

# 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, 2021**



**AUSTIN ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS

*Your Financial Team*

**Maine Dairy and Nutrition Council  
Financial Statements  
and Supplementary Information  
For the Year Ended December 31, 2021**

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 Audit of the Financial Statements**

##### **Opinion**

We have audited the accompanying financial statements of the business-type activities Maine Dairy and Nutrition Council, which comprise the statement of net position as of and for the year ended December 31, 2021 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, which collectively comprise the Maine Dairy and Nutrition Council's basic financial statements as listed in the table of contents.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Maine Dairy and Nutrition Council as of December 31, 2021, and the respective changes in financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

##### **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. GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, is effective for fiscal years beginning after June 15, 2017. Accounting principles generally accepted in the United States of America require that employers who provide other postemployment benefits (OPEB) account for them under the provisions of this statement. The effects on the accompanying financial statements of the failure to record the pension liability and expense as well as the other postemployment benefits have not been determined.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (*Government Auditing Standards*), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Maine Dairy and Nutrition Council and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



## **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Maine Dairy and Nutrition Council's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Maine Dairy and Nutrition Council's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Maine Dairy and Nutrition Council's ability to continue as a going concern for a reasonable period of time.



We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a 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 of 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**

Management is responsible for the other information included in the response to questions posed by the USDA dairy division. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2022 on our consideration of the Maine Dairy and Nutrition 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 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 the Maine Dairy and Nutrition Council'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 Maine Dairy and Nutrition Council's internal control over financial reporting and compliance.

*Austin Associates P.A.*

---

AUSTIN ASSOCIATES, P.A.  
Certified Public Accountants

Auburn, Maine  
April 9, 2022



**AUSTIN ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS



## 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, 2021. 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, 2021 was \$89,954, a decrease of \$10,363 over last year as a result of this year's operations.

Milk tax revenues were \$204,674 or 99.97% 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 \$8,820. This was due to a decrease in cash of \$16,845 and accounts receivable increased by \$131. The due to/from Maine Dairy Promotion Board resulted in a receivable from the Board as of December 31, 2021 of \$8,359, an increase of \$7,894 compared to 2020.

There were no non-current assets at December 31, 2021.

**Liabilities**

Current liabilities increased by \$1,543. This increase was due to a \$306 increase in accounts payable, a \$525 increase in accrued payroll and a \$712 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 2021, unrestricted net position decreased by \$10,363 due to a deficit from operations.

**Operating Revenue**

Operating revenue decreased from \$216,499 in 2020 to \$204,727 in 2021. Milk production was down from prior year. The revenue from this activity decreased by \$6,343 during the year ended December 31, 2021. Revenue transferred from Maine Dairy Promotion Board decreased by \$4,263.

**Operating Expenses**

Operating expenses went from \$231,262 in 2020 to \$215,090 in 2021. This decrease of \$16,172 was primarily due to decreases in dairy optimization and payroll related expenses. The overall budget for expenses was decreased in 2021 from 2020 to account for decreased expenses. However, expenses were \$7,294 below budget due to the spending conservation and a health insurance premium holiday provided by the State of Maine for September and October of 2021. This two-month premium holiday resulted in a savings of \$6,698 for 2021.

**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, 2021**

**ASSETS**

**Current Assets**

Cash	\$ 94,301
Accounts receivable	11,057
Due from Maine Dairy Promotion Board	<u>8,359</u>
Total current assets	<u>113,717</u>

<b>Total Assets</b>	<b><u>\$ 113,717</u></b>
---------------------	--------------------------

**LIABILITIES AND NET POSITION**

**Current Liabilities**

Accounts payable	\$ 4,286
Accrued payroll	7,661
Accrued vacation	<u>11,816</u>
Total liabilities	23,763

<b>Net Position - Unrestricted</b>	<b><u>89,954</u></b>
------------------------------------	----------------------

<b>Total Liabilities and Net Position</b>	<b><u>\$ 113,717</u></b>
---	--------------------------

**Maine Dairy and Nutrition Council**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended December 31, 2021**

**Operating Revenues**

Milk tax	\$ 204,674
Other income	<u>53</u>
Total operating revenues	204,727

**Operating Expenses**

Program services	162,594
Management and general	<u>52,496</u>
Total operating expenses	<u>215,090</u>

**Change in Net Position** (10,363)

**Total Net Position, January 1, 2021** 100,317

**Total Net Position, December 31, 2021** \$ 89,954

**Maine Dairy and Nutrition Council**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2021**

	Program Services	Management and General	Total
Salaries	\$ 90,838	\$ 30,279	<b>\$121,117</b>
Payroll taxes and employee benefits	53,598	17,866	<b>71,464</b>
Educational programs and supplies	8,988	-	<b>8,988</b>
Professional fees	4,969	1,656	<b>6,625</b>
Travel expenses	1,639	546	<b>2,185</b>
Communications	2,109	703	<b>2,812</b>
Rent/Lease	-	330	<b>330</b>
Educational seminars and training	454	-	<b>454</b>
Office supplies	-	634	<b>634</b>
Insurance	-	481	<b>481</b>
	<u>\$ 162,594</u>	<u>\$ 52,496</u>	<u><b>\$215,090</b></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, 2021**

