

MAINE STATE LEGISLATURE

The following document is provided by the
LAW AND LEGISLATIVE DIGITAL LIBRARY
at the Maine State Law and Legislative Reference Library
<http://legislature.maine.gov/lawlib>



Reproduced from electronic originals
(may include minor formatting differences from printed original)

**Maine Dairy and Nutrition Council
Financial Statements
and Supplementary Information
For the Year Ended
December 31, 2020**



AUSTIN ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Your Financial Team

**Maine Dairy and Nutrition Council
Financial Statements
and Supplementary Information
For the Year Ended December 31, 2020**

Contents

	<u>Page</u>
Independent Auditor's Report	
Management's Discussion and Analysis	1 - 2
Financial Statements	
Statement of Net Position	3
Statement of Revenues, Expenses and Changes in Net Position	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 11
Supplementary Information	
Statement of Revenues, Expenses and Changes in Net Position – Budget and Actual	12 - 13
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	i - ii
Response to Questions Posed by the USDA Dairy Division	iii





AUSTIN ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

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, 2020 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, 2020, 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, 2021 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.

Austin Associates PA

AUSTIN ASSOCIATES, P.A.
Certified Public Accountants

Auburn, Maine
April 15, 2021



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, 2020. 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, 2020 was \$100,317, a decrease of \$14,763 over last year as a result of this year's operations.

Milk tax revenues were \$216,128 or 99.83% 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 decreased by \$12,558. This was due to an increase in cash of \$26,640, a decrease in the Certificate of Deposit of \$39,216, and accounts receivable increased by \$927. The due to/from Maine Dairy Promotion Board resulted in a receivable from the Board as of December 31, 2020 of \$465, a decrease of \$909 compared to 2019.

There were no non-current assets at December 31, 2020.

Liabilities

Current liabilities increased by \$2,205. This increase was due to a \$794 decrease in accounts payable, a \$1,665 increase in accrued payroll and a \$1,334 increase in accrued vacation time.

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

Net Position

There was no net investment in capital assets because all fixed assets were disposed of in the current year.

Unrestricted net position items are available to finance day-to-day operations without constraints established by debt covenants or other legal requirements. In 2020, unrestricted net position decreased by \$14,763 due to a deficit from operations.

Operating Revenue

Operating revenues decreased from \$222,471 in 2019 to \$216,128 in 2020. Milk production was down from prior year. The revenue from this activity decreased by \$6,343 during the year ended December 31, 2020. Revenue transferred from Maine Dairy Promotion Board decreased by \$4,263.

Operating Expenses

Operating expenses went from \$218,994 in 2019 to \$231,262 in 2020. This increase of \$12,268 was primarily due to increases in dairy optimization and payroll related expenses. The overall budget for expenses was increased in 2020 from 2019 to account for increased expenses. However, expenses were \$1,422 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, 2020

ASSETS

Current Assets

Cash	\$ 111,146
Accounts receivable	10,926
Due from Maine Dairy Promotion Board	<u>465</u>
Total current assets	<u>122,537</u>

Total Assets

\$ 122,537

LIABILITIES AND NET POSITION

Current Liabilities

Accounts payable	\$ 3,980
Accrued payroll	7,136
Accrued vacation	<u>11,104</u>
Total liabilities	22,220

Net Position - Unrestricted

100,317

Total Liabilities and Net Position

\$ 122,537

Maine Dairy and Nutrition Council
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2020

Operating Revenues

Milk tax	\$ 216,128
Other income	<u>371</u>
Total operating revenues	216,499

Operating Expenses

Program services	176,633
Management and general	<u>54,629</u>
Total operating expenses	<u>231,262</u>

Change in Net Position (14,763)

Total Net Position, January 1, 2020 115,080

Total Net Position, December 31, 2020 \$ 100,317

Maine Dairy and Nutrition Council
Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program Services	Management and General	Total
Salaries	\$ 92,622	\$ 30,874	\$123,496
Payroll taxes and employee benefits	57,214	19,071	76,285
Educational programs and supplies	18,919	-	18,919
Professional fees	5,089	1,697	6,786
Travel expenses	448	149	597
Communications	2,025	675	2,700
Rent/Lease	-	281	281
Educational seminars and training	316	-	316
Office supplies	-	1,697	1,697
Insurance	-	185	185
	<u>\$ 176,633</u>	<u>\$ 54,629</u>	<u>\$231,262</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, 2020

Cash Flows from Operating Activities

Cash received from milk tax	\$ 216,128
Cash received from interest income	371
Cash payments to suppliers for goods and services	(108,542)
Cash payments to employees and professional contractors for services	(120,497)
Net cash used in operating activities	<u>(12,540)</u>

Cash Flows from Investing Activities

Redemption of certificate of deposit	<u>39,180</u>
--------------------------------------	---------------

Net Increase in Cash and Cash Equivalents 26,640

Cash and Cash Equivalents, January 1, 2020 84,506

Cash and Cash Equivalents, December 31, 2020 \$ 111,146

Reconciliation of Change in Net Position to
Net Cash Used in Operating Activities

Change in net position	\$ (14,763)
Adjustment to reconcile change in net position to net cash provided by operating activities	
Decrease in accounts receivable	927
Increase in amounts due from Maine Dairy Promotion Board	(909)
Decrease in accounts payable	(794)
Increase in accrued vacation	1,334
Increase in accrued payroll	<u>1,665</u>
Total adjustments	<u>2,223</u>

Net Cash Used in Operating Activities \$ (12,540)

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.

