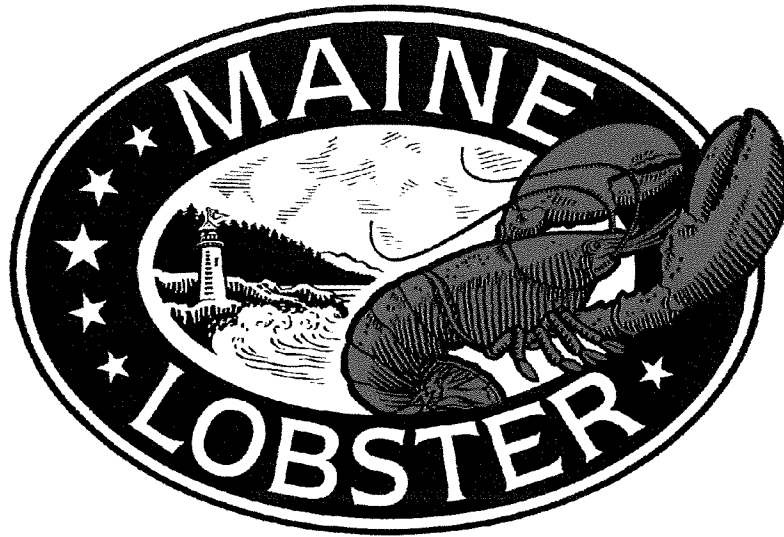


MAINE STATE LEGISLATURE

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***Maine Lobster
Promotion Council***

2003 Annual Report

Submitted January, 2004





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Introduction

The Maine Lobster Promotion Council markets and promotes the sale of Maine lobster in local, regional, national, and world markets year-round. The Council encourages education and training of all customers – including wholesale, retail and foodservice, and end-consumers – about how to handle, prepare, serve, promote, and sell Maine lobster.

The Maine State Legislature established the Maine Lobster Promotion Council in 1991 at the request of the Maine lobster industry. The MLPC is a public instrumentality of the state, funded primarily through assessments paid by lobster license holders.

This document, the Maine Lobster Promotion Council's 12th annual report, describes the marketing communications and programming activities of the MLPC over the course of calendar year 2003.

Copies of the annual report are provided to the Maine State Legislature's Joint Standing Committees on Marine Resources and Appropriations and Financial Affairs, and to all lobster industry associations, lobster co-ops, and lobster zone management councils. These organizations are encouraged to make the report available to members in an effort to further communicate industry-wide marketing initiatives. Comments on the report and activities of the council are welcome at any time.





2003 Programming Review: Consumer Programs

Outreach:

American Lobster & Seafood Fair: Tokyo, Japan April - June

Developed out of a 2002 reverse trade mission, the American Lobster & Seafood Fair was a month-long promotion of Maine lobster, Alaska sockeye salmon, Pacific cod, clams, and squid designed to increase consumer awareness of and demand for the various species. Held at the Capitol Tokyo Hotel, the promotion reached an estimated 2,200 seafood consumers.

Maine Lobster License Plates May

Distributed through statewide Bureau of Motor Vehicle offices and town offices, the Maine lobster specialty license plate program was developed through the collaboration of a number of organizations to finance a Maine Lobster Research, Education, and Development Fund. An estimated 17,460 cars and pickup trucks will carry the lobster plates. New plates cost \$20; \$10 is assigned to the Fund, and \$10 to the Bureau of Motor Vehicles. Renewal plates cost \$15, \$10 of which goes to the Fund, while \$5 is appropriated to the BMV. Annual revenue generated through lobster plate registrations is estimated at \$150,000; this money will be granted on a project basis for Maine lobster-related research and education efforts.

Taste of the States (Taste of Chicago): Chicago IL July

As part of *Taste of Chicago*, a ten-day citywide food festival that hosted 3 million visitors, *Taste of the States* highlighted state-specific culinary trademarks in an effort to cultivate interest and ultimately stimulate tourism. Over the course of two days, Maine chefs prepared and served more than 3,000 “tastes” of Maine lobster. The State of Maine was represented by the Office of Tourism, Maine Restaurant Association, and MLPC.



Maine Lobster Festivals: Rockland, Winter Harbor, Stonington, Los Angeles

These four summer festivals hosted 140,000 lobster-loving consumers and MLPC staffed booths on-site to provide educational materials about Maine lobster and the lobster fishing industry.

Advertising:

Radio Advertising

In support of new-shell lobster sales and marketing efforts, radio advertising ran on 13 in-state stations from July through October. Key messages included nutritional benefits of Maine lobster and sustainable harvesting practices.

Collateral:

Lobster Tales Newsletter

This consumer publication, designed to provide educational information about Maine lobster and the lobster fishery, was mailed in response to all inquiries about visiting Maine and was distributed through all Maine state information centers.

Direct Ship List

Designed to assist in sourcing vendors who ship Maine lobster around the world, the Direct Ship List is updated annually and distributed at consumer events and via the Council's web site.

Media Relations:

Eco-Friendly Campaign

A video news release was distributed to major media outlets in an effort to support key communications messages regarding the lobster industry's sustainability. This release was well received by media nationwide and resulted in extensive coverage with an estimated value of \$90,000.



Maine Lobster Recipe Campaign

In large part, media relations efforts aim to create pick-up and placement of Maine lobster recipes in leading consumer publications from Maine to California, therein establishing heightened awareness of the brand. In 2003, Maine lobster recipes were printed in publications such as Buffalo News (NY), L.A. World Reporter (CA), and Kearny Observer (NJ).



