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ANNUAL REPORT

30th ANNIVERSARY EDITION



S | M Southern Maine
F | A Finance Agency

504+ **MORE**

20 23 | ANNUAL REPORT

30TH ANNIVERSARY EDITION

Our progress and impact – a look at our 30 year journey from a regional economic development organization to statewide provider of business financing assistance.

The Southern Maine Finance Agency (SMFA) promotes sustainable economic prosperity through regional business lending. We work collaboratively with communities, financial institutions and local, regional, state and federal organizations to facilitate policies, projects and programs that help Maine businesses grow.

SMFA helps businesses, large and small, by providing gap financing for fixed assets, start-up or working capital, and real estate acquisitions and development. As an SBA 504 lender, we can offer small businesses financing with less money down, longer terms, and below-market fixed interest rates. Many businesses could not pursue the start-up, expansion and growth they desire without the assistance of SMFA's programs and loans.

“The work we do with businesses directly influences the growth of our communities, the region, and now, the State of Maine.”

– Will Armitage, President, SMFA



S | M Southern Maine
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table of contents

Letter from the President	Page 4
Letter from the Board Chair	Page 5
SMFA Board of Directors	Page 6
Advisory Committee & Volunteers	Page 7
SMFA Successes	Page 7, 8, 12, 13, 14
30th Anniversary - Major Milestones	Page 11
CDC Designation & SBA 504 Loans	Page 12, 13, 14
2022/2023 Fiscal Year Financials	Page 15, 16 , 17, 18
Our Partners & Affiliates	Page 19



hello

from our President



As we celebrate our 30th Anniversary, I first and foremost want to acknowledge and thank everybody who's supported the organization. I especially want to thank the Board and Loan Committee members who have volunteered their time over the last 27 years. It's been an amazing journey and we have an exciting future ahead of us. We remain vigilant to the needs of businesses in our communities, and continue to evolve to meet these demands through expansion of our programs in the region.

There's no question that the last 30 years has required dedication and effort. There have been growing pains and challenges along the way, but at every step we've had our Community Partners, the Board, and the Loan Committee by our side. They've challenged me and the staff when we needed to be challenged, but also supported us when we tried to blaze a new path. I'm very fortunate that I've had that level of trust with my Directors. The end result is what we are today, a well-established regional lending agency, now with the ability to have a statewide impact.

SMFA has always been a team effort. The Board has evolved to fit the needs of the Agency, and best represent our communities. The staff has grown from just me to a team of four skilled and experienced people, empowered to do their jobs. It's pretty amazing to think about the volume we achieve with the number of staff we have, but that speaks to our strategic partnerships and relationships with our Board, Volunteers, and Community Partners.

I'm very excited about the addition of the SBA 504 program and our CDC designation. The prospect of where we can go and the opportunity that this program provides us as an agency is exciting. We are well positioned to address the needs of even more businesses, and now in a greater geographical area.

What comes to mind when I think about leading SMFA over the last 27 years is pride. The work we do with businesses directly influences the growth of communities, the region, and now, the State of Maine. It has been a very rewarding journey and I look forward to the next chapter.

Sincerely,

William Armitage
President, SMFA

.... and from our Board Chair



We are at an enormously exciting point in the history of the Southern Maine Finance Agency. Reaching our 30th year as an organization is clearly a significant milestone, with many achievements as described in this report. I prefer to look ahead as we contemplate how best to apply our strengths to equally, if not more, exciting opportunities. SMFA has succeeded in bringing focus and expertise to a narrow, niche market – providing gap financing to commercial enterprises ranging from tiny startups to established concerns seeking to expand. We work with a variety of sources of funds, and a network of local banks, to tailor financing packages that enable companies to reach otherwise unattainable goals. We help entrepreneurs enter the economy, and help create jobs. Our development has been a steady pattern of growth, both geographically and conceptually. What began with financing startups in Biddeford and Saco has gradually expanded throughout the county. Maine is an economy of small businesses, many of which are service-oriented, such as restaurants, hair salons, fitness centers, etc. These tend to have a smaller, local economic footprint, and we are proud of our work supporting these businesses.

An evolving part of our business has been firms with a more regional outlook: entities doing business across the region and beyond. These can be involved in manufacturing, distribution, and services. They tend to be bigger, conduct business across much larger footprints, and have more complex financial requirements. After a somewhat arduous process, the US Small Business Administration has approved SMFA as a Certified Development Company (CDC). This means we are empowered to originate federally funded SBA loans under the 504 program. This is new territory for SMFA. The SBA considers CDCs to be agents of the SBA, subject to all their rules, guidelines and practices. The upside is that we are empowered to originate 504 loans on a statewide basis.

Looking forward, our plans include building and training our staff to continue our traditional gap financing, as well as supporting 504 financing opportunities in Maine. We are expanding our relationships with local banks as we consider new geographic expansion, and managing our growth at a sustainable level so as to maintain our traditional level of focus, expertise, and attention to business. In spite of an uncertain economy, we plan to build on our opportunities, assisting startups, and supporting growing companies.

