

Skowhegan Economic Development Corporation

**ANNUAL FINANCIAL STATEMENTS**

For the Year Ended June 30, 2017

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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, 2017, 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, 2017, 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.

*Anatrus Chibodan & Associates*

March 24, 2018

**Skowhegan Economic Development Corporation**  
**Statement of Financial Position**  
**June 30, 2017**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 375,503
Loans receivable	<u>34,083</u>

Total current assets	<u>409,586</u>
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**PROPERTY AND EQUIPMENT**

Fixed assets	2,051,854
Accumulated depreciation	<u>(572,912)</u>

Total property and equipment	<u>1,478,942</u>
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Total assets	<u>\$ 1,888,528</u>
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**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITES**

Current portion of notes payable	<u>\$ 25,121</u>
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**LONG-TERM LIABILITES**

Notes payable, net of current portion	159,282
Due to Town of Skowhegan	<u>52,944</u>

Total long-term liabilities	<u>212,226</u>
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Total liabilities	<u>237,347</u>
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**NET ASSETS**

Unrestricted	
Board designated (Note 5)	108,634
Operating	<u>1,542,547</u>

Total net assets	<u>1,651,181</u>
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Total liabilities and net assets	<u>\$ 1,888,528</u>
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**Skowhegan Economic Development Corporation**  
**Statement of Activities**  
**For the Year Ended June 30, 2017**

	<u>Unrestricted</u>
<b>SUPPORT AND REVENUE</b>	
Lease income	\$ 136,866
Event income	-
Taxes	2,608
Interest	2,357
Miscellaneous	<u>1,035</u>
Total support and revenue	<u>142,866</u>
<b>EXPENSES</b>	
Program services	120,764
Management and general	<u>9,911</u>
Total expenses	<u>130,675</u>
Change in net assets	12,191
<b>NET ASSETS - BEGINNING</b>	<u>1,638,990</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 1,651,181</u>

See accompanying notes to financial statements.

**Skowhegan Economic Development Corporation**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2017**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 12,191
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	39,185
Decrease in operating assets	
Loans receivable	<u>15,267</u>
Total adjustments	<u>54,452</u>
Net cash provided by operating activities	<u>66,643</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Repayments of long-term debt	<u>(28,275)</u>
Net cash used by financing activities	<u>(28,275)</u>
Net increase in cash and cash equivalents	38,368
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<u>337,135</u>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<u>\$ 375,503</u>
<b>SUPPLEMENTAL DISCLOSURE</b>	
Interest paid during the year	<u>\$ 10,202</u>

**Skowhegan Economic Development Corporation**  
**Notes to Financial Statements**  
**June 30, 2017**

**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, 2017**

**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 2014, 2015, and 2016 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, 2017**

**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. At June 30, 2017, \$118,190 exposed to custodial credit risk.

**3. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	Balance 06/30/16	Additions	Disposals	Balance 06/30/17
Land	\$ 83,547	\$ -	\$ -	\$ 83,547
Buildings and improvements	1,959,282	-	-	1,959,282
Equipment and fixtures	9,025	-	-	9,025
Accumulated depreciation	<u>(533,727)</u>	<u>(39,185)</u>	<u>-</u>	<u>(572,912)</u>
Total property and equipment, net	<u>\$ 1,518,127</u>	<u>\$ (39,185)</u>	<u>\$ -</u>	<u>\$ 1,478,942</u>

**4. LONG-TERM LIABILITIES**

The following is a summary of long-term liabilities for the year ended June 30, 2017.

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017	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	\$ 212,678	\$ -	\$ (28,275)	\$ 184,403	\$ 25,121

**Notes Payable**

Future maturities of notes payable are as follows:

Year ended June 30	Principal	Interest	Total
2018	\$ 25,122	\$ 10,354	\$ 35,476
2019	26,436	9,040	35,476
2020	27,819	7,657	35,476
2021	29,275	6,202	35,476
2022	30,806	4,670	35,476
2023-2024	<u>44,945</u>	<u>814</u>	<u>45,760</u>
Total	<u>\$ 184,403</u>	<u>\$ 38,737</u>	<u>\$ 223,140</u>

**5. NET ASSETS – BOARD DESIGNATED**

**Skowhegan Economic Development Corporation**  
**Notes to Financial Statements**  
**June 30, 2017**

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, 2018 the date on which the financial statements were available to be issued.

**Skowhegan Economic Development Corporation**  
**Notes to Financial Statements**  
**June 30, 2017**

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**June 30, 2017**

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**Skowhegan Economic Development Corporation**  
**Schedule of Functional Expenses**  
**For the Year Ended June 30, 2017**

	<b>Program Services</b>	<b>Management and General</b>	<b>Total Expenses</b>
Utilities expense	\$ 10,051	\$ -	\$ 10,051
Administration	-	4,127	4,127
Repairs and grounds maintenance	18,155	-	18,155
Insurance	11,076	2,231	13,307
Interest	10,202	-	10,202
Professional services	462	2,177	2,639
Property taxes	23,015	-	23,015
Supplies	8,156	140	8,296
Depreciation	39,185	-	39,185
Miscellaneous	462	1,236	1,698
<b>Total functional expenses</b>	<b>\$ 120,764</b>	<b>\$ 9,911</b>	<b>\$ 130,675</b>