2003 Programming Review: Trade Programs

Outreach:

Mediterranean Seafood Exposition: Rimini, Italy February

In partnership with the American Seafood Institute, the Council attended the Mediterranean Seafood Expo and promoted Maine lobster to roughly 4,000 buyer-attendees.

International Boston Seafood Show: Boston, MA March

At the Boston show this year, the council promoted Maine lobster and in-state lobster dealers to buyer-attendees who represent foodservice, retail, distribution, and export markets. With approximately 14,000 attendees, the show served as an excellent venue for connecting with key seafood buyers.

Research Chef Association Conference: San Diego, CA March

The RCA is a highly-esteemed trade organization dedicated to the education of research-minded chefs. At “The Best Kitchen to the Test Kitchen,” a workshop at the RCA conference, chef and owner Melissa Kelly of Primo in Rockland represented the Maine lobster industry and educated fellow chefs on using Maine lobster with innovative menu ideas.

European Seafood Exposition: Brussels, Belgium May

Alongside the American Seafood Institute, the Council participated in the largest seafood trade show in the world, the European Seafood Expo in Brussels, Belgium. During the show and at a buying reception at the home of the U.S. Ambassador, buyers learned about key advantages and benefits of sourcing lobster from Maine.

Great Taste of Maine Lobster: Los Angeles, CA September

Modeled after the Maine competition (see below), the Great Taste of Maine Lobster event hosted eight California chefs and six culinary students who developed innovative Maine lobster recipes and competed for the gold medal. The Great Taste of Maine Lobster



effectively communicated aspects of versatility and consumer appeal to the chef community of Los Angeles.

Great Taste of Maine Lobster: Augusta, ME _____ October

The Great Taste of Maine Lobster Governor's Tasting and Culinary Competition attracted 16 chefs from across the state to compete for the title of "Maine Lobster Chef of 2003." In its ninth year, this competition generated significant media exposure and effectively communicated advantages and benefits of including and highlighting Maine lobster on restaurant menus and in other merchandising vehicles.

International Hotel/Motel & Restaurant Show: New York, NY _____ November

With the goal of educating chefs on the features, advantages, and benefits of Maine lobster, the MLPC participated in this leading foodservice trade show in NYC, which produced approximately 60 new business leads for Maine lobster dealers.

Advertising:

Print Advertising: Seafood Business

This relatively small print campaign consisted of a flight of three insertions in Seafood Business, a leading trade publication, and was developed to communicate elements of the Maine lobster fishery's sustainable practices to the seafood trade.

Collateral:

Dealer Directory

The dealer directory, updated annually, lists contact information for all Maine lobster dealers in the state and is distributed at trade shows and to all sales inquiries.

Promotions:

Lent, Summer & Holiday Direct Response Programs

Designed to increase top-of-mind awareness of Maine lobster within the retail and foodservice markets, three direct mail initiatives were mailed and/or faxed to 11,560 retail



stores and chain store corporate headquarters during the course of 2003. Call-to-action required retailers to contact Maine lobster dealers to obtain promotional/educational point-of-sale materials for lent, summer, and the holidays.

Promotion Calendars

Designed to provide promotional concept suggestions for retailers and foodservice operators, the Promotion Calendars are distributed at trade shows and through direct mail initiatives.



2004 Strategic Issues

Programming in 2004 will be designed to address the following strategic issues:

1. **Positioning & Branding:** Create a competitive, defensible positioning statement and build a system of values that nurtures and reflects the core brand of Maine Lobster.
2. **Communications:** Develop a communications program that delivers the brand values and positioning to all influential constituents, including stakeholders and target audiences.
3. **Market Intelligence:** Identify market demographics, consumer demand, and product mix of the Maine lobster industry, including sales to Canada, sales to foodservice in-state and out-of-state, sales to retail in-state and out-of-state, and sales to export markets.
4. **Stakeholder Relationship Management:** Develop solid relationships among key stakeholder bodies and work collaboratively in achieving goal of building the Maine Lobster brand.
5. **Financial Strength:** Identify opportunities to generate additional revenue in an effort to extend reach of marketing communications efforts. Potential avenues include co-op marketing with branded companies or product boards (including advertising, educational programs, media relations, and trade promotions), online sales of Maine lobster items, and grant monies.



MLPC Organizational Structure

Organizational Management:

The MLPC is composed of nine appointed members, managed by an executive director, and operated by an office manager and marketing assistant. Marketing communications programs are developed and implemented by the staff and outside agencies with support from the council members.

Council Members:

The council is comprised of harvesters, dealers, and public members, one from each category from each of three state regions (east, mid-coast, west), totaling nine members. Members are nominated by the Lobster Advisory Council and appointed by the Commissioner of the Department of Marine Resources for three-year terms, with a maximum of two consecutive terms. The Commissioner of the Department of Marine Resources serves as an ex-officio member of the board.

Eastern Representatives

Dwight Carver, Harvester, Beals

Belinda Doliber, represents Pound Owners, Swans Island

Stephen Rappaport, Public Member, East Blue Hill SECRETARY

Midcoast Representatives

Chad Hanna, Harvester, Round Pond CHAIRMAN

Jay Burke, Dealer, Inland Lobster, Boothbay VICE CHAIR

Dick Ryan, Public Member, Hampden

Western Representatives

Greg Griffin, Harvester, Portland

Tim Harkins, Processor, Portland TREASURER

Wilfred Beriau, CEC, Public Member, Gray



Fiscal Management:

The organization strives to maximize market impact of its expenditures through strict adherence to conservative fiscal policy.

The majority (96%) of revenue is generated through an assessment on lobster licensees, and additional sources of funding are sought from outside sources, such as grants and co-op activity.

