

Islesboro Economic Sustainability Corporation

Report to the Community – Calendar Year 2021

The economic vitality of Islesboro is strong on several measures.

Entrepreneurs have the energy to start new island businesses – from aquaculture and agriculture to new and expanded services. Those who want to be busy are extremely busy as witnessed by the scarcity of trades people available to hire. Boat yards are busy. The food and farmers markets are busy. For the first time in many years, we are welcoming new fulltime families.

At the same time, there is consensus on what's holding the island's vitality in check: lack of full-time family housing inventory; scarcity of trades people; logistics and costs of depending on the ferry to haul most all goods, energy, and service people onto the island; sea level rise that threatens the narrows and the ferry terminal; and the unpredictable and lingering effects of the Covid pandemic on the physical and economic health of the island.

Yes, in 2021, our community began the discussion on how to provide a wider spectrum of housing options. Yes, the community pulled together to maintain a close-to-normal island lifestyle while protecting ourselves, our families, and neighbors from the worst of the pandemic. Yes, the community is ready to tackle the modern facility needs of the health center and public safety teams. And, we've made progress on mitigating the effects of sea-level rise.

Two years ago, IESC sparked the big idea that private donation dollars could seed a \$1.5M to \$2M working capital fund to support local entrepreneurs to create on-island jobs and attract new families. Focusing on the essential services and businesses that make Islesboro an attractive place to live, visit and work, IESC is a catalyst for the island's economic vitality. We provide information, business expansion loans and direct investments in infrastructure projects. This critical mission that complements the priorities of the Town's leadership, leverages the can-do spirit of many individuals and dovetails with the work of other island organizations.

2021 has been a good year for the IESC. We've accomplished what we set out to do while working to deepen the community's understanding of what we do. At the same time, our list of challenges has grown.

We owe a sincere thank you to all the generous community members who, despite the uncertainty of the pandemic, showed their belief in Islesboro's potential.

We invite you to learn more about the IESC and its mission. This annual report enumerates our accomplishments and our objectives for the future. Included is a financial discussion and the report from our outside auditors covering our fiscal year ended June 30th, 2021. Please share your thoughts, suggestions, and questions. Visit our website www.sustain04848.com for more information.

Sincerely,

IESC Board of Directors

Roger Heinen, Tom Tutor, Bonnie Hughes, Ren Provey, Janet Anderson, Lois Chiles, Gladstone Jones, Gabriel Pendleton and Barry Wherren

Founding Principles and Mission

On November 20th, 2019, the voters of Islesboro established the IESC as a *quasi-municipal, non-profit corporation* to be a catalyst for developing the essential services and businesses needed to attract families, jobs and a vibrant summer community that are needed to sustain our island community. The IESC set out to:

- Promote, finance and develop *essential-to-Islesboro-sustainability* services and businesses
 - Define, with Select Board and community, the *essential-to-Islesboro-sustainability* priorities
 - Establish programs that benefit the entire community
 - Help finance private investments to expand businesses, mixed-income housing, etc.
 - Purchase, sell, lease, finance and/or develop real-estate projects, i.e., town-center leased commercial space or community infrastructure
 - Leverage and lobby for Town, State & Federal economic development benefits
- Operate without reliance on tax-payer general funds – property-tax neutral
 - Raise \$1.5-2M in working capital via non-taxable donations, private and/or public grants
 - Recycle income (i.e., lease & interest income) for subsequent expenses and projects
 - Be governed by a 9-member board appointed by the Select Board
 - Majority of members must be residents or taxpayers and always include a Select Board member and the Town Manager
 - Members serve at the pleasure of the Select Board and can be removed at any time and for any reason
 - *Sunshine* rules – public meetings, reports, financials, deliverables
 - Formal financial controls, bylaws, policies, processes and outside audits
 - Operate with minimal overhead expenses and no employees
 - Remain on mission and distinct from *Islesboro Island Trust, Islesboro Affordable Properties, Islesboro Community Fund, Islesboro Community Center*

