

# MAINE STATE LEGISLATURE

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# Maine Lobster Promotion Council

## *2007 Annual Report*

Submitted January 2008

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## INTRODUCTION

The Maine Lobster Promotion Council (MLPC) 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 well as end-consumers – about how to handle, prepare, serve and 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, Maine Lobster Promotion Council's 16<sup>th</sup> annual report, serves to convey the marketing communications and programming activities of the MLPC over the course of calendar year 2007.

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 lobster industry associations 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.



## 2007 PROGRAMMING REVIEW: CONSUMER PROGRAMS

### OUTREACH:

Ongoing consumer research in 2007 showed that average consumers were using online media sources and websites at an increasing rate through 2006 and into 2007. Consumers were using websites not only for information, but also as an aid in making buying and purchase decisions.

In line with the MLPC's mission directive of providing the most comprehensive and efficient marketing programs for the Maine Lobster Industry in the most cost effective manner, the MLPC has developed clear objectives for the web site which include:

- Developing unique and valuable information and educational resources relative to the Maine Lobster Industry for the average consumer;
- Developing and publishing compelling content that would differentiate the MLPC website from thousands of other food and seafood related sites;
- Making the MLPC website a valuable tool for consumers to find out how and where to purchase authentic Maine Lobster direct from Maine sources;
- And, to make the MLPC website a useful and valuable tool to gauge consumer interest, evaluate buying habits and preferences, and stimulate increased demand for Maine Lobster as opposed to generic lobster from other sources.

The results show that this has been an extremely effective effort, both in terms of cost effectiveness, and in terms of the outreach objectives. The MLPC website [www.lobsterfrommaine.com](http://www.lobsterfrommaine.com) consistently ranks **#1 on Google** searches for 'Maine Lobster' and also **#1 on Yahoo** searches, the top two search engines in the world. The MLPC also consistently ranks in the top 5 on top search engines for searches for the generic term 'Lobster'. Many organizations spend thousands of dollars a month to achieve and maintain this type of top level positioning on the top two search engines, which process hundreds of



millions of searches a month. Some spend well over a hundred thousand a year to match what the MLPC has accomplished with very limited funds.

As a result of this extraordinary positioning, the MLPC website, which is still being continuously revised, updated, and improved, receives over a 625,000 page views a year, with millions of 'hits', and this number grows every month. This enables the MLPC, representing the Maine Lobster Industry, to largely dominate the top information portals of the world-wide Internet and reach millions of consumers with our primary message that 'MaineLobster is the Finest in the World'.

This outreach program and effort is so successful that the MLPC is scaling back print information and putting all of this information on the website for immediate and continuous availability for the millions of consumers in our target audience. This allows us to save money traditionally spent on printed materials while at the same time greatly expanding our outreach.

One of the objectives stated was to evaluate and learn more about consumer interests, preferences, etc. As a result of our website monitoring program, the MLPC has identified an unusually high interest in recipes and a corresponding interest in direct ship resources. On the MLPC web site, consumers can review a recipe that interests them and, with just a click or two, easily identify and find a resource to buy lobster from a Maine organization so that they may enjoy "The World's Finest lobster".

As a result of these findings, the MLPC has invested considerable time and resources into identifying new and interesting lobster recipes from around the world. This comprehensive database is now ready to be published and consists of more than 650 lobster recipes. This will result in the MLPC website having the most comprehensive and complete lobster recipe database available anywhere in the world. This type of 'on target' and dominant informational database will help us to stay #1 in the minds of Maine Lobster lovers worldwide.



## **ADVERTISING:**

### RADIO ADVERTISING

In-State and event specific radio advertising had been discontinued due to cost and benefit considerations. Co-op sponsorship style programs with participating radio stations has proven to be more cost effective and impactful. These as well as development and distribution of Public Service Announcements (PSA's) will be revisited in 2008.

## **COLLATERAL:**

### LOBSTER TALES NEWSLETTER

This consumer publication, designed to provide educational information about Maine Lobster and the lobster fishery, was formerly mailed to all inquiries about visiting Maine, and printed copies were distributed through all Maine state information centers. This is being updated and will be posted on the website as well as shown on materials provided to State information Centers. Direct inquiries will receive information by email. This is a much more efficient method of distributing this information.