An annual audit is compiled by an external accounting firm; a copy of the 2003 fiscal year organizational audit is attached to this report.

Maine Lobster Promotion Council

**REPORT ON FINANCIAL STATEMENTS
(with supplemental material)**

Year ended June 30, 2003

Hollingsworth & Associates, CPA, PA
109 State Street • P.O. Box 2181 • Bangor, ME 04402

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Hollingsworth & Associates, CPA, P.A.

Douglas R. Hollingsworth, CPA

The Accessible Accountants

270 Hammond Street
Post Office Box 2181
Bangor, ME 04402-2181
(207) 262-2181

Independent Auditor's Report

To the Board of Directors
Maine Lobster Promotion Council

We have audited the accompanying basic financial statements of the Maine Lobster Promotion Council, as of and for the year ended June 30, 2003 as listed in the table of contents. These basic financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

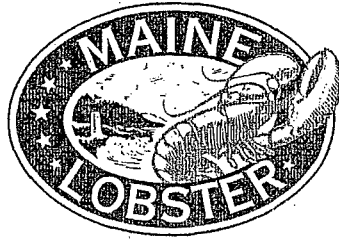
In our opinion, the basic financial statements referred to above present fairly in all material respects, the financial position of the Maine Lobster Promotion Council, as of June 30, 2003, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the other required supplemental information on pages 4 through 7, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Maine Lobster Promotion Council. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Hollingsworth & Associates, CPA, P.A.

September 11, 2003
Bangor, Maine



Maine Lobster - Truly The Ultimate White Meat!

**Maine Lobster Promotion Council
Financial Management Discussion & Analysis
Year Ended June 30, 2003**

Overview & Analysis

This document is designed to provide information regarding the financial health and well-being of the Maine Lobster Promotion Council for its fiscal year ended June 30, 2003, with specific comparisons made to prior-year variances for the sake of relevance.

Since the MLPC is comprised of a single governmental fund, no fund-level financial statements are shown.

The income statement presents data on revenues and expenses, and the difference between the two is shown as net assets. Net assets were \$20,459.11 at the close of fiscal year 2003, representing an increase of \$16,233.80 over prior year.

Significant Events in Revenue & Expense Accounts

Revenue Accounts

Total 2003 revenue increased over prior year by \$14,129.95. An increase in lobster license assessments resulted in an overage of \$23,886.76, while several accounts ended the year below prior year:

- Sales of promotional materials came in at \$4,321.22 below prior year, and the shortage can be attributed to reduced sales prices, the introduction of a new 10% membership discount, and overall lower sales volume.



- Income generated through grants was \$2,760.48 lower than in prior year. The organization did not realize the same level of federal funding for participation in the Market Access Program as it had in 2002. It should be noted, as well, that the organization did not budget for this income.
- Interest income was \$2,245.55 below prior year as a result of lower average monthly interest rates on the organization's savings and CD accounts.

Expense Accounts

Total 2003 spending was below prior year levels by \$2,103.85, yet there were significant variances on a line item basis as a result of significant reallocation of promotional spending as determined by strategic marketing communications planning.

The following individual accounts saw spending increases over 2002:

- Public relations spending was \$36,341.36 higher in 2003 than in 2002. The MLPC spent nearly \$33,000 developing, producing and distributing a video news release to support key communications messages regarding the lobster industry's "eco-friendliness," or sustainability. As part of its public relations efforts, the organization developed two newsletters, resulting in \$3,000 additional spending in comparison to prior year.
- Membership dues were \$215 higher in 2003 as a result of joining the membership of ASI.
- Contingency fund spending was \$20,393.75 higher in 2003 because the MLPC fronted necessary funding for the State of Maine lobster license plate set-up fees. This amount will be refunded to the organization once the State sells \$20,000 in license plates.
- Capital project spending was \$3,724.75 higher in 2003 as a result of investment in the organization's website and development of a consumer calendar.
- Subscription/report spending was \$138 higher than in 2003 as a result of price variances and additional purchase of industry data and materials.

- Trade show spending was \$3,168.86 higher in 2003 as a result of attending a different and more costly show, the NY Restaurant Show, as opposed to the West Coast Seafood Show.
- Conference spending was \$1,588.32 higher in 2003 as a result of increased costs and implementation of a more expensive program, the long-range planning meeting.

The following individual accounts saw spending decreases over 2002:

- Legislative requirements were \$294.24 less than in 2002 as a result of reduced photocopying costs.
- Promotional material spending was \$16,310.53 less than in 2002 because there was an adequate supply of materials.
- Advertising spending was \$34,734.03 less than in 2002. The organization reallocated these funds in 2003 to the public relations account in order to develop a video news release, as mentioned above.
- Photography spending was \$598.93 less than in 2002 as a result of fewer scanning and printing charges.
- Promotional project spending was \$16,575.97 less than in 2002 because many projects printed in 2002 were also utilized in 2003.
- Public relations consultant spending was \$8,450.34 less than in 2002 because ??
- Resource/reference book spending was \$231.60 less than in 2002 simply because different resources were purchased.
- MAP contributions were \$3,117.58 less than in 2002 because ??
- Lobster festival spending was \$536.18 less than in 2002 simply because of a billing cycle issue; this shortage will be realized in 2004.

Significant Events – Non-Financial

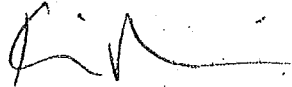
Susan Barber, Executive Director of the Maine Lobster Promotion Council, managed the organization for the entirety of fiscal year 2003, and announced her resignation shortly thereafter. A new director, Kristen Millar, came on board in November. Millar's

planned approach will include analysis and measurement of previous programming. As such, it is likely that 2004 will see varied marketing communications programming and reallocation of promotional spending.