Sincerely,

Jan Williams
Board Chair, SMFA



SMFA Board of Directors: from left to right: Bob Georgitis, Jan Williams, Keith Jacques, Esq., Rick Olsen, Rebecca Jacobs, Tracy Desjardins, Keith McBride, Ayn Hanselmann, Greg Mitchell, Andy Kany

Executive Committee

Jan Williams, Board President
Retired Accountant, Hiram & Portland

Lorraine Boston, Board Vice President
Retired bank officer, Sanford

Rick Olsen, Board Treasurer
Southern Maine Health Care

Keith Jacques, Esq., Board Secretary
Partner, Woodman, Edmands, Danylik, Austin,
Smith & Jacques, P.A., Biddeford

Board Members

Marshall Archer, Councilor, Ward 1, City of Saco
 Alan Casavant, Mayor, City of Biddeford
 Tracy Desjardins, City of Saco Community Development
 Bob Georgitis, Kennebunk Development Corporation
 Ayn Hanselmann, Sanford Regional Economic Growth Council
 Dick Hodgdon, Board President, Retired Manager,
 Maine Department of Labor Saco
 Rebecca Jacobs, Kennebunk Savings Bank
 Andy Kany, Biddeford-Saco Chamber of Commerce
 and Industry Representative, Biddeford
 Keith McBride, SREGC
 Greg Mitchell, City of Biddeford Community Development
 Betty Olson, Retired Banker
 Paul Schumacher, Executive Director of Southern Maine
 Planning & Development Commission, Saco

Thank You to Our Past Advisory Panel, Loan Committee & Other Volunteers

Marshall Archer
 Maryanna Arsenault
 Hans Asoera
 Glenn Baker
 Don Ballute
 Chuck Bates
 Stephen Beaudette
 Lorraine Boston
 Lottie Bragdon
 John Bubier
 Cathy Buffum
 Alan Casavant
 Jeff Chistenbury
 Denise Clavette
 Dan Colby
 Elain Collins
 Francine Cram
 Kim Dennis
 Dan D'Entremont
 Tracy Desjardins
 Donna Dion
 Robert Dodge
 William Doyle

Eric Doyon
 Aaron Drisko
 Mathew Eddy
 Roland Eon
 Renee Fahie
 Philip Fearon
 Charles Galloway
 Jeanette Garvilles
 Robert Georgitis
 David Gould
 Eric Green
 Conrad Grondin
 Ward Grossman
 Brian Haley
 Thomas Haley
 Ayn Hanselmann
 Richard Hodgdon
 Lynn Howe
 Becky Jacobs
 Keith Jacques, Esq.
 Anthony Jendrek
 A. William Kany
 Andy Kany

Mike Knowles
 Peg Levasseur
 Marston Lovell
 William Mann
 Keith McBride
 Ed McDonough
 Andy Michaud
 Alan Minthorn
 Greg Mitchell
 James Molleau
 Peter Morelli
 Andrea Moreshead
 Ronald Morton
 Tim Murphy
 Robert Nadeau
 Judy Nedeau
 James Nimon
 Wallace Nutting
 Wendy O'Blenis
 David O'Connor
 Betty Olson
 Rick Olsen
 Elaine Palmitessa

Lisa Parker
 Jim Plamondon
 Charles Plourde
 Jennifer Powers
 Robert Quentin
 Kevin Robert
 Michelle Robert
 Kevin Roche
 Gary Samia
 Paul Schumacher
 Ann Scott
 Wayne Sherman
 Jennifer Sirois
 Art Stevens
 Daniel Stevenson
 Peter Sylvestre
 Robert Trumpler
 Joanne Twomey
 Dan Watkins
 Mark Willett
 Jan Williams



**Northeast
 Coating
 Technologies**

SUCCESS

In 1994, Shawn Spencer was struggling to make his ground-breaking industrial coatings machine design into a viable business. All he lacked was the capital to purchase the necessary materials to build his equipment.

"SMFA and Will were instrumental in getting the company off the ground. I don't know if we would exist without them to be honest. We had exhausted other avenues," says Shawn. "I would present my business plan to banks, and they would look at me with total confusion. This business wasn't really identified 25 years ago, we were really breaking new ground." Northeast Coating makes titanium and diamond coatings that reduce wear under friction. Bottom line, what they do makes things last longer. "Trying to sell that to a banker in my 20's, with no formal education, just an idea that I knew would work, was basically impossible! Thank goodness, Will and SMFA existed. Will admitted he didn't really understand but he said he believed me. Will invests in people."

Will Armitage remembers this loan vividly as it was his very first loan with the organization. *"SMFA is uniquely set up to help businesses just like Shawn's. We help those businesses that cannot find the capital they need. He had some investors backing him, he had a track record, and he had the business experience that demonstrated he could do this, he just needed some additional capital to help him get over that initial hump."*

Northeast's initial loan in 1996 was to build the equipment that Shawn had designed. In 2004, they returned to SMFA needing a loan to purchase the building they currently have in Kennebunk. *"By that time we were doing well, but still at a point where a bank wasn't comfortable funding a loan by themselves," Shawn remembers, "So SMFA really saved us again by coming in to support our need for that funding to buy a larger building so we could continue to grow. I'll always have a warm spot for Will and SMFA because I honestly believe we wouldn't be here today without him. I don't know what we would have done otherwise."*

Rounding Out 30 Years with a Successful 2023

SMFA worked with twenty one businesses on financing, lending almost \$1 million in funding and approving an additional \$1.1 million in lending during 2023. Through its partnership with Southern Maine Planning and Development Commission, SMFA worked with an additional eight businesses on another \$6.8 million in financing. SMFA's ability to serve the Southern Maine region for years to come continued to strengthen in 2023. As we enter a time of economic uncertainty, we must continue to strive to address the economic needs of our community through collaborative programs, projects, and policies with community leaders.

To this end, SMFA has:

- Signed a new contract with the Finance Authority of Maine's (FAME) Grow ME Program to expand the Agency's revolving loan funds
- Successfully completed its first SBA SMART Review
- Approved 2 SBA 504 loans totaling over \$750,000
- Completed an Independent Loan Review
- Adopted several policies and administrative updates
- Updated its Five-Year Strategic Plan to position the agency to address the future economic development financing needs of the Southern Maine region

This past year marked SMFA's 30th Anniversary of providing access to capital in the Southern Maine region. SMFA's programs are designed to facilitate the flow of capital to businesses that have been unable to take access conventional financing. By providing access to capital, SMFA has been able to unleash the power of small business to create and retain jobs for people of low to moderate income.