### BUYER'S GUIDE – DIRECT SHIP

Designed to assist in sourcing vendors who ship Maine Lobster around the country, the Direct Ship List is updated annually and distributed at consumer events and via the MLPC web site. From 2007 on, this list will be provided mostly in electronic form, saving thousands of dollars in printing costs while making it more broadly available to more consumers. As an added feature, consumers who plan to visit Maine are now able to search for restaurants and retail outlets that sell lobster in Maine using a map of the state. This allows visitors to plan their trips with Maine Lobster on the agenda.



## **MEDIA RELATIONS:**

### CERTIFIED MAINE LOBSTER CAMPAIGN.

Continued widespread efforts were made in 2007 to spread the word about the Certified Maine Lobster programs and initiatives. CD's and DVD's have been designed and produced to supplement standard press releases and to inform and educate the general public about the superior qualities of Maine Lobster and the dangers of Imposter Lobster substitutes such as langostino. The MLPC has been very active on many fronts, including cooperation with and support of Senator Snowe's efforts to impact legislation at the national level regarding proper labeling and identification of 'imitation' lobster and 'lobster like' products in the USA.

As we close the year 2007, a new media relations campaign is in development with the objective of informing and educating the general public as well as influential people in the Seafood Industry about the increasingly valued practices and policies of the Maine Lobster Industry as regards the key issues of sustainability, resource protection, and responsible stewardship of the valuable and fragile ocean environment.

### 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 2007, Maine Lobster recipes were printed in dozens of major publications, featured in top food shows, used in top level culinary teaching programs, and utilized by key Retailers and Food Service customers to promote Maine Lobster. The MLPC strives to be 'the authority' on Maine Lobster recipes and has developed the World's largest collection of recipes featuring Maine Lobster.

In 2008, the MLPC will reinstitute a long time favorite - the 'Maine's Top Chef' contest with a twist – it will be used to highlight and generate even more interest among professional chefs and consumers than ever and will be used as a basis for ongoing





outreach and media relations campaigns designed to elicit direct interaction and stimulate increased purchases and preference for Maine Lobster.

## **2007 PROGRAMMING REVIEW: TRADE PROGRAMS**

### **OUTREACH:**

INTERNATIONAL BOSTON SEAFOOD SHOW: BOSTON, MA MARCH

At the Boston show this year, the largest seafood show in North America and attended by thousands of key industry members as well as the top buyers in the world, the MLPC promoted Maine Lobster and in-state lobster dealers to buyer-attendees who represent foodservice, retail, distribution, and export markets. With approximately 16,000 attendees, the show served as an excellent venue for connecting with key seafood buyers.

AMERICAN CULINARY FEDERATION CONFERENCE: ORLANDO, FL JULY

The MLPC attended this annual event for top food service professionals to promote and educate professional chefs from around the country in how to prepare, serve, and benefit from menuing Certified Maine Lobster. Independent research has indicated that as much as 90% of the live lobster purchased by top 'white tablecloth' restaurants in the US is sourced from Canadian suppliers. This makes this group a prime target for education, information, and influence. Many top chefs surveyed did not even know where the lobster they serve comes from...they *assumed* it came mostly from Maine.

At this conference, MLPC representatives not only informed and educated hundreds of top chefs from around the country but also hosted a workshop on how to properly prepare and serve Maine Lobster. This workshop was so successful that it was 'standing room only' and many had to be turned away because the room was not large enough. That speaks volumes about the desire and interest of professional chefs to learn more about Maine Lobster. This was a hugely successful event and the MLPC continues to work closely with the American



Culinary Federation to effectively communicate key features, advantages and benefits of menuing Maine Lobster.

AMERICAN CULINARY FEDERATION CHAPTER EVENTS: NYC, PHILADELPHIA      MAY, JUNE

MLPC representatives delivered two educational seminars to local chapters of the national American Culinary Federation. The seminars reached hundreds of professional chefs with purchase authority in their chain and independent restaurants. The events were held in key geographic target areas for sales of Maine Lobster -- in New York City and Philadelphia.