Accomplishments For 2021

Purchased Island Market Property at 111-113-115 Main Road

In January 2021, the IESC purchased the 111-113-115 Main Road property from the Berrys for roughly \$550,000. Our motivation in purchasing the property was twofold. First, the IESC could offer a long-term lease to the new proprietors of the Island Market business. Second, this keystone town center property offers the IESC the opportunity to house the Island market business for the foreseeable future and possibly expand the inventory of small commercial lease space on the island. Presently the store and home is rented to the full-time island family operating their market business. In calendar year 2021 we spent roughly \$59,000 in renovations on the property and expect to continue investing in the property to remediate lead paint issues, replace the septic system, relocate the garage across the street, redo the parking area and improve the store's physical plant. Long term, our financial goal for this property is to cover the cost of capital invested.

Educated the Community on the IESC Mission

We held several community awareness events in the summer of 2021 to broaden the understanding of our mission and challenges. We had the occasion to introduce the IESC and its mission to the Islesboro Forum. This presentation is available as a YouTube video on our website. In addition, we include IESC news and information as a regular feature in the Islesboro Island News and use the Town's Facebook and email lists to disseminate IESC information.

Data - What Are the Essential Businesses?

A key element of our mission is to understand a community consensus on exactly what Islesboro's essential businesses and services are. IESC conducted a town-wide survey on Essential Services and Businesses during January. These annual surveys provide good context for IESC planning with several obvious areas of community-wide concern. More than 50% of respondents deemed the following necessary services.

- Food services and markets including locally grown produce, restaurants & cafes
- Reliable, affordable ferry, mainland ferry parking and automobile fuel
- Year-round rentals and homes in a modest price range
- Boat yards, plumbers, electricians, carpenters, and auto repair, hardware store & ATM
- Dental hygienist and veterinarian

Expanded Our Small Business Loan Program

In calendar year 2021, we extended two new small business expansion loans. This brings our total loan program to four loans and roughly \$95,000 outstanding. Our program focuses on providing help for small equipment purchases, for business startup or expansion or equipment down-payment assistance. Our loans are extended at minimal interest for 5 years. All loans are current as of the end of 2021. We accept confidential applications from island businesses and our executive committee is authorized to review and approve these loans.

Help Islesboro Businesses Broaden Their Impact

When we became aware of the lead paint issues at our Main Road properties, we financed and encouraged an island painting contractor, Earl Grindle, to become a certified *Lead Paint Remediation* contractor. Earl and his team achieved this certification in the fall of 2021 and can now offer their services on island.

Work with Other Organizations and Island Efforts

The IESC Board has been supportive of many efforts and ideas aimed at improving the Islesboro's economic vitality. Several examples:

- Helping the Arcadia Alliance of Belfast with their proposal to the Maine DOT to embrace electric high-speed ferries and possibly a passenger route to/from Belfast.
- Discussing with the Town and IAP approaches to solving the affordable housing shortage
- Discussing with the Town's energy committee and local entrepreneurs how we might work together to sustain Islesboro's long-term energy needs with an eye toward affordability and self-reliance.
- Discussing with other island organizations how to increase composting, and trash repurposing.
- Discussing island economic vitality with other island economic development groups and the Island Institute.
- Discussing the future of the Island Market Post Office area.

Raise \$1.5-2M in Working Capital

IESC achieves its mission by utilizing a working capital fund seeded exclusively with private non-taxable donations. This fund recycles income, and leverages economic development funding available from private foundations, the state of Maine and the federal government. The IESC operates without property tax funding or support.

With two goals in mind, we began active fund raising in 2019. First, amass \$1.5-2M to have sufficient capital for several infrastructure projects and a meaningful small-business loan fund. Second, aim for everyone in the Islesboro community to support our mission and contribute whether a few dollars or a significant gift.

As of the end of December 2021, we have raised over \$1.85M.

In mid-2021 our board decided three things related to our fundraising goals. First, we have adequate working capital to accomplish our mission if we are frugal and careful. Second, we will continue to meet with potential donors who share our mission to improve Islesboro's economic vitality. This effort will provide a more comfortable working capital fund cushion. Third, we decided against a broad-reach community fundraising effort toward our second fundraising goal. At the time we felt it would be counterproductive given the continuing Covid economic headwinds and overly competitive with other island organizations raising money to help islanders weather the current reality.

