

Financial Statements



June 30, 2021

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Southern Maine Planning and Development Commission, Inc.

June 30, 2021

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Southern Maine Planning and Development Commission, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, 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, 2021, 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 10, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, 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 21, 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.


Professional Association

**Portland, Maine
March 21, 2022**

Statement of Financial Position

Southern Maine Planning and Development Commission, Inc.

As of June 30, 2021

(with comparative totals for June 30, 2020)

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets		
Cash	\$ 1,652,658	\$ 1,123,192
Accounts receivable (net of allowance for doubtful accounts of \$ -0- at June 30, 2021 and 2020)	243,057	183,211
Current portion of notes receivable	365,310	366,903
Prepaid expenses	<u>15,770</u>	<u>13,119</u>
Total Current Assets	2,276,795	1,686,425
Fixed Assets		
Office equipment	36,109	104,935
Less: accumulated depreciation	<u>36,109</u>	<u>104,917</u>
	-	18
Other Assets		
Lease deposit	2,325	2,325
Section 457 plan assets	1,834,986	1,414,663
Notes receivable (net of allowance for doubtful notes of \$ -0- at June 30, 2021 and 2020), less current portion	<u>3,278,462</u>	<u>2,995,626</u>
	<u>5,115,773</u>	<u>4,412,614</u>
Total Assets	<u>\$ 7,392,568</u>	<u>\$ 6,099,057</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 124,410	\$ 109,986
Accrued expenses	<u>104,692</u>	<u>72,708</u>
Total Current Liabilities	229,102	182,694
Long-Term Liabilities		
Section 457 plan payable	<u>1,834,986</u>	<u>1,414,663</u>
Total Liabilities	2,064,088	1,597,357
Net Assets		
Without donor restrictions	559,374	301,564
With donor restrictions	<u>4,769,106</u>	<u>4,200,136</u>
Net Assets	<u>5,328,480</u>	<u>4,501,700</u>
Total Liabilities and Net Assets	<u>\$ 7,392,568</u>	<u>\$ 6,099,057</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, 2021

(with comparative totals for June 30, 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues and Other Support				
Grants and contracts	\$ -	\$ 42,733,482	\$ 42,733,482	\$ 1,510,319
Service income	313,165	-	313,165	373,649
Town memberships	108,556	-	108,556	103,090
County appropriation	37,000	-	37,000	36,300
Interest income	649	-	649	5,765
Revolving loan interest	-	63,980	63,980	60,045
Miscellaneous	303,042	-	303,042	-
Net assets released from restrictions	<u>42,228,492</u>	<u>(42,228,492)</u>	<u>-</u>	<u>-</u>
Total Revenues and Other Support	42,990,904	568,970	43,559,874	2,089,168
Expenses				
Program	42,640,474	-	42,640,474	1,562,341
Management and general	<u>92,620</u>	<u>-</u>	<u>92,620</u>	<u>177,299</u>
Total Expenses	<u>42,733,094</u>	<u>-</u>	<u>42,733,094</u>	<u>1,739,640</u>
Increase in Net Assets	257,810	568,970	826,780	349,528
Net assets at beginning of year	<u>301,564</u>	<u>4,200,136</u>	<u>4,501,700</u>	<u>4,152,172</u>
Net Assets at End of Year	<u>\$ 559,374</u>	<u>\$ 4,769,106</u>	<u>\$ 5,328,480</u>	<u>\$ 4,501,700</u>

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, 2021

(with comparative totals for June 30, 2020)

	2021			2020
	Program Services	Management & General	Total	Total
Salaries and benefits	\$ 458,116	\$ 458,684	\$ 916,800	\$ 721,089
Occupancy	-	39,315	39,315	35,729
Travel	6,692	2,384	9,076	22,125
Office supplies	-	13,424	13,424	14,033
Dues and subscriptions	329	6,291	6,620	6,039
Telephone	-	3,140	3,140	8,161
Postage	113	550	663	1,102
Printing	-	1,098	1,098	3,459
Insurance	-	17,763	17,763	13,994
Professional fees	7,853	63,144	70,997	64,427
Consultants	37,116	3,524	40,640	224,626
Project costs	41,555,702	-	41,555,702	571,492
Information technology	1,535	45,156	46,691	49,196
Repairs and maintenance	-	3,410	3,410	1,900
Depreciation	18	-	18	59
Miscellaneous	3,697	4,040	7,737	2,209
Allocated management and administration expenses	<u>569,303</u>	<u>(569,303)</u>	<u>-</u>	<u>-</u>
	<u>\$ 42,640,474</u>	<u>\$ 92,620</u>	<u>\$ 42,733,094</u>	<u>\$ 1,739,640</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, 2021
(with comparative totals for June 30, 2020)

	<u>2021</u>	<u>2020</u>
Operating Activities		
Increase in net assets	\$ 826,780	\$ 349,528
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	18	59
(Increase) Decrease in operating assets:		
Accounts receivable	(59,846)	15,949
Prepaid expenses	(2,651)	(849)
Increase (Decrease) in operating liabilities:		
Accounts payable	14,424	28,270
Accrued expenses	31,984	(10,910)
Net Cash Provided by Operating Activities	<u>810,709</u>	<u>382,047</u>
Investing Activities		
Notes receivable collected (advanced)	<u>(281,243)</u>	<u>(347,498)</u>
Net Cash Used by Investing Activities	<u>(281,243)</u>	<u>(347,498)</u>
Increase in Cash	529,466	34,549
Cash at beginning of year	<u>1,123,192</u>	<u>1,088,643</u>
Cash at End of Year	<u>\$ 1,652,658</u>	<u>\$ 1,123,192</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 98% of revenues for the year ended June 30, 2021 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.