CULINARY INSTITUTE OF AMERICA SCHOLARSHIP ENDOWMENT

In 2007, the MLPC converted a 3-year scholarship fund into a scholarship endowment that will award \$2,500 to one Maine student per year in perpetuity. In addition to benefiting Maine students who choose to pursue a degree in higher education at the Culinary Institute of America, the endowment gives the MLPC access and introductions to premier chefs, increased awareness and goodwill among CIA alumni and creates greater awareness among the restaurant industry through increased public relations opportunities. These benefits will continue in perpetuity with no additional financial commitment from the MLPC after 2008.

In 2007, the MLPC had access to hundreds of CIA alumni at two industry trades shows – the National Restaurant Association Show and the New England Foodservice Show. MLPC provided educational materials and one-on-one information sessions to industry chefs.

FISHERMENS' FORUM: ROCKLAND, ME      MARCH

Understanding of the MLPC's efforts on behalf of the industry and awareness of future threats and opportunities for the industry are important for all constituent groups and valuable for the workings of the MLPC. The annual Fishermens' Forum provides an excellent opportunity for MLPC to communicate with the Maine harvesters. Key messages at the event included both a summary of MLPC's activities and an overview of the state of the industry.



MAINE RESTAURANT AND LODGING EXPO: PORTLAND, ME

APRIL

This trade show allows MLPC to reach both food service customers and lobster dealers at one show. MLPC communicated information about the value of branding Maine Lobster in order to differentiate it from the competition and ultimately move from a commodity-based pricing structure to commanding premium-brand pricing.

**ADVERTISING:**

In 2007, the MLPC continued to assess and evaluate the effectiveness of traditional print and broadcast advertising and determined that traditional media advertising is becoming less and less effective because of the increasing fragmentation of media audiences. With limited resources and a mandate to optimize benefits from each and every expenditure, the MLPC has decided to focus its limited resources on expanding the hugely successful web presence and exceptionally efficient website and to pursue radio and print advertising only when beneficial co-op and editorial support is available to leverage and maximize the benefit.

**COLLATERAL:**

DEALER DIRECTORY

The dealer directory, updated annually, lists contact information for Maine Lobster dealers in the state and is distributed at trade shows and to all sales inquiries. This directory is being transformed into an electronic directory which is much more efficient, can be updated in real time, and the impact and benefits can be tracked more effectively. Testing has been done in 2007 and the results show that consumers and trade professionals alike actually prefer to receive this information by email and to have it immediately available 24/7 on the website as a searchable database as opposed to getting a printed brochure in the mail. This will result in significant cost savings and much improved service to consumers and buyers.



### GOVERNMENT RELATIONS

The MLPC identified Maine State Bill LD170, which would have allowed Maine fishing boats to land lobsters caught while dragging, as a serious threat to the industry. MLPC used a multi-tiered approach -- including a public relations campaign geared at consumers and the industry, and a legislative event -- to communicate industry concerns about the negative impact the bill would have on the Maine Lobster Industry. The bill was defeated.

### ENVIRONMENTAL/INDUSTRY ISSUES

The Seafood Industry has seen many dramatic ups and downs, crashes of fisheries, numerous articles in the press, pressure for more production, and documented environmental abuses over the years. As a result, organizations such as the Marine Stewardship Council have been established in order to serve a need for independent review and certification of environmentally responsible and sustainable fishing practices and to reward those fisheries that are conducting themselves in a responsible manner. The full costs and scope of such a comprehensive review and assessment, however, are substantial. As a result, MSC advises interested fisheries to have a 'Pre-Assessment' done before committing to the full, expensive, and lengthy process.

In 2007, the MLPC, in coordination with the Marine Resources Assessment Group (MRAG), Scientific Certification Systems (SCS), and the Marine Stewardship Council (MSC), had a 'Pre-Assessment' review of the Gulf of Maine fishery, with specific focus on the Maine Lobster Fishery, done by MRAG, reviewed and finalized by SCS, and further reviewed by the MSC to determine feasibility or preparedness for initiating a full assessment by an MSC approved certifying Agency in order to obtain MSC Certification as a Sustainable and Environmentally Responsible fishery. With this Certification would come the public recognition, enhanced marketability, increased trade acceptance and approval, and opportunity to use the MSC Eco-Label on Maine Lobster products.