Wood & Sons

SUCCESSIONS

Wood & Sons, founded by Tony Wood and his father in 2018, manufactures premium wood pellets for the heating market in the Northeast. The company sells to all New England states. In their first three years, they have sold out of all their product and needed to make more. The owners had been working on developing a wood pellet plant for almost 11 years before they got close to building a facility. Coastal Enterprises brought SMFA into the funding process.

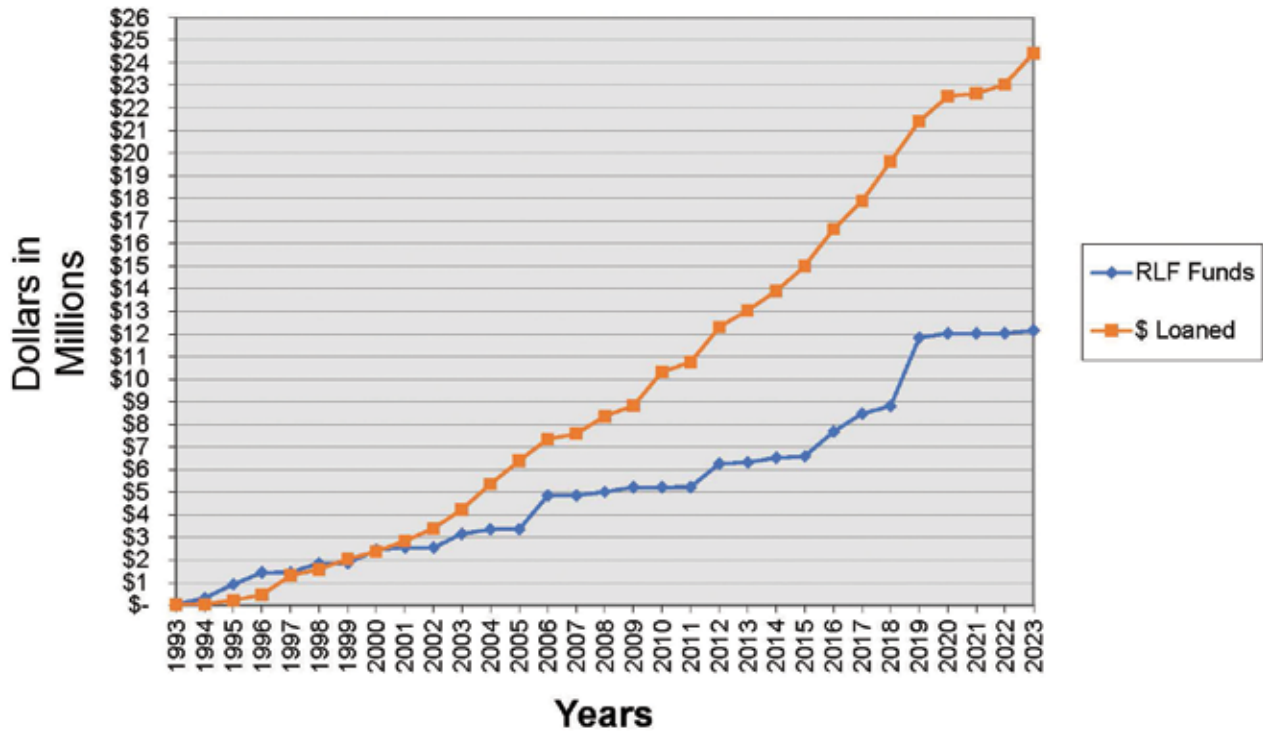
"Working with SMFA was a breeze," says Tony. "If SMFA had not come along when they did, we would still be struggling for working capital," adds Wood. "We leaned on them along the way to get advice and suggestions on making things happen smoothly. They made the process into something that checks all the right boxes. Because of the relationship with SMFA, we were able to purchase three very large clear span fabric buildings to cover our raw materials where, in the past, we had to leave them outside in the elements, which made our equipment struggle and slowed down production."

"We want to be as much a part of the community as possible, and SMFA is one important part of making this happen," says Wood. "We came into this business with a solid business plan and fundamentals but did not have a big pot of cash to throw at it. This is where SMFA made us shine."

The following charts and graphs demonstrate SMFA's growth and impact on the Southern Maine community:

Since the inception of SMFA's first loan program in 1993, the Agency has made 382 loans totaling over \$24 million to 256 businesses. Those loans have leveraged over \$130 million in additional investment and created and retained almost 2,900 full-time equivalent jobs in the regional economy.

BSAEDC Historical Growth



30 Years of Loan History

As can be seen in the table at right, the average SMFA Loan is approximately \$64,000, which leverages over \$340,000 in investment and creates and retains 7.5 full-time equivalent jobs per loan.

