

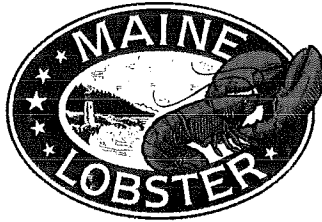
MAINE STATE LEGISLATURE

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Financial Statements



**Maine Lobster
Promotion Council**

June 30, 2013

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Maine Lobster Promotion Council

June 30, 2013

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Independent Auditors' Report

To the Board of Directors Maine Lobster Promotion Council

We have audited the accompanying financial statements of the Maine Lobster Promotion Council (Council), a component unit of the State of Maine, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the 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 financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Maine Lobster Promotion Council, as of June 30, 2013, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

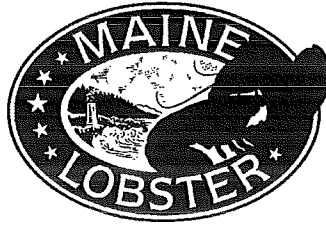
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Purdy Pownall & Company
Professional Association

Portland, Maine
October 11, 2013



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, 2013. 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 Position and the Statement of Activities (on pages 4-5) 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 6. 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 Position and Statement of Activities

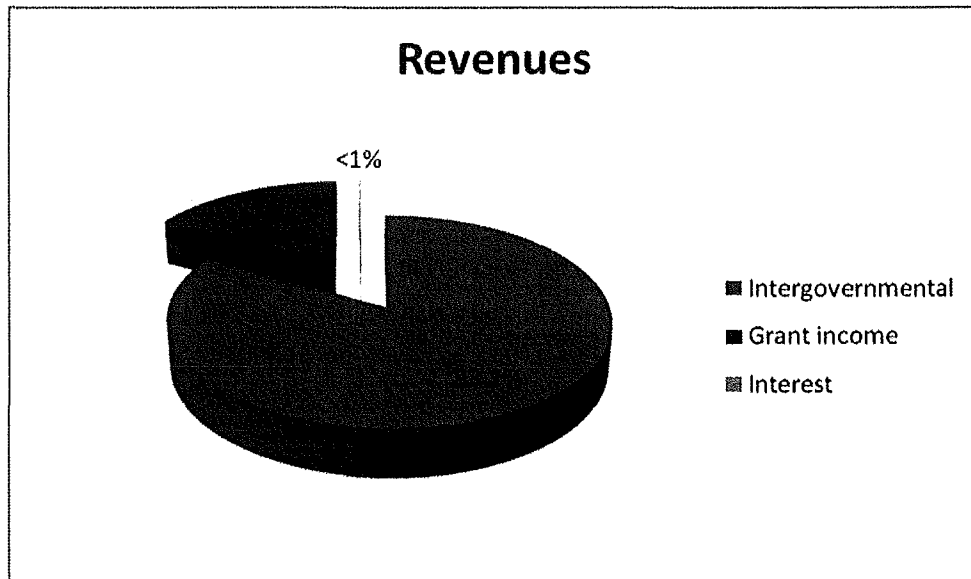
The analysis of the Council begins on the next page. One of the most important questions asked about the Council's finances is, "Is the Council, better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Council 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 asset position and changes in it. You can think of the Council's net asset position—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 impacts upon and improvements in the market position of Maine lobster, to assess the overall value of the Council's productive use of financial resources.

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. All other governmental revenues are reported as miscellaneous.