The MLPC has met with industry members, MSC certifiers, Department of Marine Resources personnel, and MSC representatives to review the scope, scale, and quality of the 'Pre-Assessment' in efforts to determine if a full assessment should be undertaken.

A significant amount of work still needs to be done and industry members need to be advised and educated about the market implications as well as the requirements and costs associated with a full assessment which would involve most everyone in the industry in order to be successful. Preliminary information and data indicate that the Maine Lobster Fishery is 'a suitable candidate' for full assessment and certification. However, there are no guarantees that the fishery would be successful in its efforts to become MSC Certified. Substantial work and effort will continue on this important issue in 2008, and probably into 2009 and beyond.

The MLPC applied for and, in 2007, has been awarded a Research, Education, and Development Board Grant of up to \$25,000 to help fund additional research, fact gathering, constituent meetings, and continuing evaluation and analysis to supplement this important effort.



## 2007/8 STRATEGIC ISSUES

Programming in 2008 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 value of 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.
6. **Pursue independent certification, verification, and acknowledgement of the Maine Lobster Industry's continuing and historical efforts in promoting sustainability, adherence to the strictest industry protection standards in the world, and continuous efforts to provide a world class standard in responsible marine stewardship.**



## MLPC ORGANIZATIONAL STRUCTURE

### ORGANIZATIONAL MANAGEMENT:

The MLPC is governed by a Board of Directors, managed by an Executive Director, and operated by an Office Manager and Marketing Director. Marketing communications programs are developed and implemented by the staff and outside agencies with support from the board.

### BOARD OF DIRECTORS:

The board is comprised of harvesters, dealers, and public members, one from each category from each of three state regions (east, mid-coast, west), totaling 9 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 Maine:

Nick Lemieux, Harvester (Cutler)  
Chad Dorr, Dealer, Dorr Lobster (Milbridge)  
Public Member - currently vacant

#### Midcoast Maine:

Clive Farrin, Harvester (Boothbay Harbor)  
Emily Lane, Dealer, Claw Island (Vinalhaven)  
Richard Grotton, Public Member (Augusta)

#### Western Maine:

Bob Putnam, Harvester (Chebeague Island)  
John Norton, Dealer, Cozy Harbor Seafood (Portland);  
Wilfred Beriau, CEC, Public Member (Gray)

The Commissioner of Marine Resources sits on the Council as an ex-officio (non-voting) member.



FISCAL MANAGEMENT:

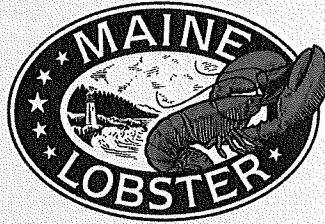
The organization strives to maximize market impact of its expenditures through strict adherence to conservative fiscal policy.

The majority (97%) 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. In late 2007, the MLPC finalized the details of a \$25,000 Grant from the Lobster Plate Research, Education, and Development Board for continuing efforts involving MSC Assessment and Certification.

An annual financial audit is compiled by an external accounting firm; a copy of the 2007 fiscal year (July 1, 2006-June 30, 2007) audit is attached.

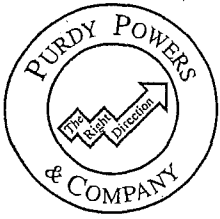


**Financial Statements**



**Maine Lobster  
Promotion Council**

**June 30, 2007**



# PURDY POWERS & COMPANY

Certified Public Accountants

Marc J. Powers, CPA, CVA  
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Stephen H. Purdy, CPA, CVA  
Founder

## Independent Auditors' Report

**To the Board of Directors  
Maine Lobster Promotion Council  
Augusta, Maine**

We have audited the accompanying basic financial statements of the Maine Lobster Promotion Council, a component unit of the State of Maine, as of and for the year ended June 30, 2007, which collectively comprise the Council's basic financial statements as listed in the table of contents. These 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.

