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**Maine Dairy Promotion Board
Financial Statements
And Supplementary Information
For the Year Ended
December 31, 2013**



AUSTIN ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

OCT 31 2014



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May 1, 2014

To the Board of Directors
Maine Dairy Promotion Board

We have audited the financial statements of Maine Dairy Promotion Board for the year ended December 31, 2013, and have issued our report thereon dated May 1, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, 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 28, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

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 Promotion Board are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2013. 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 auditors' 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 May 1, 2014.

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 auditors' 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

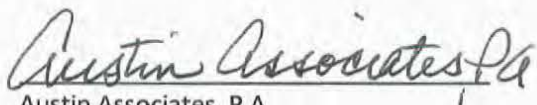
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses 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 Promotion Board and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



Austin Associates, P.A.

Certified Public Accountants



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CERTIFIED PUBLIC ACCOUNTANTS

**Maine Dairy Promotion Board
Financial Statements
And Supplementary Information
For The Year Ended December 31, 2013**

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INDEPENDENT AUDITORS' REPORT

May 1, 2014

To the Board of Directors
Maine Dairy Promotion Board

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Maine Dairy Promotion Board as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions 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 auditors' 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Board, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof 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 May 1, 2014 on our consideration of the Board'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



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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 Board's internal control over financial reporting and compliance.

Austin Associates, PA

AUSTIN ASSOCIATES, P.A.

Certified Public Accountants



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Management's Discussion and Analysis

The discussion and analysis of Maine Dairy Promotion Board's (the Board) financial performance provides an overall review of the Board's financial activities for the year ended December 31, 2013. 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 auditors' reports and financial statements. The readers should also review the basic financial statements and notes to enhance their understanding of the Board's financial position.

Financial Highlights

The Board's net position as of December 31, 2013 was \$134,142, a decrease of \$81,528 over last year as a result of this year's operations.

Milk tax revenues were \$483,972 or 99.86% of all revenues.

The Board 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 Board'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 revenue, expenses and changes in net position reports the revenues and expenses during the period indicated. The statement of cash flows provides information about the Board'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 \$94,868. This decrease was primarily due to a decrease in cash of \$69,366, a decrease in accounts receivable of \$2,291, a decrease in the Certificates of Deposit of \$24,635, and an increase in receivables from Maine Dairy and Nutrition Council of \$1,424. The main reason for the decrease in current assets was due to spending to cover day-to-day operations and cash on hand used to cover current obligations.

Non-current assets decreased by \$633 due to fixed asset purchases of \$1,840 and an increase in accumulated depreciation of \$2,473.

Liabilities

Current liabilities decreased by \$13,973. This decrease was due primarily to a \$2,757 decrease in accounts payable, a decrease in the amount due to Maine Dairy Nutrition Council of \$9,781, and a decrease in accrued expenses of \$1,435. The main reason for the decrease in current liabilities was the due to/from Maine Dairy Nutrition Council totals were combined and resulted in a receivable for the Board.

Maine Dairy Promotion Board has no long-term debt.

Net Position

Net investment in capital assets decreased by \$633 due to a fixed asset purchase and depreciation expense.

Unrestricted net position items are available to finance day-to-day operations without constraints established by debt covenants or other legal requirements. In 2013, unrestricted net position items decreased by \$81,528.

Operating Revenue

Operating revenues decreased from \$488,399 in 2012 to \$484,668 in 2013. This decrease of \$3,731 represents 0.77% of operating revenues. The decrease was due to a decrease in milk production, and thus a decrease in milk tax revenue.

Operating Expenses

Operating expenses went from \$506,503 in 2012 to \$566,196 in 2013. The budget for expenses was increased over the 2012 budgeted amounts; however, expenses were under budget due to programs that were not implemented from the unified marketing plan. These programs were required to be budgeted for under the plan, but were not deemed to be appropriate for programs for Maine and, thus, were not implemented.

