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MAINE DAIRY & NUTRITION COUNCIL

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Attn: Head Librarian

Enclosed for your review is the calendar year 2019 Audit Report of the Maine Dairy and Nutrition Council, prepared by Austin & Associates, P.A., Certified Public Accountants. We are pleased to offer it for your consideration.

If you have any questions regarding this report, please don't hesitate to contact either Austin & Associates or myself. Austin & Associates can be reached at their office in Auburn at 783-9111 and I can be reached at our office in Augusta at 287-3621.

Sincerely,

Sarah J. Littlefield
Executive Director

Enclosure



AUSTIN ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Maine Dairy and Nutrition Council
333 Cony Road
Augusta, ME 04333

We have audited the financial statements of Maine Dairy and Nutrition Council for the year ended December 31, 2019, and we will issue our report thereon dated April 15, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 22, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Maine Dairy and Nutrition Council are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no significant estimates affecting the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 15, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of Maine Dairy and Nutrition Council and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Austin Associates PA

Austin Associates, P.A.

Certified Public Accountants

Auburn, Maine

April 15, 2020



AUSTIN ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS



AUSTIN ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors and Executive Director
Maine Dairy and Nutrition Council
333 Cony Road
Augusta, ME 04333

In planning and performing our audit of the financial statements of Maine Dairy and Nutrition Council as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered Maine Dairy and Nutrition Council'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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

This communication is intended solely for the information and use of management, the board of directors, and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Austin Associates P.A.

Austin Associates, P.A.
Certified Public Accountants

Auburn, ME
April 15, 2020

Maine Dairy and Nutrition Council
Financial Statements
and Supplementary Information
For the Year Ended
December 31, 2019



AUSTIN ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Your Financial Team

**Maine Dairy and Nutrition Council
Financial Statements
and Supplementary Information
For the Year Ended December 31, 2019**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Maine Dairy and Nutrition Council

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Maine Dairy and Nutrition Council, which comprise the statement of net position as of December 31, 2019 and the related statement of revenues, expenses and changes in net position, statement of 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.

Auditor's 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 auditors consider 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.

Basis for Qualified Opinion

As explained in Note 7 to the financial statements, Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions, is effective for fiscal years beginning after June 15, 2014. Accounting principles generally accepted in the United States of America require that employers who participate in multiple-employer defined benefit pension plans account for pensions under the provisions of this statement. The effects on the accompanying financial statements of the failure to record the pension liability and expense have not been determined.

Opinions

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Maine Dairy and Nutrition Council as of December 31, 2019, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information included herewith be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries to management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The supplementary information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 15, 2020 on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the Council's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Austin Associates P.A." is positioned above a horizontal line.

AUSTIN ASSOCIATES, P.A.

Certified Public Accountants

Auburn, Maine

April 15, 2020

Management's Discussion and Analysis

The discussion and analysis of Maine Dairy and Nutrition Council's (the Council) financial performance provides an overall review of the Council's financial activities for the year ended December 31, 2019. The intent of this discussion and analysis is to provide citizens, taxpayers, and other interested parties with an overview of our financial performance, from management's viewpoint. The detail and more in-depth analysis are provided in the auditor's reports and financial statements. The readers should also review the basic financial statements and notes to enhance their understanding of the Council's financial position.

Financial Highlights

The Council's net position as of December 31, 2019 was \$115,080, an increase of \$4,074 over last year as a result of this year's operations.

Milk tax revenues were \$222,471 or 99.73% of all revenues.

The Council does not have any long-term liabilities.

Overview of the Basic Financial Statements

This section of the annual report consists of the basic financial statements and the notes to the financial statements.

Basic Financial Statements

The statement of net position presents the Council's assets and liabilities, with the difference between the two reported as net position. The statement of net position provides information about the nature and amount of investments in resources (assets), and the obligations to creditors and others (liabilities). Net position increases when revenues exceed expenses. The statement of revenues, expenses and changes in net position reports the revenues and expenses during the period indicated. The statement of cash flows provides information about the Council's cash receipts and payments from operations, as well as funds provided and used in investing and financing activities.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the figures provided in the basic financial statements.

Financial Analysis

Assets

Current assets increased by \$8,197. This was primarily due to an increase in cash of \$18,479. The Certificate of Deposit increased by \$448, accounts receivable decreased by \$2,402. The due to/from Maine Dairy Promotion Board resulted in a receivable from the Board as of December 31, 2019 of \$1,374, a decrease of \$8,328 compared to 2018.