At our October board meeting we expressed our sincere thanks to Arch Gillies who in 2019 generously signed on as the chief whip for our fundraising efforts. The achievement of our #1 fundraising goal is entirely due to his unflagging efforts.

Key Board Accomplishments

- Brought aboard two new board members – Ren Provey and Barry Wherren. Barry and Ren are both island residents. They bring a wealth of experience and enthusiasm to our board.
- Held five public board meetings in 2021. Meeting agendas are posted via the Town's communications and social media. Agendas and minutes are available on our website www.sustain04884.com
- Approved an investment policy. This policy provides flexibility to the board to allocate our cash assets to short term cash needs and long-term value preservation.
- Streamlined and improved our loan approval process.

An Eye Toward the Future – Our Objectives for 2022

Focus on the Essential Services and Businesses

We must maintain a current community consensus on the list of essential businesses and services. This community consensus and data will help inform our priorities and programs.

We use several tactical approaches:

- Update our annual community survey in the spring of each year which we then summarize for the community.
- Encourage and nurture a wealth of good ideas. Not only on essential services and businesses, but also ways to facilitate a more sustainable and self-reliant community.
- We will explore the idea of engaging an outside firm to do a more formal economic situation survey.

Expand and Refine the IESC Loan Program

Putting a portion of our capital to work in a small-business loan program is an important element of our mission.

We are aware of several issues with our loan program.

1. Many islanders are unaware of the program. We will redouble our efforts to explain what our loan program is and can be in terms of help for island businesses wishing to expand or create on-island jobs. We are honest in that we are not a bank and thus not in a position to offer complete financing packages however we can help with seed capital and modest 5-year minimal interest loans to help island businesses purchase equipment or expand their employee base.
2. Many island businesses are not able to provide adequate loan application information. This has tripped up several applicants and it prevents us from making a reasoned determination of their credit worthiness. We will continue to offer guidance and coaching to businesses as they navigate the process. We will refine our procedures to simplify our process without losing sight of our financial duties.
3. What is the right amount of capital to put at risk? The board discussed this and decided to not set a limit on the amount of working capital that can be at risk in a loan program. However, at each regular meeting the board reviews the status of our outstanding loans and the current capital at risk. This information helps the executive committee weigh the merits of future loan requests.

Build a Vision for the Future of the Island Market Property

We must solidify our plans for how best to use the Island Market property in support of the town center, island businesses and our financial goals. In the short term, IESC will continue to invest in the property: remodel the parking and traffic flow, improve the health and safety of the market building, complete the reconditioning of the house, work with the Island Market business to find affordable solution for the aging gas pump equipment, consider cosmetic improvements to the building. Ultimately, we and the surrounding property owners, the ICC, Second Baptist Church need to develop a town center model with an eye toward a cohesive community that will best serve the island residents and its visitors.

Work with Regional and State Economic Development Organizations

We must initiate relationships with Maine and regional economic development organizations so that the Town, the IESC and the island businesses can access and utilize additional economic development benefits.

Fundraising

In 2022 we will follow up on formal and informal pledges we've received. We will note in all our public presentations, on our website, and in published articles that community members who share a commitment to our mission can contribute. We will seek grants and other economic development funds as appropriate. We will suspend active fundraising until the IESC board determines a need for significant additional capital to fund an important project.

