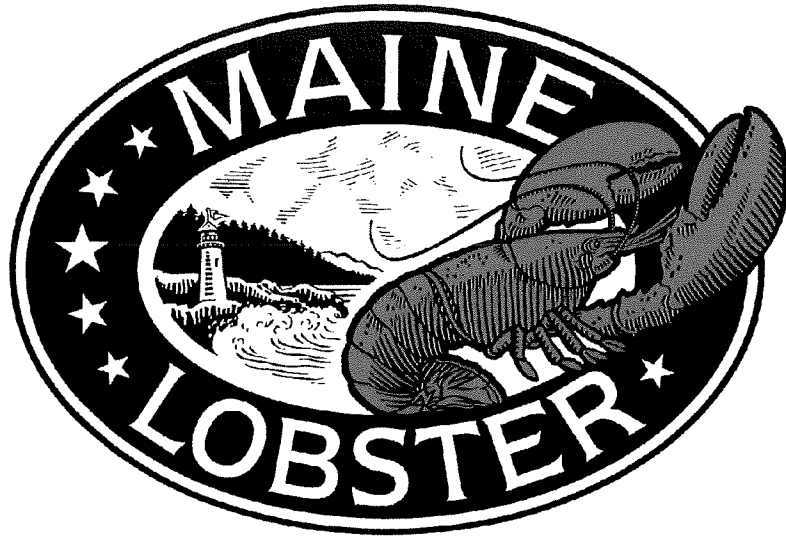


MAINE STATE LEGISLATURE

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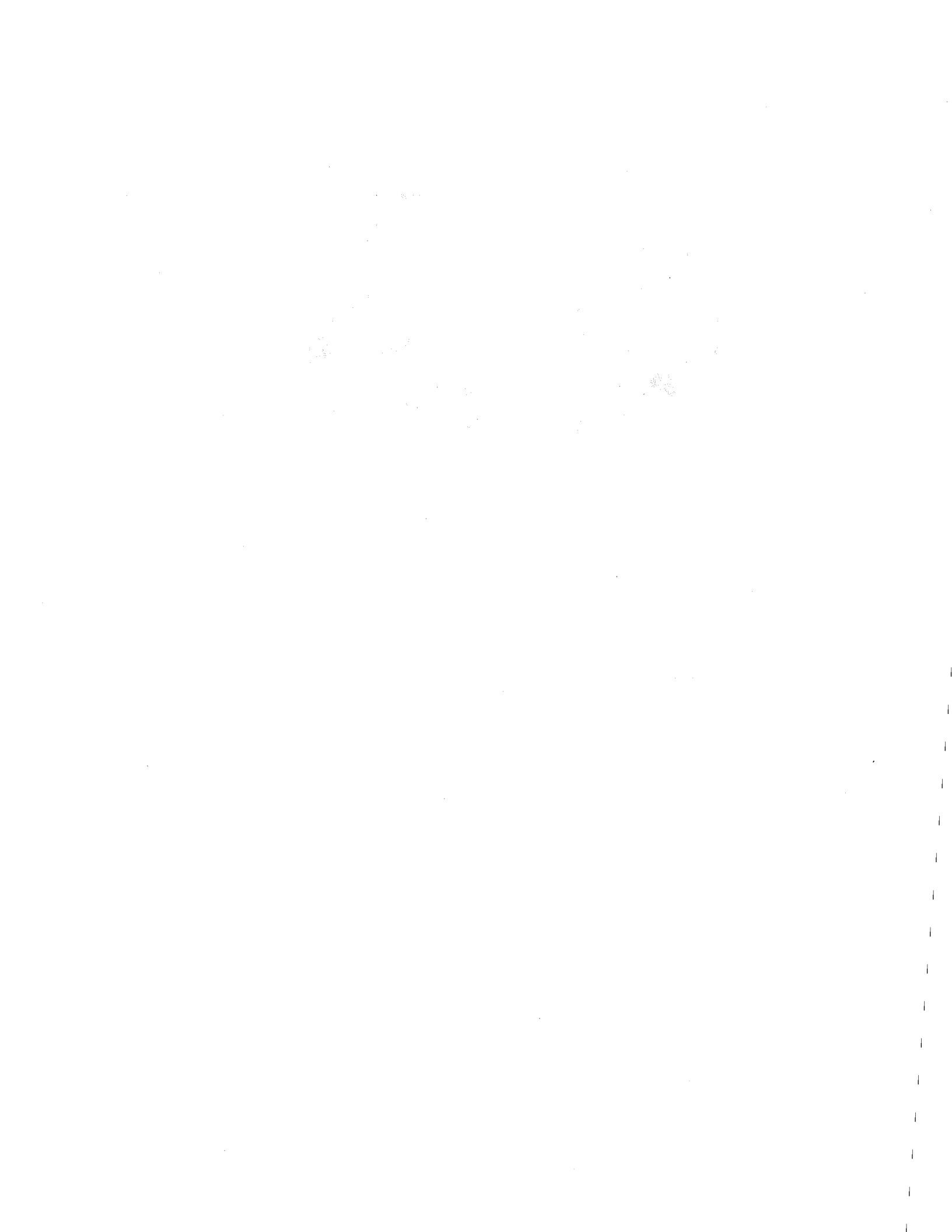
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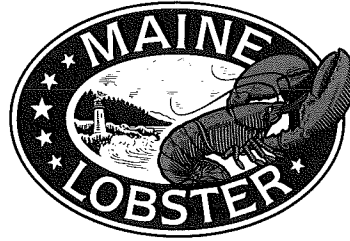


