

Skowhegan Economic Development Corporation

ANNUAL FINANCIAL STATEMENTS

For the Year Ended June 30, 2020

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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, 2020, and the related statements of activities, functional expenses 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.

Board of Directors
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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, 2020, 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.

Brantley Hibbard & Associates

October 13, 2020

Skowhegan Economic Development Corporation
Statement of Financial Position
June 30, 2020

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	<u>\$ 313,170</u>
PROPERTY AND EQUIPMENT	
Fixed assets	2,126,127
Accumulated depreciation	<u>(682,698)</u>
Total property and equipment	<u>1,443,429</u>
Total assets	<u>\$ 1,756,599</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITES	
Current portion of notes payable	<u>\$ 29,275</u>
LONG-TERM LIABILITES	
Notes payable, net of current portion	61,110
Due to Town of Skowhegan	<u>52,944</u>
Total long-term liabilities	<u>114,054</u>
Total liabilities	<u>143,329</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS	
Board designated (Note 6)	108,634
Undesignated	<u>1,504,636</u>
Total net assets	<u>1,613,270</u>
Total liabilities and net assets	<u>\$ 1,756,599</u>

Skowhegan Economic Development Corporation
Statement of Activities
June 30, 2020

	<u>Without Donor Restrictions</u>
SUPPORT AND REVENUE	
Lease income	\$ 145,493
Taxes	322
Interest	531
Miscellaneous	<u>6</u>
Total support and revenue	<u>146,352</u>
EXPENSES	
Program services	191,364
Management and general	<u>9,463</u>
Total expenses	<u>200,827</u>
Change in net assets	(54,475)
NET ASSETS - BEGINNING	<u>1,667,745</u>
NET ASSETS - ENDING	<u>\$ 1,613,270</u>

See accompanying notes to financial statements.

Skowhegan Economic Development Corporation
Statement of Functional Expenses
June 30, 2020

	Program Services	Management and General	Total Expenses
Utilities expense	\$ 10,126	\$ -	\$ 10,126
Administration	-	4,455	4,455
Donation	15,000	-	15,000
Repairs and grounds maintenance	81,273	-	81,273
Insurance - board coverage	-	2,000	2,000
Insurance - building coverage	11,954	-	11,954
Interest	5,534	-	5,534
Professional services	-	2,792	2,792
Property taxes	19,907	-	19,907
Supplies - management	-	-	-
Supplies - building	8,114	-	8,114
Depreciation	39,406	-	39,406
Miscellaneous fees - management	-	216	216
Miscellaneous fees - buildings	50	-	50
Total functional expenses	\$ 191,364	\$ 9,463	\$ 200,827

Skowhegan Economic Development Corporation
Statement of Cash Flows
June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	<u>\$ (54,475)</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	39,406
Decrease in operating assets	
Loans receivable	<u>4,104</u>
Total adjustments	<u>43,510</u>
Net cash used by operating activities	<u>(10,965)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayments of long-term debt	<u>(32,942)</u>
Net decrease in cash and cash equivalents	(43,907)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>357,077</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 313,170</u>
SUPPLEMENTAL DISCLOSURE	
Interest paid during the year	<u>\$ 5,534</u>

Skowhegan Economic Development Corporation
Notes to Financial Statements
June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

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 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*.

Basis of Accounting

The Organization 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.

Contributions

Contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are shown as not having donor restrictions.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved and recorded as promises to give on the statement of financial position. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Contributed Services and Goods

Certain contributed professional services are recognized in the financial statements if the services received create or enhance long-lived assets or require specialized skill, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received.

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.

Skowhegan Economic Development Corporation
Notes to Financial Statements
June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

It is the Organization's policy to capitalize property and equipment with a useful life greater than one year. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expiration of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over the estimated useful life of the assets, which is 5-50 years.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to two classes, net assets without donor restrictions and net assets with donor restrictions.

Fair Value of Financial Instruments

The carrying amounts reflected in the accompanying balance sheets for cash and cash equivalents, loans receivable, and current liabilities approximate the respective fair values due to the short maturities of those instruments.

Advertising

The cost of advertising is expensed as incurred in the statement of activities.

Income Taxes

The Organization is an exempt organization as described in Internal Revenue Code Section 501(c)(3) and has been determined not to be a private foundation. Accordingly, no provision for income taxes is shown in the accompanying financial statements. The Organization's Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2017, 2018, and 2019 are subject to examination by the IRS, generally for three years after they were filed.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of functional expenses. No costs were allocated among programs and supporting services in the year ended June 30, 2020.

Cash Equivalents

For purposes of the statement of cash flows, when applicable, the Organization considers all highly liquid investments available for current use with initial maturities of three months or less to be cash equivalents.

Skowhegan Economic Development Corporation
Notes to Financial Statements
June 30, 2020

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents \$ 313,170

3. CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at a financial institution located in Maine. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization's account balances at times exceeds FDIC insured limits. At June 30, 2020, \$61,477 was exposed to custodial credit risk.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	Balance 06/30/19	Additions	Disposals	Balance 06/30/20
Land	\$ 192,820	\$ -	\$ -	\$ 192,820
Buildings and improvements	1,916,782	-	-	1,916,782
Equipment and fixtures	16,525	-	-	16,525
Accumulated depreciation	<u>(643,292)</u>	<u>(39,406)</u>	<u>-</u>	<u>(682,698)</u>
Total property and equipment, net	<u>\$ 1,482,835</u>	<u>\$ (39,406)</u>	<u>\$ -</u>	<u>\$ 1,443,429</u>

5. LONG-TERM LIABILITIES

The following is a summary of long-term liabilities for the year ended June 30, 2020.

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020	Portion due within one year
<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>\$ 123,327</u>	<u>\$ -</u>	<u>\$ (32,942)</u>	<u>\$ 90,385</u>	<u>\$ 29,275</u>

Skowhegan Economic Development Corporation
Notes to Financial Statements
June 30, 2020

5. LONG-TERM LIABILITIES (CONTINUED)

Notes Payable

Future maturities of notes payable are as follows:

Year ended June 30	Principal	Interest	Total
2021	\$ 29,275	\$ 6,201	\$ 35,476
2022	30,806	4,670	35,476
2023	<u>30,304</u>	<u>814</u>	<u>31,118</u>
Total	<u>\$ 90,385</u>	<u>\$ 11,685</u>	<u>\$ 102,070</u>

6. NET ASSETS WITHOUT DONOR RESTRICTIONS – 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.

7. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 13, 2020, the date on which the financial statements were available to be issued.

In early 2020, the Corporation was directly impacted by the coronavirus outbreak (COVID-19). On January 31, 2020, the U.S. Health and Human Services Secretary declared a public emergency for the United States. On March 15, 2020, The Governor of the State of Maine mandated that all non-essential businesses and operations in Maine close their physical locations that are public facing. The Corporation focused efforts on assisting local businesses facing loss of income due to this mandate.

The Government of the United States and the State of Maine have implemented several financial relief packages designed to provide economic relief for businesses. The Corporation does not know what the overall impact will be from this significant change in operations.