Financial Discussion

- Berry, Talbot & Royer, based in Bangor, Maine audit our financial position on a fiscal year basis. Their report on our FY2021 which ended June 30th 2021 is available on our website www.sustain04848.com.
- Our calendar year 2021 financial reports are shown below. Here are the highlights:
 - IESC held \$1,743,661 in assets at the end of calendar year 2021. Of that amount, \$554,209 was related to the 111-113-115 Main Road properties, \$95,371 was outstanding as small business loans and \$1,094,082 was held in cash and other investments.
 - The board holds to a policy to pay expense invoices when received, however, at the end of calendar year 2021, we had \$48,735 in accounts payable related to contracted incomplete painting and septic work at the 111-113-115 Main Road property.
 - IESC received \$418,988 in donations in calendar year 2021. \$17,700 was received in rental income for the 111-113-115 Main Road properties and \$1,109 was earned in interest.
 - The board holds to a policy to minimize non-discretionary corporate overhead expenses. For example, in calendar year 2021, Director & Officer and Liability insurance was \$6,242, and legal or audit services were \$3,946 while miscellaneous expenses for items like office supplies were \$2,094. IESC has no employees.
 - Our calendar year 2021 discretionary expenses were for the upkeep, maintenance, and improvement of the 111-113-115 Main Road properties. That entailed \$59,014 in repairs for painting and carpentry, \$1,671 in utilities and \$7,668 in insurance. IESC was required to relocate the house tenants during the lead paint remediation work and incurred \$700 in rental expenses. The IESC bylaws require that IESC operates in a property tax neutral manner and so IESC paid \$9,749 in property taxes. The board expects to continue investing in the repairs and enhancement of the 111-113-115 Main Road properties in 2022.

Islesboro Economic Sustainability Corporation

Balance Sheet

As of December 31, 2021

	<u>Total</u>
ASSETS	
Current Assets	
Bank Accounts	
Checking	117,623.99
MoneyMarket	218,171.39
Total Bank Accounts	<u>335,795.38</u>
Other Current Assets	
Total Charles Schwab	600,286.14
Receivable from Town	158,000.00
Total Other Current Assets	<u>758,286.14</u>
Total Current Assets	1,094,081.52
Land and Buildings	554,208.81
Notes Receivable	95,371.00
TOTAL ASSETS	1,743,661.33
LIABILITIES AND EQUITY	
Liabilities	
Accounts Payable	10,500.00
Other Current Liabilities	38,235.00
Total Liabilities	<u>48,735.00</u>
Equity	
Retained Earnings	1,487,259.13
Net Income	207,667.20
Total Equity	<u>1,694,926.33</u>
TOTAL LIABILITIES AND EQUITY	1,743,661.33

Islesboro Economic Sustainability Corporation

Profit and Loss

January - December 2021

	TOTAL
Income	
Donations	418,988.36
Interest Earned	1,109.45
Investment Earnings	0.00
Rental Income	17,700.00
Total Income	\$437,797.81
GROSS PROFIT	\$437,797.81
Expenses	
Change in FMV of Investments	0.00
Depreciation	4,421.00
Fuel	667.80
Insurance	13,909.93
Legal & Professional Services	3,945.99
Office Supplies & Software	1,548.60
Other Business Expenses	545.92
Property Tax	9,749.24
Rent & Lease	700.00
Repairs & Maintenance	59,013.91
Utilities	1,004.35
Total Expenses	\$95,506.74
NET OPERATING INCOME	\$342,291.07
NET INCOME	\$342,291.07



ISLESBORO ECONOMIC SUSTAINABILITY CORPORATION

(a component unit of the Town of Islesboro)

FINANCIAL REPORT



JUNE 30, 2021

Independently Audited By

Berry · Talbot · Royer
CERTIFIED PUBLIC ACCOUNTANTS

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
Statement 1 Statement of Net Position	6
Statement 2 Statement of Revenues, Expenses, and Changes in Net Position	7
Statement 3 Statement of Cash Flows	8
Notes to the Basic Financial Statements.....	9



INDEPENDENT AUDITORS' REPORT

Board of Directors
Islesboro Economic Sustainability Corporation
Islesboro, Maine

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of Islesboro Economic Sustainability Corporation, a component unit of the Town of Islesboro, as of and for years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of the Islesboro Economic Sustainability Corporation as of June 30, 2021 and 2020, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Islesboro Economic Sustainability Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Islesboro Economic Sustainability Corporation's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 Islesboro Economic Sustainability Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Islesboro Economic Sustainability Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.



