

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 Promotion Board
Financial Statements
and Supplementary Information
For the Year Ended
December 31, 2022**



AUSTIN ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Your Financial Team

**Maine Dairy Promotion Board
Financial Statements
and Supplementary Information
For the Year Ended December 31, 2022**

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 - 14
Supplementary Information	
Statement of Revenues, Expenses and Changes in Net Position – Budget and Actual	15 – 16
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 Promotion Board
Augusta, Maine

Report on the Audit of the Financial Statements

Opinion

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 and for the year ended December 31, 2022 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 Promotion Board'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 Promotion Board as of December 31, 2022, 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*, 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 Promotion Board 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 Promotion Board'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 Promotion Board'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 Promotion Board'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 March 14, 2023 on our consideration of the Maine Dairy Promotion Boards 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 Promotion Board'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 Promotion Board's internal control over financial reporting and compliance.

Austin Associates PA

AUSTIN ASSOCIATES, P.A.
Certified Public Accountants

March 14, 2023

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, 2022. 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, 2022 was \$287,679, an increase of \$24,379 over last year as a result of this year's operations.

Milk tax revenues were \$438,678 or 76.4% of all revenues.

In 2022, the Board entered into a three-year lease agreement which was recorded in accordance with GASB 87 – *Leases*. As a result, the Board has a right-of-use asset and lease liability on the statement of net position.

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 \$24,523. This increase was primarily due to an increase in cash of \$7,983 and a decrease in accounts receivable of \$511, an increase in the security deposit of \$1,287, an increase in the current portion of the right-of-use asset of \$14,985 and an increase in the amount due from Maine Dairy and Nutrition Council of \$779. The main reason for the increase in current assets was due to the current year operating surplus.

The only non-current asset at December 31, 2022 was the non-current portion of the right-of-use asset of \$19,980 related to the lease signed in 2022 for office space.

Liabilities

Current liabilities decreased by \$941. This decrease was due primarily to a \$2,333 decrease in accounts payable, a decrease in accrued expenses of \$4,808, a decrease in the payable to Maine Dairy and Nutrition Council of \$8,359 and an increase in the current portion of the lease liability of \$14,559. The main reason for the change in current liabilities was due to the decrease in payable to Maine Dairy and Nutrition Council and the current portion of the lease liability.

The only non-current liability at December 31, 2022 was the non-current portion of the lease liability of \$21,065 related to the lease signed in 2022 for office space.

Net Position

There was no net investment in capital assets because all fixed assets were disposed of in prior years.

Unrestricted net position items are available to finance day-to-day operations without constraints established by debt covenants or other legal requirements. In 2022, unrestricted net position items increased by \$24,379.

Milk Tax Revenues

Milk tax revenues decreased from \$450,374 in 2021 to \$438,678 in 2022. This decrease of \$11,696 represents 2% of operating revenues. The decrease was due to a decrease in overall milk production.

Supplemental Funding Revenue

Maine Dairy Promotion Board received a total of \$135,200 in 2022 from Dairy Management, Inc. (DMI) for implementing activities supporting the 2022 DMI unified marketing plan.

Operating Expenses

Operating expenses went from \$545,030 in 2021 to \$549,788 in 2022. The budget for expenses was increased over the 2021 budgeted amounts. Expenses were under budget due to conservative spending and health insurance premium holidays provided by the State of Maine for four months in 2022. This four-month premium holiday resulted in a savings of \$13,986 for 2022.

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, 337 State Street, Suite 2, 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, 2022

ASSETS

Current Assets

Cash	\$ 258,754
Milk tax receivable	47,415
Current portion - Right-of-use asset	14,985
Security deposit	1,287
Due from Maine Dairy and Nutrition Council	<u>779</u>
Total current assets	323,220

Non-Current Asset - Right-of-use asset, net of current portion 19,980

Total Assets \$ 343,200

LIABILITIES AND NET POSITION

Current Liabilities

Accounts payable	\$ 5,228
Accrued payroll	2,336
Accrued vacation	12,333
Current portion - Lease liability	<u>14,559</u>
Total current liabilities	34,456

Non-Current Liability - Lease liability, net of current portion 21,065

Net Position-Unrestricted 287,679

Total Liabilities and Net Position \$ 343,200

Maine Dairy Promotion Board
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2022

