IESC

Islesboro Economic Sustainability Corporation

(a component unit of the Town of Islesboro)

FINANCIAL REPORT

JUNE 30, 2025

Independently Audited By

ROYER
Advisors & Accountants

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ROYER
Advisors & Accountants

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, 2025 and 2024, 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, 2025 and 2024, 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

6 Fundy Rd., Suite 100, Falmouth, ME 04105 OFFICE: (207) 781-3445 FAX: (207) 781-3578 ROYER-CPA.COM

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.

Royer Advisors & Accountants

Royer Advisors and Accountants
Certified Public Accountants
Falmouth, Maine
February 20, 2026

ISLESBORO ECONOMIC SUSTAINABILITY CORPORATION
(a component unit of the Town of Islesboro)

Management's Discussion and Analysis
June 30, 2025

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

2025 Financial Highlights

The net position for the Corporation is $1,895,962 which is an increase of $58,457. The Corporation continues to receive some donations.

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

PO Box 108
Islesboro, ME 04848
IESC04848@GMAIL.COM

Comparison of Financial Statements for the Current Year

Condensed Statement of Net Position

	2025	2024	$ Change	% Change
Current Assets	$ 809,296	$ 898,806	$ (89,510)	-10.0%
Non-current Assets	1,275,787	1,127,584	148,203	13.1%
Total Assets	2,085,083	2,026,390	58,693	2.9%
Liabilities	21,491	7,875	13,616	100.0%
Deferred Inflows from Leases	167,630	181,010	(13,380)	100.0%
Investment in Capital Assets	840,842	652,758	188,084	28.8%
Unrestricted	1,055,120	1,184,747	(129,627)	-10.9%
Total Net Position	$ 1,895,962	$ 1,837,505	$ 58,457	3.2%

Current Assets

There was a net decrease in Investments due to construction projects and loans given to businesses during the year.

Condensed Statement of Revenues, Expenses and Changes in Net Position

	2025	2024	$ Change	% Change
Operating Revenue	$ 36,896	$ 31,936	$ 4,960	15.5%
Operating Expenses	(46,832)	(34,684)	(12,148)	35.0%
Net Operating Income	(9,936)	(2,748)	(7,188)	261.6%
Non-Operating Revenue	68,393	31,314	37,079	118.4%
Change in Net Position	58,457	28,566	29,891	104.6%
Beginning Net Position	1,837,505	1,808,939	28,566	1.6%
Ending Net Position	$ 1,895,962	$ 1,837,505	$ 58,457	3.2%

Operating Revenue

This item consists of loan interest and rental income received by the Corporation. About 80% of the operating revenue is rental income.

Operating Expenses

The reason for the increase in operating expenses is professional fees and depreciation expenses were higher. The larger expenses were capitalizable items.

Non-Operating Revenue

This item is made up of donations and investment earnings this year, and donation were significantly better this year.

Capital Assets

The Corporation recorded purchases of $201,741, and depreciation expense of $13,657. As of June 30, 2025, the capital assets' net amount was $840,842.

Currently Known Facts and Decisions

The Corporation has met its goal of raising $2M in working capital and is no longer fundraising. We continue to inform the community of what we do, and if they want to support this mission, they can contribute. We received total contributions of $54,100 during FY2025.

The Corporation continues to offer a small business loan program available to island businesses and anticipates that it will continue to offer these. The Board has authorized small loans for up to 5 years. The Board has not set a limit on the total amount of funds at risk, but evaluates the funds at risk and the status of the loan portfolio at each regular board meeting. We now require a Surety Note for any loan over $5,000.

Island Market's interior work including a new HVAC system, safer stairway into the basement, an enclosed loading dock; exterior work landscaping and paving the parking area concluded in 2025 for a total cost of $218,301.