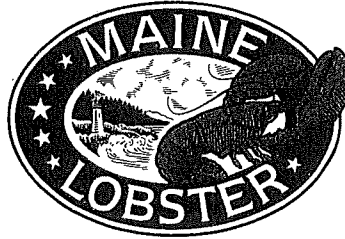
We conducted our audit in accordance with United States generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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, 2007, and the respective changes in financial position and the respective budgetary comparison for the general fund, thereof and for the year then ended, in conformity with United States generally accepted accounting principles.

The Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by United States generally accepted accounting principles. 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.

*Purdy Powers & Company*  
Professional Association

**Portland, Maine  
December 18, 2007**



## Management's Discussion and Analysis

The Maine Lobster Promotion Council offers readers of the financial statements this narrative overview and analysis of the financial activities of the Council for the fiscal year ended June 30, 2007. Please read it in conjunction with the Council's financial statements.

### Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 3-4) provide information about the activities of the Council and present a longer-term view of the Council's finances. Fund financial statements start on page 5. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending.

### Reporting of the Council's Statement of Net Assets and Statement of Activities

The analysis of the Council begins on the next page. One of the most important questions asked about the Council's finances is, "Is the Council, better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Council and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Council's net assets and changes in them. You can think of the Council's net assets—the difference between assets and liabilities—as one way to measure the Council's financial health, or financial position. Over time, increases or decreases in the Council's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Council's lobster licenses issued, to assess the overall health of the Council.

2  
The world's finest lobster comes from Maine.

## Reporting of the Council's Fund Financial Statements

Governmental fund - The Council's basic services are reported in a governmental fund, which focus on how money flows into and out of this fund and the balances left at year-end that are available for spending. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Council's government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Council's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation on pages 6 and 8.

For the year ended June 30, 2007, net assets changed as follows:

Beginning net assets	\$ 439,062
Decrease in net assets	<u>(116,572)</u>
Ending net assets	<u>\$ 322,490</u>

This reflects a decrease of approximately 26.55%.

The decrease in net assets is a direct result of increased spending related to the launch of the Certified Maine Lobster Programs in the Summer/Fall of 2006.

### Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense) Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants. Some of the individual line item revenues reported for each function are:

Miscellaneous                      Sales of promotional materials

All other governmental revenues are reported as miscellaneous.

The following schedule presents a summary of revenues for the fiscal year ended June 30, 2007, and the percentage of total along with increases and decreases in relation to the prior year.

<u>Revenue</u>	<u>FY2007</u> <u>Amount</u>	<u>FY 2006</u> <u>Amount</u>	<u>Change</u>	<u>%</u> <u>Increase</u> <u>(Decrease)</u>
<i>Intergovernmental</i>	\$ 395,688	\$ 400,938	\$ (5,250)	1.3%
<i>Sales of promotional materials</i>	1,085	2,763	(1,678)	(60.7%)
<i>Grant income</i>	-	4,283	(4,283)	(100%)
<i>Interest</i>	5,474	5,151	323	6.3%
<i>Miscellaneous</i>	<u>3,930</u>	<u>830</u>	<u>3,100</u>	<u>373.5%</u>
<b>Total Revenue</b>	<u>\$ 406,177</u>	<u>\$ 413,965</u>	<u>\$ (7,788)</u>	<u>(1.9%)</u>

Actual revenues were relatively unchanged overall (-1.9%) with the only significant change being the absence of any grant income for the FY 2007. The increase in miscellaneous income was the result of non-recurring adjustments to revenue/expense accounts.

## Statement of Net Assets

# Maine Lobster Promotion Council

As of June 30, 2007

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 249,125
Due from State of Maine	68,281
Capital assets, net of accumulated depreciation	<u>8,016</u>
<b>Total Assets</b>	<b>325,422</b>
<b>Liabilities</b>	
Accounts payable	217
Credit card payable	2,285
Long-term liabilities:	
Portion due or payable within one year:	
Accrued vacation	<u>1,280</u>
<b>Total Liabilities</b>	<b><u>3,782</u></b>
<b>Net Assets</b>	
Invested in capital assets	8,016
Unrestricted	<u>313,624</u>
<b>Total Net Assets</b>	<b><u>\$ 321,640</u></b>

See accompanying independent auditors' report and notes to financial statements.

