



## MINUTES

**Lexington Arts and Crafts Society, Inc.**  
**Board Meeting**  
(Approved January 28, 2020)

**When:** Tuesday, November 5, 2019  
1:00 – 4:00 pm  
**Location:** Lexington Community Center, 39 Marrett Rd, Lexington, MA 02421. Rm 242

### Board Members Present

Todd Carey	Matthew Siegal	Louise Hara
Susan St. Maurice	Katina Leodas	Mireille Gart
Peter Bain	Bruce Neumann	Rachel Rosenblum
Jenny Pyle	Nancy Cornelius	Peter Kelley
Lauri Hugentobler		

### Board Members Absent:

Lee Webster	Wayne Davis
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### Guild Observers

Wilda Ward – Decorative Arts	Cassandra Goldwater - Metalworkers	Alison Lauriat - Ceramics
Maria Meyer – Needle Arts	Joe Brown - Woodworkers	Lee Johnson – Polymer/Beading
Molly Nye - Guest		

**Clerk:** Terumi Irizawa

Unless otherwise defined in the text of any Vote, all capitalized terms have the meanings as defined in the Bylaws of the Corporation, as adopted March 23, 2019.

The full text of the President’s Report, Treasurer’s Report, and Committee Reports as submitted are attached to these Minutes.

Vice President Katina Leodas opened the meeting at 1:05 pm.

### 1. APPROVAL OF MINUTES

Upon motion of Louise Hara, seconded by Mireille Gart, it was

**VOTED:** That, the Board of Directors hereby approve as submitted the minutes of the Board of Directors Meeting of Members held September 10, 2019, attached hereto.

PASSED. All in favor.

### 2. PRESIDENT’S REPORT AND DISCUSSION

Katina explained the Wayne Davis was unable to attend today’s meeting due to attendance at a funeral. She explained that, in preparing the President’s Report in advance of today’s meeting, Wayne had considered feedback that she, Alison Lauriat, and Molly Nye had gathered when meeting with each of

the Board members as part of the Development Committee discussions, as well as his own reflections on the first six months with the new Board in place. Full text of the report is attached.. Key points:

- The long-term strategy is still a work in progress, and we need to keep refining it, we need to keep explaining and sharing with the membership.
- LexArt is and will remain substantially volunteer-driven. While we have made some progress, it is still true that too few people are carrying too much of the burden and this is not sustainable.
- We continue to need professional staff, though we lack the financial resources to hire an Executive Director. We need to solve this chicken-and-egg problem.
- Our membership value proposition is not clearly understood by us (the board) or the members.
- For next several months, Wayne intends to devote significant time and energy on supporting the Membership, Marketing and Outreach Committee pursue the Membership discussion. In particular, he intends to work with the Council of Guild Chairs, meet with individual guilds and members, and find other avenues for engaging members and outside stakeholders in this discussion. He sees this as the most important leverage point – progress on understanding what members value in the Society today; what they might value in the future; will be the foundation for making progress on all other issues.
- Request advice and feedback from board on the above.

Katina invited the board members and observers to make comments either about the President’s Report or general comments.

- Glad we did the survey from the board members
- Heard things we had not anticipated
- Things are moving forward nicely
- The board will have to make tough decisions and look at tough issues
- Get financial house in order – that is required
- Build and grow education program
- Member proposition – what does it mean to be a member, what can organization become, what is the vision?
- Clear understanding of the value proposition – different for different guilds, different members
- Goal is not to make it equal for everyone or every guild
- Guild members might have their own ideas, society– what is the value proposition – and what does that mean to the guild members?
- Supports Wayne’s ideas, research and thinking – culture change
- Caution about using term “value proposition” outside of the board. Is corporate speak – might turn off some people. Just using the term “value” is okay
- Slow but halting progress
- Members: Society always asking for things, change in understanding required
- Susan: There is a fear that guilds might be losing autonomy, lose ability to make decisions themselves, top heavy management/board