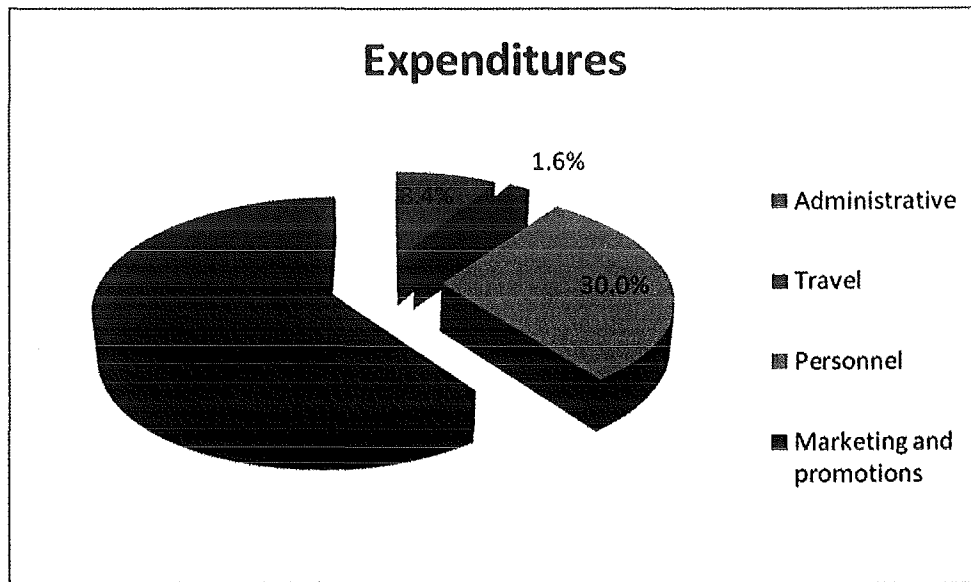
The following schedule presents a summary of general fund revenues (on page 8) for the fiscal year ended June 30, 2013 and the percentage of increases and decreases in relation to the prior year.



<u>Revenue</u>	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>% Increase (Decrease)</u>
<i>Intergovernmental</i>	\$ 372,038	\$ 380,410	\$ (8,372)	(2.2%)
<i>Grant Income</i>	75,000	---	75,000	100.0%
<i>Interest Income</i>	364	1,064	(700)	(65.8%)
Total Revenue	<u>\$ 447,402</u>	<u>\$ 381,474</u>	<u>\$ 65,928</u>	<u>17.3%</u>

Intergovernmental revenue decreased slightly in 2013, following a trend from previous years.

The following schedule presents a summary of general fund expenditures (on page 8) for the fiscal year ended June 30, 2013, and the percentage of increases and decreases in relation to the prior year.



<u>Expenditures</u>	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>% Increase (Decrease)</u>
<i>Administrative</i>	\$ 45,107	\$ 44,297	\$ 810	1.8%
<i>Travel</i>	9,548	11,816	(2,268)	(19.2%)
<i>Personnel</i>	163,632	192,838	(29,206)	(15.2%)
<i>Marketing and Promotions</i>	327,154	185,027	142,127	76.8%
Total Expenditures	<u>\$ 545,441</u>	<u>\$ 433,978</u>	<u>\$ 111,463</u>	<u>25.7%</u>

Administrative – Administrative expenses rose slightly in 2013 as a result of increases in fixed expenses including rent and insurance.

Travel – Travel expenditures increased in 2013 as MLPC staff focused on communicating with the industry through participation in industry events and meetings.

Personnel – Personnel expenditures decreased in 2013 when the staff went from 2 full time and one half time staff members to just 2 full time staff members. The Executive Director position was filled with an Acting Executive Director for ¾ of the fiscal year.

Marketing and Promotions – Programming expenses increased dramatically in 2013 primarily due to three separate initiatives. The Council approved contingency spending totaling \$100,000 for a summer/fall promotion in 2012 and a public relations campaign in 2013. The Council also spent \$75,000 in fiscal year 2013 to conduct research and generate a brand strategy for Maine lobster. The majority of funds for the brand strategy project were covered by grants.

CAPITAL ASSETS

Capital Assets

At the end of June 30, 2013, the Council had approximately \$24,000 invested in capital assets including computer equipment and furniture & fixtures. (See table below.)