*Maine Lobster
Promotion Council*

2004 Annual Report

Submitted February, 2005





MEMORANDUM

TO: Joint Standing Committee on Marine Resources
FR: Kristen Millar, Executive Director
DA: February 11, 2005
RE: Annual Report

The Maine Lobster Promotion Council is pleased to provide you with a copy of its Annual Report for 2004, as required by statute.

Should you have any questions or comments regarding this report, please feel free to contact me at the Maine Lobster Promotion Council office.

The world's finest lobster comes from Maine.



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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 13th annual report, describes the marketing communications and programming activities of the MLPC over the course of calendar year 2004.

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.





2004 Programming Review: Lobster Tourism/Consumer Programs

Outreach:

www.LobsterFromMaine.com

May

We introduced a minor site redesign in May, with new imagery and brand positioning, updated industry and product information. We used the site to communicate greater depth and range of information, beyond that in individual programming, and all marketing communications were designed to drive traffic to the site. Between the second half of 2003 and the second half of 2004, we realized a 67% increase in page views. On the site, we introduced a quarterly survey component. The first survey focused on the site itself, its utility and usefulness; we received 420 replies and recommendations from 133 people. The second quarterly survey was designed to identify a visitor profile, and the third will be about lobster tourism. A comprehensive web redesign will begin in the first quarter of 2005, guided by the findings of our consumer research initiative.

Maine Lobster Eating Contests: Bar Harbor, Wells, Rockland,
Union, Blue Hill, Kennebunkport

July - September

Our objectives for the Maine Lobster Eating Contest program were to:

1. Deliver Maine visitors a Maine lobster experience as a method of marketing Maine lobster.
2. Assess the opportunity for creating new distribution outlets for Maine lobster at fairs/festivals statewide.
3. Penetrate media with positive messages about Maine lobster.

Tourists come to Maine with an expectation of eating lobster: 99% intend to enjoy some during their visit. Our role in the summer economy is to encourage additional consumption. We can best achieve this goal through experience marketing, by providing consumers with a memorable, engaging, distinctive experience related to Maine lobster.

We reached nearly 20,000 people at the events, and 200,000 more through media exposure. During each event, we communicated key messages about Maine lobster: 1) The sweet, succulent flavor and premium quality; and 2) The importance of our industry's sustainable harvesting practices. Messages were communicated in an engaging manner, allowing us to establish greater connection with the audience. As event participants, audience members and media viewers/readers walked away from the eating contest, each was impacted by the sights and sounds and the overall experience of the lively celebration of Maine lobster.