Requests for Information

This financial report is designed to provide a general overview of the Maine Lobster Promotion Council's finances. Requests for additional information about this report should be addressed to: Executive Director, MLPC, 382 Harlow Street, Bangor, Maine 04401.

Submitted by: Kristen Millar, Executive Director

A handwritten signature in black ink, appearing to read 'Kristen Millar', is written below the typed name.

MAINE LOBSTER PROMOTION COUNCIL

STATEMENT OF NET ASSETS

Year Ending June 30,

ASSETS		
	2003	2002
Cash	\$ 414,325.07	\$ 376,011.64
Due from State of Maine	28,750.00	43,218.75
Accounts receivable	286.68	1,657.77
Capital assets, net of accumulated depreciation	<u>8,679.15</u>	<u>10,102.94</u>
 Total assets	 <u>452,040.90</u>	 <u>430,991.10</u>
LIABILITIES		
Accounts payable	287.32	1,678.41
Accrued employee benefits	5,239.55	4,919.00
Capital lease payable	<u>1,384.70</u>	<u>3,296.94</u>
Total liabilities	<u>6,911.57</u>	<u>9,894.35</u>
NET ASSETS		
Invested in capital assets, net of related debt	7,294.45	6,806.00
Restricted for capital projects	22,939.22	22,939.22
Reserved for contingencies	112,507.02	112,507.02
Unrestricted	<u>302,388.64</u>	<u>278,844.51</u>
	<u>\$ 445,129.33</u>	<u>\$ 421,096.75</u>

SCHEDULE 2

**MAINE LOBSTER PROMOTION COUNCIL
CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30,**

	<u>2003</u>	<u>2002</u>
REVENUES		
Intergovernmental revenue	\$ 408,010.76	\$ 384,124.00
Sale of promotional materials	13,812.22	18,133.66
Grants	400.00	3,160.48
Interest income	5,667.42	7,912.97
Other revenues	<u>1,017.49</u>	<u>1,446.83</u>
Total revenues	<u>428,907.89</u>	<u>414,777.94</u>
EXPENSES:		
Personal services	186,643.00	180,865.93
Office operations	37,262.04	43,420.85
Legislative requirements	2,282.86	2,577.10
Instate travel	4,885.79	4,787.36
Industry development	-	575.98
Promotional materials	16,815.54	33,126.07
Public relations	48,210.90	12,500.56
Advertising	6,209.50	40,813.53
Photography	136.56	735.49
Promotional projects	15,308.14	31,884.11
Public relations consultant	1,244.61	10,825.83
Eco-Logo campaign	12,338.04	-
Membership dues	1,615.00	1,400.00
Contingency fund	20,775.00	331.25
Capital projects	4,464.70	739.95
Subscriptions/reports	806.95	668.95
Resource/reference books	604.83	836.43
MAP contributions	3,191.60	6,309.18
Lobster festivals	2,744.17	3,280.35
Trade shows	13,858.74	10,689.88
Conferences	5,083.89	3,495.57
Depreciation	3,497.57	4,137.31
Promotions	<u>16,895.88</u>	<u>16,550.95</u>
Total expenditures	<u>404,875.31</u>	<u>410,552.63</u>
Change in net assets	24,032.58	4,225.31
Net assets, beginning of the year	<u>421,096.75</u>	<u>416,871.44</u>
Net assets, end of the year	<u>\$ 445,129.33</u>	<u>\$ 421,096.75</u>

SCHEDULE 3

MAINE LOBSTER PROMOTION COUNCIL
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2003

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Intergovernmental revenue	\$ 395,550.00	\$ 395,550.00	\$ 408,010.76	\$ 12,460.76
Sales of promotional material	13,000.00	13,000.00	13,812.22	812.22
Grants	-	-	400.00	400.00
Interest income	7,500.00	7,500.00	5,667.42	(1,832.58)
Other revenue	3,100.00	3,100.00	1,017.49	(2,082.51)
Total revenues	<u>419,150.00</u>	<u>419,150.00</u>	<u>428,907.89</u>	<u>9,757.89</u>
EXPENDITURES				
Personal services	190,322.32	190,322.32	186,322.45	3,999.87
Office operations	52,261.00	52,261.00	39,174.28	13,086.72
Legislative requirements	2,500.00	2,500.00	2,282.86	217.14
Instate travel	5,000.00	5,000.00	4,885.79	114.21
Promotional materials	25,000.00	25,000.00	16,815.54	8,184.46
Public relations	55,350.00	55,350.00	48,210.90	7,139.10
Advertising	6,000.00	6,000.00	6,209.50	(209.50)
Photography	500.00	500.00	136.56	363.44
Promotional projects	12,487.43	12,487.43	15,308.14	(2,820.71)
Public relations consultant	2,500.00	2,500.00	1,244.61	1,255.39
Eco-Logo campaign	14,032.57	14,032.57	12,338.04	1,694.53
Membership dues	1,465.00	1,465.00	1,615.00	(150.00)
Contingency fund	21,000.00	21,000.00	20,775.00	225.00
Capital projects	5,650.00	5,650.00	4,464.70	1,185.30
Subscriptions/reports	870.00	870.00	806.95	63.05
Resource/reference books	700.00	700.00	604.83	95.17
MAP contributions	9,050.00	9,050.00	3,191.60	5,858.40
Lobster festivals	4,500.00	4,500.00	2,744.17	1,755.83
Trade shows	15,200.00	15,200.00	13,858.74	1,341.26
Conferences	6,125.00	6,125.00	5,083.89	1,041.11
Promotions	20,575.00	20,575.00	16,895.88	3,679.12
Total expenditures	<u>451,088.32</u>	<u>451,088.32</u>	<u>402,969.43</u>	<u>48,118.89</u>
Excess of revenues over (under) expenditures	<u>(31,938.32)</u>	<u>(31,938.32)</u>	<u>25,938.46</u>	<u>57,876.78</u>
FUND BALANCE - BEGINNING OF YEAR			<u>419,209.75</u>	
FUND BALANCE - END OF YEAR			<u>\$ 445,148.21</u>	