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Totals</u>
Operating Revenues			
Milk tax	\$ 438,678	\$ -	\$ 438,678
Supplemental funding	-	135,200	135,200
Interest income	133	-	133
Other income	156	-	156
Net assets released from restrictions	<u>135,200</u>	<u>(135,200)</u>	<u>-</u>
Total operating revenues	574,167	-	574,167
Operating Expenses			
Program services	495,507	-	495,507
Management and general	<u>54,281</u>	<u>-</u>	<u>54,281</u>
Total operating expenses	<u>549,788</u>	<u>-</u>	<u>549,788</u>
Change in Net Position	24,379	-	24,379
Total Net Position, January 1, 2022	<u>263,300</u>	<u>-</u>	<u>263,300</u>
Total Net Position, December 31, 2022	<u>\$ 287,679</u>	<u>\$ -</u>	<u>\$ 287,679</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, 2022**

	Program Services	Management and General	Total
Advertising and communications	\$ 190,679	\$ -	190,679
Salaries	88,218	29,406	117,624
Registration fees and dues	125,099	-	125,099
Payroll taxes and employee benefits	51,572	17,191	68,763
Promotional activities and supplies	16,770	-	16,770
Professional fees	5,334	1,778	7,112
Board of directors' expenses	2,184	728	2,912
Rent	4,063	1,354	5,417
Amortization expense on right-of-use asset	7,492	2,498	9,990
Interest expense on right-of-use asset	724	241	965
Telephone and internet	1,804	602	2,406
Office supplies	319	106	425
Equipment purchase and repair	529	176	705
Educational seminars	225	75	300
Miscellaneous	252	84	336
Postage	119	-	119
Insurance	124	42	166
	<u>\$ 495,507</u>	<u>\$ 54,281</u>	<u>\$ 549,788</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, 2022

Cash Flows from Operating Activities	
Cash received from milk tax	\$ 548,999
Cash received from DMI	135,200
Cash received from other operating revenue	153
Cash received from interest income	133
Cash payments to suppliers for goods and services	(424,824)
Cash transferred to Maine Dairy and Nutrition Council	(109,573)
Cash payments to employees and professional contractors for services	(131,809)
Cash paid for interest	<u>(965)</u>
Net cash provided by operating activities	17,314
Cash Flows from Capital and Related Financing Activities	
Principal payments on lease obligation	<u>(9,331)</u>
Net Increase in Cash and Cash Equivalents	7,983
Cash and Cash Equivalents, January 1, 2022	<u>250,771</u>
Cash and Cash Equivalents, December 31, 2022	<u>\$ 258,754</u>
Reconciliation of Change in Net Position to Net Cash Provided by Operating Activities	
Change in net position	\$ 24,379
Amortization	9,990
Adjustment to reconcile change in net position to net cash provided by operating activities	
Decrease in accounts receivable	511
Increase in security deposit	(1,287)
Decrease in accounts payable	(2,333)
Decrease in accrued payroll	(5,325)
Increase in accrued vacation	517
Decrease in amounts due to Maine Dairy and Nutrition Council	<u>(9,138)</u>
Total adjustments	<u>(17,055)</u>
Net Cash Provided by Operating Activities	<u>\$ 17,314</u>

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.

Lease Accounting and Adoption of New Accounting Standards

In June 2017, GASB issued Statement No. 87, *Leases*. The Board adopted the standard as of January 1, 2022 using the effective date method and recognized and measured leases existing at January 1, 2022 through a cumulative effect adjustment. The Organization evaluated whether a cumulative effect adjustment to beginning net assets as of January 1, 2022 was necessary for the cumulative impact of adoption of the statement.

The Board leases office space. The determination of whether an arrangement is a lease is made at lease inception. A contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed. Lease assets represent the Board's right to use an underlying asset for the lease term, and lease liabilities represent the Board's obligation to make lease payments. Lease assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Board uses the implicit rate when it is readily determinable. If the implicit rate cannot be readily determined, the Board's estimated incremental borrowing rate is used. The Board's lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Board's lease agreement contains lease and non-lease components, which they account for as a single lease.

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, 2022.

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, 2022

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 2020, 2021 and 2022 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, 2022 was \$8,305.

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 Federal Deposit Insurance Corporation (FDIC) at December 31, 2022. As of December 31, 2022, the Board's cash balance exceeded federally insured limits by \$57,067.