Non-current assets remained consistent with 2018.

Liabilities

Current liabilities increased by \$4,123. This increase was due to a \$3,375 increase in accounts payable, a \$542 increase in accrued payroll and a \$206 increase in accrued vacation time.

Maine Dairy and Nutrition Council has no long-term debt.

Net Position

Net investment in capital assets remained consistent with 2018.

Unrestricted net position items are available to finance day-to-day operations without constraints established by debt covenants or other legal requirements. In 2019, unrestricted net position increased by \$4,074 due to a surplus from operations.

Operating Revenue

Operating revenues decreased from \$222,867 in 2018 to \$222,471 in 2019. Milk production remained consistent with the prior year. The revenue from this activity decreased by \$396 during the year ended December 31, 2019. Revenue transferred from Maine Dairy Promotion Board increased by \$455.

Operating Expenses

Operating expenses went from \$195,368 in 2018 to \$218,994 in 2019. This increase of \$23,626 was primarily due to increases in board travel and payroll related expenses. The overall budget for expenses was increased in 2019 from 2018 to account for increased expenses. However, expenses were \$530 below budget due to the spending conservation.

Contacting Maine Dairy and Nutrition Council's Financial Management

This financial report is designed to provide citizens and taxpayers with a general overview of the Dairy Council's finances and to reflect on the Council's accountability for the monies it receives. Questions about this report or requests for additional information should be directed to Maine Dairy and Nutrition Council, 333 Cony Road, Augusta, Maine 04330. The Council can also be reached by phone at (207) 287-3621.

Maine Dairy and Nutrition Council
Statement of Net Position
December 31, 2019

ASSETS

Current Assets

Cash	\$ 84,506
Certificate of deposit	39,216
Accounts receivable	9,999
Due from Maine Dairy Promotion Board	<u>1,374</u>
Total current assets	135,095

Non-Current Assets

Equipment	21,599
Less - Accumulated depreciation	<u>21,599</u>
Total non-current assets	<u>-</u>

Total Assets	<u>\$ 135,095</u>
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LIABILITIES AND NET POSITION

Current Liabilities

Accounts payable	\$ 4,774
Accrued payroll	5,471
Accrued vacation	<u>9,770</u>
Total liabilities	20,015

Net Position - Unrestricted	<u>115,080</u>
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Total Liabilities and Net Position	<u>\$ 135,095</u>
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The accompanying notes are an integral part of these statements.

Maine Dairy and Nutrition Council
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2019

Operating Revenues

Milk tax	\$ 222,471
Other income	<u>597</u>
Total operating revenues	223,068

Operating Expenses

Program services	165,469
Management and general	53,525
Fundraising	<u>-</u>
Total operating expenses	<u>218,994</u>

Change in Net Position	4,074
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Total Net Position, January 1, 2019	<u>111,006</u>
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Total Net Position, December 31, 2019	<u><u>\$ 115,080</u></u>
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The accompanying notes are an integral part of these statements.

Maine Dairy and Nutrition Council
Statement of Functional Expenses
For the Year Ended December 31, 2019

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 87,805	\$ 29,268	\$ -	\$117,073
Payroll taxes and employee benefits	57,130	19,044	-	76,174
Educational programs and supplies	9,674	-	-	9,674
Professional fees	5,268	1,756	-	7,024
Travel expenses	3,155	1,052	-	4,207
Communications	2,110	703	-	2,813
Rent/Lease	-	281	-	281
Educational seminars and training	327	-	-	327
Office supplies	-	1,032	-	1,032
Insurance	-	389	-	389
	<u>\$ 165,469</u>	<u>\$ 53,525</u>	<u>\$ -</u>	<u>\$218,994</u>

The accompanying notes are an integral part of these statements.