MAINE LOBSTER PROMOTION COUNCIL

STATEMENT OF NET ASSETS

JUNE 30, 2003

ASSETS

Cash	\$	414,325.07
Due from State of Maine		28,750.00
Accounts receivable		286.68
Capital assets, net of accumulated depreciation		<u>8,679.15</u>
Total assets		<u>452,040.90</u>

LIABILITIES

Accounts payable		287.32
Accrued employee benefits		5,239.55
Capital lease payable		
Portion due within one year		<u>1,384.70</u>
Total liabilities		<u>6,911.57</u>

NET ASSETS

Invested in capital assets, net of related debt		7,294.45
Restricted for capital projects		22,939.22
Reserved for contingencies		112,507.02
Unrestricted		<u>302,388.64</u>
	\$	<u>445,129.33</u>

The accompanying notes are an integral part of this statement.

**MAINE LOBSTER PROMOTION COUNCIL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2003**

EXPENSES:	
Personal services	\$ 186,643.00
Office operations	37,262.04
Legislative requirements	2,282.86
Instate travel	4,885.79
Promotional materials	16,815.54
Public relations	48,210.90
Advertising	6,209.50
Photography	136.56
Promotional projects	15,308.14
Public relations consultant	1,244.61
Eco-Logo campaign	12,338.04
Membership dues	1,615.00
Contingency fund	20,775.00
Capital projects	4,464.70
Subscriptions/reports	806.95
Resource/reference books	604.83
MAP contributions	3,191.60
Lobster festivals	2,744.17
Trade shows	13,858.74
Conferences	5,083.89
Depreciation	3,497.57
Promotions	16,895.88
Total program expenses	<u>404,875.31</u>
PROGRAM REVENUES:	
Intergovernmental revenue	<u>408,010.76</u>
Net program expenses	<u>(3,135.45)</u>
GENERAL REVENUES:	
Sale of promotional materials	13,812.22
Grants	400.00
Interest income	5,667.42
Other revenues	1,017.49
Total general revenues	<u>20,897.13</u>
Increase in net assets	24,032.58
NET ASSETS - BEGINNING OF THE YEAR	<u>421,096.75</u>
NET ASSETS - END OF THE YEAR	<u>\$ 445,129.33</u>

The accompanying notes are an integral part of this statement.

MAINE LOBSTER PROMOTION COUNCIL
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2003

ASSETS

Cash	\$	414,325.07
Due from State of Maine		28,750.00
Accounts receivable		<u>286.68</u>
Total assets	\$	<u>443,361.75</u>

LIABILITIES AND FUND BALANCES

Accounts payable		<u>287.32</u>
Total liabilities		<u>287.32</u>
Designated fund balance - capital projects		22,939.22
Designated fund balance - contingencies		112,507.02
Undesignated fund balance		<u>307,628.19</u>
Total fund balances		<u>443,074.43</u>
Total liabilities and fund balances	\$	<u>443,361.75</u>

The accompanying notes are an integral part of this statement.

MAINE LOBSTER PROMOTION COUNCIL
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2003

	Governmental Fund Types
	General
REVENUES	
Intergovernmental revenue	\$ 408,010.76
Sales of promotional material	13,812.22
Grants	400.00
Interest income	5,667.42
Other revenue	1,017.49
Total revenues	428,907.89
EXPENDITURES	
Personal services	186,322.45
Office operations	39,174.28
Legislative requirements	2,282.86
Instate travel	4,885.79
Promotional materials	16,815.54
Public relations	48,210.90
Advertising	6,209.50
Photography	136.56
Promotional projects	15,308.14
Public relations consultant	1,244.61
Eco-Logo campaign	12,338.04
Membership dues	1,615.00
Contingency fund	20,775.00
Capital projects	4,464.70
Subscriptions/reports	806.95
Resource/reference books	604.83
MAP contributions	3,191.60
Lobster festivals	2,744.17
Trade shows	13,858.74
Conferences	5,083.89
Promotions	16,895.88
Total expenditures	402,969.43
Excess of revenues over (under) expenditures	25,938.46
FUND BALANCE - BEGINNING OF YEAR	419,209.75
FUND BALANCE - END OF YEAR	\$ 445,148.21

The accompanying notes are an integral part of this statement.

MAINE LOBSTER PROMOTION COUNCIL
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2003

Change in fund balances - total governmental funds (Exh. D)	\$ 25,938.46
Items reported for governmental activities in the statement of activities (Exh. B) are different due to the following items:	
Depreciation expense recorded on statement of activities, yet not required to be recorded as expenditures on governmental funds	(3,497.57)
Current year capital lease payments recorded as a reduction of long-term debt obligations (capital lease payable), yet recorded as an expenditure for governmental funds	1,912.24
Increase in accrued employee benefits recorded as a liability on the statement of net assets (Exh. A), however this particular transaction not considered for purposes of governmental funds	<u>(320.55)</u>
Change in net assets of governmental activities (see Exh. B)	<u>\$ 24,032.58</u>

The accompanying notes are an integral part of this statement.

