

Skowhegan Economic Development Corporation

ANNUAL FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

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Independent Auditor's Report

To the Board of Directors of
Skowhegan Economic Development Corporation

We have audited the accompanying financial statements of Skowhegan Economic Development Corporation (a nonprofit organization) which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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 these 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 financial position of Skowhegan Economic Development Corporation as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Brianne Shiodan & Associates

Bangor, Maine
February 24, 2014

Skowhegan Economic Development Corporation
Statement of Financial Position
June 30, 2013

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 231,837
Loans receivable	<u>90,959</u>
Total current assets	<u>322,796</u>

PROPERTY AND EQUIPMENT

Fixed assets	2,051,855
Accumulated depreciation	<u>(413,795)</u>
Total property and equipment	<u>1,638,060</u>
Total assets	<u>\$ 1,960,856</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Current portion of notes payable	<u>\$ 20,487</u>
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LONG-TERM LIABILITIES

Notes payable, net of current portion	268,844
Due to Town of Skowhegan	<u>52,944</u>
Total long-term liabilities	<u>321,788</u>

Total liabilities	<u>342,275</u>
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NET ASSETS

Unrestricted	
Board designated (Note 6)	108,634
Operating	<u>1,509,947</u>
Total net assets	<u>1,618,581</u>
Total liabilities and net assets	<u>\$ 1,960,856</u>

Skowhegan Economic Development Corporation
Statement of Activities
For the Year Ended June 30, 2013

	Unrestricted
Support and revenue	
Lease income	\$ 119,209
Event income	69
Taxes	1,847
Interest	4,193
Total support and revenue	125,318
Expenses	
Program services	108,502
Management and general	10,250
Total expenses	118,752
Change in net assets	6,566
NET ASSETS - BEGINNING	1,612,015
NET ASSETS - ENDING	\$ 1,618,581

Skowhegan Economic Development Corporation
Statement of Cash Flows
For the Year Ended June 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	<u>\$ 6,566</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	40,326
Decrease in operating assets	
Loan receivables	<u>15,862</u>
Total adjustments	<u>56,188</u>
Net cash provided by operating activities	<u>62,754</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayments of long-term debt	<u>(27,781)</u>
Net increase in cash and cash equivalents	34,973
CASH AND CASH EQUIVALENTS - BEGINNING	<u>196,864</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 231,837</u>
SUPPLEMENTAL DISCLOSURE	
Interest paid during the year	<u>\$ 15,722</u>

Skowhegan Economic Development Corporation
Notes to Financial Statements
June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION AND NATURE OF ACTIVITIES

The Skowhegan Economic Development Corporation is a nonprofit corporation organized to foster economic development in the Town of Skowhegan and in the County of Somerset. The Corporation also leases and maintains buildings.

The Town of Skowhegan includes the Skowhegan Economic Development Corporation in its annual financial audit in accordance with Section 2100 of the Government Accounting Standards Boards' *Codification of Governmental Accounting and Financial Reporting Standards*.

B. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates. Accordingly, actual results could differ from those estimates.

C. BASIS OF ACCOUNTING

The Corporation prepares its financial statements in accordance with generally accepted accounting principles, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

D. CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, Skowhegan Economic Development Corporation considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

E. PUBLIC SUPPORT AND REVENUE

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted contributions that are expended in the year received are reported as unrestricted contributions.

Skowhegan Economic Development Corporation
Notes to Financial Statements
June 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. PUBLIC SUPPORT AND REVENUE (CONTINUED)

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills that are provided by individuals possessing those skills and that would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

F. PROPERTY AND EQUIPMENT

Land, buildings and equipment are carried at cost. Depreciation is calculated on the straight line method over the estimated useful lives of the assets. Depreciation expense was \$40,326 as of June 30, 2013.

G. INCOME TAX STATUS

The Corporation is a not-for-profit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

The Corporation's Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2011, 2012, and 2013 are subject to examination by the IRS, generally for three years after they were filed.

H. FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services.

NOTE 2. CONCENTRATION OF CREDIT RISK FOR CASH HELD IN BANK

The Corporation maintains two bank accounts. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The amount in excess of the FDIC limit was \$0 as of June 30, 2013.

Skowhegan Economic Development Corporation
Notes to Financial Statements
June 30, 2013

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	Balance June 30, 2013
Land	\$ 83,547
Buildings and improvements	1,959,281
Equipment and fixtures	<u>9,027</u>
Total property and equipment	2,051,855
Less accumulated depreciation	<u>(413,795)</u>
Property and equipment, net	<u>\$1,638,060</u>

NOTE 4. LONG-TERM NOTES PAYABLE

Long-term notes payable secured by the Corporation's real estate consist of the following:

	Balance June 30, 2013
<i>Skowhegan Savings Bank</i>	
Monthly payments of \$2,956 including interest at 5.11% beginning April 15, 2000; secured by land and building and assignment of leases of the Corporation; matures March 2025.	<u>\$ 289,331</u>
Less current portion	<u>20,487</u>
Net long-term debt	<u>\$ 268,844</u>

Skowhegan Economic Development Corporation
Notes to Financial Statements
June 30, 2013

NOTE 4. LONG-TERM NOTES PAYABLE (CONTINUED)

Future principal maturities of long-term debt as of June 30, 2013 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 20,487	\$ 14,989	\$ 35,476
2015	21,558	13,918	35,476
2016	22,686	12,790	35,476
2017	23,873	11,603	35,476
2018	25,122	10,354	35,476
2019-2023	148,998	28,383	177,381
2024	<u>26,607</u>	<u>-</u>	<u>26,607</u>
	<u>\$289,331</u>	<u>\$ 92,037</u>	<u>\$381,368</u>

NOTE 5. CONTRIBUTED SERVICES

The Corporation received services from unpaid volunteers who donate significant amounts of their time to benefit the Corporation's program; however these services do not meet the criteria for recognition as contributed services and therefore have not been recorded.

NOTE 6. NET ASSETS – BOARD DESIGNATED

The Corporation maintained board designated funds of which 70% is earmarked for mortgage payments and maintenance and 30% for granting or loaning out to businesses.

NOTE 7. EVALUATION OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 24, 2014, the date on which the financial statements were available to be issued.

Skowhegan Economic Development Corporation
Schedule of Functional Expenses
For the Year Ended June 30, 2013

	Program Services	Management and General	Total Expenses
Utilities expense	\$ 11,972	\$ -	\$ 11,972
Administration	-	4,495	4,495
Repairs and ground maintenance	10,781	-	10,781
Insurance	9,039	2,355	11,394
Interest	15,722	-	15,722
Professional services	-	3,400	3,400
Property taxes	19,583	-	19,583
Supplies	1,043	-	1,043
Depreciation	40,326	-	40,326
Miscellaneous	36	-	36
Total functional expenses	\$ 108,502	\$ 10,250	\$ 118,752