Berry Talbot Royer
Certified Public Accountants
Falmouth, Maine
March 10, 2022



ISLESBORO ECONOMIC SUSTAINABILITY CORPORATION

(a component unit of the Town of Islesboro)

Management's Discussion and Analysis

June 30, 2021

Statement Overview of Financial Report

The Corporation is a not-for-profit corporation organized under the Maine NonProfit Corporations Act that generates income that is exempt from federal taxation under section 115 of the Internal Revenue Code (IRC). The Corporation's primary activities consist of rendering a variety of services to administer certain economic development programs on behalf of the Town of Islesboro (the Town) relating to the attraction, retention and expansion of commerce and industry in the Town. These services and programs include encouragement of construction, acquisition, rehabilitation, and improvement of commercial and industrial enterprises within the Town, and the provision of financial assistance to qualifying business enterprises as a means of helping to create and retain employment therein.

The Corporation uses a proprietary fund. The Corporation's fund is financed and operated in a manner similar to private businesses.

This Management's Discussion and Analysis (MD&A) serves as an introduction to the audited basic financial statements and notes. The MD&A is the Corporation management's analysis of its financial condition and performance. It is presented to give the reader more insight on the Corporation's finances.

The Corporation's basic financial statements include:

- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
- Statement of Cash Flows
- Notes to the Basic Financial Statements

2021 Financial Highlights

The net position for the Corporation is \$1,487,258 which is an increase of \$252,965. The Corporation continues to receive donations and did acquire a property during this fiscal year.

The Corporation has met their initial fundraising goal and have switched their focus to activities that support their mission.

Comparison of Financial Statements for the Current Year

Condensed Statement of Net Position

	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Current Assets	\$ 875,959	\$ 1,234,293	\$ (358,334)	-29.0%
Non-current Assets	<u>611,299</u>	<u>-</u>	<u>611,299</u>	100.0%
Total Assets	<u>1,487,258</u>	<u>1,234,293</u>	<u>252,965</u>	20.5%
Investment in Capital Assets	554,209	-	554,209	100.0%
Unrestricted	<u>933,049</u>	<u>1,234,293</u>	<u>(301,244)</u>	-24.4%
Total Net Position	<u>\$ 1,487,258</u>	<u>\$ 1,234,293</u>	<u>\$ 252,965</u>	20.5%

Current Assets

There was a net decrease in Cash and Cash Equivalents due to the property purchased during the reporting period offset by some donations received.

Non-current Assets:

The increase in the non-current assets is due to the acquisition of a property and the 3 loans to business owners in Town.

Condensed Statement of Revenues, Expenses and Changes in Net Position

	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>	<u>% Change</u>
Operating Revenue	\$ 298,887	\$ 1,239,335	\$ (940,448)	-75.9%
Operating Expenses	<u>(46,851)</u>	<u>(5,415)</u>	<u>(41,436)</u>	765.2%
Net Operating Income	252,036	1,233,920	(981,884)	-79.6%
Non-Operating Revenue	<u>929</u>	<u>373</u>	<u>556</u>	149.1%
Change in Net Position	252,965	1,234,293	(981,328)	-79.5%
Beginning Net Position	<u>1,234,293</u>	<u>-</u>	<u>1,234,293</u>	100.0%
Ending Net Position	<u>\$ 1,487,258</u>	<u>\$ 1,234,293</u>	<u>\$ 252,965</u>	20.5%

Operating Revenue

This item consists mainly of donations received by the Corporation. A small portion of the operating revenue is rental income.

Operating Expenses

The reason for the increase in operating expenses is the acquisition of a property resulting in utilities, legal expenses, and repairs and maintenance costs associated with that acquisition.

Non-Operating Revenue

This item is made up of interest and investment earnings, and the change in the fair market value of the investments.

Capital Assets

The Corporation purchased land and buildings this year at a cost of \$558,630 and recorded depreciation expense of \$4,421. As of June 30, 2021, the capital assets, net amount was \$554,209.

Currently Known Facts and Decisions

The Corporation has completed the purchase of 111, 113, and 115 Main Road, commonly called the Island Market property on January 14, 2021. This property has three buildings: the Island Market building which the Corporation leased to the Island Market business owners, a full-time home rented to the market business owners, and a storage barn that has also been leased.