The majority of Maine fairs and festivals do not offer Maine lobster for sale. In this, we see two opportunities: 1) We want the Maine lobster brand to be part of the quintessential Maine fair experience; and 2) We want the hundreds of thousands of hungry fair-goers to buy lobster rolls and lobster dinners. Our Maine Lobster Eating Contests whet consumers' appetites for a delicious taste of Maine lobster; the events make Maine lobster top-of-mind and create a call to action. In 2005, we will invite lobster dealers and restaurateurs to sell Maine lobster on-site at the fairs and festivals, leveraging our event marketing into sales.

The events were promoted via press releases, radio advertising, and printed posters. Media outlets readily adopted the Eating Contest concept, and carried pre-event promotion as well as coverage in newspapers, magazines, radio and TV across the nation, and globe. Events were picked up through the AP, and shown on CNN, NBC and MS-NBC.

Best Maine Lobster Roll: State-Wide

August

Our goals for this program were to obtain positive media coverage encouraging consumption of Maine lobster rolls and to engage the Maine restaurant community. The contest solicited consumers to actively vote for their favorite Maine Lobster Roll; the program ran for two weeks in August.

We introduced the program to the restaurant community in the spring issue of the Maine Restaurant Association newsletter. To launch the program to the consumer marketplace, we issued a press release and ran radio advertising, with a call-to-action of voting via mail and email. No additional merchandising materials were used.

The program was well received by the media, consumer and restaurant communities. Media picked up the story and wrote independent articles, rather than simply running the release. Channel 13 ran two stories on the program. Consumers placed 345 votes, and the winning restaurant, Castine Variety, received 99. Certainly the winning restaurant appreciated the exposure resulting from the contest, and we compiled feedback from the MRA and other restaurants to strengthen the 2005 program. Specifically, we intend to run the program for a longer period, and will look to develop merchandising elements for on-site promotion at participating restaurants.

Maine Lobster Celebration: Portland Public Market, Portland

October

Our objectives for the Maine Lobster Celebration program, an interactive workshop of chef demonstrations, were to:

1. Convey to consumers the versatility and ease of use of Maine lobster.
2. Drive purchase during the harvesting season.





3. Generate positive media coverage.

Top chefs from around Maine showcased their favorite ways of preparing and presenting Maine lobster through a series of free workshops at the Portland Public Market on Saturday, October 2. Attendees interacted with the chefs, tasting samples, asking questions, and finding inspiration on simple, classic, and innovative preparations of Maine lobster; all of the demonstrations showed participants how to easily incorporate Maine lobster into regular dining plans. Governor Baldacci worked as a sous chef alongside Jonathan Cartwright from the White Barn Inn.

The event drew more than 400 consumers from across the region; Portland Public Market and seafood restaurant Scales reported their biggest sales ever.

Media response was positive and included significant pre-event promotion, including coverage on local TV, radio, and newspapers. In 2005, we will look to expand the reach of the program to two or more venues.

Research:

Market Research: Boston, New York, Atlanta, Chicago _____ October & December

The Maine lobster brand is pristine, arguably the finest brand for a natural resource food product. Our positive brand perception is critical to maintaining stable, sustainable pricing levels throughout the industry. While we believe our brand to be pure and our product perception unmatched, in actuality, we have very little understanding of consumer attitudes and buying behavior from which to draw compelling conclusions to drive strategic rationale. It's from this perspective that we conducted research.

Our research project includes two elements: 1) Trade and consumer research regarding attitudes and usage of Maine lobster within the U.S. market; and 2) Development of a strategic plan for the Maine lobster industry that integrates the findings of the research. The project's ultimate objective is to assist the Maine lobster industry in developing the market for and promoting the sale of Maine lobster with the best possible sustained return to the industry.

There is much opportunity for new products and services, beyond the traditional sale of live lobster. We would like to see the Maine lobster industry invest in, develop and commercialize new products. The Maine lobster industry must first understand the needs and demands of the market, and then work to address them through new product/service development and commercialization. This research project will help to identify





opportunities for industry investment, and will ultimately aid in growing the industry's reach and impact.

Initial consumer research was completed in 2004; additional consumer data will be conducted in 2005, as will trade research.

Funding assistance for this project was made available through a grant by the Maine Technology Institute.

