

Pine State Spirits
(A Division of Pine State
Trading Co.)

Schedule of Spirits Reconciliation

Wipfli LLP

Year Ended June 30, 2025



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of a Schedule Performed in Accordance with *Government Auditing Standards*

Board of Directors
Pine State Trading Co.
Gardiner, Maine

We have audited, in accordance with the 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, the Schedule of Spirits Reconciliation of Pine State Spirits (a division of Pine State Trading Co.), for the year ended June 30, 2025, and the related notes to the Schedule of Spirits Reconciliation (the Schedule), and have issued our report thereon dated October 23, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the Schedule, we considered Pine State Spirits' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Schedule, but not for the purpose of expressing an opinion on the effectiveness of Pine State Spirits' internal control. Accordingly, we do not express an opinion on the effectiveness of Pine State Spirits' 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 entity's Schedule will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pine State Spirits' Schedule of Spirits Reconciliation is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the Schedule.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Pine State Spirits' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wipfli LLP

Wipfli LLP

Augusta, Maine
October 23, 2025

Independent Auditor's Report

Board of Directors
Pine State Trading Co.
Gardiner, Maine

Opinion

We have audited the accompanying Schedule of Spirits Reconciliation of Pine State Spirits (a division of Pine State Trading Co.), for the year ended June 30, 2025, and the related notes to the Schedule.

In our opinion, the Schedule of Spirits Reconciliation referred to above presents fairly, in all material respects, the spirits activity of Pine State Spirits, for the year ended June 30, 2025, on the basis of accounting specified in the agreements between Pine State Trading Co. and the State of Maine Bureau of Alcoholic Beverages and Lottery Operations, dated June 25, 2014 and December 1, 2024, as described in Note 1.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 Information section of our report. We are required to be independent of Pine State Trading Co. 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 opinion.

Basis of Accounting

We draw attention to Note 1 to the schedule, which describes the basis of accounting. The Schedule was prepared by Pine State Spirits, on the basis of the agreements between Pine State Trading Co. and the State of Maine Bureau of Alcoholic Beverages and Lottery Operations, dated June 25, 2014 and December 1, 2024, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the provisions of the agreement referred to above. As a result, the schedule may not be suitable for another purpose. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Information

Management is responsible for the preparation and fair presentation of the Schedule in accordance with the agreements between Pine State Trading Co. and the State of Maine Bureau of Alcoholic Beverages and Lottery Operations, dated June 25, 2014 and December 1, 2024, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule that is free from material misstatement, whether due to fraud or error.

"Wipfli" is the brand name under which Wipfli LLP and Wipfli Advisory LLC and its respective subsidiary entities provide professional services. Wipfli LLP and Wipfli Advisory LLC (and its respective subsidiary entities) practice in an alternative practice structure in accordance with the AICPA Code of Professional Conduct and applicable law, regulations, and professional standards. Wipfli LLP is a licensed independent CPA firm that provides attest services to its clients, and Wipfli Advisory LLC provides tax and business consulting services to its clients. Wipfli Advisory LLC and its subsidiary entities are not licensed CPA firms.

In preparing the Schedule, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Pine State Spirits' ability to continue as a going concern within one year after the date that the Schedule is available to be issued.

Auditor's Responsibility for the Audit of the Financial Information

Our objectives are to obtain reasonable assurance about whether the Schedule as a whole is 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 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 schedule.

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 schedule, 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 Schedule.
- 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 Pine State Spirits' 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 evaluating the overall presentation of the Schedule.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pine State Spirits' 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.

Restriction on Use

This report is intended solely for the information and use of the board of directors and management of Pine State Trading Co., the State of Maine Bureau of Alcoholic Beverages and Lottery Operations, the State of Maine Controller's Office and the joint standing committees of the State of Maine legislature having jurisdiction over appropriations and financial affairs and alcoholic beverage matters, and is not intended to be and should not be used by anyone other than these specified parties.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2025 on our consideration of Pine State Spirits' 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 Pine State Spirits' 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 Pine State Spirits' internal control over financial reporting and compliance.