**MAINE LOBSTER PROMOTION COUNCIL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - The Maine Lobster Promotion Council, which is administratively referred to as the (Maine) Lobster Promotion Council (MLPC), was established in October, 1991, for the purpose of promoting the Maine lobster industry. On July 1, 1994, the Maine Lobster Promotion Council became a public instrumentality of the State, and as such operates as a quasi-governmental entity. For financial reporting purposes, the MLPC is a component unit of the state of Maine as defined by GASB 14. There are no component units included in the accompanying financial statements.

Basis of Accounting - The MLPC prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for governmental funds. Accordingly, revenues are recorded when earned and expenses are recorded when incurred.

The assets, liabilities, and net assets of the MLPC are reported in a self-balancing set of accounts, which include restricted and unrestricted resources, representing funds available for support.

Cash and Cash Equivalents - For purposes of the statement of Net Assets and the Balance Sheet, demand deposit accounts with commercial banks and cash invested in commercial money market funds (included restricted assets) are considered cash equivalents.

Investments - The Maine Lobster Promotions Council has valued its investments at fair value as of June 30, 2003. The fair value of its investments was based on market prices at the time of valuation. No valuation allowance has been recorded.

Restricted Assets - Restricted assets of the MLPC represent cash available for capital projects and other contingencies expenditures.

Capital Assets -

Cost Basis - All capital assets are recorded at historical cost.

Depreciation Policy - Depreciation of capital assets is computed using the Straight-line method over the estimated useful lives of the assets as follows:

Computer equipment	5 years
Furniture & fixtures	10 years
Signs	15 years

Accrued Vacation and Sick Leave Payable - Accrued vacation and sick leave payable includes accumulated vacation pay, vested sick pay, and other compensation payable to employees and is recorded as a payable in the accompanying balance sheet.

Restricted Net Assets - Restricted net assets are comprised of assets, net of related liabilities, that are required to be set aside for capital projects or contingencies.

Budgets and Budgetary Accounting - All money received from the State of Maine is subject to allocation by the Legislature. A non-appropriated budget is prepared by the Executive Director of the Council, reviewed by the Finance Committee, and approved by the Board of Directors of the Council.

**MAINE LOBSTER PROMOTION COUNCIL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2003**

2. CASH AND INVESTMENTS

DEPOSITS

The Council's deposits are categorized as follows to give an indication of the level of risk assumed by the Council at year end: Category 1 includes deposits covered by federal depository insurance or by collateral held by the Council or by the Council's agent in the Council's name; Category 2 includes uninsured deposits covered by collateral held by the pledging financial institution's trust department or agent in the Council's name; Category 3 includes uninsured and uncollateralized deposits.

At June 30, 2003, cash and investments consisted of:

	Carrying Amount	Bank Balance	Category		
			1	2	3
General fund	\$414,325.07	\$ 420,398.86	\$ 138,058.03	\$ 282,340.83	\$ -

The Council's cash and investments consists of the following at June 30, 2003:

Unrestricted Cash	\$ 301,945.44
Restricted Cash	118,453.42
Total	\$ 420,398.86

3. CAPITAL LEASE PAYABLE

The Council has entered into a lease agreement to finance the acquisition of a copier. Capital lease expenditures for the year ended June 30, 2003, amounted to \$1,437.36. Future minimum lease payments are as follows:

<u>Year ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	1,384.70	52.66	1,437.36
Total	\$ 1,384.70	\$ 52.66	\$ 1,437.36

YEAR ENDED JUNE 30, 2003

4. CAPITAL ASSETS

Changes in fixed assets during the year ended June 30, 2003 were as follows:

	Balance 7/1/02	Additions	Deletions	Balance 6/30/02
Computer equipment	\$ 20,053.97	\$ 2,073.78	\$ (2,869.31)	\$ 19,258.44
Furniture and fixtures	10,946.50	-	-	10,946.50
Signs	3,004.00	-	-	3,004.00
	34,004.47	2,073.78	(2,869.31)	33,208.94
Less: accumulated depreciation	(23,901.53)	(628.26)	-	(24,529.79)
Total capital assets	\$ 10,102.94	\$ 1,445.52	\$ (2,869.31)	\$ 8,679.15

5. RETIREMENT PLAN:

The Council maintains a Simplified Employee Pension Plan (SEP) for the benefit of eligible employees. Employees must be full-time employees and employed on the last day of the fiscal year to be eligible to participate in the plan the following year. The Council's contributions are made at the discretion of the board. Discretionary contributions were made during the year ended June 30, 2003, at the rate of 15% of full-time employee wages.

6. CONTINGENT LIABILITIES

There is no litigation pending against the Council as of the date of this audit.