In accordance with FASB ASC 606-10-50-14, the Commission has elected not to disclose certain information about its remaining performance obligations, as such obligations relate to contracts with an original expected duration of one year or less. See note G for the nature of the Commission's remaining performance obligations.

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

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. The Commission maintains cash with local banks, and at times, balances may exceed federally insured limits. At June 30, 2021, the Commission's uninsured and uncollateralized cash balances totaled \$1,452,934. 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, 2021. Delinquent loans are determined by the borrower's failure to pay as agreed. No notes receivable are past due as of June 30, 2021.

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, 2020, 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.

Adoption of New Accounting Policies

On July 1, 2020, the Commission adopted ASU 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, "ASC 606"), which creates a single, principle-based model for recognizing contract revenue and related incremental expenses. The Commission adopted ASC 606 using the modified retrospective method applied to all contracts not completed as of July 1, 2020. Under the modified retrospective transition method, a cumulative effect adjustment is recorded to the opening balance of net assets for the initial application of the new guidance as of July 1, the date of initial application. Management has determined that there were no adjustments to the financial statements resulting from adoption.

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, 2021:

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. \$ 591,361

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. 705,389

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. 63,276

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%. 604,139

Note receivable with a local business, secured by personal property, monthly payments of principal and interest at 8% over 10 years. 39,016

Notes to Financial Statements - Continued

Southern Maine Planning and Development Commission, Inc.

Note B - Notes Receivable - Continued

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.	465,708
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.	8,203
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.	166,394
Note receivable with a local business, secured by personal property, monthly payments of principal and interest at 8% for five years.	7,763
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.	14,808
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.	385,794
Note receivable with a local business, secured by personal property, monthly payments of principal and interest at 8% over five years.	48,754
Note receivable with a local business, secured by personal property, monthly payments of principal and interest at 3% over five years.	23,046
Note receivable with a local business, secured by personal property, monthly payments of principal and interest at 5% over seven years.	48,512
Note receivable with a local business, secured by personal property, monthly payments of principal and interest at 5% over twenty five years.	99,860
Note receivable with a local business, secured by personal property, monthly payments of principal and interest at 3% over ten years.	198,619

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 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. 122,663

Note receivable with a local business, secured by personal property, monthly payments of principal and interest at 5% over seven years. 50,000
3,643,772
Less: current portion 365,310
\$ 3,278,462

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 49% of the Commission's total assets at June 30, 2021.

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, 2021 and 2020 was \$35,429 and \$29,904, respectively.

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

2022	\$	46,648
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.

Notes to Financial Statements - Continued

Southern Maine Planning and Development Commission, Inc.

Note D - Deferred Compensation Plan - Continued

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, 2021, amounted to \$1,834,986.

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, 2021 was \$49,789, which was charged to expense as wages. Additionally, the Commission contributed \$33,778 as a matching contribution to the plan for the year ended June 30, 2021.

Note E - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at June 30, 2021:

Subject to expenditure for specified purpose:

Revolving loan funds	<u>\$ 4,769,106</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, 2021, 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.

Notes to Financial Statements - Continued

Southern Maine Planning and Development Commission, Inc.

Note F - Liquidity and Availability - Continued

Financial assets, at year end	\$ 5,539,487
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>(4,769,106)</u>
Financial assets available to meet cash needs for general	
Expenditures within one year	<u>\$ 770,381</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 2022.

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, 2021:

Revenue Recognized Over Time

Town and county dues	\$ 145,556
Service income	313,165
Grants and contracts	<u>599,386</u>
Total Revenue Recognized Over Time	<u>\$ 1,058,107</u>

Revenue Recognized at a Point in Time

Grants and contracts	\$ 41,043,105
Miscellaneous	302,642
Interest	<u>63,980</u>
Total Revenue Recognized at a Point in Time	<u>\$ 41,409,727</u>
Total Revenue from Contracts with Customers	<u>\$ 42,467,834</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, 2021.

Notes to Financial Statements - Continued

Southern Maine Planning and Development Commission, Inc.

Note G - Revenue Recognition - Continued

Receivables

The Commission has \$243,057 of accounts receivable from contracts with customers at June 30, 2021.

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 \$369,000 at June 30, 2021. 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 G - Revenue Recognition - Continued

Transition

The Commission applied the new Revenue from Contracts with Customers guidance to contracts not completed at July 1, 2020, the date of initial application. In (a) determining the amount that would have been recognized for each financial statement line item if legacy GAAP had continued to be applied in the period of adoption, and (b) comparing that amount to the amount recognized for the line item under the new guidance, management has determined that there were no changes to the financial statements resulting from adoption.

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, 2018 through 2021.

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 December 2021, Northdam, LLC and The Mills at Pepperell, LLC sold their holdings and repaid their loans in the amount of \$1,131,357.

Management has made an evaluation of subsequent events to and including March 21, 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, 2021, 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 21, 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.

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.


Professional Association

Portland, Maine
March 21, 2022