Active fundraising has been winding down. We continue with a soft ask when given the opportunity, inform people of what we do, and if they want to support this mission, they can contribute.

The Corporation continues to offer a small business loan program available to island businesses and anticipate that it will continue to offer these. The Board has an evaluation process, and can offer small loans for up to 5 years. The Board has not yet set a limit on the total amount of funds at risk, but the Board will likely do that in the future.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Islesboro Economic Sustainability Corporation's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Roger Heinen, Islesboro Economic Sustainability Corporation, P.O. Box 108, Islesboro, ME 04848.

BASIC FINANCIAL STATEMENTS

Islesboro Economic Sustainability Corporation
Statement of Net Position
As of June 30,

	2021	2020
Assets		
Current Assets:		
Cash	\$ 359,076	\$ 1,234,293
Investments	498,030	-
Accrued Interest Receivable	1,677	-
Current Portion of Notes Receivable	17,176	-
Total Current Assets	875,959	1,234,293
Non-current Assets		
Notes Receivable, less current portion	57,090	-
Capital Assets		
Land	116,513	-
Buildings	442,117	-
	558,630	-
Accumulated Depreciation	(4,421)	-
Net Capital Assets	554,209	-
Total Non-current Assets	611,299	-
Total Assets	1,487,258	1,234,293
Net Position		
Investment in Capital Assets	554,209	-
Unrestricted	933,049	1,234,293
Total Net Position	\$ 1,487,258	\$ 1,234,293

Islesboro Economic Sustainability Corporation
Statement of Revenues, Expenses, and Changes in Net Position
For Year Ended June 30, 2021 and For Six Months Ended June 30, 2020

	<u>2021</u>	<u>2020</u>
Operating Revenues		
Rental Income	\$ 7,550	\$ -
Donations	<u>291,337</u>	<u>1,239,335</u>
Total Operating Revenues	298,887	1,239,335
Operating Expenses		
Insurance	7,611	-
Professional Services	11,045	4,626
Office Expense	689	789
Property Taxes	2,956	-
Repairs and Maintenance	18,218	-
Utilities	739	-
Miscellaneous	1,172	-
Depreciation	<u>4,421</u>	<u>-</u>
Total Operating Expenses	<u>46,851</u>	<u>5,415</u>
Net Operating Expenses	252,036	1,233,920
Non-operating Revenue		
Interest Income (Undesignated)	<u>929</u>	<u>373</u>
Change in Net Position	252,965	1,234,293
Net Position - At Beginning of Year	<u>1,234,293</u>	<u>-</u>
Net Position - At End of Year	<u>\$ 1,487,258</u>	<u>\$ 1,234,293</u>

Islesboro Economic Sustainability Corporation
Statement of Cash Flows
For Year Ended June 30, 2021 and For Six Months Ended June 30, 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Cash Received from Contributors and Lessees	\$ 298,887	\$ 1,239,335
Cash Payments to Suppliers and Contractors	<u>(42,430)</u>	<u>(5,415)</u>
Net Cash Provided by Operating Activities	256,457	1,233,920
 Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	(558,630)	-
 Cash Flows from Investing Activities		
Purchase of Investments	(500,000)	-
Payments of Notes Receivable Disbursements	(84,706)	-
Repayments of Notes Receivable	10,439	-
Amounts Added to Investments	(1,699)	-
Interest Income Received	<u>2,922</u>	<u>373</u>
Net Cash Provided (Used) by Investing Activities	<u>(573,044)</u>	<u>373</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	(875,217)	1,234,293
 Cash and Cash Equivalents - At Beginning of Year	<u>1,234,293</u>	<u>-</u>
 Cash and Cash Equivalents - At End of Year	<u>\$ 359,076</u>	<u>\$ 1,234,293</u>
 Supplemental Disclosure of Cash Flows Information		
Cash Components:		
Operating	<u>359,076</u>	<u>1,234,293</u>
	<u>\$ 359,076</u>	<u>\$ 1,234,293</u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Net Operating Income	\$ 252,036	\$ 1,233,920
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	<u>4,421</u>	<u>-</u>
Net Cash Provided by Operating Activities	<u>\$ 256,457</u>	<u>\$ 1,233,920</u>