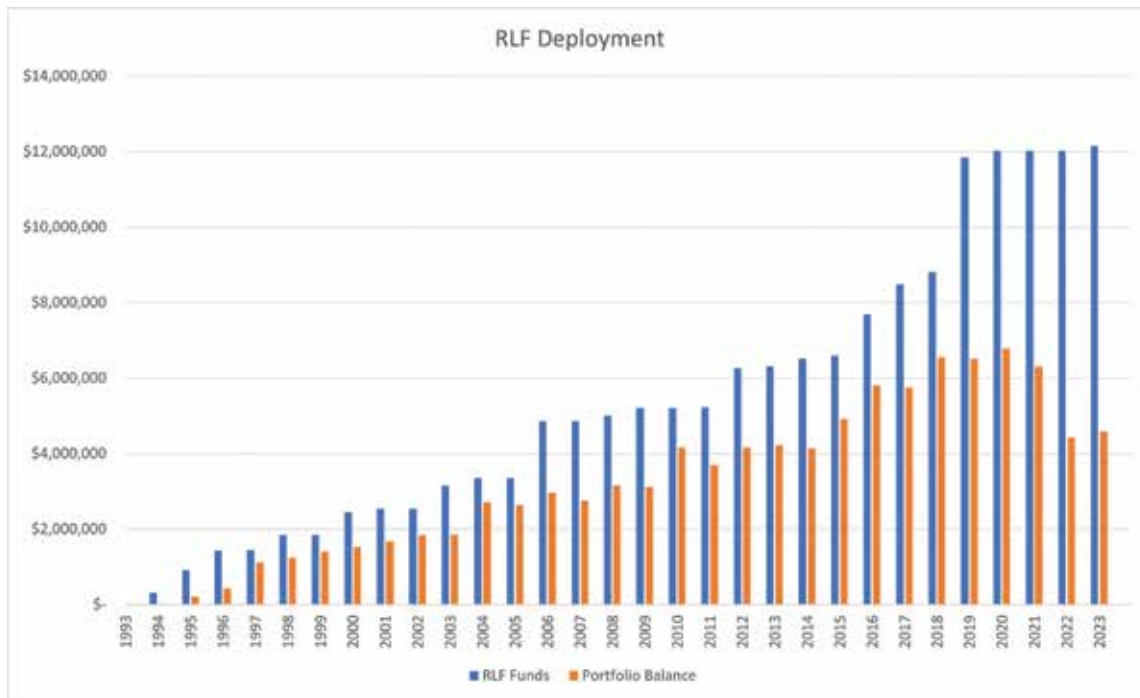
SOUTHERN MAINE FINANCE AGENCY			
LOAN HISTORY			
1992-2023			
	LOAN AMOUNT	TOTAL NEW INVESTMENT	JOBS CREATED & RETAINED
382 Total Loans	\$ 24,434,559	\$ 130,665,201	2899.0
Average Loan	\$ 63,965	\$ 342,056	7.6
Median Loan	\$ 40,000	\$ 90,000	2.0
Investment Ratio	5.35 : 1.0		
Portfolio cost per job	\$ 8,428.62		

	BSAEDC	Total Amount	Actual
Repaid Loans	242	\$ 16,009,444	
Loan Write-Offs *	34	\$ 2,024,962	= \$ 1,042,349.84
Loans Forgiven *	5	\$ 50,000	= \$ 50,000.00
Non-Performing Loans *	0	\$ -	= \$ -
Performing Loans *	101	\$ 6,350,154	= \$ 4,587,550.00
Total Loans	382	\$ 24,434,559	

* These Total Amount represents the funds disbursed at closing and do not reflect any principal payments received from the borrower. The Actual figures listed in the extended box are the principal balance outstanding on the loans as of the date of this report.

This historical performance represents an Investment Ratio of 5.35:1, meaning for every \$1.00 the Agency loans, an additional \$5.35 are invested into the economy. Additionally, the 2,900 jobs equate to an approximate Portfolio Cost Per Job of \$8,400.

The performance of the Agency’s portfolio can be seen in the graph below, which charts the Agency’s available revolving loan funds versus dollars loaned:



While the portfolio balance declined in 2021 and 2022, the Agency worked with 155 borrowers on debt restructures, payment deferments, and interest-only plans to address the cash flow needs of the business community during the COVID-19 Pandemic.

From 2021-2023, a total of 66 borrowers paid off loans to reduce their business cash flow obligations. This has provided SMFA with an influx of capital to support the economic and business growth of the region.

The Agency’s historical lending activity has been disbursed throughout the region, as can be seen in the table at right:

City	# of Loans		\$ Loaned		Jobs Created & Retained		\$ Leveraged	
Acton	1	0.3%	\$ 14,000.00	0.1%	5.5	0.2%	\$ 47,145.00	0.0%
Arundel	2	0.5%	\$ 250,000.00	1.0%	23.0	0.8%	\$ 2,064,000.00	1.6%
Berwick	1	0.3%	\$ 40,000.00	0.2%	3.0	0.1%	\$ 135,722.00	0.1%
Biddeford	156	40.8%	\$ 7,950,283.42	32.5%	1013.5	35.0%	\$ 37,983,238.05	29.1%
Buxton	3	0.8%	\$ 247,500.00	1.0%	5.5	0.2%	\$ 1,155,500.00	0.9%
Cape Neddick	1	0.3%	\$ 49,500.00	0.2%	5.0	0.2%	\$ -	0.0%
Dayton	1	0.3%	\$ 2,000.00	0.0%	1.0	0.0%	\$ -	0.0%
East Waterboro	2	0.5%	\$ 214,333.95	0.9%	11.0	0.4%	\$ 2,554,215.00	2.0%
Eliot	2	0.5%	\$ 162,000.00	0.7%	15.0	0.5%	\$ 375,000.00	0.3%
Hollis	1	0.3%	\$ 35,000.00	0.1%	1.0	0.0%	\$ 251,000.00	0.2%
Kennebunk	28	7.3%	\$ 2,181,272.00	8.9%	223.5	7.7%	\$ 14,832,310.39	11.4%
Kennebunkport	9	2.4%	\$ 613,500.00	2.5%	41.5	1.4%	\$ 1,746,953.72	1.3%
Kittery	8	2.1%	\$ 935,000.00	3.8%	25.0	0.9%	\$ 2,100,000.00	1.6%
Lebanon	11	2.9%	\$ 1,186,410.68	4.9%	33.5	1.2%	\$ 4,092,658.06	3.1%
Limerick	1	0.3%	\$ 100,000.00	0.4%	3.0	0.1%	\$ 320,000.00	0.2%
Lyman	3	0.8%	\$ 245,000.00	1.0%	11.0	0.4%	\$ 1,070,000.00	0.8%
North Waterboro	1	0.3%	\$ 40,000.00	0.2%	9.0	0.3%	\$ 546,000.00	0.4%
Ogunquit	2	0.5%	\$ 457,500.00	1.9%	13.0	0.4%	\$ 1,642,250.00	1.3%
Old Orchard Beach	8	2.1%	\$ 639,872.53	2.6%	27.5	0.9%	\$ 5,159,716.42	3.9%
Saco	111	29.1%	\$ 6,567,656.59	26.9%	1301.5	44.9%	\$ 37,232,020.61	28.5%
Sanford	16	4.2%	\$ 1,184,230.00	4.8%	50.5	1.7%	\$ 11,086,277.19	8.5%
South Berwick	1	0.3%	\$ 50,000.00	0.2%	10.0	0.3%	\$ 64,030.14	0.0%
Springvale	3	0.8%	\$ 369,000.00	1.5%	9.5	0.3%	\$ 300,000.00	0.2%
Wells	6	1.6%	\$ 415,500.00	1.7%	30.0	1.0%	\$ 2,507,359.00	1.9%
York	4	1.0%	\$ 485,000.00	2.0%	27.0	0.9%	\$ 3,399,805.55	2.6%
	382	100%	\$ 24,434,559.17	100%	2899.0	100%	\$ 130,665,201.13	100%