	<u>2013</u>	<u>2012</u>
Computer equipment	\$ 8,453	\$ 8,453
Furniture and fixtures	<u>15,479</u>	<u>15,479</u>
TOTALS	<u>\$ 23,932</u>	<u>\$ 23,932</u>

During the current year, the Council purchased no new capital assets.

ECONOMIC FACTORS AND NEXT YEAR'S OPERATIONS

In 2013 legislative session, the legislature passed a bill 'to provide for the effective marketing and promotion of Maine lobster.' The bill, to be enacted in October 2013, created the Maine Lobster Marketing Collaborative, a reorganization of the Maine Lobster Promotion Council. In addition to the new name, the restructured organization will have substantially higher revenue, with approximately \$750,000 expected in 2014 calendar year. The composition of the Board of Directors was also restructured. Some MLPC board members might serve on the new MLMC board.

CONTACTING THE COUNCIL'S FINANCIAL MANAGEMENT

This financial report is designed to provide customers with a general overview of the Council's finances and to show the Council's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Council at 2 Union Street (Suite 204), Portland, Maine or call 541-9310.

Statement of Net Position

Maine Lobster Promotion Council

As of June 30, 2013

	<u>Governmental Activities</u>
Assets	
Cash	\$ 200,177
Accounts receivable	5,938
Intergovernmental receivable	76,781
Deposits and prepaid expenses	2,838
Capital assets, net of accumulated depreciation	<u>4,680</u>
Total Assets	290,414
Liabilities	
Accounts payable	31,711
Credit card payable	1,681
Long-term liabilities:	
Portion due or payable within one year:	
Accrued vacation	<u>2,425</u>
Total Liabilities	<u>35,817</u>
Net Position	
Invested in capital assets	4,680
Restricted, expendable	25,000
Unrestricted	<u>224,917</u>
Net Position	<u>\$ 254,597</u>

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

Statement of Activities

Maine Lobster Promotion Council

For the Year Ended June 30, 2013

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		Net
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	(Expense) Revenue and Changes in Net Position
Governmental Activities:				Governmental Activities
Administration	\$ 45,107	\$ -	\$ -	\$ (45,107)
Travel	9,548	-	-	(9,548)
Personnel	160,128	-	-	(160,128)
Marketing and promotions	327,154	-	75,000	(252,154)
Depreciation expense	702	-	-	(702)
Total Governmental Activities	\$ 542,639	\$ -	\$ 75,000	(467,639)
General revenues:				
				Intergovernmental 372,038
				Interest income 364
		Total General Revenues		372,402
		Change in Net Position		(95,237)
		Net position at beginning of year		349,834
		Net Position at End of Year	\$	254,597

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

Balance Sheet - Governmental Funds

Maine Lobster Promotion Council

As of June 30, 2013

	<u>General Fund</u>
Assets	
Cash	\$ 200,177
Accounts receivable	5,938
Intergovernmental receivable	76,781
Deposits and prepaid expenses	<u>2,838</u>
	Total Assets \$ <u><u>285,734</u></u>
Liabilities and Fund Balance	
Liabilities	
Accounts payable	\$ 31,711
Credit card payable	<u>1,681</u>
	Total Liabilities 33,392
Fund Balances	
Restricted	25,000
Unassigned	<u>227,342</u>
	Total Fund Balances <u><u>252,342</u></u>
	Total Liabilities and Fund Balances \$ <u><u>285,734</u></u>

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

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

Maine Lobster Promotion Council

As of June 30, 2013

Total Fund Balance - Governmental Funds \$ 252,342

Amounts reported for governmental activities in the Statement of
Net Position is 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: 4,680

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 (2,425)

Net Position - Governmental Activities \$ 254,597

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, 2013

	<u>General Fund</u>
Revenues	
Intergovernmental	\$ 372,038
Grant income	75,000
Interest	<u>364</u>
Total Revenues	447,402
Expenditures	
Administrative	45,107
Travel	9,548
Personnel	163,632
Marketing and promotions	<u>327,154</u>
Total Expenditures	<u>545,441</u>
Revenues Over (Under) Expenditures	(98,039)
Fund balance at beginning of year	<u>350,381</u>
Fund Balance at End of Year	<u><u>\$ 252,342</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, 2013