MAINE LOBSTER PROMOTION COUNCIL
FY03 BUDGET

	7/1/2002	Amended 4/24/2003
Revenue		
4005001 Lobster Licenses	\$375,000.00	\$375,000.00
4010001 Previous FY License Rev	\$20,550.00	\$20,550.00
4040001 Sale of Promo. Material	\$13,000.00	\$13,000.00
4041001 Sale of Cookbook	\$2,000.00	\$2,000.00
4060001 Interest on Accounts	\$7,500.00	\$7,500.00
4070001 Donations	\$0.00	\$0.00
4080001 Misc. Revenue	\$1,100.00	\$1,100.00
4090001 Grant Income	\$0.00	\$0.00
4091001 Federal Grant Income	\$0.00	\$0.00
SUB-TOTAL	\$419,150.00	\$419,150.00
Contingency CD	\$20,000.00 **	\$20,000.00
Carry Over	\$8,778.32	\$8,778.32
	\$447,928.32	\$447,928.32

Expenditures

Personal Services:	\$190,322.32	\$190,322.32
5010001 Staff Salary	\$135,317.26	\$135,317.26
5011001 Employer Taxes	\$11,509.77	\$11,509.77
5012001 Insurance	\$16,972.70	\$16,972.70
5013001 Retirement	\$20,297.59	\$20,297.59
5014001 Workers Comp.	\$1,075.00	\$1,075.00
5015001 Professional Staff Dev.	\$1,500.00	\$1,500.00
5020001 Payroll Service	\$650.00	\$650.00
5030001 Per Diems	\$3,000.00	\$3,000.00
 Office Operations:	\$49,101.00	\$49,101.00
5110001 Rent	\$17,526.00	\$17,526.00
5115001 Phone/Fax/Cellular	\$4,400.00	\$4,400.00
5117001 Internet Access/Web Page	\$800.00	\$800.00
5120001 Electricity	\$1,800.00	\$1,800.00
5125001 Postage/Shipping	\$11,000.00	\$11,000.00
5130001 Office Supplies	\$1,500.00	\$1,500.00
5132001 Equipment/Furniture	\$3,500.00	\$3,500.00
5135001 Photocopy Expenses	\$4,000.00	\$4,000.00
5140001 Stationery	\$1,200.00	\$1,200.00
5145001 Insurance - State	\$400.00	\$400.00
5150001 Cleaning/Windows	\$1,525.00	\$1,525.00
5155001 Bank Service Charge	\$200.00	\$200.00
5160001 Administrative Expense	\$1,000.00	\$1,000.00
5165001 Bad Debt Expense	\$250.00	\$250.00

MAINE LOBSTER PROMOTION COUNCIL
FY03 BUDGET

	7/1/2002	Amended 4/24/2003
Legislative Requirements:	\$2,500.00	\$2,500.00
5210001 Annual Report	\$500.00	\$500.00
5215001 State Report	\$100.00	\$100.00
5220001 Independent Audit	\$1,900.00	\$1,900.00
5310001 In-State Travel	\$5,000.00	\$5,000.00
5410001 Promotional Materials	\$25,000.00	\$25,000.00
Public Relations:	\$55,350.00	\$55,350.00
5510001 Consumer Newsletter	\$4,000.00	\$4,000.00
5510001 Chef Newsletter	\$3,200.00	\$3,200.00
5515001 Press Releases	\$8,150.00	\$8,150.00
5525001 Press Kits	\$1,000.00	\$1,000.00
5530001 Clipping Service/Analysis	\$4,000.00	\$4,000.00
5532001 TV Publicity	\$35,000.00	\$35,000.00
5610001 Airport Advertising	\$6,000.00	\$6,000.00
Other Advertising		
5630001 Photography	\$500.00	\$500.00
5650001 Promotional Projects	\$8,645.00	\$12,912.43
General Promotions	\$1,500.00	\$1,514.90 1e
The Maine Dish		\$827.53 1b
RCA		\$3,000.00 1c
IFEC FY04		\$425.00 1d
LA Challenge	\$4,000.00	\$4,000.00
Menu Chart	\$45.00	\$45.00
License Plate	\$3,100.00	\$3,100.00
5651001 P/R Consultant	\$2,500.00	\$2,500.00
5653001 Eco-Logo Campaign	<i>\$18,300.00</i>	<i>\$14,032.57</i>
Jan's time	\$3,000.00	\$3,000.00
Misc.	\$300.00	\$300.00
PSA Campaign	\$7,500.00	\$7,500.00
Rest. Kit Dist.	\$7,500.00	\$3,232.57 1a
5655001 Membership Dues	\$1,465.00	\$1,465.00
5661001 Previous FY Expenses	\$0.00	\$0.00
5670001 Contingency Fund	<i>\$21,000.00</i>	<i>\$21,000.00</i>
License Plate	\$20,000.00 **	\$20,000.00
Miscellaneous	\$1,000.00	\$1,000.00
5675001 Capital Projects	<i>\$5,650.00</i>	<i>\$5,650.00</i>
Web Updates	\$3,160.00	\$3,160.00
Culinary Curriculum	\$1,000.00	\$1,000.00

MAINE LOBSTER PROMOTION COUNCIL
FY03 BUDGET

	7/1/2002	Amended 4/24/2003
Consumer Calendar	\$800.00	\$800.00
Lobster Roll History	\$690.00	\$690.00
5685001 Subscriptions	\$870.00	\$870.00
5690001 Resource/Reference Books	\$700.00	\$700.00
5695001 MAP Contribution	\$9,050.00	\$9,050.00
2002 Japan Show		
Japanese Reverse		
EU Reverse		
Vigo		
Rimini		
Brussels		
Maine Maritime		
Austria		
5800001 Lobster Festivals	\$4,500.00	\$4,500.00
Stonington	\$55.00	\$55.00
Rockland	\$1,915.00	\$1,915.00
Winter Harbor	\$30.00	\$30.00
California Festival	\$2,500.00	\$2,500.00
Trade Shows:	\$15,200.00	\$15,200.00
5910001 NY Rest	\$8,700.00	\$8,700.00
5920001 IBSS	\$6,500.00	\$6,500.00
Conferences/Meetings:	\$5,700.00	\$5,700.00
6010001 USADEC/MAP	\$1,600.00	\$1,600.00
6020001 State Legislator Day	\$100.00	\$100.00
6030001 Fisherman's Forum	\$1,000.00	\$1,000.00
6050001 Long Range Planning	\$3,000.00	\$3,000.00
Promotions:	\$20,575.00	\$20,575.00
6110001 Summer Promotion	\$6,500.00	\$6,500.00
6120001 Maine Lobster Month	\$8,800.00	\$8,800.00
6130001 Lent/Early Year	\$1,050.00	\$1,050.00
6140001 Holiday	\$4,225.00	\$4,225.00
TOTALS	<u>\$447,928.32</u>	<u>\$447,928.32</u>

1. Move \$4,267.43 from Eco - Rest. Kit Dist. and add to Promotion Projects - \$827.53 for The Maine Dish, \$3,000 for RCA Event, \$425.00 for IFEC FY04 deposit, and remaining \$14.90 to General Promotions.