MAJOR MILESTONES

Southern Maine Finance Agency opened its doors as the **Biddeford Saco Area Economic Development Corporation (BSAEDC)** to create a collaborative relationship for business growth and economic development activities between the cities of Biddeford and Saco.

Added IRP, a Rural Development federal loan program, and expanded our service area to surrounding communities.

BSAEDC's Board of Directors restructuring to better represent the geographic and lending goals of the organization.



Expanded service area to cover all of York county.

Capitalized 6th RLF Program.

BSAEDC second Board of Directors restructuring, adding more seats representing York county and adding affiliate seats for Sanford Regional Economic Growth Council, Kennebunk Development Corporation, and SMPDC.

Capitalized 8th RLF Program.



Legal name change to Southern Maine Finance Agency



Closed our first 504 Loan.

Celebrating Our 30th Anniversary!

1992

1993

Our first loan program was developed with the City of Biddeford, in conjunction with the City of Saco, a micro-loan fund for local businesses with a focus on downtown development in both cities.



1995

1996

Added FAME funding program.

Will Armitage came on board as the Executive Director of the organization, and remains the current President.

1998

2000

BSAEDC obtained status as a Community Development Financial Institution (CDFI). This designation came with access to another large federal loan program, and with the CDFI designation, we had the opportunity to serve a greater geographical area and fund regional businesses throughout all of York county.

2002

2007

Created 5th Revolving Loan Fund (RLF) Program.

Established a collaborative partnership with Southern Maine Planning & Development Commission (SMPDC) in order to become a regional funding Partnership.

2011

2013

Capitalized 7th RLF Program.



2014

2017

Rebranding of the organization to Southern Maine Finance Agency (SMFA), a name to truly reflect who we really are and what we are doing.

2020

2021

Initial approval by the US Small Business Administration (SBA) as a Certified Development Company (CDC), allowing us to expand our lending programs to include the SBA 504 Loan Program across the state of Maine.

2022

2023

Obtained permanent status as a Certified Development Company (CDC) from the US Small Business Administration (SBA) for 504 loans.

CDC Designation and SBA 504 Loans

In 2021, SMFA was conditionally approved as a Certified Development Company (CDC) through the U.S. Small Business Administration (SBA). CDCs are non-profit organizations focused on promoting community economic development and job creation through the SBA's 504 Loan Program. Important to both businesses and lenders, SMFA is one of only three CDCs in the state.

Through the SBA 504 Loan Program, we provide access to long-term, fixed-rate financing to businesses so they can acquire major fixed assets such as real estate, machinery, and equipment for expansion or renovation. These loans are affordable, allowing a small business to obtain up to 90% financing for these assets, with as little as 10% coming from the business.

"It's very exciting to offer small businesses in Maine another option for financial assistance through the SBA 504 Loan Program now offered by SMFA. It's often difficult for businesses to find the funding they need to make improvements and grow, and the SBA 504 loans provide those resources with less money required for a down payment and below-market fixed interest rates."

– Diane L. Sturgeon, District Director

U.S. Small Business Administration, Maine District Office



New Harbor View Cottages

It was Stacey Cote's dream to own and operate a hospitality business in Southern Maine. When she found the property New Harbor View Cottages for sale in Wells, she knew it was what she was looking for. She came to a Purchase & Sale Agreement with the owner but needed financial help to purchase the property.

Because the property needed some improvements and Maine was just coming out of the pandemic, banks were very cautious. After several conversations with banks, her realtor connected her to SMFA. SMFA in turn brought in Kennebunk Savings Bank, and together they created a loan package to help Stacey purchase the property and the business. *"They fought for me, really worked hard and never gave up. Troy even drove paperwork to my Massachusetts home to make the process easier for me! Since we've opened, they've kept in touch and stopped by the business to check in on me. We simply wouldn't have been able to buy this place without them. They went way above and beyond for me, and were just wonderful to work with!"*

Stacey's loan closed in 2022, making New Harbor View Cottages SMFA's first SBA 504 loan. The 504 loan supplemented the bank loan to finance the purchase of the property. This allowed Stacey to retain her capital to put toward the property upgrades and renovations that were necessary. New Harbor View Cottages is now open for business and going strong!

What is an SBA 504 Loan?

