

MAINE STATE LEGISLATURE

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MAINE DAIRY PROMOTION BOARD

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Attn: Head Librarian

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

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

Sincerely,

Sarah J. Littlefield
Executive Director

Enclosure



AUSTIN ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Maine Dairy Promotion Board
333 Cony Road
Augusta, ME 04333

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

Significant Audit Matters

Qualitative Aspects of Accounting Practices

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

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

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

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

This information is intended solely for the use of the Board of Directors and management of Maine Dairy 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.

Austin Associates, P.A.

Certified Public Accountants

Auburn, Maine

April 15, 2020



AUSTIN ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS



AUSTIN ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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

In planning and performing our audit of the financial statements of Maine Dairy Promotion Board as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered Maine Dairy Promotion Board's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Austin Associates PA

Austin Associates, P.A.
Certified Public Accountants

Auburn, ME
April 15, 2020

Maine Dairy Promotion Board
Financial Statements
and Supplementary Information
For the Year Ended
December 31, 2019



AUSTIN ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Your Financial Team

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

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Maine Dairy Promotion Board

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Maine Dairy Promotion Board, which comprise the statement of net position as of December 31, 2019 and the related statement of revenues, expenses and changes in net position, statement of functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

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

Opinions

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

Other Matters

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

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 15, 2020 on our consideration of the 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 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.

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

AUSTIN ASSOCIATES, P.A.

Certified Public Accountants

April 15, 2020

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, 2019. The intent of this discussion and analysis is to provide citizens, taxpayers, and other interested parties with an overview of our financial performance, from management's viewpoint. The detail and more in-depth analysis are provided in the auditor's reports and financial statements. The readers should also review the basic financial statements and notes to enhance their understanding of the Board's financial position.

Financial Highlights

The Board's net position as of December 31, 2019 was \$236,947, an increase of \$31,440 over last year as a result of this year's operations.

Milk tax revenues were \$493,431 or 79.54% 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 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 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 increased by \$51,336. This increase was primarily due to an increase in cash of \$49,318, an increase in accounts receivable of \$771, and an increase in the Certificates of Deposit of \$1,247. The main reason for the increase in current assets was due to the current year operating surplus.

Non-current assets remained the same as all fixed assets are fully depreciated.

Liabilities

Current liabilities increased by \$19,896. This increase was due primarily to a \$27,476 increase in accounts payable, an increase in accrued expenses of \$748 and a decrease in payable to Maine Dairy and Nutrition Council of \$8,328. The main reason for the increase in current liabilities was due to the increase in accounts payable and accrued expenses.

Maine Dairy Promotion Board has no long-term debt.

Net Position

Net investment in capital assets remained the same as all assets are fully depreciated.

Unrestricted net position items are available to finance day-to-day operations without constraints established by debt covenants or other legal requirements. In 2019, unrestricted net position items increased by \$31,440.

Milk Tax Revenues

Milk tax revenues increased from \$490,363 in 2018 to \$493,431 in 2019. This increase of \$3,068 represents 4.94% of operating revenues. The increase was due to a slight increase in overall milk production.

Supplemental Funding Revenue

Maine Dairy Promotion Board received a total of \$125,200 in 2019 from Dairy Management, Inc. (DMI) for implementing activities supporting the 2018 DMI unified marketing plan.

Operating Expenses

Operating expenses went from \$574,295 in 2018 to \$588,901 in 2019. The budget for expenses was increased over the 2018 budgeted amounts; expenses were under budget due to conservative spending by the program managers.

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, 2019

ASSETS

Current Assets

Cash	\$ 160,889
Certificates of deposit	72,374
Milk tax receivable	<u>53,538</u>
Total current assets	286,801

Non-Current Assets

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

Total Assets	<u>\$ 286,801</u>
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LIABILITIES AND NET POSITION

Current Liabilities

Accounts payable	\$ 33,239
Accrued payroll	5,471
Accrued vacation	9,770
Due to Maine Dairy and Nutrition Council	<u>1,374</u>
Total liabilities	49,854

Net Position-Unrestricted	<u>236,947</u>
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Total Liabilities and Net Position	<u>\$ 286,801</u>
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The accompanying notes are an integral part of these statements.

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

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Totals</u>
Operating Revenues			
Milk tax	\$ 493,431	\$ -	\$ 493,431
Supplemental funding	-	125,200	125,200
Interest income	1,506	-	1,506
Other income	204	-	204
Net assets released from restrictions	<u>125,200</u>	<u>(125,200)</u>	<u>-</u>
Total operating revenues	620,341	-	620,341
Operating Expenses			
Program services	531,503	-	531,503
Management and general	57,398	-	57,398
Fundraising	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>588,901</u>	<u>-</u>	<u>588,901</u>
Change in Net Position	31,440	-	31,440
Total Net Position, January 1, 2019	<u>205,507</u>	<u>-</u>	<u>205,507</u>
Total Net Position, December 31, 2019	<u><u>\$ 236,947</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 236,947</u></u>

The accompanying notes are an integral part of these statements.