Maine Dairy and Nutrition Council
Statement of Cash Flows
For the Year Ended December 31, 2019

Cash Flows from Operating Activities

Cash received from milk tax	\$ 233,202
Cash received from other operating revenue	10
Cash received from interest income	588
Cash payments to suppliers for goods and services	(98,548)
Cash payments to employees and professional contractors for services	<u>(116,325)</u>
Net cash provided by operating activities	18,927

Cash Flows from Investing Activities

Reinvestment in certificate of deposit	<u>(448)</u>
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Net Increase in Cash and Cash Equivalents 18,479

Cash and Cash Equivalents, January 1, 2019 66,027

Cash and Cash Equivalents, December 31, 2019 \$ 84,506

**Reconciliation of Change in Net Position to
Net Cash Provided by Operating Activities**

Change in net position	\$ 4,074
Adjustment to reconcile change in net position to net cash provided by operating activities	
Decrease in accounts receivable	2,402
Decrease in amounts due from Maine Dairy Promotion Board	8,328
Increase in accounts payable	3,375
Increase in accrued vacation	206
Increase in accrued payroll	<u>542</u>
Total adjustments	<u>14,853</u>

Net Cash Provided by Operating Activities \$ 18,927

The accompanying notes are an integral part of these statements.

NOTE 1: Reporting Entity

The Milk Advisory Committee was established in 1949, later becoming Maine Dairy and Nutrition Council (the Council) in 1975, operating as an agency within the Maine Department of Agriculture. As of July 1, 1996, the Maine Legislature made the Council a public body, corporate and political, and a public instrumentality of the State of Maine. The mission of the Council is to promote the prosperity and welfare of the Maine dairy industry by sponsoring nutrition education and research programs.

The Council is charged with the responsibility of providing guidance in nutrition and nutrition education based on the concept of a balanced diet, including milk and its products in accordance with scientific recommendations, and to protect the interests of all the people of the state by strengthening and preserving the dairy industry.

Operations of the Council are funded by milk assessments collected from dealers and producer-dealers of fluid milk.

NOTE 2: Summary of Significant Accounting Policies**Basis of Presentation**

The accompanying financial statements have been prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, requires that governments' proprietary activities apply all applicable GASB pronouncements as well as the Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins. The primary objective of this statement is to incorporate applicable guidance from those FASB and AICPA pronouncements into the state and local government accounting and financial reporting standards. The Council follows the provisions of GASB Statement No. 34.

Fund Accounting

All activities of the Council are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The transactions of the Council are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included in the statement of net position.

Revenues are recognized in the accounting period when they are earned and expenses are recognized when the related liability is incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and/or producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assessments

The Council derives the majority of its revenue from two sources. The Council receives two cents of the 10-cent assessment per hundredweight of all fluid milk produced in Maine received by Maine Dairy Promotion Board (see Note 5). In addition, the Council receives a 1.5 cent assessment per hundredweight from all dealers and producer dealers on all milk purchased from Maine producers or purchased from producers outside the state and sold within the state.

Budget Practices

An annual budget is prepared by management and approved by the Council's board of directors. The budget is prepared according to generally accepted accounting principles (GAAP), except that the funding for capital acquisitions are considered to be expenses and depreciation is excluded from expenses.

Deposits and Investments

Cash and cash equivalents include demand deposits, savings accounts, and money market accounts. The Council considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investments, if any, are reported at fair value, except that investments with a remaining maturity at time of purchase of one year or less are reported at amortized cost.

Property and Equipment

Purchased equipment is recorded at cost. Depreciation of fixed assets is calculated using the straight-line method over the estimated lives of the equipment, which is estimated at 5 years.

Functional allocation of expenses

The costs of providing programs and other activities are summarized in the statements of functional expenses. Costs have been allocated among program, fundraising, and management and general based on estimated payroll, space utilization or other rational means.

Net Position

Net position comprises the various net earnings from operations, non-operating revenues, expenses and contributions of capital. Net position is generally classified in the following components:

Investment in capital assets, net of related debt: Consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Net investment in capital assets amounted to \$-0- as of December 31, 2019.

Unrestricted: Consists of all other net position items that are not included in the other categories previously mentioned.

Income Taxes

The Council is a not-for profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation and, therefore, no provision for income taxes has been made. The Council does not believe it has done anything during the past year that would jeopardize its tax-exempt status at either the state or federal level. The Council reports its activities to the IRS in an annual information return. These filings are subject to review by the tax authorities and the federal income tax returns for 2017, 2018 and 2019 are subject to examination by the IRS, generally for three years after they were filed.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 3: Cash and Cash Equivalents

The Council's cash is categorized to give an indication of the level of risk assumed by the Council at year-end. These categories are defined as follows:

Category 1: Insured or collateralized with securities held by the Council or by its agent in the Council's name.

Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the Council's name.

Category 3: Uninsured and uncollateralized. This also includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the Council's name.

The Council's entire cash balances at Camden National Bank were insured (Category 1) as of December 31, 2019 under the FDIC.