Contacting Maine Dairy Promotion Board's Financial Management

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



Maine Dairy Promotion Board
Statement of Net Position
December 31, 2013

ASSETS

Current Assets

Cash	\$ 23,241
Certificates of Deposit	88,905
Milk tax receivable	49,701
Due from Maine Dairy and Nutrition Council	<u>1,424</u>
Total current assets	163,271

Non-Current Assets

Equipment	32,856
Less - Accumulated depreciation	<u>26,731</u>
Total non-current assets	<u>6,125</u>

Total Assets

\$ 169,396

LIABILITIES AND NET POSITION

Current Liabilities

Accounts payable	\$ 5,328
Accrued payroll	2,773
Accrued vacation	<u>27,153</u>
Total liabilities	35,254

Net Position

Net investment in capital assets	6,125
Unrestricted	<u>128,017</u>
Total net position	<u>134,142</u>

Total Liabilities and Net Position

\$ 169,396



Maine Dairy Promotion Board
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2013

Operating Revenue

Milk tax	\$ 483,972
Interest income	503
Other income	193
Total revenues	<u>484,668</u>

Operating Expenses

Advertising	227,466
Salaries	103,291
Registration fees and dues	81,453
Payroll taxes and employee benefits	48,356
Promotional activities and supplies	61,103
Professional fees	9,446
Board of Director's expenses	8,649
Travel expenses	58
Rent	19,876
Communications	1,448
Office supplies	984
Equipment purchase and repair	660
Depreciation	2,473
Educational seminars	539
Miscellaneous	140
Postage	76
Insurance	178
Total operating expenses	<u>566,196</u>

Change in Net Position (81,528)

Total Net Position, January 1, 2013 215,670

Total Net Position, December 31, 2013 \$ 134,142



Maine Dairy Promotion Board
Statement of Cash Flows
For the Year Ended December 31, 2013

Cash Flows from Operating Activities

Cash received from milk tax	\$ 592,548
Cash received from other operating revenue	193
Cash received from interest income	503
Cash payments to suppliers for goods and services	(447,970)
Cash transferred to Maine Dairy and Nutrition Council	(132,709)
Cash payments to employees and professional contractors for services	<u>(104,726)</u>
Net cash used in operating activities	(92,161)

Cash Flows from Capital and Related Financing Activities

Purchases of equipment	<u>(1,840)</u>
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Cash Flows from Investing Activities

Redemption of Certificates of Deposit	<u>24,635</u>
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Net Decrease in Cash and Cash Equivalents (69,366)

Cash and Cash Equivalents, January 1, 2013 92,607

Cash and Cash Equivalents, December 31, 2013 \$ 23,241

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

Change in net position	\$ (81,528)
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Adjustment to reconcile change in net position to net cash used in operating activities:

Depreciation	2,473
Decrease in accounts receivable	2,291
Decrease in accounts payable	(2,757)
Decrease in accrued payroll	(3,291)
Increase in accrued vacation	1,856
Decrease in amounts due to Maine Dairy and Nutrition Council	<u>(11,205)</u>
Total adjustments	<u>(10,633)</u>

Net Cash Used in Operating Activities \$ (92,161)



NOTE 1: Reporting Entity

Maine Dairy Promotion Board (the Board) was established by the Maine State Legislature as of July 1, 1996 as a public body, corporate and political, and a public instrumentality of the state of Maine. Prior to that time, the Board operated as an agency within the Maine Department of Agriculture. The mission of the Board is to promote the prosperity and welfare of the Maine dairy industry by sponsoring promotion, education, advertising and research programs.

The Board is charged with the responsibility of promoting milk and other dairy products and the consumption of milk and other dairy products to Maine consumers. The Board is engaged in dairy product promotion and nutrition education through various advertising and promotion programs, school nutrition education programs, school food service programs, and retail marketing programs. The Board does not use a brand name or trade name in its advertising and promotion programs nor does it use funds for the purpose of influencing governmental policy or actions.