Islesboro Economic Sustainability Corporation

(a component unit of the Town of Islesboro)

Notes to the Basic Financial Statements

Year Ended June 30, 2021

NOTE 1: SUMMARY OF ACCOUNTING POLICIES

This summary of significant accounting policies of the Islesboro Economic Sustainability Corporation, hereinafter called IESC or the Corporation, is presented to assist in understanding the representations of the Corporation's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Nature of Business

The Corporation is a not-for-profit corporation organized under the Maine NonProfit Corporations Act that generates income that is exempt from federal taxation under section 115 of the Internal Revenue Code (IRC). The Corporation's primary activities consist of administering certain economic development programs on behalf of the Town of Islesboro (the Town) relating to the attraction, retention and expansion of commerce and industry in the Town. These services and programs include encouragement of construction, acquisition, rehabilitation, and improvement of commercial and industrial enterprises within the Town, and the provision of financial assistance to qualifying business enterprises as a means of helping to create and retain employment therein.

Basis of Accounting

The Corporation follows enterprise fund reporting; accordingly, the accompanying financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred or the economic asset used. In its accounting and financial reporting, the Corporation follows the pronouncements of the Governmental Accounting Standards Board (GASB).

Basis of Presentation

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Corporation's proprietary funds are the rentals of the Corporation's owned property and donations. Operating expenses include project and program costs and general administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating income and expenses.

Revenue Recognition

The Corporation's property rental revenue is recognized on a straight-line basis over the term of the lease and donations are recognized when received.

Cash and Investments

For purposes of the statement of cash flows, the Corporation includes cash on hand, and deposits in banks, including money market funds.

The Corporation invests its funds in an effort to ensure preservation of capital, remain sufficiently liquid, and attain a reasonable market rate of return.

Islesboro Economic Sustainability Corporation
(a component unit of the Town of Islesboro)
Notes to the Basic Financial Statements
Year Ended June 30, 2021

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (Continued)

Investments

Investments held by IESC are recorded at fair value.

Notes Receivable

IESC has provided loans to Town businesses to advance certain economic development objectives. The loans are repayable over a five (5) year period.

Capital Assets

Capital assets are defined by IESC as assets with an estimated useful life in excess of one year and a minimum cost of \$500. Such assets are recorded at cost and depreciated over their estimated useful lives. Donated capital assets are recorded at their estimated fair value at the date of donation. Estimated useful life is management's estimate of how long the asset is expected to meet service demands.

Capital assets consist of land (not depreciated) and buildings that are depreciated using the straight-line method over the asset's estimated life of 50 years. The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized.

Net Position Classifications

Net position is required to be classified into the following components:

Investment in capital assets - This component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted - This component consists of constraints placed on the use of net position which are either externally imposed by debt covenants, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component consists of net position that does not meet the definition of “restricted” or “investment in capital assets”.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2: DEPOSITS AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the bank's failure, the Corporation will not be able to recover the value of its deposits and investments that are in the possession of an outside party.

Islesboro Economic Sustainability Corporation

(a component unit of the Town of Islesboro)

Notes to the Basic Financial Statements

Year Ended June 30, 2021

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

Cash Deposits

The Corporation has a deposit policy for custodial credit risk. Individual bank account or certificates of deposit will not exceed the FDIC insured amount. As of June 30, 2021, the Corporation reported a bank balance of \$359,699. Of the Corporation's bank balances, \$250,000 was covered by FDIC insurance and \$109,699 was exposed to custodial credit risk. The balance exposed to custodial credit risk was uninsured and uncollateralized.

Investments

The Corporation's investment policy authorizes the Corporation to invest in short-term certificates of deposits, obligations of the U.S. Treasury, or investment grade fixed income securities rated A or better by Standard & Poor's or Moody's. As of June 30, 2021, \$271,541 of the Corporation's investment balance of \$499,707 was insured by FDIC and the balance of \$228,166 was exposed to custodial credit risk. The balance exposed to custodial credit risk was placed in securities held by the related trust department, but not in the Corporation's name, and \$1,677 was uninsured and uncollateralized.