NOTE 4: Financial Assets and Liquidity Resources

The goal of the Board is to meet financial obligations as they come due. The Board uses cash budgeting techniques to help forecast cash disbursements and collections. As of December 31, 2022, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses are shown in Table 1:

Table 1		2022
Financial Assets:		
Cash	\$	258,754
Accounts receivable		47,415
Due from Maine Dairy and Nutrition Council		<u>779</u>
Total financial assets and liquidity resources available within one year	\$	<u>99,573</u>
Financial Assets and Liquidity Resources		

NOTE 5: Milk Tax Receivable

At December 31, 2022, the Board has receivable balances for dairy assessments totaling \$47,415. The Board has not established an allowance for doubtful accounts as management believes that all receivables are collectible.

NOTE 6: 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. 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 \$548,490 from the 10-cent assessment per hundredweight of milk produced in Maine. \$109,812 was transferred to Maine Dairy and Nutrition Council. At December 31, 2022, the Board had a receivable of \$779 from Maine Dairy and Nutrition Council for the dairy assessments and payroll reimbursements.

NOTE 7: Lease Arrangements

Maine Dairy Promotion Board and Maine Dairy Nutrition Council shared office space that was leased on a month-to-month basis from the Maine Department of Agriculture. The rent was \$1,083 per month. The lease was cancelled effective May 2022. Total lease expense paid under the agreement was \$5,417. Maine Dairy Promotion Board budgets for and expends the entire amount for rent and lease on these leases, thus no amount is shown in the Council's financial statements for rent or lease expense related to these leases.

Beginning on May 1, 2022, Maine Dairy and Nutrition Council, Maine Dairy Promotion Board and an unrelated third party entered into a three-year, noncancelable lease agreement for shared office space with an option to renew for an additional two years. Per the agreement, Maine Dairy Promotion Board and Maine Dairy and Nutrition Council are responsible for 54% of the total lease expense of which Maine Dairy Promotion Board agrees to pay on behalf of both entities. During the first year of the lease, the lease calls for monthly payments of \$2,383 of which Maine Dairy Promotion Board pays \$1,287, during year two, the lease calls for monthly payments of \$2,455, of which Maine Dairy Promotion Board will pay \$1,326, and during year three, the lease calls for monthly payments of \$2,528, of which Maine Dairy Promotion Board will pay \$1,365. Maine Dairy Promotion Board budgets for and expends the entire amounts related to the lease agreement therefore the related right-of-use asset, lease liability, amortization expense and interest expense is reflected on the Board's financial statements. The Board has elected the practical expedient making an election to not separate nonlease components from the lease arrangement as it relates to common area maintenance charges.

During 2022, amortization expensed on the right-of-use asset was \$9,990 and interest expensed under the agreement was \$965.

See Table 2 for an amortization table related to the lease liability. The Board determined that the lease liability at the commencement of the lease was \$44,955 based on a discount rate of 4.11%.

<u>Year ending</u>	<u>Payment Amount</u>	<u>Liability Amortization Component</u>	<u>Interest Component</u>	<u>Lease Liability Less Accumulated Amortization</u>
2022	\$ 10,296	\$ 9,331	\$ 965	\$ 35,624
2023	15,753	14,559	1,194	21,065
2024	16,225	15,650	575	5,415
2025	<u>5,461</u>	<u>5,415</u>	<u>46</u>	-
Total	<u>\$ 47,735</u>	<u>\$ 47,735</u>	<u>\$ 47,735</u>	

Amortization of Lease Liability

The Board has determined that the lease asset of \$44,955, at the commencement date, should be amortized in a straight-line manner over the lease term. The Board has prepared the amortization table, see Table 3, below, for the lease asset.

<u>Year ending</u>	<u>Lease Asset Amortization Amount</u>	<u>Lease Asset Less Accumulated Amortization</u>
2022	\$ 9,990	\$ 34,965
2023	14,985	19,980
2024	14,985	4,995
2025	<u>4,995</u>	-
	<u>\$ 44,955</u>	

Amortization of Lease Asset

NOTE 8: Pension Plan and Other Postemployment Benefits

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 27.04% to a confidential employees' retirement account and 22.24% to all other employees' retirement accounts. During the year ended December 31, 2022, the Board contributed \$29,967 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.

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, 2022 and, therefore, the required accounting and financial reporting including disclosures has not been presented in these financial statements

NOTE 9: 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.