Wipfli LLP

Wipfli LLP

Augusta, Maine
October 23, 2025

Schedule of Spirits Reconciliation

Year Ended June 30, 2025

	Net Sales										
	Total Invoiced Amount	In-State Distillers	Spirits Sales	Premium Taxes	Deposit	Product Cost	Part A Contract	Marketing Contract	Provider Service Fee	State Profit	
July	\$ 28,338,261	\$ 103,252	\$ 27,620,870	\$ 337,871	\$ 276,268	\$ 18,939,800	\$ 1,339,657	\$ 596,515	-	\$ 6,848,149	
August	26,787,539	134,889	26,082,589	317,527	252,534	17,460,314	1,229,570	546,601	-	6,980,993	
September	22,024,874	139,807	21,432,900	244,936	207,231	13,630,482	999,408	442,938	-	6,499,879	
October	21,747,297	91,864	21,183,026	247,663	224,744	13,822,537	1,029,586	457,687	-	5,965,080	
November	21,191,443	72,324	20,649,182	251,214	218,723	13,857,381	1,007,915	447,389	-	5,408,820	
December	25,445,507	59,924	24,849,537	288,088	247,958	16,837,546	-	-	\$ 1,830,540	6,241,375	
January	18,514,333	65,657	18,058,257	206,160	184,259	11,101,021	-	-	1,267,909	5,754,984	
February	17,735,007	33,093	17,303,967	217,354	180,592	11,534,257	-	-	1,291,000	4,511,804	
March	17,351,573	29,924	16,937,344	204,327	179,978	11,047,166	-	-	1,246,145	4,673,957	
April	18,247,854	37,467	17,799,316	215,581	195,490	11,503,027	-	-	1,313,044	5,020,712	
May	21,325,963	47,925	20,801,953	253,950	222,135	13,959,252	-	-	1,551,740	5,338,886	
June	22,393,204	65,093	21,844,570	260,876	222,665	14,353,541	-	-	1,593,479	5,962,644	
	<u>\$ 261,102,854</u>	<u>\$ 881,219</u>	<u>\$ 254,563,511</u>	<u>\$ 3,045,547</u>	<u>\$ 2,612,577</u>	<u>\$ 168,046,323</u>	<u>\$ 5,606,136</u>	<u>\$ 2,491,130</u>	<u>\$ 10,093,857</u>	<u>\$ 69,207,284</u>	

See independent auditor's report.

The accompanying notes are an integral part of this schedule.

Pine State Spirits

Notes to Schedule of Spirits Reconciliation

Note 1: Nature of the Business and Significant Accounting Policies

Pine State Spirits is a division of Pine State Trading Co. (the Company). The Company operates a division for the wholesale distribution of malt beverages and wine and a division for the distribution and marketing of spirits under contract with the State of Maine. Pine State Spirits was formed for the purpose of distributing and marketing spirits under contracts with the State of Maine. Note 2 of the Notes to Schedule of Spirits Reconciliation further outlines the nature of the liquor contracts with the State of Maine.

Basis of Accounting

The Schedule of Spirits Reconciliation is presented on a basis of accounting in conformity with the agreements between Pine State Trading Co. and the State of Maine Bureau of Alcoholic Beverages and Lottery Operations, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.

Revenue Recognition

The Company's source of revenue is from the distribution of liquor products in the State of Maine. Revenue is recognized when and as performance obligations under the terms of a contract are satisfied.

Beverage sales include distribution of liquor at a standard unit price that is fixed on the day the order is taken. These sales typically have one performance obligation, which is providing the customer with the product ordered. The Company recognizes revenue for financial reporting purposes at a point in time, delivery date, as the shipment of the order satisfies the performance obligation and control is transferred immediately to the customer.

In accordance with State of Maine law, payment terms for the distribution of liquor is cash on delivery.

Revenues from contracts with customers recognized at a point in time was \$261,102,854 for the year ended June 30, 2025.

The Company has determined that the nature, amount, timing and uncertainty of revenue is most significantly affected by the concentration of the Company's geographic location and customer demand.

Note 2: State of Maine Liquor Contracts

Part A Contract

During 2014, the Company was awarded the State of Maine wholesale liquor contract for warehousing, distribution and administration of the Maine spirits business for a ten year period effective July 1, 2014 to June 30, 2024, which was extended to November 30, 2024. The contract calls for the Company to receive a services fee of 4.95% of the net sales and bailment revenue received by the State of Maine, Department of Administration & Financial Services, Bureau of Alcoholic Beverages and Lottery Offices (the Department) on a monthly basis. The Company receives the services fee after submitting an electronic reconciliation report of the previous month's sales and costs of products sold for the Department to review.