Net Change in Fund Balance - Governmental Funds **\$ (98,039)**

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 capital asset additions differed from
depreciation expense in the current period:

Capital asset additions	\$ -	
Depreciation expense	<u>(702)</u>	
		(702)

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>3,504</u>
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Change in Net Position of Governmental Activities **\$ (95,237)**

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

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund (Budgetary Basis)**

Maine Lobster Promotion Council

For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Final Budget Positive (Negative)</u>
Revenues				
Intergovernmental	\$ 372,600	\$ 372,600	\$ 372,038	\$ (562)
Grant income	-	75,000	75,000	-
Interest	<u>1,000</u>	<u>1,000</u>	<u>364</u>	<u>(636)</u>
Total Revenues	373,600	448,600	447,402	(1,198)
Expenditures				
Administrative	52,860	52,860	45,107	7,753
Travel	13,450	13,450	9,548	3,902
Personnel	195,700	195,700	163,632	32,068
Marketing and promotions	<u>190,000</u>	<u>415,000</u>	<u>327,154</u>	<u>87,846</u>
Total Expenditures	<u>452,010</u>	<u>677,010</u>	<u>545,441</u>	<u>131,569</u>
Revenues Over (Under) Expenditures				
on the Budgetary Basis	\$ (78,410)	\$ (228,410)	(98,039)	\$ 130,371
Budgetary fund balance at beginning of year			<u>350,381</u>	
Budgetary Fund Balance at End of Year			<u>\$ 252,342</u>	

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 position 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

The Council's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Inventories

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

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, 10-15 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.

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.

Notes to Financial Statements - Continued

Maine Lobster Promotion Council

Note A - Summary of Significant Accounting Policies - Continued

Government-wide Fund Net Position

Government-wide net asset position is divided into three components:

Invested in capital assets, net of related debt - consist of the historical cost of capital assets less accumulated depreciation.

Restricted net position - consist of net asset positions that are restricted by the Council's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.

Unrestricted - All other net assets are reported in this category.

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.

Restricted - resources with constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed through constitutional provisions or enabling legislation.

Committed - resources which are subject to limitations the government imposes upon itself at its highest level of design making, and that remain binding unless removed in the same manner.

Assigned - resources neither restricted nor committed for which a government has a stated intended use as established by the Board or a body or official to which the Board has designated the authority to assign amounts for specific purposes.

Unassigned - resources which cannot be properly classified in one of the other four categories.

Use of Restricted Resources

The Council has no formal fund balance policy. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

New Accounting Pronouncement

During the year ended June 30, 2013, the Council implemented Governmental Accounting Standards Board Statement (GASBS) No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Asset Position*. Balances reported in net asset position were not changed with the implementation of the new standard.

Notes to Financial Statements - Continued

Maine Lobster Promotion Council

Note B - Cash

The Council conducts all of its banking transactions with its depository bank.

Custodial Credit Risk - Deposits

At June 30, 2013 the carrying amount of the Council's deposits was \$200,177 and the bank balance was \$212,405. The difference between these balances relates to deposits in transit, outstanding checks, and cash on hand at year-end.

Custodial credit risk is the risk that in the event of a bank failure, the Council's deposits may not be returned to it. The Council does not have a deposit policy on custodial credit risk. At June 30, 2013, none of the Council's deposits were exposed to credit risk.