NOTE 4: Milk Tax Receivable

At December 31, 2019, the Council had receivable balances for dairy assessments totaling \$9,999. Council management believes that all accounts receivable are collectible and, therefore, has not established an allowance for doubtful accounts.

At December 31, 2019, the Council had a receivable of \$9,416 from Maine Dairy Promotion Board for its share of milk tax.

NOTE 5: Related Party

The Maine State Legislature established Maine Dairy Promotion Board as a quasi-governmental agency at the same time as Maine Dairy and Nutrition Council. Maine Dairy Promotion Board was created to promote the prosperity and welfare of the dairy industry of the state by fostering promotional, educational, advertising and research programs.

Because of the closely related missions of both Maine Dairy and Nutrition Council and Maine Dairy Promotion Board, the two entities share staff, equipment and office space. Separate records are maintained for the two entities. However, Maine Dairy and Nutrition Council reimburses Maine Dairy Promotion Board for its share of payroll costs. The Council has payable balances for payroll totaling \$8,042. In addition, Maine Dairy and Nutrition Council is funded, in part, with two-cents per hundredweight of milk produced in Maine that is transferred monthly from the Maine Dairy Promotion Board (see Note 2). During the year, the Maine Dairy Promotion Board incurred revenue of \$616,175 from the 10-cent assessment per hundredweight of milk produced in Maine. During the year, \$122,744 was transferred to Maine Dairy and Nutrition Council from these assessments. At December 31, 2019, the Council has a receivable of \$9,416 from Maine Dairy Promotion Board for the dairy assessments.

At December 31, 2019, the Council had a net receivable amount of \$1,374 from the Maine Dairy Promotion Board.

As of January 1, 2016, the Maine Dairy Promotion Board took over the monthly rent expense for the office space.

As of January 1, 2017, the Maine Dairy Promotion Board took over the monthly lease expense for the shared vehicle.

NOTE 6: Operating Leases

Maine Dairy and Nutrition Council and Maine Dairy Promotion Board share office space that is leased on a month-to-month basis from the Maine Department of Agriculture. As of January 1, 2016, the Maine Dairy Promotion Board took over the rent expense. The lease is \$1,083 per month. The Promotion Board and the Nutrition Council also share a vehicle that is leased from the state of Maine on a month-to-month basis. The rent is a flat rate of \$135 per month plus mileage. Maine Dairy Promotion Board budgets for and expends the entire amount for rent and lease on these leases, thus no amount is shown in the Council's financial statements for rent or lease expense related to these leases.

NOTE 7: Pension Plan

As defined in the legislation that established Maine Dairy and Nutrition Council as a public instrumentality, all current and future employees have full rights and benefits under the Maine Public Employees Retirement System (MainePERS). Employees contribute to MainePERS, an agent multiple-employer public retirement system that acts as a common investment and administrative agent for public school teachers, state employees and political subdivisions. Employees are required to contribute 7.65% of their annual salary to the system. The Council contributes 26.78% to a confidential employees' retirement account and 21.98% to all other employees' retirement accounts. During the year ended December 31, 2019, the Council contributed \$29,656 into the plan.

The MainePERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing the Maine Public Employees Retirement System, 46 State House Station, and Augusta, Maine 04333-0046.

GASB Statement No. 68 is effective for fiscal years beginning after June 15, 2014. The statement establishes accounting and financial reporting standards and focuses on pension obligation, changes in the obligation and attribution of pension expense. It requires participants in a cost-sharing multiple employer defined benefit pension plan such as the MPERS plan to record their proportionate share of the Plan's net pension liability (total pension liability minus plan assets at market value), pension expense, and deferred positions.

The statement also requires greatly expanded plan and employer disclosures, including a description of the plan and significant assumptions, the policy for determining contributions, the discount rate and key rate assumptions, a sensitivity analysis of the impact on liabilities of a one percentage point increase and decrease in the discount rate, changes in the net plan liability for the past ten (10) years, current period pension expense, a schedule of deferred outflows/inflows of resources, and other measurement and actuarial data.

Management has determined that it is impractical to gather this information from MPERS for the year ended December 31, 2019 and, therefore, the required accounting and financial reporting, including disclosures, has not been presented in these financial statements.