Collateral:

Lobster Tourism Brochure May

Our objectives for the Lobster Tourism Brochure were to:

1. Convey key product and industry messages to visitors;
2. Encourage visitors to purchase lobster in Maine, as well as upon return to their home states.

We shot new photography for the brochure, depicting traditional Maine lobster experiences (lobster bakes, lobster direct-delivered by mail), as well as "beyond-the-boil" meal concepts, sharing simple ways to incorporate Maine lobster into regular meals. The brochure was distributed via communication racks throughout the state.

Direct Ship List April

Designed to assist consumers in sourcing vendors who ship Maine lobster around the world, the Direct Ship List is updated annually and distributed at consumer events. The list is also available on our web site.

Media Relations:

Lobster Tourism Campaign May - October

We sought to generate increased awareness in consumer media of the gourmet and health benefits of eating Maine lobster, by delivering the following broad messages:

1. Product: There is no lobster like Maine lobster in terms of taste, freshness, availability, convenience, quality and health.
2. Industry: The Maine lobster industry is a close-knit industry that is a critical component of Maine's economy, tradition and culture. Lobstermen are committed to sustainable harvesting practices.





2004 Programming Review: Trade Programs

Outreach:

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.

Maine Event: Boston, MA March

The MLPC coordinated a reception held the second evening of the Boston Seafood Show where four sponsoring dealers invited customers to discuss business and showcase their product. An estimated fifty domestic and international seafood buyers met with Maine dealers at this event.

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. Buyers learned about key features, advantages and benefits of sourcing lobster from Maine during the show.

Great American Seafood Cook-off: New Orleans, LA July

Our objectives for participating in the Great American Seafood Cook-off were to:

1. Showcase Maine lobster on The Food Network, which produced a television show on the Cook-off
2. Disseminate key product and industry messages to the foodservice marketplace.

Domestic seafood was the star of this national chef competition, during which 15 chefs from 15 states competed. Maine lobster gained exposure through Louisiana trade media and on the Food Network, whose show is expected to air in the spring of 2005.

Johnson & Wales Chef Instructor Tour: Portland, ME August

As part of ongoing efforts to build relationships with leading culinary schools, we hosted three chef instructors on a lobster boat ride in Portland harbor. Local harvesters shared insight on the industry and the product, while the Council sought to educate the chefs on



consumer demand for Maine lobster. This 2004 initiative was relatively informal and unstructured, running as a concept test. In 2005, we will broaden the program reach to more culinary schools, and to media outlets, as well.

Slow Foods/Terra Madre Conference: Turin, Italy October

A representative of the MLPC attended this international meeting of food producers in Turin, Italy to share the sustainable practices of the Maine lobster industry. The Slow Food conference covered a wide range of topics facing agricultural sectors with the focus in many areas, including sustainable and community-supported agriculture. Travel expenses to attend this conference were paid for by the Slow Foods/Terra Madre Conference sponsors.

American Culinary Federation: Maine Lobster Workshops

During spring 2005, at four regional conferences of the American Culinary Federation, we will present a Maine lobster workshop to hundreds of chefs across the nation. A chef from Maine will conduct the interactive program, covering topics ranging from menu strategies to preparation techniques, and sharing consumer research on the importance of menuing lobster from Maine. Our objectives for the Maine Lobster Workshops are to:

1. Obtain new menu placements of Maine lobster.
2. Communicate the features, advantages and benefits of menuing lobster from Maine, and the importance of ensuring origin.

Culinary Institute of America: Maine Lobster Online Education Course

With the Culinary Institute of America, we're developing a Maine lobster online course for chefs that will go live in February 2005. Through its website, prochef.com, the CIA will deliver key product and industry messages about Maine lobster. Streaming video will depict CIA chefs creating innovative Maine lobster preparations that leverage current menu trends. Third-party endorsement from the CIA will add tremendous legitimacy to the program and, with thousands of unique visitors every month, prochef.com will provide excellent outreach for disseminating information about the benefits of menuing lobster from Maine.