- Is it going to cost us more? Yes, let's think about how to present and to have people accept the increase
- Peter: Painters' guild has been losing members. Guild going through self-assessment. What don't we offer now? Potential (change or die situation. More competition, dues higher than other organizations; not clear whether we offer more to painters. At Concord Art – a member can attend demonstrations and talks for free, free entry for juried shows
- LexArt – free parking, space, can attend demos for free, guild shows, volunteering
- Can we do guild surveys? Find out what the members need, why are people leaving?
- Will we get the right flavor from our guild members in a survey – perhaps a better approach is to go in person (like we did for the bylaws)
- Bruce provided an example of Bobbi Tornheim. She came to the shop originally to use equipment, at first there was little camaraderie among members but now people are having fun due to her efforts and others in the guild
- Some thinking needs to change. Guilds/members need to realize break-even is not good enough
- Rachel - Weavers are feeling overwhelmed by the volunteer commitment
- Smaller guilds – do not have a dedicated space for storage and for working
- Lee Johnson – board is mysterious, she met Matt at a function but that's really the only person she has met, she suggested that the board members attend the Holiday Marketplace preview party and get to know members so that they seem less like a mystery to the members
- History was that we had many dysfunctional committees, we had projects that went on for years; things are heading in the right direction now, but slow to make progress. Committees are doing better
- Concord Art increased from 300 -> 900 members - their strategy was that you have to belong to be in the shows; they also tweaked the pricing of the classes so that the members were happy with the discount they received but they were still able to make money; they have a robust development staff and an endowment
- Matthew – pointed out that historically, we have a 3-legged stool (membership, classes, sales). Fundraising needs to differ from ordinary revenue, look for new sources of revenue. He also said that change needs to happen so that he feels his time (up until now – helping with gallery shows, primarily) and his donation will go to support a sustainable organization
- Propose to have a 2nd round of meetings – listen to members and find out what is important to them
- If people sense that there is a vacuum of information, people's imagination will wander – either a town hall or individual guild (consensus was it's best to do it on an individual guild basis in January)
- Matthew – we now have new board/bylaws, new financial arrangement – but when one asks for money (and he recently raised \$30M), it is not about serving ourselves but who are we serving (in addition to how and why we need the money) , those are the questions that granting agencies always ask - Why us, why now, who is being served (can't just be us), broaden the input from the outside community

- We do need to find out how members value their membership, surveys, one on one conversations – start in January
- Communities – how do we build communities?
- Overarching message – society (umbrella)
- Business relationships are important
- Katina: Sense of urgency – need to jump onboard and just get things done
- No sign for back door gallery - no public welcome, need to have more signs overall

### 3. TREASURER’S REPORT AND DISCUSSION

Peter Bain Presented the Treasurer’s Report, the full text of which is attached. The Report includes:

- A. Balance Sheet as of October 31, 2019 (p. 2)
- B. Profit and Loss, Fiscal Year to Date, June 1-October 31, 2019 (pp. 3-4)
- C. Fall Fair Summary (p. 5)
- D. Gallery/Show Ledger YTD (p. 6)
- E. FY 2019 Year End Financial Statements (pp. 7-24)

Peter highlighted the following items.

#### **Balance sheet**

- Current Society cash and CDs is approximately \$287,000.
- Restricted funds approximately \$175,000, including recent receipt of \$91,438 from the Ferrara Bequest (to be used for painting and mixed media awards)
- Guild bank accounts total about \$100,000.

#### **Profit and Loss - year to date (June 1-October 31)**

- Our Chart of Accounts has been updated with the help of our bookkeeping firm, Juna Financial. This will give us better analysis going forward, but makes it difficult to compare to prior years.
- As reflected on our current books, we are showing total income of \$192K income versus \$103K expenses, for net income of approximately \$89K. (p. 3)
- However, above includes receipt of the Ferrara Bequest (\$91K) but does not include approximately \$45K in Fall Class registrations that have been received by Flipcause (our registration vendor), but not yet transferred to our bank account. Excluding the Bequest (as not current operating income) and including the class fees leads to adjusted Income of \$146K *versus* \$103K expenses, for net income of \$48K. (p. 4)

#### **Fall Fair**

- Net proceeds from sales and member donations was \$21,459, about 10% higher than last year.
- The Executive Committee had adopted a new policy this year that gave Members more flexibility in specifying how much of the sales proceeds would be donated to the Society, which was intended to encourage members to put in higher quality and higher priced items.