MAINE LOBSTER PROMOTION COUNCIL
FY04 BUDGET

Budget
7/1/2003

Revenue

4005001	Lobster Licenses	\$380,000.00
4010001	Previous FY License Rev	\$40,000.00
4040001	Sale of Promo. Material	\$13,000.00
4041001	Sale of Cookbook	\$400.00
4060001	Interest on Accounts	\$5,000.00
4070001	Donations	\$0.00
4080001	Misc. Revenue	\$1,100.00
		<u>\$439,500.00</u>
	Carryover from FY03	\$35,000.00
	Capital Projects CD	\$4,343.92
	TOTAL INCOME	<u><u>\$478,843.92</u></u>

Expenditures

Personal Services:

\$197,789.17

5010001	Staff Salary	\$141,173.61
5011001	Employer Taxes	\$11,957.78
5012001	Insurance	\$17,631.74
5013001	Retirement	\$21,176.04
5014001	Workers Comp.	\$1,075.00
5015001	Professional Staff Dev.	\$1,000.00
5020001	Payroll Service	\$775.00
5030001	Per Diems	\$3,000.00

Office Operations:

\$46,046.00

5110001	Rent	\$17,526.00
5115001	Phone/Fax/Cellular	\$4,400.00
5117001	Internet Access/Web Page	\$850.00
5120001	Electricity	\$1,800.00
5125001	Postage/Shipping	\$9,000.00
5130001	Office Supplies	\$1,500.00
5132001	Equipment/Furniture	\$2,000.00
5135001	Photocopy Expenses	\$4,000.00
5140001	Stationery	\$1,200.00
5145001	Insurance - State	\$400.00
5150001	Cleaning/Windows	\$1,920.00
5155001	Bank Service Charge	\$200.00
5160001	Administrative Expense	\$1,000.00
5165001	Bad Debt Expense	\$250.00

MAINE LOBSTER PROMOTION COUNCIL
FY04 BUDGET

Budget
7/1/2003

	Legislative Requirements:	\$2,500.00
5210001	Annual Report	\$500.00
5215001	State Report	\$100.00
5220001	Independent Audit	\$1,900.00
5310001	In-State Travel	\$5,250.00
5410001	Promotional Materials	\$33,000.00
	Replenish	\$20,000.00
	New Materials	\$13,000.00
	Public Relations:	\$25,300.00
5510001	Consumer Newsletter	\$4,000.00
5515001	Press Releases	\$21,150.00
5525001	Press Kits	\$150.00
	Advertising:	\$62,323.00
5610001	Airport	\$6,060.00
	Print	\$7,500.00
	Radio	\$48,763.00
5630001	Photography	\$957.00
5651001	P/R Consultant	\$1,500.00
5653001	Eco-Logo Campaign	<i>\$18,030.00</i>
	mailing	\$300.00
	brochure	\$2,675.00
	buttons	\$255.00
	press tour	\$5,500.00
	bibs	\$9,300.00
5655001	Membership Dues	\$1,975.00
5661001	Previous FY Expenses	\$0.00
5670001	Contingency Fund	\$0.00
5685001	Subscriptions	\$816.00
5690001	Resource/Reference Books	\$700.00
5695001	MAP Contribution	\$10,500.00
	Lobster Festivals/Fairs	\$4,455.00
5801001	Stonington	\$55.00
5802001	Rockland	\$1,670.00
5803001	Winter Harbor	\$30.00
5804001	California Festival	\$2,700.00

MAINE LOBSTER PROMOTION COUNCIL
FY04 BUDGET

Budget
7/1/2003

	Trade Shows:	\$16,066.75
5811001	NY Rest	\$8,991.00
5812001	IBSS	\$7,075.75
	Conferences/Meetings:	\$8,541.00
5821001	USADEC/MAP	\$1,750.00
5822001	IFEC	\$4,540.00
5823001	LRP/Issues Meeting	\$850.00
5824001	Fisherman's Forum	\$1,401.00
	Promotional Projects	\$16,110.00
5831001	General Promotions	\$3,000.00
5832001	Commodity Group	\$2,500.00
5833001	Seafood Tabloid	\$8,000.00
5834001	License Plate	\$2,610.00
	Promotions:	\$10,200.00
5851001	Summer Promotion	\$3,400.00
5852001	Holiday	\$3,400.00
5853001	Lent/Spring	\$3,400.00
	Chef Competitions:	\$14,175.00
5861001	Governor's Challenge	\$8,560.00
5862001	POLA Challenge	\$5,615.00
	Cooking Demos:	\$2,610.00
5871001	The Maine Dish	\$1,500.00
5872001	Portland Public Market	\$500.00
5873001	Cookbook Demos	\$610.00
	TOTAL EXPENSES	<u><u>\$478,843.92</u></u>