Key messages of the ACF and CIA chef programs include the following elements:

- Maine Lobster: Front of the House Issues
 - ✓ Taste profile
 - ✓ Health Benefits & Nutritional Statements
 - ✓ Consumer Demand
 - ✓ Cooking Techniques
 - ✓ Menu Suggestions



- Maine Lobster: The Industry
 - ✓ Harvesting Basics
 - ✓ Sustainable Practices
 - ✓ Traditional heritage
- Maine Lobster: Back of the House Issues
 - ✓ Seasonality/Hard Shell & New Shell
 - ✓ Pricing Structure & Buying
 - ✓ Meat yield

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. Both a print and online version are available.





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

W. William Anderson, Harvester, South Trescott
Jay Burke, Dealer, Milbridge
Stephen Rappaport, Public Member, East Blue Hill

Midcoast Representatives

Harvester - currently vacant
Emily Lane, Dealer, Vinalhaven
Timothy Harkins, Public Member, Arrowsic

Western Representatives

Bob Putnam, Harvester, Chebeague Island
John Norton, Dealer, Portland
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 2004 fiscal year organizational audit is attached to this report.

Maine Lobster Promotion Council

REPORT ON FINANCIAL STATEMENTS
(with supplemental material)

Year ended June 30, 2004

Hollingsworth & Associates, CPA, PA

270 Hammond 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, 2004 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.

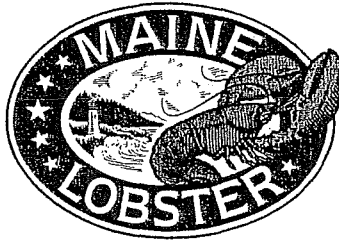
In our opinion, the basic financial statements referred to above present fairly in all material respects, the financial position of the Maine Lobster Promotion Council, as of June 30, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted 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 15, 2004
Bangor, Maine



**Maine Lobster Promotion Council
Financial Management Discussion & Analysis
Year Ended June 30, 2004**

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, 2004, 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.

Net Assets

The Statement of Net Assets (Schedule 1) presents data on assets and liabilities, and the difference between the two is shown as net assets. Net assets were \$476,891.16 at the close of fiscal year 2004, representing an increase of \$31,761.83 over prior year. The majority of this increase is a result of money unspent in 2003, carried over to 2004.

Significant Events: Assets

Total assets increased over 2003 by \$39,484.54. Cash was \$45,134.91 higher than in prior year, representing additional income. Accounts Receivable was \$2,643.59 higher in 2004, a result of invoice timing. The Due from State of Maine (license fee assessments) account was lower as a result of license renewal timing.

Significant Events: Liabilities

Total liabilities increased over prior year by \$7,722.71. Accounts payable was \$9,207.30 higher due to end-of-year expenses that were not billed until after the close of the year. Capital lease payable was \$1,384.70 lower as the organization paid off its equipment lease.

Revenue & Expenses

Schedule 2, Changes in Net Assets, presents a comparison of revenue and expense data for 2003 and 2004.

Significant Events: Revenue Accounts

Total 2004 revenue increased over prior year by \$17,461.40.

The following individual accounts saw increases in comparison to 2003:

- Grant Income was \$2,490.20 higher than in prior year. The organization realized a higher level of federal funding for participation in the Market Access Program than it did in 2003.

The world's finest lobster comes from Maine.

- Other Revenue was higher than in 2004 because the organization was reimbursed \$20,000 for the funds loaned to initiate the Lobster License Plate program.

The following revenue account saw a decrease in comparison to 2003:

- Interest on accounts was \$2,570.03 lower in FY04 because of lower interest rates.

Significant Events: Expense Accounts

Total 2004 spending was higher than prior year levels by \$9,832.06. There were significant variances on a line item basis as a result of significant reallocation of promotional spending as determined by changes in strategic marketing communications planning.