Operations of the Board are funded entirely with self-generated revenues, financed by dairy producers from assessments collected by dealers and/or processors who buy milk directly from producers or through cooperative associations.

NOTE 2: Summary of 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. 20 requires that governments' proprietary activities apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins. Governmental entities are given the option of whether to apply all FASB Statements and Interpretations issued after November 31, 1989, except for those that conflict with or contradict GASB pronouncements. The Board has elected not to implement FASB Statements and Interpretations issued after November 30, 1989.

Fund Accounting

All activities of the Board 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 statement. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The transactions of the Board 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 on 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 principal operating revenue of the Board derives from assessments on Maine dairy producers. Since 1983, the Maine dairy producers have funded the Maine dairy industry promotion program with a 10-cent assessment rate per hundredweight on all milk produced in Maine. The Board transfers two cents of the 10-cent assessment to Maine Dairy and Nutrition Council (see Note 5). Revenue is reported net of the two-cent transfer.

Budget Practices

An annual budget is prepared by management and approved by the 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 budget expenses.

Deposits

Cash and cash equivalents include demand deposits, savings accounts, and money market accounts. The Board 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 the investments with a remaining maturity at time of purchase of one year or less are reported at amortized cost.

Property and Equipment

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

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 \$1,840 as of December 31, 2013.

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

Income Taxes

The Board is a not-for profit organization exempt from income taxes under Section 501(C) (6) 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 Board 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 Board 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 2011, 2012 and 2013 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.



Advertising

Advertising and promotion costs are expensed as incurred. Advertising expense for the year ended December 31, 2013 was \$20,048.

NOTE 3: Cash and Cash Equivalents

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

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

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

The total amount of the Board's cash balances were included in Category 1, insured by the FDIC at December 31, 2013.

NOTE 4: Milk Tax Receivable

At December 31, 2013, the Board has receivable balances for dairy assessments totaling \$49,701. The Board has not established an allowance for doubtful accounts as management believes that all receivables are collectible.

NOTE 5: Related Party

The Maine State Legislature established Maine Dairy and Nutrition Council as a quasi-governmental agency at the same time as Maine Dairy Promotion Board. Maine Dairy and Nutrition Council was created to provide 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 interest of all the people of the State by strengthening and preserving the dairy industry.

Because of the closely related missions of both Maine Dairy Promotion Board and Maine Dairy and Nutrition Council, the two entities share staff, equipment and office space. Separate records are maintained for the two entities. However, Maine Dairy and Nutrition Council reimburses the Board for its share of payroll costs. The Board has receivable balances for payroll of \$11,156. In addition, Maine Dairy and Nutrition Council is funded, in part, with two-cents per hundredweight of milk produced in Maine. This amount is transferred monthly to the Maine Dairy Promotion Board (see Note 2). During the year, the Board collected \$605,476 from the 10-cent assessment per hundredweight of milk produced in Maine. \$121,553 was transferred to Maine Dairy and Nutrition Council.

At December 31, 2013, the Board has a net receivable from Maine Dairy and Nutrition Council for \$1,424.

NOTE 6: Operating Leases

Maine Dairy Promotion Board and Maine Dairy Nutrition Council share office space that is leased on a month to month basis from the Maine Department of Agriculture. Maine Dairy Promotion Board pays for the entire rental space. The rent is \$1,083 per month. The total amount of rent expense for the year amounted to \$13,000.

NOTE 7: Pension Plan

As defined in the legislation that established Maine Dairy Promotion Board 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 Board contributes 17.84% to fund the employees' retirement accounts. During the year ended December 31, 2013, the Board contributed \$19,530 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, Augusta, Maine 04333-0046.

