225,474</u>	<u>\$ 229,829</u>	<u>\$ 2,455,303</u>	<u>\$ 5,988,566</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, 2023  
(with comparative totals for June 30, 2022)

	<u>2023</u>	<u>2022</u>
<b>Operating Activities</b>		
Increase in net assets	\$ 1,691,153	\$ 1,588,489
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	3,676	2,216
Right of use amortization	47,833	-
(Increase) Decrease in operating assets:		
Accounts receivable	4,248	(117,942)
Prepaid expenses	(12,975)	8,676
Increase (Decrease) in operating liabilities:		
Accounts payable	155,904	29,560
Accrued expenses	21,597	(52,658)
Refundable advances	(3,941)	139,500
Lease obligation	(44,841)	-
<b>Net Cash Provided by Operating Activities</b>	<u>1,862,654</u>	<u>1,597,841</u>
<b>Investing Activities</b>		
Purchase of fixed assets	(10,645)	(8,865)
Notes receivable collected (advanced)	<u>(1,572,050)</u>	<u>363,054</u>
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>(1,582,695)</u>	<u>354,189</u>
<b>Increase in Cash and Cash Equivalents</b>	279,959	1,952,030
Cash and cash equivalents at beginning of year	<u>3,604,688</u>	<u>1,652,658</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 3,884,647</u>	<u>\$ 3,604,688</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 87% of revenues for the year ended June 30, 2023 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

# 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, 2023, the Commission's uninsured and uncollateralized cash balances totaled \$3,667,611. The Commission has not experienced any losses in such accounts.

## Notes to Financial Statements

# 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, 2023. Delinquent loans are determined by the borrower's failure to pay as agreed.

#### **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, 2022, 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.

#### **Leases**

In accordance with ASC 842 (see below "New Accounting Pronouncement"), Southern Maine Planning and Development Commission, Inc. generally records lease assets and corresponding lease liabilities on the balance sheet and discloses key quantitative and qualitative information about its lease contracts.

## Notes to Financial Statements

# Southern Maine Planning and Development Commission, Inc.

### Note A - Summary of Significant Accounting Policies - Continued

#### Leases - Continued

For each of its lease contracts that at inception are identified to be within the scope of ASC 842, the Commission determines the proper classification as either an operating or a finance lease. A lease liability is initially measured at the present value of the unpaid lease payments, and a right of use (“ROU”) asset is initially measured at the amount of the lease liability, plus any initial direct costs and less incentives received. Subsequently, the lease liability is increased to reflect interest using the effective interest method and decreased for lease payments made. Finance lease ROU assets are amortized on a straight-line basis over the earlier of the useful life or lease term; operating lease ROU assets are amortized based on the difference between periodic straight-line lease cost and periodic interest accretion.

Operating lease expense is recognized on a straight-line basis over the lease term; any variable lease payments not included in the lease liability are recognized when incurred. Amortization on the ROU asset and interest on the outstanding lease liability are recorded annually for any finance leases.

In determining the lease term, the Commission follows ASC 842-10-55-23 in assessing the length of the noncancellable period of a lease. At the commencement date, the Commission assesses whether it is reasonably certain to exercise or not exercise any renewal option by considering all economic factors relevant to that assessment.

#### New Accounting Pronouncement

On July 1, 2022, the Commission adopted Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842), and all subsequent amendments (collectively, “ASC 842” or “Topic 842”). The core principle of Topic 842 is that a lessee should recognize a right-of-use (“ROU”) asset and a related lease liability on the balance sheet for most leases. The Commission adopted ASC 842 using the transition alternative provided by ASU 2018-11 *Leases* (Topic 842) - *Targeted Improvements*, under which an entity initially applies ASC 842 to all leases existing at the adoption date, and comparative periods are presented in the financial statements under the legacy lease guidance of ASC 840. Under the transition alternative, all relevant transition disclosures are provided as of the beginning of the period of adoption (July 1, 2022) rather than at the beginning of the earliest period presented.