The following individual accounts saw spending increases in comparison to 2003:

- Office operations were higher as the Council spent \$14,000 with a recruitment firm to hire a new executive director.
- Promotional materials was \$8,671.48 higher as a result of the development and printing costs of a new brochure to promote lobster tourism in-state.
- Advertising was higher in 2004 as the Council spent \$46,901.99 on a statewide radio advertising campaign, and \$6,588.00 on print advertising.
- Photography was \$3,463.44 higher as a result of developing a library of promotional images.
- The PR Consultant expense line was \$3,719.69 higher as a result of hiring an agency to manage media relations efforts.
- The Subscriptions expense line was higher as a result of purchasing a \$500.00 subscription to Ocean Trust.
- The MAP Contributions expense line was \$1,260.42 higher as a result of higher costs associated with attending the Japan International Seafood Show, the European Seafood Exposition in Brussels, and shipping product to an overseas event.
- Festival spending was \$3,430.11 higher as a result of new strategy to build lobster tourism through event marketing at Maine fairs.
- Trade Show spending was \$3,793.59 higher as a result of implementing networking events at the Boston Seafood Show.

The following individual accounts saw spending decreases in comparison to 2003:

- Public relations spending was \$26,028.05 lower in 2004 than in 2003. The MLPC did not reproduce a video news release program it had created in 2003.
- Contingency fund spending was \$0 in 2004, as the 2003 expenditure of \$20,775 was a one-time occurrence.

- Capital projects spending was \$0 in 2004, \$4,464.69 less than in 2003, as no capital projects were undertaken during the year.
- Spending on resource/reference books was \$502.18 lower as the council did not re-order the Chain Store Guide it purchased in 2003.
- Conference/research spending was \$1,671.95 lower in 2004 as the council did not attend the USADEC conference as it had in 2003.
- Promotions spending was \$13,107.17 lower in 2004 as the council did not implement themed promotions as it had in 2003.

Respectfully submitted



Kristen Millar
Executive Director

MAINE LOBSTER PROMOTION COUNCIL

STATEMENT OF NET ASSETS
Year Ending June 30,

ASSETS	2004	2003
Cash	\$ 459,459.98	\$ 414,325.07
Due from State of Maine	20,312.55	28,750.00
Accounts receivable	2,930.27	286.68
Capital assets, net of accumulated depreciation	<u>8,822.64</u>	<u>8,679.15</u>
Total assets	<u>491,525.44</u>	<u>452,040.90</u>
LIABILITIES		
Accounts payable	9,494.62	287.32
Accrued employee benefits	5,139.66	5,239.55
Capital lease payable	<u>-</u>	<u>1,384.70</u>
Total liabilities	<u>14,634.28</u>	<u>6,911.57</u>
NET ASSETS		
Invested in capital assets, net of related debt	8,822.64	7,294.45
Restricted for capital projects	23,789.37	22,939.22
Reserved for contingencies	116,211.50	112,507.02
Unrestricted	<u>328,067.65</u>	<u>302,388.64</u>
	<u>\$ 476,891.16</u>	<u>\$ 445,129.33</u>

SCHEDULE 2

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

	2004	2003
REVENUES		
Intergovernmental revenue	\$ 405,104.55	\$ 408,010.76
Sale of promotional materials	11,748.08	13,812.22
Grants	2,890.20	400.00
Interest income	3,097.39	5,667.42
Other revenues	23,780.69	1,017.49
Total revenues	446,620.91	428,907.89
EXPENSES:		
Personal services	171,961.96	186,643.00
Office operations	51,462.76	37,262.04
Legislative requirements	1,945.55	2,282.86
Instate travel	5,862.88	4,885.79
Promotional materials	25,487.02	16,815.54
Public relations	22,182.85	48,210.90
Advertising	59,634.99	6,209.50
Photography	3,600.00	136.56
Promotional projects	14,065.15	15,308.14
Public relations consultant	4,964.30	1,244.61
Eco-Logo campaign	11,189.29	12,338.04
Membership dues	1,415.00	1,615.00
Contingency fund	-	20,775.00
Capital projects	-	4,464.70
Subscriptions/reports	1,145.95	806.95
Resource/reference books	102.65	604.83
MAP contributions	4,452.02	3,191.60
Lobster festivals	6,174.28	2,744.17
Trade shows	17,903.95	13,858.74
Conferences	3,411.94	5,083.89
Depreciation	4,107.83	3,497.57
Promotions	3,788.71	16,895.88
Total expenditures	414,859.08	404,875.31
Change in net assets	31,761.83	24,032.58
Net assets, beginning of the year	445,129.33	421,096.75
Net assets, end of the year	\$ 476,891.16	\$ 445,129.33