NOTE 8: Contingencies and Commitments

Insurance

The Board 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 Board 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 Board has evaluated events, if any, that have occurred subsequent to December 31, 2013 through May 1, 2014, 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 Promotion Board
Statement of Revenues, Expenses and Changes in Net Position--Budget and Actual
For the Year Ended December 31, 2013

	Actual	Budget	Variance/ Favorable (Unfavorable)
Operating Revenue			
Milk tax	\$ 483,972	\$ 480,000	\$ 3,972
Interest income	503	437	66
Other income	193	25	168
Total revenues	484,668	480,462	4,206
Operating Expenses			
Multi media advertising	20,048	20,000	(48)
National implementation funding	171,745	150,000	(21,745)
New England Dairy Promotion Board	25,000	25,000	-
UMP Programs:			
Fuel Up to Play 60	54,332	89,972	35,640
Board relations	8,649	7,500	(1,149)
Crisis preparedness	748	1,500	752
Dairy farmer image	5,731	9,000	3,269
Issues management	1,350	7,500	6,150
Producer relations and communication	3,003	9,000	5,997
Industry relations	6,612	6,000	(612)
Personnel:			
Dental insurance	644	670	26
Health insurance	18,348	18,700	352
Life insurance	689	660	(29)
Maine State Retirement	19,530	17,050	(2,480)
Payroll taxes	2,700	2,705	5
Retiree health insurance	5,729	5,570	(159)
Salaries	103,291	101,898	(1,393)
Staff development	539	850	311
Workers' Compensation	717	800	83

(Continued on Next Page)



Maine Dairy Promotion Board
Statement of Revenues, Expenses and Changes in Net Position--Budget and Actual
For the Year Ended December 31, 2013

	Actual	Budget	Variance/ Favorable (Unfavorable)
Operating Expenses (Continued)			
General and Administrative:			
Communications	\$ 1,448	\$ 1,500	\$ 52
Office supplies and miscellaneous	1,119	1,350	231
Memberships and fees	120	110	(10)
UDIA dues	81,333	81,000	(333)
Computer expenses	356	2,500	2,144
Repairs and maintenance	13	50	37
Equipment lease	290	300	10
Insurance	178	210	32
Bank service charges	139	80	(59)
Computer technical support	-	1,000	1,000
Legal and accounting	6,000	6,350	350
Payroll processing fee	541	500	(41)
Website design and maintenance	2,905	2,500	(405)
Rent	13,000	13,000	-
Vehicle lease	6,876	6,200	(676)
Depreciation	2,473	-	(2,473)
Total operating expenses	<u>566,196</u>	<u>591,025</u>	<u>24,829</u>
Change in Net Assets	(81,528)	(110,563)	29,035
Total Net Position, January 1, 2013	<u>215,670</u>	<u>215,670</u>	-
Total Net Position, December 31, 2013	<u><u>\$ 134,142</u></u>	<u><u>\$ 105,107</u></u>	<u><u>\$ 29,035</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

May 1, 2014

To the Board of Directors
Maine Dairy Promotion Board

Independent Auditors' 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 Promotion Board, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated May 1, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Maine Dairy Promotion Board'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 Promotion Board's internal control. Accordingly, we do not express an opinion on the effectiveness of Maine Dairy Promotion Board'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 Promotion Board'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, PA

AUSTIN ASSOCIATES, P.A.
Certified Public Accountants





AUSTIN ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

May 1, 2014

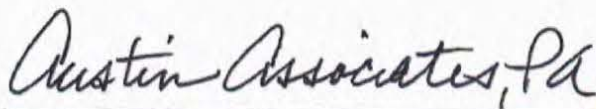
To the Board of Directors
Maine Dairy Promotion Board

Additional information has been requested in connection with our audit, for the year ended December 31, 2013, of the Maine Dairy Promotion Board.

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

1. Is the Organization engaged in dairy product promotion, research or nutrition education? **YES**
2. Are the Organization's activities financed primarily (more than 50%) by dairy producers, either individually or through cooperative association? **YES**
3. Does the Organization use a brand name or trade name in its advertising and promotion of dairy products? **NO**
4. Does the Organization use funds for the purpose of influencing the governmental policy or actions? **NO**
5. Does the Organization 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.
Certified Public Accountants