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, 2020.

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 2018, 2019 and 2020 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, 2020 under the Federal Deposit Insurance Corporation (FDIC).

NOTE 4: Milk Tax Receivable

At December 31, 2020, the Council had receivable balances for dairy assessments totaling \$10,926. Council management believes that all accounts receivable are collectible and, therefore, has not established an allowance for doubtful accounts.

At December 31, 2020, the Council had a receivable of \$9,481 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 \$9,016. 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 \$585,865 from the 10-cent assessment per hundredweight of milk produced in Maine. During the year, \$118,481 was transferred to Maine Dairy and Nutrition Council from these assessments. At December 31, 2020, the Council has a receivable of \$9,481 from Maine Dairy Promotion Board for the dairy assessments.

At December 31, 2020, the Council had a net receivable amount of \$465 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. The lease ended in October of 2020.

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, which ended in October of 2020. The rent was 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, 2020, the Council contributed \$29,313 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, 2020 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, 2020 through April 15, 2021, 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.

As of December 31, 2020, state and federal governments have published guidelines to attempt to curtail the spread of the global pandemic (COVID-19), and have mandated the temporary shut-down of businesses and imposed limitations on travel and the size and duration of group meetings. Many industries are experiencing some level of disruption to business operations and the impact of reduced consumer spending. These conditions have continued to exist subsequent to December 31, 2020 and there is uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management expects this matter may have a financial impact on the Council's statement of net position and statement of revenues, expenses and changes in net position, such potential impact cannot be reasonably estimated.

Maine Dairy and Nutrition Council
Statement of Revenues, Expenses and Changes in Net Position – Budget and Actual
For the Year Ended December 31, 2020

	<u>Actual</u>	<u>Budget</u>	<u>Variance/ Favorable (Unfavorable)</u>
Operating Revenues			
Milk tax - 20% from Maine Dairy			
Promotion Board	\$ 118,481	\$ 123,000	\$ (4,519)
Milk tax - Other	97,647	92,000	5,647
Interest income	371	575	(204)
Total operating revenues	216,499	215,575	924
Operating Expenses			
Integrated communications			
Black Bear	5,500	5,250	(250)
General communications	313	-	(313)
Dairy farmer relations	57	-	(57)
Dairy optimization	9,987	10,000	13
Board relations	3,704	8,000	4,296
Personnel			
Dental insurance	694	687	(7)
Health insurance	31,252	31,435	183
Life insurance	958	1,156	198
Medicare tax	1,621	1,736	115
Professional dues and memberships	170	175	5
Retiree health insurance	11,795	12,011	216
Retirement contributions	29,313	29,313	-
Salaries	123,496	119,746	(3,750)
Staff development	131	-	(131)
Training and seminars	15	150	135
Workers' compensation	653	680	27

(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, 2020

	<u>Actual</u>	<u>Budget</u>	<u>Variance/ Favorable (Unfavorable)</u>
Operating Expenses (Continued)			
Administrative and general			
Communications	\$ 2,506	\$ 2,500	\$ (6)
Office supplies	509	750	241
Postage and shipping	250	300	50
Bank service charges	-	25	25
Computer tech support	1,130	1,200	70
Equipment leasing	281	300	19
Payroll processing fee	686	995	309
Liability insurance	141	175	34
Professional services	<u>6,100</u>	<u>6,100</u>	<u>-</u>
Total operating expenses	231,262	232,684	1,422
Change in Net Position	(14,763)	(17,109)	2,346
Total Net Position, January 1, 2020	<u>115,080</u>	<u>115,080</u>	<u>-</u>
Total Net Position, December 31, 2020	<u><u>\$ 100,317</u></u>	<u><u>\$ 97,971</u></u>	<u><u>\$ 2,346</u></u>



AUSTIN ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

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, 2020, 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, 2021.

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.
AUSTIN ASSOCIATES, P.A.
Certified Public Accountants

Auburn, Maine
April 15, 2021





AUSTIN ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

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, 2020, 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 PA

AUSTIN ASSOCIATES, P.A.
Certified Public Accountants

Auburn, Maine
April 15, 2021