At June 30, 2021, the Corporation had the following investments and maturities:

	<u>Fair Value</u>	<u>Not Applicable</u>	<u><1</u>	<u>1-5</u>
Cash and Cash Equivalents	\$ 271,542	\$ 33,944	\$ 114,992	\$ 122,606
US Agencies	226,488	-	-	226,488
	<u>\$ 498,030</u>	<u>\$ 33,944</u>	<u>\$ 114,992</u>	<u>\$ 349,094</u>

Credit Risk

At June 30, 2021, the Corporation's investment in US Agencies was rated by Moody's as follows:

Credit Risk Rating:

US Agencies with AA+ Ratings \$ 226,488

Concentration of Credit Risk

At June 30, 2021, the Corporation has individual investments that exceeded 5% of the Corporation's investments as follows:

	<u>Fair Market Value</u>	<u>Percentage</u>
Certificates of Deposit:		
US Agencies	\$ 226,488	48.80%
Goldman Sachs Bank	130,920	28.21%
Beal Bank, SSB	49,998	10.77%
Capital One Bank	27,695	5.97%

Fair Value Measurements – Fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into these levels: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Certificates of deposits, categorized as Level 1, are valued at the unadjusted prices quoted in active principal markets for identical assets. US Agencies securities, categorized as Level 2, are valued based on models using observable inputs.

Islesboro Economic Sustainability Corporation
(a component unit of the Town of Islesboro)
Notes to the Basic Financial Statements
Year Ended June 30, 2021

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

Investment Income

Investment income includes unrealized gains and losses on investments as well as interest earned on bank accounts, certificates of deposit, and securities.

NOTE 3: NOTES RECEIVABLE

The Corporation has provided loans to Town businesses to advance certain economic development objectives consistent with their corporate mission. At June 30, 2021, the loan portfolio consisted of 3 loans that bear an interest rate at 0.5% and mature at various dates through April 30, 2026.

Scheduled maturities of principal for these loans are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 17,176	\$ 331	\$ 17,507
2023	16,911	247	17,158
2024	16,996	162	17,158
2025	17,080	78	17,158
2026	<u>6,103</u>	<u>11</u>	<u>6,114</u>
	<u>\$ 74,266</u>	<u>\$ 829</u>	<u>\$ 75,095</u>

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Ending Balance</u>
<i>Capital Assets Not Being Depreciated</i>			
Land	\$ -	\$ 112,110	\$ 112,110
<i>Capital Assets Being Depreciated</i>			
Buildings	-	<u>442,117</u>	<u>442,117</u>
Total Capital Assets Cost	-	554,227	554,227
Accumulated depreciation	-	<u>(4,421)</u>	<u>(4,421)</u>
Capital Assets, Net	<u>\$ -</u>	<u>\$ 549,806</u>	<u>\$ 549,806</u>

NOTE 5: INCOME TAX STATUS

The Corporation qualifies as a tax-exempt organization under the provisions of the Internal Revenue Code Section 115 and, accordingly, its revenue is not subject to any State or Federal income taxes.

Islesboro Economic Sustainability Corporation

(a component unit of the Town of Islesboro)

Notes to the Basic Financial Statements

Year Ended June 30, 2021

NOTE 6: OTHER DISCLOSURES

Litigation

The Corporation is subject to certain legal proceedings and claims which arise in the ordinary course of conducting its activities. In the opinion of management, the Corporation has defensible positions, and any ultimate liabilities are covered by insurance or will not materially affect the financial position of the Corporation.

Risk Management

The Corporation is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors, and omissions; and natural disaster for which the Corporation carries commercial insurance. Based on the coverage provided by commercial insurance purchased, the Corporation is not aware of material actual or potential claim liabilities, which is to be recorded at June 30, 2021.

NOTE 7: SUBSEQUENT EVENTS

In preparing these financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through March 10, 2022, the date the financial statements were available to be issued.