The 504 Loan Program is available to owner-occupied business properties for the purchase of long-term fixed assets for expansion or modernization. The Program is structured so that up to 40% of the financing can be provided by the SBA at just over US Treasury Bond rates. The remainder of the loan is covered 50% by a local bank or credit union, with as little as 10% contribution required as down payment by the borrower. This combination of project financing means borrowers pay below-market interest rates, fixed for the life of the loan, while preserving cash for working capital.

Advantage to the Borrower

The small business owner gets the tax benefits and appreciation on the real estate, and also locks in occupancy costs for the long term with financing tailored to the borrower's needs. With financing available for up to 90% of the project cost, SBA 504 loans offer an affordable down payment, enabling the borrower to conserve working capital and retain liquidity to meet operating needs. Terms are fixed for the life of the loan, so there are no payment uncertainties facing the borrower. The SBA 504 borrower can access up to \$5 million in SBA funding. Manufacturers and energy related business can qualify for up to \$5.5 million.

Advantage to the Lender

SBA 504 loan rates and terms offer lenders a competitive advantage when soliciting new clients, and the SBA 504 offers an improved loan to value for the first mortgage lender. A 504 loan can often make a loan package come together for a lender, providing necessary gap financing. A 504 loan is a very streamlined process for the lender because SMFA completes all of the loan application paperwork, and processes, closes and services the loan.



Lucky Pigeon Brewing Co.

Lucky Pigeon Brewing Co., founded by Kathleen Pigeon and three other owners in August 2021, is a brewery that specializes in gluten-free beer. Gluten intolerant, Kathleen wanted to find a way to continue to enjoy good beer and found existing options at the time to not be very good. When looking for a location, Kathleen and her partners settled on Biddeford because they found the revitalization of the downtown area exciting and wanted to be part of it. *"Without financing help, we most likely would have started in a garage making one or two barrels of beer, and it would have been a 10-year process instead of starting in this space. As we were building the business plan, I connected with SBDC, and they helped direct us to Southern Maine Finance Agency to help fill any gaps we had with funding. SMFA is the perfect midpoint in bridging that funding gap, and the experience of working and connecting with people that are focused directly on the community is the best way to go. We secured a loan with Gorham Savings Bank but still needed more. SMFA was there to cover the difference."*

"SMFA appreciated our story and vision," continues Kathleen. "They were excited and confirmed this was a viable business plan. The actual process of getting funding was incredibly smooth. It was weeks, not months. We received SMFA funding before the bank's approval. It was fantastic! Everyone we dealt with at SMFA made it quick and easy. So wonderful."

Thanks to its partnership with SMFA, Lucky Pigeon Brewing Co. has made its dream of providing high-quality gluten-free beer a reality. The company's success is a testament to its strong business plan and SMFA's support in providing the necessary financing to realize its dreams.

504 & MORE

Expanding our loan programs to include the SBA 504 Loan Program means businesses can now get more of their financing needs met at SMFA, and receive project financing that they otherwise wouldn't be able to obtain. We continue to provide gap-financing, and our 504 loans can complete a loan package so a business can achieve their goals.

Lending activity and special projects continue to improve SMFA's financial and administrative capacity to fulfill its mission. The importance of program evolution should not be overlooked when considering the changes to the economy as businesses adapt to a post-pandemic world with new inflationary pressures. The evolution of SMFA as a CDC will increase access to capital for businesses and capture new investment in the regional economy that might otherwise be lost. The Agency will continue to diversify and expand its services, to handle future demands.

The stability of the regional economy continues because of the commitment of SMFA and its partners to provide access to capital allowing the regional economy and its residents to succeed. SMFA would like to acknowledge and extend special thanks to its Partners and Members of the Board and Loan Committee, for their continued commitment and support of the Agency's mission.



**Shaker Pond
Ice Cream**

Shaker Pond Ice Cream, owned by Ryan Whitten and David Swett, has been serving up delicious treats since 2008. What started as an ice cream stand in Alfred, Maine, has now grown to include a retail location and a production facility in Sanford. Wholesale business began in 2011, and they continue to expand their offerings to this day.

They knew they needed financing to make their dream a reality, so they turned to Kennebunk Savings Bank for a loan. That's when they were referred to Southern Maine Financing Agency. Over the years, as Shaker Pond Ice Cream has needed more equipment to keep up with demand, they've turned to SMFA for help with financing. *"Working with SMFA was easy and simple," says Ryan. "It removed a great deal of stress. The SMFA staff was so good we hardly had to do anything. They made it quick and painless."*

Shaker Pond Ice Cream has now been working with SMFA for over 5 years, and their experience has been so positive that they've recommended SMFA's services to other small businesses. *"We've chosen to stay with SMFA for almost all our needs because of the ease of the overall process," explains David. "With a traditional bank, it took years to overcome the process. It slowed things down. There is something to be said about making it easy, and SMFA does just that."*



Certified Public Accountants and Business Consultants

To the Board of Directors and Management
Southern Maine Finance Agency

In planning and performing our audit of the financial statements of the Southern Maine Finance Agency, (the "SMFA") as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the SMFA's system of internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the SMFA's internal control. Accordingly, we do not express an opinion on the effectiveness of the SMFA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the SMFA's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, the Board of Directors and management of Southern Maine Finance Agency, and others within the SMFA, and is not intended to be, and should not be, used by anyone other than these specified parties.

Runyon Karsten Ouellette
October 10, 2023
South Portland, Maine



Certified Public Accountants and Business Consultants

Independent Auditor's Report

To the Board of Directors of
Southern Maine Finance Agency

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Southern Maine Finance Agency, (the "SMFA") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the SMFA as of June 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 the SMFA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the SMFA's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit 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 opinion. 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 generally

Southern Maine Finance Agency
Page 2

accepted auditing standards and Government Auditing Standards 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 generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- 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 audit 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 SMFA'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 the SMFA'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 audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Schedules 1 and 2, on pages 17 and 18, are presented for purposes of additional analysis and are 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.