COVID-19

As of March 14, 2023, 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, 2022 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 Board's statement of net position and statement of revenues, expenses and changes in net position, such potential impact cannot be reasonable estimated.

NOTE 10: Subsequent Events

The Board has evaluated events, if any, that have occurred subsequent to December 31, 2022 through March 14, 2023, 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.

Dairy Management, Inc. approved supplemental funding of \$135,000 for 2023.

Maine Dairy Promotion Board
Statement of Revenues, Expenses and Changes in Net Position – Budget and Actual
For the Year Ended December 31, 2022

	<u>Actual</u>	<u>Budget</u>	<u>Variance/ Favorable (Unfavorable)</u>
Operating Revenues			
Milk tax	\$ 438,678	\$ 456,000	\$ (17,322)
Supplemental funding	135,200	135,000	200
Interest income	133	115	18
Other income	<u>156</u>	<u>25</u>	<u>131</u>
Total operating revenues	574,167	591,140	(16,973)
Operating Expenses			
National implementation funding	137,289	142,500	5,211
Fuel Up to Play 60			
Adopt a cow	10,000	10,000	-
Dairy Optimization	17,318	18,000	682
FUTP60 in school programs	3,608	6,500	2,892
GenYOUth funds	4,000	4,000	-
School nutrition affairs	3,981	4,000	19
Integrated communications			
Board relations	2,912	5,500	2,588
Multi media messaging	3,327	6,000	2,673
Black bear sports	5,625	5,625	-
Social media	259	-	(259)
Website design & maintenance	2,421	2,400	(21)
Dairy farmer relations	7,108	7,500	392
Farmer communications	397	1,500	1,103
Farmer relations/eng/training	849	1,500	651
Events	437	-	(437)
Media monitoring	221	-	(221)
Consumer communications/support	91	-	(91)
Nutrition affairs			
Community engagement and support	5,000	5,000	-
Dairy wellness	713	1,500	787
Partnership events	143	1,500	1,357
Sustainable nutrition	1,439	5,000	3,561
Thought leader engagement	2,821	3,300	479
Travel and training	404	1,000	596

(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, 2022

	<u>Actual</u>	<u>Budget</u>	Variance/ Favorable <u>(Unfavorable)</u>
Operating Expenses (Continued)			
Personnel			
Dental insurance	\$ 701	\$ 700	\$ (1)
Health insurance	21,773	33,636	11,863
Life insurance	1,321	1,321	-
Maine State retirement	29,967	29,967	-
Payroll taxes	3,365	3,441	76
Retiree health insurance	11,026	11,026	-
Salaries	117,624	121,431	3,807
Staff development	296	600	304
Workers' compensation	611	650	39
General and administrative			
Communications	2,406	2,700	294
Office supplies and administration	544	1,000	456
Memberships and fees	99	-	(99)
UDIA dues	125,000	125,000	-
Computer expenses	425	1,000	575
Equipment lease	281	300	19
Insurance	166	225	59
Moving expense	316	-	(316)
Bank service charges	20	25	5
Computer technical support	243	1,000	757
Legal and accounting	6,250	6,200	(50)
Payroll processing fee	619	650	31
Rent	5,417	13,000	7,583
Amortization expense on right-of-use asset	9,990	-	(9,990)
Interest expense on right-of-use asset	965	-	(965)
Vehicle lease	-	3,000	3,000
Total operating expenses	<u>549,788</u>	<u>589,197</u>	<u>39,409</u>
Change in Net Assets	24,379	1,943	22,436
Total Net Position, January 1, 2022	<u>263,300</u>	<u>263,300</u>	<u>-</u>
Total Net Position, December 31, 2022	<u>\$ 287,679</u>	<u>\$ 265,243</u>	<u>\$ 22,436</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 Promotion Board
Augusta, Maine

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 and for the year ended December 31, 2022, 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 Promotion Board's basic financial statements, and have issued our report thereon dated March 14, 2023.

Report on 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 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 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 PA

AUSTIN ASSOCIATES, P.A.
Certified Public Accountants

Auburn, Maine
March 14, 2023





AUSTIN ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

RESPONSE TO QUESTIONS POSED BY THE USDA DAIRY DIVISION


To the Board of Directors
Maine Dairy Promotion Board
Augusta, Maine

Additional information has been requested in connection with our audit, for the year ended December 31, 2022, 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.
Certified Public Accountants

Auburn, Maine
March 14, 2023