Maine Dairy Promotion Board
Statement of Functional Expenses
For the Year Ended December 31, 2019

	Program Services	Management and General	Fundraising	Total
Advertising and communications	\$ 182,553	\$ -	\$ -	\$ 182,553
Salaries	88,487	29,496	-	117,983
Registration fees and dues	125,000	99	-	125,099
Payroll taxes and employee benefits	57,652	19,217	-	76,869
Promotional activities and supplies	52,052	-	-	52,052
Professional fees	5,535	1,845	-	7,380
Board of directors' expenses	3,856	1,285	-	5,141
Rent	12,177	4,059	-	16,236
Telephone and internet	1,891	630	-	2,521
Office supplies	589	196	-	785
Equipment purchase and repair	1,115	372	-	1,487
Educational seminars	240	80	-	320
Miscellaneous	26	9	-	35
Postage	188	62	-	250
Insurance	142	48	-	190
	<u>\$ 531,503</u>	<u>\$ 57,398</u>	<u>\$ -</u>	<u>\$ 588,901</u>

The accompanying notes are an integral part of these statements.

Maine Dairy Promotion Board
Statement of Cash Flows
For the Year Ended December 31, 2019

Cash Flows from Operating Activities

Cash received from milk tax	\$ 615,404
Cash received from DMI	125,200
Cash received from other operating revenue	204
Cash received from interest income	1,506
Cash payments to suppliers for goods and services	(443,441)
Cash transferred to Maine Dairy and Nutrition Council	(123,031)
Cash payments to employees and professional contractors for services	<u>(125,277)</u>
Net cash provided by operating activities	50,565

Cash Flows from Investing Activities

Reinvestment in certificates of deposit	<u>(1,247)</u>
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Net Increase in Cash and Cash Equivalents 49,318

Cash and Cash Equivalents, January 1, 2019 111,571

Cash and Cash Equivalents, December 31, 2019 \$ 160,889

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

Change in net position	\$ 31,440
Adjustment to reconcile change in net position to net cash provided by operating activities	
Increase in accounts receivable	(771)
Increase in accounts payable	27,476
Increase in accrued payroll	542
Increase in accrued vacation	206
Decrease in amounts due to Maine Dairy and Nutrition Council	<u>(8,328)</u>
Total adjustments	<u>19,125</u>

Net Cash Provided by Operating Activities \$ 50,565

The accompanying notes are an integral part of these statements.

NOTE 1: Reporting Entity

The Maine Milk Committee was established in 1953 operating as an agency with the Maine Department of Agriculture, later becoming the Maine Dairy Promotion Board (the Board). As of July 1, 1996, the Maine State Legislature made the board a public body, corporate and political, and a public instrumentality of the state of Maine. 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 Maine 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. 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 Board follows the provisions of GASB Statement No. 34.

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 statements. 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 are 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.

Functional allocation of expenses

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

Net Position

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

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

Restricted: This category represents the net assets of the Board, which are restricted by external parties (creditors, grantors, contributors or laws and regulations). There were no restricted net assets at December 31, 2019.

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 2017, 2018 and 2019 are subject to examination by the IRS, generally for three years after they were filed.

Estimates

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

Advertising

Advertising and promotion costs are expensed as incurred. Advertising expense for the year ended December 31, 2019 was \$17,247.

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, 2019.

NOTE 4: Milk Tax Receivable

At December 31, 2019, the Board has receivable balances for dairy assessments totaling \$53,538. 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 Promotion Board as a quasi-governmental agency at the same time as Maine Dairy and Nutrition Council. The Maine Dairy Promotion Board was created to promote the welfare and prosperity of the dairy industry of the state by fostering promotional, educational, advertising and research programs to increase demand for dairy products.

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. At December 31, 2019, Maine Dairy and Nutrition Council owe the Board \$8,042 for payroll. In addition, Maine Dairy Promotion Board funds Maine Dairy & Nutrition Council in part, with two-cents per hundredweight of milk produced in Maine. This amount is transferred monthly to the Maine Dairy & Nutrition Council (see Note 2). During the year, the Board collected \$616,175 from the 10-cent assessment per hundredweight of milk produced in Maine. \$122,744 was transferred to Maine Dairy and Nutrition Council. At December 31, 2019, the Board had a payable of \$9,416 to Maine Dairy and Nutrition Council for the dairy assessments.