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 Tom Tutor, 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,

	2025	2024
Assets		
Current Assets:		
Cash	$ 300,046	$ 267,416
Investments	386,045	520,722
Accrued Interest Receivable	2,057	3,088
Current Portion of Notes Receivable	96,007	82,842
Current Portion of Leases Receivable	25,141	24,738
Total Current Assets	809,296	898,806
Non-current Assets		
Notes Receivable, less current portion	290,389	316,955
Leases Receivable, less current portion	144,556	157,871
Capital Assets		
Land	120,808	120,808
Construction Work in Progress	-	39,674
Buildings	661,070	419,655
Equipment	104,241	104,241
	886,119	684,378
Accumulated Deprecation	(45,277)	(31,620)
Net Capital Assets	840,842	652,758
Total Non-current Assets	1,275,787	1,127,584
Total Assets	2,085,083	2,026,390
Liabilities		
Current Liabilities		
Accounts Payable	21,491	7,875
Deferred Inflows of Resources		
Deferred Inflows from Leases	167,630	181,010
Net Position		
Investment in Capital Assets	840,842	652,758
Unrestricted	1,055,120	1,184,747
Total Net Position	$ 1,895,962	$ 1,837,505

The accompanying notes are an integral part of these financial statements.

Islesboro Economic Sustainability Corporation
Statement of Revenues, Expenses, and Changes in Net Position
For Years Ended June 30,

	2025	2024
Operating Revenues	$ 36,896	$ 31,936
Operating Expenses		
Advertising and Marketing	303	226
Insurance	8,919	9,068
Professional Services	15,606	7,980
Office Expense	1,069	970
Property Taxes	5,329	4,926
Repairs and Maintenance	1,582	1,048
Miscellaneous	367	191
Depreciation	13,657	10,275
Total Operating Expenses	46,832	34,684
Net Operating Expenses	(9,936)	(2,748)
Non-operating Revenue		
Public Support	54,100	5,000
Investment Earnings	14,293	26,314
Total Non-operating Revenue	68,393	31,314
Change in Net Position	58,457	28,566
Net Position - At Beginning of Year	1,837,505	1,808,939
Net Position - At End of Year	$ 1,895,962	$ 1,837,505

The accompanying notes are an integral part of these financial statements.

Islesboro Economic Sustainability Corporation
Statement of Cash Flows
For Years Ended June 30,

	2025	2024
Cash Flows from Operating Activities		
Cash Received from Contributors and Lessees	$ 36,427	$ 31,468
Cash Payments to Suppliers and Contractors	(19,558)	(4,408)
Net Cash Provided (Used) by Operating Activities	16,869	27,060
Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	(201,741)	(74,320)
Cash Flows from Investing Activities		
Purchase of Investments	(370,000)	(300,000)
Proceeds from Investments	520,900	518,734
Additions to Notes Receivable	(94,017)	(284,000)
Repayments of Notes Receivable	107,549	104,696
Amounts Added to Investments	(15,323)	(25,049)
Contributions Received	54,100	5,000
Interest Income Received	14,293	26,314
Net Cash Provided (Used) by Investing Activities	217,502	45,695
Net Decrease in Cash and Cash Equivalents	32,630	(1,565)
Cash and Cash Equivalents - At Beginning of Year	267,416	268,981
Cash and Cash Equivalents - At End of Year	$ 300,046	$ 267,416
Supplemental Disclosure of Cash Flows Information		
Cash Components:		
Operating	300,046	267,416
	$ 300,046	$ 267,416
Reconcilation of Operating Income to Net Cash Provided by Operating Activities		
Net Operating Loss	$ (9,936)	$ (2,748)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	13,657	10,275
(Increase) Decrease in Leases Receivable	12,912	24,214
(Increase) Decrease in Prepaid Expenses	-	12,126
(Decrease) Increase in Accounts Payable	13,616	7,875
(Decrease) Increase in Deferred Inflows	(13,380)	(24,682)
Net Cash Provided (Used) by Operating Activities	$ 16,869	$ 27,060

The accompanying notes are an integral part of these financial statements.

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 interest income from loans. 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.

Cash

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

Investments

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

Investments held by IESC are recorded at fair value.

Notes Receivable

IESC has provided loans to Town businesses to advance certain economic development objectives. In most cases, the loans are repayable over a five (5) year period.

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (Continued)

Leases Receivable and Deferred Inflows

IESC is the lessor of noncancelable leases for two buildings. One of the leases is for 15 years and the other is for 3 years.

At the commencement of the lease, IESC initially measures the lease receivables at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of the lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resource is recognized as revenue over the life of the lease term.