SCHEDULE 3

MAINE LOBSTER PROMOTION COUNCIL
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Intergovernmental revenue	\$ 420,000.00	\$ 408,750.00	\$ 405,104.55	\$ (3,645.45)
Sales of promotional material	13,000.00	13,000.00	11,748.08	(1,251.92)
Grants	-	-	2,890.20	2,890.20
Interest income	5,000.00	3,000.00	3,097.39	97.39
Other revenue	5,149.94	4,199.94	23,780.69	19,580.75
Total revenues	443,149.94	428,949.94	446,620.91	17,670.97
EXPENDITURES				
Personal services	197,789.17	168,691.15	172,061.85	(3,370.70)
Office operations	46,046.00	56,377.65	51,462.76	4,914.89
Legislative requirements	2,500.00	2,000.00	1,945.55	54.45
Instate travel	5,250.00	5,250.00	5,862.88	(612.88)
Promotional materials	33,000.00	23,500.00	25,487.02	(1,987.02)
Public relations	25,300.00	22,650.00	22,182.85	467.15
Advertising	62,323.00	60,461.99	59,634.99	827.00
Photography	957.00	3,000.00	3,600.00	(600.00)
Promotional projects	26,985.00	30,250.58	14,065.15	16,185.43
Public relations consultant	1,500.00	6,040.00	4,964.30	1,075.70
Eco-Logo campaign	18,030.00	11,124.29	11,189.29	(65.00)
Membership dues	1,975.00	1,975.00	1,415.00	560.00
Subscriptions/reports	816.00	1,200.00	1,145.95	54.05
Resource/reference books	700.00	100.00	102.65	(2.65)
MAP contributions	10,500.00	2,500.00	4,452.02	(1,952.02)
Lobster festivals	4,455.00	9,612.12	6,174.28	3,437.84
Trade shows	16,066.75	19,334.07	17,903.95	1,430.12
Conferences	8,541.00	32,200.00	3,411.94	28,788.06
Promotions	16,110.00	6,488.71	3,788.71	2,700.00
Total expenditures	478,843.92	462,755.56	410,851.14	51,904.42
Excess of revenues over (under) expenditures	(35,693.98)	(33,805.62)	35,769.77	69,575.39
FUND BALANCE - BEGINNING OF YEAR			445,148.21	
FUND BALANCE - END OF YEAR			\$ 480,917.98	

MAINE LOBSTER PROMOTION COUNCIL

STATEMENT OF NET ASSETS

JUNE 30, 2004

ASSETS

Cash	\$	459,459.98
Due from State of Maine		20,312.55
Accounts receivable		2,930.27
Capital assets, net of accumulated depreciation		<u>8,822.64</u>
Total assets		<u>491,525.44</u>

LIABILITIES

Accounts payable		9,494.62
Accrued employee benefits		<u>5,139.66</u>
Total liabilities		<u>14,634.28</u>

NET ASSETS

Invested in capital assets, net of related debt		8,822.64
Restricted for capital projects		23,789.37
Reserved for contingencies		116,211.50
Unrestricted		<u>328,067.65</u>
	\$	<u>476,891.16</u>

The accompanying notes are an integral part of this statement.

**MAINE LOBSTER PROMOTION COUNCIL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004**

EXPENSES:

Personal services	\$ 171,961.96
Office operations	51,462.76
Legislative requirements	1,945.55
Instate travel	5,862.88
Promotional materials	25,487.02
Public relations	22,182.85
Advertising	59,634.99
Photography	3,600.00
Promotional projects	14,065.15
Public relations consultant	4,964.30
Eco-Logo campaign	11,189.29
Membership dues	1,415.00
Subscriptions/reports	1,145.95
Resource/reference books	102.65
MAP contributions	4,452.02
Lobster festivals	6,174.28
Trade shows	17,903.95
Conferences	3,411.94
Depreciation	4,107.83
Promotions	3,788.71
Total program expenses	<u>414,859.08</u>