**Cash Flows from Operating Activities**

Cash received from milk tax	\$ 196,649
Cash received from interest income	53
Cash payments to suppliers for goods and services	(93,667)
Cash payments to employees and professional contractors for services	<u>(119,880)</u>
Net cash used in operating activities	(16,845)

**Net Decrease in Cash and Cash Equivalents** (16,845)

**Cash and Cash Equivalents, January 1, 2021** 111,146

**Cash and Cash Equivalents, December 31, 2021** \$ 94,301

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

Change in net position	\$ (10,363)
Adjustment to reconcile change in net position to net cash used in operating activities	
Increase in accounts receivable	(131)
Increase in amounts due from Maine Dairy Promotion Board	(7,895)
Increase in accounts payable	307
Increase in accrued vacation	712
Increase in accrued payroll	<u>525</u>
Total adjustments	<u>(6,482)</u>

**Net Cash Used in Operating Activities** \$ (16,845)



**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, 2021.

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 2019, 2020 and 2021 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, 2021 under the Federal Deposit Insurance Corporation (FDIC).

**NOTE 4: Milk Tax Receivable**

At December 31, 2021, the Council had receivable balances for dairy assessments totaling \$11,057. Council management believes that all accounts receivable are collectible and, therefore, has not established an allowance for doubtful accounts.

At December 31, 2021, the Council had a receivable of \$8,359 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. 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 \$563,156 from the 10-cent assessment per hundredweight of milk produced in Maine. During the year, \$112,782 was transferred to Maine Dairy and Nutrition Council from these assessments. At December 31, 2021, the Council has a receivable of \$8,359 from Maine Dairy Promotion Board for the dairy assessments.

**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. Maine Dairy Promotion Board budgets for and expends the entire amount for rent, thus no amount is shown in the Council's financial statements for rent expense related to these leases.

**NOTE 7: Pension Plan and Other Postemployment Benefits**

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 26.91% to a confidential employees' retirement account and 22.11% to all other employees' retirement accounts. During the year ended December 31, 2021, the Council contributed \$29,423 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.

GASB Statement No. 75 is effective for fiscal years beginning after June 15, 2017. The statement establishes accounting and financial reporting standards and focuses on postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

Management has determined that it is impractical to gather this information from MPERS for the year ended December 31, 2021 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.

### **COVID-19**

As of December 31, 2021, state and federal governments have published guidelines to attempt to curtail the spread of the global pandemic (COVID-19). 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, 2021 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.

## **NOTE 9: Subsequent Events**

The Council has evaluated events, if any, that have occurred subsequent to December 31, 2021 through April 9, 2022, 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, 2021**

	<u>Actual</u>	<u>Budget</u>	<u>Variance/ Favorable (Unfavorable)</u>
<b>Operating Revenues</b>			
Milk tax - 20% from Maine Dairy			
Promotion Board	\$ 112,782	\$ 120,000	\$ (7,218)
Milk tax - Other	91,892	85,000	6,892
Interest income	53	60	(7)
Total operating revenues	204,727	205,060	(333)
<b>Operating Expenses</b>			
Integrated communications			
Black Bear	5,500	5,500	-
Dairy farmer relations	60	-	(60)
Dairy optimization	35	-	(35)
Board relations	5,855	8,000	2,145
Personnel			
Dental insurance	701	700	(1)
Health insurance	26,572	32,064	5,492
Life insurance	1,249	1,191	(58)
Medicare tax	1,630	1,738	108
Professional dues and memberships	190	175	(15)
Retiree health insurance	11,239	11,592	353
Retirement contributions	29,423	29,346	(77)
Salaries	121,117	119,881	(1,236)
Staff development	-	-	-
Training and seminars	265	150	(115)
Workers' compensation	649	680	31

(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, 2021**

	<u>Actual</u>	<u>Budget</u>	<u>Variance/ Favorable (Unfavorable)</u>
<b>Operating Expenses (Continued)</b>			
Administrative and general			
Communications	\$ 2,629	\$ 2,500	\$ (129)
Office supplies	334	500	166
Postage and shipping	300	300	-
Bank service charges	-	25	25
Computer tech support	184	1,000	816
Equipment leasing	279	300	21
Payroll processing fee	525	800	275
Liability insurance	204	175	(29)
Professional services	6,100	6,100	-
Memberships/dues	50	-	(50)
Total operating expenses	<u>215,090</u>	<u>222,717</u>	<u>7,627</u>
<b>Change in Net Position</b>	(10,363)	(17,657)	7,294
<b>Total Net Position, January 1, 2021</b>	<u>100,317</u>	<u>100,317</u>	<u>-</u>
<b>Total Net Position, December 31, 2021</b>	<u><u>\$ 89,954</u></u>	<u><u>\$ 82,660</u></u>	<u><u>\$ 7,294</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 and for the year ended December 31, 2021, and the related statement of revenues, expenses and changes in net position and cash flows for the year then ended and the related notes to the financial statements, which collectively comprise Maine Dairy and Nutrition Council's basic financial statements, and have issued our report thereon dated April 9, 2022.

#### ***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 or significant deficiencies may exist that were not identified.

### ***Report on 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 9, 2022



## **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, 2021, 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 9, 2022