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 $2,500. 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), buildings and equipment that are depreciated using the straight-line method over the asset's estimated life, buildings - 20 - 50 years, and equipment - 8 - 20 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.

Revenue Recognition

The Corporation's property rental revenue, donations, and loan interest are recognized when received.

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.

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, 2025, the Corporation reported a bank balance of $307,073. Of the Corporation's bank balances, $250,000 was covered by FDIC insurance and $57,073 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, 2025, $126,358 of the Corporation's investment balance of $386,045 was insured by FDIC and the balance of $259,687 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.

At June 30, 2025, the Corporation had the following investments and maturities:

	Fair Value	Not Applicable	<1	1-5
Cash and Cash Equivalents	$ 126,358	$ 126,358	$ -	-
Preferred Stocks	49,979	-	49,979	-
Bonds	159,878	-	159,878	-
US Agencies	49,830	-	49,830	-
	$ 386,045	$ 126,358	$ 259,687	$ -

Credit Risk

At June 30, 2025, the Corporation's investment in US Agencies was rated by Moody's as follows:

Credit Risk Rating:	
US Agencies with Aa1 Ratings	$ 49,830
Stocks and Bonds with Aa2 Ratings	99,884
Bonds with A1 Ratings	59,976
Bonds with A2 Ratings	49,997
	$ 259,687

NOTE 2: DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk

At June 30, 2025, the Corporation has individual investments that exceeded 5% of the Corporation's investments as follows:

	Fair Market Value	Percentage
Treasury Notes:		
US Treasury Note	$ 49,830	19.19%
Bonds:		
JP Morgan Chase	49,905	19.22%
Key Bank	49,997	19.25%
Goldman Sachs	59,976	23.10%
Stocks:		
JP Morgan Chase	49,979	19.25%
	$ 259,687	100.00%

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.

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, 2025, the loan portfolio consisted of 15 loans that bear an interest rate between 0.5% and 2.0% and mature at various dates through July 31, 2031.

Scheduled maturities of principal for these loans are as follows:

Year Ending	Principal	Interest	Total
2026	$ 96,007	$ 6,148	$ 102,155
2027	84,177	4,725	88,902
2028	77,653	3,108	80,761
2029	75,855	1,803	77,658
2030	31,197	569	31,766
2031 - 2032	21,507	202	21,709
	$ 386,396	$ 16,555	$ 402,951

NOTE 4: LEASES RECEIVABLE

The Corporation is the lessor for noncancelable leases of two buildings with one term expiring in 2036 and the other expires in 2026.

Year Ending	Receivable	Deferred Inflow	Total
2026	$ 25,141	$ 25,419	$ 50,560
2027	13,803	13,815	27,618
2028	14,029	14,041	28,070
2029	14,260	14,272	28,532
2030	14,494	14,506	29,000
2031 - 2035	78,370	76,257	154,627
2036	9,600	9,320	18,920
	$ 169,697	$ 167,630	$ 337,327

For the year ended June 30, 2025, the Corporation recognized lease revenue of $26,890 along with interest revenue related to those leases of $3,178.

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025 was as follows:

	Beginning Balance	Additions	Disposals/ Transfers	Ending Balance
Capital Assets Not Being Depreciated				
Land	$ 120,808	$ -	$ -	$ 120,808
Work in progress	39,674	-	(39,674)	-
Total Capital Assets Not Being Depreciated	160,482	-	(39,674)	120,808
Capital Assets Being Depreciated				
Buildings	419,655	241,415	-	661,070
Equipment	104,241	-	-	104,241
Total Capital Assets Being Depreciated	523,896	241,415	-	765,311
Total Capital Assets Cost	684,378	241,415	(39,674)	886,119
Accumulated depreciation	(31,620)	(13,657)	-	(45,277)
Capital Assets, Net	$ 652,758	$ 227,758	$ (39,674)	$ 840,842

NOTE 6: INCOME TAX STATUS

The Corporation applied for non-profit status under the provisions of the Internal Revenue Code Section 115. The Corporation is still waiting for confirmation and, accordingly, its revenue is not subject to any State or Federal income taxes.

NOTE 7: 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, 2025.

NOTE 8: SUBSEQUENT EVENTS

In preparing these financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through February 20, 2026, the date the financial statements were available to be issued.