PROGRAM REVENUES:

Intergovernmental revenue	<u>405,104.55</u>
Net program expenses	<u>9,754.53</u>

GENERAL REVENUES:

Sale of promotional materials	11,748.08
Grants	2,890.20
Interest income	3,097.39
Other revenues	<u>23,780.69</u>
Total general revenues	<u>41,516.36</u>

Increase in net assets	31,761.83
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NET ASSETS - BEGINNING OF THE YEAR	<u>445,129.33</u>
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NET ASSETS - END OF THE YEAR	<u>\$ 476,891.16</u>
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The accompanying notes are an integral part of this statement.

MAINE LOBSTER PROMOTION COUNCIL
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2004

ASSETS

Cash	\$	459,459.98
Due from State of Maine		20,312.55
Accounts receivable		<u>2,930.27</u>
 Total assets	 \$	 <u>482,702.80</u>

LIABILITIES AND FUND BALANCES

Accounts payable		<u>9,494.62</u>
 Total liabilities		 <u>9,494.62</u>
 Designated fund balance - capital projects		 23,789.37
Designated fund balance - contingencies		116,211.50
Undesignated fund balance		<u>333,207.31</u>
Total fund balances		<u>473,208.18</u>
 Total liabilities and fund balances	 \$	 <u>482,702.80</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, 2004

	Governmental Fund Types
	General
REVENUES	
Intergovernmental revenue	\$ 405,104.55
Sales of promotional material	11,748.08
Grants	2,890.20
Interest income	3,097.39
Other revenue	23,780.69
Total revenues	446,620.91
EXPENDITURES	
Personal services	172,061.85
Office operations	51,462.76
Legislative requirements	1,945.55
Instate travel	5,862.88
Promotional materials	25,487.02
Public relations	22,182.85
Advertising	59,634.99
Photography	3,600.00
Promotional projects	14,065.15
Public relations consultant	4,964.30
Eco-Logo campaign	11,189.29
Membership dues	1,415.00
Subscriptions/reports	1,145.95
Resource/reference books	102.65
MAP contributions	4,452.02
Lobster festivals	6,174.28
Trade shows	17,903.95
Conferences	3,411.94
Promotions	3,788.71
Total expenditures	410,851.14
Excess of revenues over (under) expenditures	35,769.77
FUND BALANCE - BEGINNING OF YEAR	445,148.21
FUND BALANCE - END OF YEAR	\$ 480,917.98

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, 2004

Net change in fund balances - total governmental funds (Exh. D)	\$ 35,769.77
Amounts 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	(4,107.83)
Net decrease in accrued employee benefits recorded as a liability in the statement of net assets (Exh. A), however this particular obligation not considered for purposes of governmental funds	<u>99.89</u>
Changes in net assets of governmental activities (see Exh. B)	<u>\$ 31,761.83</u>

The accompanying notes are an integral part of this statement.

**MAINE LOBSTER PROMOTION COUNCIL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004**

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, 2004. 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, 2004**

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, 2004, cash and investments consisted of:

	Carrying Amount	Bank Balance	Category		
			1	2	3
General fund	\$459,459.98	\$ 460,062.41	\$ 350,000.00	\$ 110,062.41	\$ -

The Council's cash and investments consists of the following at June 30, 2004:

Unrestricted Cash	\$ 320,061.54
Restricted Cash	140,000.87
Total	\$ 460,062.41

3. CAPITAL ASSETS

Changes in fixed assets during the year ended June 30, 2004 were as follows:

	Balance 7/1/03	Additions	Deletions	Balance 6/30/04
Computer equipment	\$ 19,258.44	\$ -	\$ -	\$ 19,258.44
Furniture and fixtures	10,946.50	4,251.32	-	15,197.82
Signs	3,004.00	-	-	3,004.00
	33,208.94	4,251.32	-	37,460.26
Less: accumulated depreciation	(24,529.79)	(4,107.83)	-	(28,637.62)
Total capital assets	\$ 8,679.15	\$ 143.49	\$ -	\$ 8,822.64

MAINE LOBSTER PROMOTION COUNCIL
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

4. 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, 2004, 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.