Southern Maine Finance Agency
Page 3

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 10, 2023 on our consideration of the SMFA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the SMFA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the SMFA's internal control over financial reporting and compliance.

Runyon Karsten Ouellette
October 10, 2023
South Portland, Maine

SOUTHERN MAINE FINANCE AGENCY
Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents		
Restricted cash	\$ 3,245,236	3,450,737
Taxes held for others	3,303	-
Accounts	310,755	479,578
Total cash and cash equivalents	3,579,297	3,930,315
Accounts receivable	77,347	17,315
Loans receivable, current	427,817	772,603
Prepaid expenses	4,175	58
Total current assets	4,111,117	4,782,511
Non-current assets:		
Accounts receivable, non-current		
Loans receivable, long term	4,175,571	3,082,276
Investment securities, long term	(811,751)	(278,701)
Total non-current assets, consumable	3,363,820	2,803,575
Fixed assets:		
Equipment	163,555	180,271
Leases, net, also depreciation	(155,149)	(166,824)
Total fixed assets, net	8,406	13,447
Other assets:		
Invested in cash, long term	30,373	30,634
Right of use asset, financing	7,427	5,802
Right of use asset, operating	15,500	41,000
Total other assets, net	53,300	77,436
Total assets	\$ 7,492,339	7,727,125
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	4	20,571
Right of use liability, current, financing	2,422	5,491
Right of use liability, current, operating	7,200	9,000
Current portion of long-term debt	526,011	171,468
Total current liabilities	535,637	206,530
Non-current liabilities:		
Right of use liability, non-current, financing		2,421
Right of use liability, non-current, operating	6,400	15,000
Long-term debt, less of interest free debt issues minus	1,717,117	2,415,351
Total non-current liabilities	1,729,917	2,432,772
Total liabilities	2,265,554	2,639,302
Net assets:		
With donor restrictions	558,554	715,554
With donor restrictions	4,491,889	4,578,667
Total net assets	5,050,783	5,294,263
Total liabilities and net assets	\$ 7,492,339	7,727,125

See accompanying notes to financial statements.

SOUTHERN MAINE FINANCE AGENCY
Statement of Activities
Year Ended June 30, 2023 and 2022

	2023	2022
NET ASSETS WITH DONOR RESTRICTIONS		
Year ended:		
Current period	\$ 70,511	12,165
Prior periods	(23,361)	(21,142)
Net change	47,150	(8,977)
Total change in net assets with donor restrictions	47,150	(8,977)
NET ASSETS WITH DONOR RESTRICTIONS		
Year ended:		
Current period	\$ 4,518	\$ 5,819
Prior periods	(45,131)	(2,15,461)
Net change	(40,613)	(2,148,642)
Total change in net assets with donor restrictions	(40,613)	(2,142,823)
NET ASSETS WITH NO DONOR RESTRICTIONS		
Year ended:		
Current period	\$ 77,218	\$ 7,636
Prior periods	(12,400)	(1,3,443)
Net change in net assets with no donor restrictions	64,818	6,193
Total change in net assets	(15,465)	(16,630)
Total change in net assets	\$ 31,685	(10,437)

SOUTHERN MAINE FINANCE AGENCY
Statement of Functional Expenses
Year ended June 30, 2023

		Loan program operations	Management and general	Total
Salaries and wages	\$	87,795	176,580	\$ 264,375
Employee benefits		27,887	50,400	78,287
Advertising		2,555	(1,061)	1,494
Depreciation		1,943	1,280	3,223
Capital lease amortization		304	2,551	3,225
Taxes and credits/exp.		651	1,712	2,375
Travel		248	140	388
Grant equipment		81	219	300
Interest		2,010	9,516	12,526
Interest		54,955	-	54,955
Capitalized borrowing		4,525	1,614	6,139
Miscellaneous		10,211	10,211	20,422
Outside services		10,211	10,211	20,422
Printing		125	554	679
Rent		1,675	4,574	6,249
Supplies and maintenance		3,250	1,650	4,900
Office supplies		500	1,444	1,944
Telephone		2,291	6,719	9,010
Travel		2,581	14,401	16,982
Utilities/exclusion		2,557	9,556	12,113
Utilities		14,111	-	14,111
Annual long-term fees		20,110	-	20,110
Total expenses	\$	215,157	(82,261)	\$ 132,896

See accompanying notes to financial statements.

SOUTHERN MAINE FINANCE AGENCY
Statements of Cash Flows
Year Ended June 30, 2022 and 2021

	2021	2022
Cash flow from investing activities:		
Change in net assets	\$ (41,891)	(4,852)
Adjustments to reconcile the change in net assets to net cash provided by investing activities:		
Depreciation	21,215	24,032
Change in allowances for loan losses	33,047	-
Payables	54,140	-
Increase (decrease) in:		
Amounts due to others	(4,877)	(6,47)
Leases receivable	(200,842)	1,007,252
Prepaid expenses	(4,018)	(6,302)
Right of use asset	(1,751)	(21,500)
Increase (decrease) in:		
Borrower's deposits	-	(36)
Right of use liability	(6,300)	21,500
Amounts payable to vendors and employees	216	(18,572)
Net cash and cash equivalents provided by investing activities	170,388	1,010,722
Cash flow from investing activities:		
Purchase of property and equipment	(4,253)	(16,752)
Net cash and cash equivalents used in investing activities	(4,253)	(16,752)
Cash flows from financing activities:		
Payments of notes payable	(1,670)	(1,287)
Payments of long-term debt	(8,555)	(10,781)
Net cash and cash equivalents used in financing activities	(10,225)	(12,068)
Net change in cash and cash equivalents	(58,868)	1,772,721
Cash and cash equivalents, beginning of year	1,300,550	2,073,268
Cash and cash equivalents, end of year	\$ 3,670,250	3,890,589
Cash comprised of:		
Reserve cash, current	\$ 3,640,235	3,420,734
Reserve cash, non-current	70,127	70,174
Funds held for others	3,809	-
All other	(43,921)	4,481
Cash and cash equivalents, end of year	\$ 3,670,250	3,890,589
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	54,956	55,336

