

Skowhegan Economic Development Corporation

ANNUAL FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

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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, 2016, 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, 2016, 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.

Bartrur Chibodian & Associates

March 24, 2017

Skowhegan Economic Development Corporation
Statement of Financial Position
June 30, 2016

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 337,135
Loans receivable	<u>49,350</u>
Total current assets	<u>386,485</u>

PROPERTY AND EQUIPMENT

Fixed assets	2,051,854
Accumulated depreciation	<u>(533,727)</u>
Total property and equipment	<u>1,518,127</u>

Total assets \$ 1,904,612

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Current portion of notes payable	<u>\$ 23,873</u>
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LONG-TERM LIABILITIES

Notes payable, net of current portion	188,805
Due to Town of Skowhegan	<u>52,944</u>

Total long-term liabilities 241,749

Total liabilities 265,622

NET ASSETS

Unrestricted	
Board designated (Note 5)	108,634
Operating	<u>1,530,356</u>

Total net assets 1,638,990

Total liabilities and net assets \$ 1,904,612

Skowhegan Economic Development Corporation
Statement of Activities
For the Year Ended June 30, 2016

	Unrestricted
SUPPORT AND REVENUE	
Lease income	\$ 133,029
Taxes	2,418
Interest	3,174
Miscellaneous	25
Total support and revenue	138,646
EXPENSES	
Program services	114,955
Management and general	7,947
Total expenses	122,902
Change in net assets	15,744
NET ASSETS - BEGINNING	1,623,246
NET ASSETS - ENDING	\$ 1,638,990

Skowhegan Economic Development Corporation
Statement of Cash Flows
For the Year Ended June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 15,744
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	39,279
Decrease in operating assets	
Loans receivable	<u>15,718</u>
Total adjustments	<u>54,997</u>
Net cash provided by operating activities	<u>70,741</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayments of long-term debt	<u>(26,840)</u>
Net cash used by financing activities	<u>(26,840)</u>
Net increase in cash and cash equivalents	43,901
CASH AND CASH EQUIVALENTS - BEGINNING	<u>293,234</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 337,135</u>
SUPPLEMENTAL DISCLOSURE	
Interest paid during the year	<u>\$ 11,636</u>

Skowhegan Economic Development Corporation
Notes to Financial Statements
June 30, 2016

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 unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Restricted contributions whose restrictions are met in the period they are received are reported as unrestricted contributions.

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, temporarily restricted net assets are reclassified to unrestricted net assets.

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, 2016

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 is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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 2013, 2014, and 2015 are subject to examination by the IRS, generally for three years after they were filed.

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.

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, 2016

2. 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 may exceed FDIC insured limits. It has not experienced any losses in such accounts. At June 30, 2016, the Organization had uninsured cash balances of \$78,539.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	Balance 06/30/15	Additions	Disposals	Balance 06/30/16
Land	\$ 83,547	\$ -	\$ -	\$ 83,547
Buildings and improvements	1,959,282	-	-	1,959,282
Equipment and fixtures	9,025	-	-	9,025
Accumulated depreciation	<u>(494,448)</u>	<u>(39,279)</u>	<u>-</u>	<u>(533,727)</u>
Total property and equipment, net	<u>\$ 1,557,406</u>	<u>\$ (39,279)</u>	<u>\$ -</u>	<u>\$ 1,518,127</u>

4. LONG-TERM LIABILITIES

The following is a summary of long-term liabilities for the year ended June 30, 2016.

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016	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>\$ 239,518</u>	<u>\$ -</u>	<u>\$ (26,840)</u>	<u>\$ 212,678</u>	<u>\$ 23,873</u>

Notes Payable

Future maturities of notes payable are as follows:

Year ended June 30	Principal	Interest	Total
2017	\$ 23,873	\$ 11,603	\$ 35,476
2018	25,122	10,354	35,476
2019	26,436	9,040	35,476
2020	27,819	7,657	35,476
2021	29,275	6,201	35,476
2022-2024	<u>80,153</u>	<u>5,485</u>	<u>85,638</u>
Total	<u>\$ 212,678</u>	<u>\$ 50,340</u>	<u>\$ 263,018</u>

Skowhegan Economic Development Corporation
Notes to Financial Statements
June 30, 2016

5. 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.

6. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 24, 2017 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, 2016

	<u>Program</u> <u>Services</u>	<u>Management</u> <u>and General</u>	<u>Total</u> <u>Expenses</u>
Utilities expense	\$ 9,160	\$ -	\$ 9,160
Administration	-	3,765	3,765
Repairs and grounds maintenance	14,946	-	14,946
Insurance	10,131	2,214	12,345
Interest	11,636	-	11,636
Professional services	-	1,918	1,918
Property taxes	22,121	-	22,121
Supplies	7,480	-	7,480
Depreciation	39,279	-	39,279
Miscellaneous	<u>202</u>	<u>50</u>	<u>252</u>
 Total functional expenses	 <u>\$ 114,955</u>	 <u>\$ 7,947</u>	 <u>\$ 122,902</u>