## Notes to Financial Statements

### 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, 2023:

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.	\$ 21,718
Note receivable with a local business, secured by personal property, monthly payments of principal and interest at 8% over 10 years.	37,939
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.	1,000,000
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.	150,874
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.	368,815
Note receivable with a local business, secured by personal property, monthly payments of principal and interest at 8% over five years.	47,312
Note receivable with a local business, secured by personal property, monthly payments of principal and interest at 3% over five years.	13,378
Note receivable with a local business, secured by personal property, monthly payments of principal and interest at 5% over seven years.	35,877
Note receivable with a local business, secured by personal property, monthly payments of principal and interest at 5% over twenty five years.	95,556
Note receivable with a local business, secured by personal property, monthly payments of principal and interest at 3% over ten years.	163,301

## Notes to Financial Statements

### Southern Maine Planning and Development Commission, Inc.

#### Note B - Notes Receivable - Continued

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.	1,907,249
Note receivable with a local business, secured by personal property, monthly payments of principal and interest at 5% over seven years.	40,176
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.	256,081
Note receivable with a local business, secured by personal property, monthly payments of principal and interest at 5% over twenty years.	70,712
Note receivable with a local business, secured by personal property, monthly payments of principal and interest at 5% over twenty-five years.	68,273
Note receivable with a local business, secured by personal property, monthly payments of principal and interest at 5% over six years.	29,562
Note receivable with a local business, secured by personal property, monthly payments of principal and interest at 5% over five years.	157,583
Note receivable with a local business, secured by personal property, monthly payments of principal and interest at 5% over five years.	<u>88,105</u>
	4,852,768
Less: current portion	<u>338,572</u>
	<u>\$ 4,514,196</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 47% of the Commission's total assets at June 30, 2023.

## Notes to Financial Statements

# Southern Maine Planning and Development Commission, Inc.

### Note C - 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, 2023, amounted to \$1,021,540.

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, 2023 was \$54,928, which was charged to expense as wages. Additionally, the Commission contributed \$44,461 as a matching contribution to the plan for the year ended June 30, 2023.

### Note D - Leases

The Commission has one operating lease for office space in Saco through February 31, 2026.

The Commission has elected the following practical expedients for all relevant leases:

- Not to recognize short-term leases (twelve months or less) on its balance sheet; lease expense for any such agreements is recorded on a straight-line basis;
- Not to separate lease components from non-lease components; and
- To use the risk-free discount rate of return.

In implementing ASC 842, the Commission has determined that none of its contracts include finance leases.

In implementing ASC 842, the Commission has determined that none of its contracts include short-term (including month to month) operating lease obligations.



## Notes to Financial Statements

# Southern Maine Planning and Development Commission, Inc.

### Note D - Leases - Continued

In implementing ASC 842, the Commission has determined that none of its leases include variable rental payments.

Management has determined that none of its contracts contain renewal options.

Operating lease right of use assets and lease obligation as of June 30, 2023 were as follows:

Right of use assets:	
Operating lease assets	<u>\$ 132,937</u>
Lease obligation:	
Current operating lease obligation	\$ 48,081
Non-current operating lease obligation	<u>87,848</u>
Total lease obligation	<u>\$ 135,929</u>

Operating lease cost for the leasing activity of the organization for the year ended June 30, 2023 was \$51,928 and has been reported as occupancy on the Schedule of Functional Expenses.

The aggregate future lease payments below summarize the remaining future undiscounted cash flows for operating leases as of June 30, 2023, and a reconciliation of operating lease liabilities reported on the balance sheet:

2024	\$ 51,236
2025	53,528
2026	<u>36,429</u>
Total lease payments	141,193
Less interest	<u>5,264</u>
Present value of lease obligation	<u>\$ 135,929</u>

At June 30, 2023 the remaining lease term is 2.67 years and the risk free discount rate is 2.85%.

### Note E - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at June 30, 2023:

*Subject to expenditure for specified purpose:*

Revolving loan funds	<u>\$ 7,848,236</u>
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## Notes to Financial Statements

# Southern Maine Planning and Development Commission, Inc.

### 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, 2023, 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	\$ 9,094,166
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>(7,848,236)</u>
Financial assets available to meet cash needs for general	
Expenditures within one year	<u>\$ 1,245,930</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 2024.

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, 2023:

#### *Revenue Recognized Over Time*

Town and county dues	\$ 147,377
Service income	243,397
Grants and contracts	<u>1,693,458</u>
Total Revenue from Contracts with Customers	<u>\$ 2,084,232</u>

## Notes to Financial Statements

# Southern Maine Planning and Development Commission, Inc.

### Note G - Revenue Recognition - Continued

#### 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, 2023.

#### Receivables

The Commission has \$356,751 of accounts receivable from contracts with customers at June 30, 2023.

#### 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.

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 \$0 at June 30, 2023. 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.

## Notes to Financial Statements

# Southern Maine Planning and Development Commission, Inc.

### Note G - Revenue Recognition - Continued

#### Financing Components

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

### 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, 2020 through 2023.

### 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

Management has made an evaluation of subsequent events to and including March 18, 2024, 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, 2023, 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 March 18, 2024.

**Report on 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 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.

## **Report on 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 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 Powers + Co.*  
Professional Association

**Portland, Maine**  
**March 18, 2024**