See accompanying notes to financial statements

SOUTHERN MAINE FINANCE AGENCY
Statement of Functional Expenses
Year Ended June 30, 2022

	Loan program operations	Management and general	Total
Salaries and wages	\$ 131,753	140,862	272,615
Fringe benefits	28,745	33,767	62,512
Advertising	2,755	3,236	6,011
Depreciation	11,073	12,337	23,410
Copy lease amortization	970	2,326	3,296
Dues and memberships	2,848	2,628	5,476
Subscriptions	423	573	1,016
Small equipment	277	327	600
Insurance	5,880	6,277	12,157
Interest	55,236	-	55,236
Legal and accounting	8,050	3,192	12,442
Other miscellaneous	22,443	21,121	43,564
Outside services	14,867	14,326	29,193
Postage	436	573	950
Rent	59	60	127
Repairs and maintenance	19,208	27,436	46,644
Office supplies	621	627	1,248
Telephone	3,473	1,004	4,477
Travel	4,784	5,575	10,359
Staff development	250	887	1,137
Annual program fee	25,367	-	25,367
Total expenses	\$ 378,814	289,668	618,482

See accompanying notes to financial statements.

SOUTHERN MAINE FINANCE AGENCY
Statement of Financial Position - Net Assets with Donor Restrictions
 June 30, 2023 (with comparative totals for 2022)

	MICRO	IRP	FAME	BMRP	SBA ILP	Saco DRP	SSBCI	Grow ME	Buy Local	Total 2023	Total 2022
ASSETS											
Cash and cash equivalents	\$ 145,163	475,544	1,261,167	200,892	335,176	310,257	787,115	-	9,428	3,336,129	3,351,871
Total current assets	145,163	475,544	1,261,167	200,892	335,176	310,257	787,115	-	9,428	3,336,129	3,351,871
Loans receivable:											
- loans receivable	93,841	565,967	2,399,035	44,454	441,385	174,515	551,277	125,500	-	4,214,170	4,111,966
- accrued interest	136	1,532	5,124	94	1,293	194	2,242	344	-	14,509	41,595
- allowance for loan losses	(50,000)	(60,000)	(352,000)	(20,000)	(50,000)	(100,250)	(100,000)	(25,000)	-	(733,250)	(697,703)
Total loans receivable, net	38,977	507,499	2,052,159	24,548	392,678	74,459	453,519	99,844	-	3,594,979	3,455,858
Accounts receivable	-	31,351	-	-	-	-	-	-	-	31,351	21,501
Total assets	\$ 225,159	815,983	3,313,294	225,382	627,777	285,216	1,350,794	99,044	9,428	6,962,517	7,027,928
LIABILITIES AND NET ASSETS											
Liabilities											
Accounts payable	\$ 364	-	\$1,134	293	1,916	1,229	543	-	-	67,227	64,302
Total current liabilities	364	-	\$1,134	293	1,916	1,229	543	-	-	67,227	64,302
Long-term liabilities:											
- financed purchase long-term assets	245,254	277,000	1,030,000	-	480,000	-	400,000	-	-	1,463,254	1,584,851
Total long-term liabilities	245,254	277,000	1,030,000	-	480,000	-	400,000	-	-	2,463,254	2,784,851
Net assets:											
- With donor restrictions	129,325	2,685	2,282,950	225,152	344,895	284,407	946,182	99,044	9,428	4,481,936	4,278,774
Total liabilities and net assets	\$ 225,159	815,983	3,313,294	225,382	627,777	285,216	1,350,794	99,044	9,428	6,962,517	7,027,928

See independent auditor's report.

SOUTHERN MAINE FINANCE AGENCY
Statement of Activities - Net Assets with Donor Restrictions
 June 30, 2023 (with comparative totals for 2022)

	MICRO	IRP	FAME	BMRP	SBA ILP	CDBG SBOLP	Saco DRP	SSBCI	Grow ME	Buy Local	Total 2023	Total 2022
Revenues:												
Interest and fees	\$ 10,490	42,182	155,594	4,854	31,825	-	7,223	50,177	844	-	242,493	271,634
Grant income	-	-	-	-	-	-	-	-	123,260	-	123,260	-
Total revenues	10,490	42,182	155,594	4,854	31,825	-	7,223	50,077	124,044	-	415,653	271,634
Expenses:												
Quarterly administrative fees	2,051	5,714	118,177	1,122	8,116	-	5,093	20,766	-	-	156,913	231,752
Quarterly program fees	-	-	21,462	-	-	-	-	-	-	-	21,462	25,462
Interest and fees	77	5,745	93,475	128	744	-	109	15,527	-	-	95,765	55,469
Bad debts	5,553	-	23,877	3,621	-	-	-	-	25,000	-	64,141	-
Other	-	10	1,199	-	-	-	-	-	-	-	1,209	1,410
Total expenses	8,681	11,477	207,177	4,857	8,860	-	5,202	36,293	25,000	-	302,484	313,493
Change in net assets with donor restrictions	\$ 2,223	20,685	(46,643)	(94)	22,965	-	2,021	13,803	99,044	-	113,169	58,141

See independent auditor's report.

Thank you to our valued Partners and Affiliates

SMFA would not be able to help the number of businesses we do without the support and collaboration of our partners and affiliates. Essential funding for the organization comes from these valued community, lending, and banking partners.

Community Partners:



Lending Partners:



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