Note C - Capital Assets

A summary of capital assets transactions for the year ended June 30, 2013, follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental activities:				
Depreciable assets:				
Computer equipment	\$ 8,453	\$ -	\$ -	\$ 8,453
Furniture and fixtures	<u>15,479</u>	<u>-</u>	<u>-</u>	<u>15,479</u>
Totals at historical cost	23,932	-	-	23,932
Less accumulated depreciation:				
Computer equipment	8,130	325	-	8,455
Furniture and fixtures	<u>10,420</u>	<u>377</u>	<u>-</u>	<u>10,797</u>
Total accumulated depreciation	<u>18,550</u>	<u>702</u>	<u>-</u>	<u>19,252</u>
Capital Assets, Net	<u>\$ 5,382</u>	<u>\$ (702)</u>	<u>\$ -</u>	<u>\$ 4,680</u>

Notes to Financial Statements - Continued

Maine Lobster Promotion Council

Note D - Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities:				
Compensated absences	\$ <u>5,929</u>	\$ <u>6,594</u>	\$ <u>10,098</u>	\$ <u>2,425</u>

Note E - Risk Management

The Council is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; and errors and omissions; for which the Council carries commercial insurance.

Based on the coverage provided by commercial insurance, the Council is not aware of any material actual or potential claim liabilities, which should be recorded at June 30, 2013.

Note F - Concentration Risk

The Council receives assessments paid by lobster license holders through the State of Maine. In addition, the Council received a grant through the State of Maine. This intergovernmental revenue accounted for approximately 99.9% of the Council's revenue for the year ended June 30, 2013.

Note G - Retirement Plan

The Council has a SEP-IRA plan for its employees. Employees who meet age and service requirements are eligible to participate in the plan. The Council may, but is not required to, make contributions to eligible employees. The Council contributed \$12,080 for the year ended June 30, 2013.

Note H - Restricted Fund Balance

Restricted fund balance consisted of the following as of June 30, 2013:

Unexpended RED Grant	<u>\$ 25,000</u>
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Notes to Financial Statements - Continued

Maine Lobster Promotion Council

Note I - Subsequent Event

During the year ended June 30, 2013, a Maine legislative bill was passed creating the Maine Lobster Marketing Collaborative, which will be a reorganization of Maine Lobster Promotion Council. The Bill will substantially increase marketing funds for the Maine Lobster Marketing Collaborative. The composition of the Board of Directors will change with a selection of members continuing with the Maine Lobster Marketing Collaborative. Beginning on October 9, 2013, all funds from the Maine Lobster Promotion Council will be transferred to the Maine Lobster Marketing Collaborative.

October 11, 2013

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

We have audited the financial statements of the Maine Lobster Promotion Council (Council) as of and for the year ended June 30, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 31, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Council are described in Note A to the financial statements. The Council implemented the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Asset Position* in 2012. The application of existing policies was not changed during the year ended June 30, 2013. We noted no transactions entered into by the Council during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Council's financial statements was:

- Management's estimate of depreciation is based on general knowledge and rules of thumb for equipment and building estimated useful lives. We evaluated the key factors and assumptions used to develop the useful lives in calculating depreciation while determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosure for the concentration risk related to the Council's main source of revenue shown in Note F to the financial statements.
- The disclosure of the subsequent event in Note I to the financial statements.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes an uncorrected misstatement of the financial statements. Management has determined that its effect is immaterial to the financial statements taken as a whole. The following material misstatement detected as a result of the audit procedures was corrected by management:

- An adjustment was made to record a receivable from the State.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 11, 2013.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

This information is intended solely for the use of the Board and Management of the Maine Lobster Promotion Council and is not intended to be, and should not be, used by anyone other than these specified parties.

Purdy Powers, Company
Professional Association

Client: **306014 - Maine Lobster Promotion Council**
Engagement: **6/30/13- Audit**
Period Ending: **6/30/2013**
Trial Balance: **Trial Balance**
Workpaper: **3201.00 - Proposed JE Report**

<u>Account</u>	<u>Description</u>	<u>W/P Ref</u>	<u>Debit</u>	<u>Credit</u>
Proposed JE # 5		5202.00		
To record change in ACA				
2070	Payroll Liabilities		3,503.54	
5015	Personnel: Staff Salary			3,503.54
Total			<u>3,503.54</u>	<u>3,503.54</u>