Pine State Spirits

Notes to Schedule of Spirits Reconciliation

Note 2: State of Maine Liquor Contracts (Continued)

Marketing Contract

During 2014, the Company was also awarded the contract for spirits trade marketing for the period October 21, 2014 to June 30, 2024, which was extended to November 30, 2024. The marketing contract calls for the Company to receive, on a monthly basis, 2.25% of the total net sales of spirits in the State less bailment and deposits for the preceding month. Under the marketing contract, the Company, at their sole expense, is responsible for providing, directly or indirectly, all trade marketing activities.

The Department has sole discretion to license agency liquor stores above those existing at the time of the agreement. The Department also agrees to enter into contract negotiations for increased costs due directly to the increase in number of agency liquor stores, if the number of new agency liquor stores increases more than 5% in any year of the agreement.

Provider Contract

Upon expiration of the Part A and Marketing Contracts of 2014, the Company was awarded the State of Maine wholesale spirits activities and marketing contract for warehousing and distribution, administration of the Maine spirits business, bottle redemption services and spirits trade marketing for a ten year period effective December 1, 2024 to November 30, 2034. The contract calls for the Company to receive a services fee of 7.55% of the net sales and bailment revenue received by the State of Maine, Department of Administration & Financial Services, Bureau of Alcoholic Beverages and Lottery Offices (the Department) on a monthly basis. The Company receives the services fee after submitting an electronic reconciliation report of the previous month's sales and costs of products sold for the Department to review.

The Department has sole discretion to license agency liquor stores above those existing at the time of the agreement. The Department also agrees to a service fee increase equal to .30% if the number of new agency liquor stores increases by more than 100. Further, for each additional fifty store increase, the Department will enter into contract negotiations for increased costs due directly to the increase in number of agency liquor stores.

The following contract provisions are applicable under both the 2014 and 2024 contracts:

The Company provides sufficient warehouse space to house the spirits products and to prepare and deliver orders. Products that are delivered and stored by the Company are the property of the supplier. The product becomes the property of the Department upon removal and shipment to an agency liquor store. The agency liquor store gains ownership of the product at the time of delivery. At no time does the Company take legal title to the products. For storage of the spirits products, on behalf of the Department, the Company charges a bailment fee to the supplier based on the negotiated rates contained in the contract with the Department.

Pine State Spirits

Notes to Schedule of Spirits Reconciliation

Note 2: State of Maine Liquor Contracts (Continued)

The Company is responsible for paying all invoices from suppliers and is entitled to full reimbursement from the Department for all invoice amounts paid to suppliers. The Company is also responsible for invoicing agency liquor stores on behalf of the Department for products when delivered. The electronic payment of these invoices into the Department's bank account is initiated by the Company. The Company accepts 100% of the risk of default by the agency liquor stores.

It is the responsibility of the Company to calculate and track all taxes imposed on products sold to the agency liquor stores as required by law, but the Company does not bear payment responsibility for premium taxes on the products. The total premium tax collected on the sale of products to the agency liquor stores is provided as part of the Company's monthly reconciliation.

Twice monthly, the Company provides the suppliers with a purchase order outlining the products distributed from the Company's warehouse and is responsible for payment. The Department is responsible for remitting to the Company all payments due to suppliers and the Company is not responsible for making these payments using its own funds or the services fees.

The Company, in its accounts receivable and accounts payable capacity, acts solely as an agent of the State. The Company is prohibited from commingling funds and financial activity as an agent of the State with any other funds and financial activity of the Company in its individual capacity. Furthermore, the Company does not have access to funds in the Net Receipts Clearing Account. The Department is responsible for paying all amounts to which the Company is entitled as a result of the agreement from the Net Receipts Clearing Account.

Note 3: Concentrations

During the year ended June 30, 2025, payments to the top three suppliers for liquor products accounted for approximately 40% of total product cost.

Note 4: Subsequent Events

Management has made an evaluation of subsequent events through October 23, 2025, which represents the date on which the Schedule of Spirits Reconciliation was available to be issued and determined that any subsequent events that would require recognition or disclosure have been considered in the preparation of the Schedule of Spirits Reconciliation.