At December 31, 2019, the Board had a net payable of \$1,374 to Maine Dairy Nutrition Council for the dairy assessments.

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. The rent is \$1,083 per month. The total amount of rent expense for the year amounted to \$13,000.

The Promotion Board and the Nutrition Council also share a vehicle that is leased from the state of Maine on a month-to-month basis. The rent is a flat rate of \$135 per month plus mileage. The Maine Dairy Promotion Board pays the entire lease. The total amount of lease expense for the year amounted to \$3,236.

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 26.78% to a confidential employees' retirement account and 21.98% to all other employees' retirement accounts. During the year ended December 31, 2019, the Board contributed \$29,274 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.

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

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

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

NOTE 8: Contingencies and Commitments

Insurance

The 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, 2019 through April 15, 2020, the date the financial statements were available to be issued, and included information in the notes to the financial statements related to any identifiable events, if necessary.

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

	Actual	Budget	Variance/ Favorable (Unfavorable)
Operating Revenues			
Milk tax	\$ 493,431	\$ 484,000	\$ 9,431
Supplemental funding	125,200	125,200	-
Interest income	1,506	850	656
Other income	204	25	179
Total operating revenues	620,341	610,075	10,266
Operating Expenses			
National implementation funding	151,413	151,250	(163)
Fuel Up to Play 60			
Communications & training	20	200	180
Dairy Optimization	11,948	12,000	52
GenYOUth funds	8,000	8,000	-
Farmer activation	313	600	287
National events and other	3,877	3,500	(377)
NFL asset management	1,000	1,000	-
Rewards (Prizes)	2,955	3,000	45
Youth engagement	3,018	3,000	(18)
School stakeholder engagement	1,628	1,200	(428)
Integrated communications			
Board relations	5,141	7,000	1,859
Black bear sports	5,250	5,250	-
Multi media messaging	1,450	6,500	5,050
Social media	379	500	121
Special communications projects	10,502	14,000	3,498
Dairy farmer relations	9,034	7,500	(1,534)
Media monitoring	77	-	(77)
Consumer communications/support	1,007	-	(1,007)
General communications/support	2,743	3,000	257
Nutrition affairs			
Child health	6,755	9,000	2,245
Culinary applications	941	1,000	59
Dairy's role in the diet	2,667	3,300	633
Farm to fork	2,459	2,500	41
Hunger	4,932	5,000	68
Travel and training	2,238	3,500	1,262

(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, 2019

	<u>Actual</u>	<u>Budget</u>	<u>Variance/ Favorable (Unfavorable)</u>
Operating Expenses (Continued)			
Personnel			
Dental insurance	\$ 613	\$ 640	\$ 27
Health insurance	29,669	30,841	1,172
Life insurance	1,092	1,058	(34)
Maine State retirement	29,274	30,838	1,564
Payroll taxes	3,364	3,367	3
Retiree health insurance	12,220	12,773	553
Salaries	117,983	116,327	(1,656)
Staff development	314	425	111
Workers' compensation	641	700	59
General and administrative			
Communications	2,521	2,500	(21)
Office supplies and administration	1,043	1,120	77
Memberships and fees	99	150	51
UDIA dues	125,000	125,000	-
Computer expenses	1,194	1,200	6
Repairs and maintenance	12	25	13
Equipment lease	281	300	19
Insurance	190	200	10
Bank service charges	28	60	32
Computer technical support	150	1,000	850
Legal and accounting	6,000	6,100	100
Payroll processing fee	1,047	975	(72)
Website design and maintenance	183	200	17
Rent	13,000	13,000	-
Vehicle lease	3,236	3,800	564
Total operating expenses	<u>588,901</u>	<u>604,399</u>	<u>15,498</u>
Change in Net Assets	31,440	5,676	25,764
Total Net Position, January 1, 2019	<u>205,507</u>	<u>205,507</u>	<u>-</u>
Total Net Position, December 31, 2019	<u><u>\$ 236,947</u></u>	<u><u>\$ 211,183</u></u>	<u><u>\$ 25,764</u></u>

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS

To the Board of Directors
Maine Dairy Promotion Board

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

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Maine Dairy 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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



AUSTIN ASSOCIATES, P.A.
Certified Public Accountants

Auburn, Maine
April 15, 2020

RESPONSE TO QUESTIONS POSED BY THE USDA DAIRY DIVISION

To the Board of Directors
Maine Dairy Promotion Board

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

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

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

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

Austin Associates P.A.

AUSTIN ASSOCIATES, P.A.
Certified Public Accountants

Auburn, Maine
April 15, 2020