NOTE 8: Contingencies and Commitments

Insurance

The Council is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Council contracts with an insurance company for coverage of the above-mentioned exposures. Settled claims have not exceeded commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

NOTE 9: Subsequent Events

The Council has evaluated events, if any, that have occurred subsequent to December 31, 2019 through April 15, 2020, the date the financial statements were available to be issued, and included information in the notes to the financial statements related to any identifiable events, if necessary.

Maine Dairy and Nutrition Council
Statement of Revenues, Expenses and Changes in Net Position – Budget and Actual
For the Year Ended December 31, 2019

	<u>Actual</u>	<u>Budget</u>	Variance/ Favorable (Unfavorable)
Operating Revenues			
Milk tax - 20% from Maine Dairy			
Promotion Board	\$ 122,744	\$ 121,000	\$ 1,744
Milk tax - Other	99,726	92,000	7,726
Material sales and other income	10	-	10
Interest income	588	500	88
Total operating revenues	223,068	213,500	9,568
Operating Expenses			
Integrated communications			
Black Bear	5,250	5,250	-
Dairy farmer relations	100	-	(100)
Producer relations & communications	355	-	(355)
Board relations	8,378	7,000	(1,378)
Personnel			
Dental insurance	659	640	(19)
Health insurance	30,340	30,841	501
Life insurance	1,096	1,058	(38)
Medicare tax	1,564	1,687	123
Professional dues and memberships	170	150	(20)
Retiree health insurance	12,220	12,773	553
Retirement contributions	29,656	30,838	1,182
Salaries	117,073	116,327	(746)
Staff development	57	-	(57)
Training and seminars	100	125	25
Workers' compensation	641	700	59

(Continued on Next Page)

Maine Dairy and Nutrition Council
Statement of Revenues, Expenses and Changes in Net Position – Budget and Actual
For the Year Ended December 31, 2019

	<u>Actual</u>	<u>Budget</u>	Variance/ Favorable (Unfavorable)
Operating Expenses (Continued)			
Administrative and general			
Communications	\$ 2,521	\$ 2,500	\$ (21)
Office supplies	732	800	68
Postage and shipping	299	300	1
Bank service charges	48	60	12
Computer tech support	292	900	608
Equipment leasing	281	300	19
Payroll processing fee	976	975	(1)
Liability insurance	186	200	14
Professional services	<u>6,000</u>	<u>6,100</u>	<u>100</u>
Total operating expenses	218,994	219,524	530
Change in Net Position	4,074	(6,024)	10,098
Total Net Position, January 1, 2019	<u>111,006</u>	<u>111,006</u>	<u>-</u>
Total Net Position, December 31, 2019	<u><u>\$ 115,080</u></u>	<u><u>\$ 104,982</u></u>	<u><u>\$ 10,098</u></u>

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
Maine Dairy and Nutrition Council

Independent Auditor's Report

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 the business-type activities of Maine Dairy and Nutrition Council, which comprise the statement of net position as of December 31, 2019, and the related statement of revenue, expenses and changes in net position and cash flows for the year the ended and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated April 15, 2020

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Maine Dairy and Nutrition Council's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Maine Dairy and Nutrition Council's internal control. Accordingly, we do not express an opinion on the effectiveness of Maine Dairy and Nutrition Council'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Maine Dairy and Nutrition Council's financial statements are free from 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 determination of financial statement amounts. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


AUSTIN ASSOCIATES, P.A.
Certified Public Accountants

Auburn, Maine
April 15, 2020

RESPONSE TO QUESTIONS POSED BY THE USDA DAIRY DIVISION

To the Board of Directors
Maine Dairy and Nutrition Council

Additional information has been requested in connection with our audit for the year ended December 31, 2019, of the Maine Dairy and Nutrition Council.

Our responses to the questions posed by the USDA Dairy Division are as follows:

1. Is the Council engaged in dairy product promotion, research or nutrition education? **YES**
2. Are the Council's activities financed primarily (more than 50%) by dairy producers, either individually or through cooperative association? **YES**
3. Does the Council use a brand name or trade name in its advertising and promotion of dairy products?
NO
4. Does the Council use funds for the purpose of influencing the governmental policy or actions? **NO**
5. Does the Council have in place internal controls that provide reasonable assurance that funds, property and other assets are safeguarded against fraud, waste and unauthorized use? **YES**

Please contact us if we can be of further assistance in this matter.

Austin Associates P.A.

AUSTIN ASSOCIATES, P.A.
Certified Public Accountants

Auburn, Maine
April 15, 2020