# Statement of Activities

## Maine Lobster Promotion Council

For the Year Ended June 30, 2007

Function/Programs	Expenses	Program Revenues		Net
		Charges for Services	Operating Grants and Contributions	(Expense) Revenue and Changes in Net Assets
<b>Governmental Activities:</b>				
Communications	\$ 2,050	\$ -	\$ -	\$ (2,050)
Marine Stewardship Council	745	-	-	(745)
Computer update	1,512	-	-	(1,512)
Travel	8,207	-	-	(8,207)
Staff salaries & benefits	132,700	-	-	(132,700)
Miscellaneous	2,503	1,085	-	(1,418)
Certified Maine lobster	77,871	-	-	(77,871)
Events	75,634	-	-	(75,634)
Media relations	54,648	-	-	(54,648)
Photography	12,567	-	-	(12,567)
Promotions	7,699	-	-	(7,699)
Research	500	-	-	(500)
Web page	24,180	-	-	(24,180)
Trade show	24,048	-	-	(24,048)
Education	41,369	-	-	(41,369)
Fisherman's forum	1,424	-	-	(1,424)
Office overhead	51,605	-	-	(51,605)
Depreciation expense	4,337	-	-	(4,337)
<b>Total Governmental Activities</b>	<b>\$ 523,599</b>	<b>\$ 1,085</b>	<b>\$ -</b>	<b>(522,514)</b>
General revenues:				
				395,688
				5,474
				3,930
			<b>Total General Revenues</b>	<b>405,092</b>
			<b>Change in Net Assets</b>	<b>(117,422)</b>
			Net assets at beginning of year	439,062
			<b>Net Assets at End of Year</b>	<b>\$ 321,640</b>

See accompanying independent auditors' report and notes to financial statements.

**Balance Sheet - Governmental Funds**

**Maine Lobster Promotion Council**

**As of June 30, 2007**

	<u>General Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 249,125
Due from State of Maine	<u>68,281</u>
<b>Total Assets</b>	<b>\$ <u>317,406</u></b>
 <b>Liabilities and Fund Balance</b>	
<b>Liabilities</b>	
Accounts payable	\$ 217
Credit card payable	<u>2,285</u>
<b>Total Liabilities</b>	<b>2,502</b>
 <b>Fund Balance</b>	
Unreserved	<u>314,904</u>
<b>Total Fund Balance</b>	<b><u>314,904</u></b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ <u>317,406</u></b>

See accompanying independent auditors' report and notes to financial statements.



**Reconciliation of Governmental Funds Balance Sheet  
to the Statement of Net Assets**

**Maine Lobster Promotion Council**

**As of June 30, 2007**

**Total Fund Balance - Governmental Funds** \$ 314,904

Amounts reported for governmental activities in the Statement of  
Net Assets are different because:

Capital assets used in governmental activities are not financial  
resources and therefore are not reported as assets in governmental  
funds. The cost of capital assets, net of accumulated depreciation is: 8,016

Long-term liabilities are not due and payable in the current period and therefore  
are not reported as liabilities in the funds. Long-term and related liabilities at  
year-end consist of:

Accrued vacation (1,280)

**Total Net Assets - Governmental Activities** \$ 321,640

See accompanying independent auditors' report and notes to financial statements.

**Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Funds**

**Maine Lobster Promotion Council**

**For the Year Ended June 30, 2007**

	<u>General Fund</u>
<b>Revenues</b>	
Intergovernmental	\$ 395,688
Sales of promotional materials	1,085
Interest	5,474
Miscellaneous	<u>3,930</u>
<b>Total Revenues</b>	406,177
<b>Expenditures</b>	
Communications	2,050
Marine Stewardship Council	745
Computer update	2,865
Travel	8,207
Staff salaries & benefits	135,560
Miscellaneous	2,503
Certified Maine lobster	77,871
Events	75,634
Media relations	54,648
Photography	12,567
Promotions	7,699
Research	500
Web page	24,180
Trade show	24,048
Education	41,369
Fisherman's forum	1,424
Office overhead	<u>51,605</u>
<b>Total Expenditures</b>	<u>523,475</u>
<b>Revenues Under Expenditures</b>	(117,298)
Fund balance at beginning of year	<u>432,202</u>
<b>Fund Balance at End of Year</b>	<u><u>\$ 314,904</u></u>

See accompanying independent auditors' report and notes to financial statements.

**Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balance of Governmental Funds to the Statement of Activities**

**Maine Lobster Promotion Council**

**As of June 30, 2007**

**Net Change in Fund Balance - Governmental Funds** \$ (117,298)

Amounts reported for governmental activities in the Statement  
of Activities are different because:

Governmental funds report capital outlays as expenditures.  
However, in the Statement of Activities, the cost of those assets  
is allocated over their estimated useful lives as depreciation expense.  
This is the amount by which depreciation expense exceeded capital  
asset additions in the current period:

Capital asset additions	\$ 1,353	
Depreciation expense	<u>(4,337)</u>	
		(2,984)

Some expenses reported in the Statement of Activities do not require the  
use of current financial resources and therefore are not reported as  
expenditures in the governmental funds.

Change in accrued vacation	<u>2,860</u>
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**Change in Net Assets of Governmental Activities** \$ (117,422)

See accompanying independent auditors' report and notes to financial statements.

## Notes to Financial Statements

# Maine Lobster Promotion Council

### Note A - Summary of Significant Accounting Policies

The Maine Lobster Promotion Council (Council) was established by the Maine State Legislature in 1991 at the request of the Maine lobster industry. 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 lobsters. On July 1, 1994, the Maine Lobster Promotion Council became a public instrumentality of the State of Maine, and as such operates as a quasi-governmental entity. For financial reporting purposes, the Council is a component unit of the State of Maine as defined by Government Accounting Standards Board (GASB) Statement #14.

The accounting policies of the Council conform to United States generally accepted accounting principles (GAAP). The Council applies all relevant GASB pronouncements. The more significant accounting policies established in GAAP and used by the Council are discussed below.

#### Principles Determining Scope of Reporting Entity

The basic financial statements include the accounts of all Council operations. The criteria for including organizations as component units within the Council's reporting entity, as set forth in GAAP include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Council holds the corporate powers of the organization
- the Council appoints a voting majority of the organization's board
- the Council is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Council
- there is fiscal dependency by the organization on the Council

Based on the aforementioned criteria, the Maine Lobster Promotion Council has no component units.

#### Basis of Presentation

##### Government-wide Financial Statements

The statement of net assets and statement of activities report information about the reporting government as a whole. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services for support. Currently the Council has no business-type activities.

## Notes to Financial Statements - Continued

# Maine Lobster Promotion Council

### Note A - Summary of Significant Accounting Policies - Continued

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Council does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Intergovernmental revenues and other items not properly included among program revenues are reported as general revenues.

#### Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues, and expenditures.

#### Governmental Activities

Governmental funds are those through which general governmental functions of the Council are financed. The acquisition, use and balances of the Council's expendable financial resources and the related liabilities are accounted for through Governmental Funds.

The Council's *General Fund* is the only governmental fund. It is the operating fund of the Council and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

#### Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting is related to the timing of the measurements made, regardless of the measurement focus applied.

#### Accrual

Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

#### Modified Accrual

Governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

## Notes to Financial Statements - Continued

# Maine Lobster Promotion Council

### Note A - Summary of Significant Accounting Policies - Continued

#### Cash and Cash Equivalents

For purposes of the statement of cash flows, the Council considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

#### Capital Assets

In the government-wide financial statements, capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line method. Estimated useful lives are as follows: computer equipment, 3 years; and furniture & fixtures, 10 years.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

#### Inventories

Inventories of supplies and promotional items are considered to be expenditures at the time of purchase.

#### Budget

An annual budget is prepared by management and approved by the Board of Directors.

#### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Compensated Absences

Under the terms of the personnel policies of the Council, vacation and sick leave are granted in varying amounts according to length of service. Accumulated unused sick leave is not payable upon separation and therefore is not included as part of compensated absences. The Council accrues unpaid vacation when earned (or estimated to be earned) by the employee.