Susan St. Maurice commented that the Polymer Clay & Beading Guild was pleased with the new policy and thought that the fair went very smoothly this year.



**MINUTES**

**Lexington Arts and Crafts Society, Inc.**  
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*Approved November 5, 2019*

**When:** Tuesday, September 10, 2019  
1:00 – 4:00 pm

**Location:** Lexington Community Center, 39 Marrett Rd, Lexington, MA 02421. Rm 242

**Board Members Present:**

Todd Carey	Matthew Siegal	Louise Hara
Susan St. Maurice	Katina Leodas	Mireille Gart
Peter Bain	Bruce Neumann	Rachel Rosenblum
Wayne Davis	Nancy Cornelius	Lee Webster
Lauri Hugentobler	Jenny Pyle	

**Board Members Absent:**

Peter Kelley

**Guild Observers**

Wilda Ward – Decorative Arts	Cassandra Goldwater - Metalworkers	Alison Lauriat - Ceramics
Maria Meyer – Needle Arts	Joe Brown - Woodworkers	Susan McFarlane - Painters
Steve Goldstein - Photography	Molly Nye - Guest	Tom Whelan – COCG

Unless otherwise defined in the text of any Vote, all capitalized terms have the meanings as defined in the Bylaws of the Corporation, as adopted March 23, 2019.

The full text of the Committee Reports as submitted is attached to these Minutes at the [Appendix](#).

President Wayne Davis opened the meeting at 1:05 pm and outlined the primary purpose of the meeting as discussing Committee Reports and providing guidance to the Committee for their future work.

Wayne asked if there was any objection to moving the January Board Meeting January 14th to January 28<sup>th</sup>, 2020. There were none, so the meeting will be rescheduled.

**Education Committee Report**

Chair Terumi Irizawa summarized the written report and highlighted the major goals for the coming year including:

- Assessment of programs,
- Current and future revenue targets for education
- Improve reputation of LexArt
- Robust programming
- Converting students to members

In discussions of the report, board members suggested the Committee consider offering:

- Offsite education events, like they did at the PEM to celebrate the opening of the new wing
- Corporate Training sessions – for example, “Creativity”
- Tours for outreach, such as the Chamber of Commerce program upcoming Sept 25<sup>th</sup>.

It was noted that the Committee report inadvertently omitted the names of two members appointed previously: Mireille Gart and Susan McFarlane.

The Committee recommended that the Board appoint additional members to the Committee.

Upon motion by Jenny Pyle, seconded by Louise Hara, it was

**VOTED:** That the report of the Education Committee be accepted and that the following individuals be appointed to the Education Committee: Katina Leodas, Ginny Chomitz, Deena Dubin, Marsha Firestone, Cathe Palo, Son-Mey Chiu, Lainie Dearden, Anne Pardo, Aimee Ratchelous, Jasmine Lipman, Peter Flister

All in favor.

### **Investments, Finance and Audit Committee Report**

Chair Todd Carey introduced Treasurer Peter Bain and asked him to summarize the written report. Peter outlined the Committee’s activities over the summer and stated that the current focus is on understanding the major sources of income.

Wayne Davis noted that the Committee the Committee Report includes a summary of the Committee’s review of two potential conflicts of interest that had been disclosed by Board Members on their Annual Conflict of Interest Disclosure Forms. The first was the Committee’s determination that, in the case of his and Louise Hara’s personal relationship with graphic design contractor David Freedman “it was unlikely that the Society could obtain with reasonable efforts a more advantageous transaction or arrangement from another person or entity.” The second was the Committee’s determination that, in the case of Peter Bain’s, his “service as both an instructor and Treasurer did not pose a significant problem and that the existing controls should be sufficient” and that “[t]he Committee will also review all instructor payments to Peter annually.”

Wayne offered that he, Louise and Peter should leave the room so that the Board could discuss the Committee’s determinations if it wished. Board members stated that they were satisfied with the Committee’s determinations.

Todd Carey explained that it was appropriate for the Society to have guidelines for how the Treasurer should allocate cash balances and the types of investment accounts to be used. The Committee is proposing adoption of the “Cash Management Policy.” He briefly reviewed the Conflict of Interest policy.

Following discussion, upon motion by Todd Carey, seconded by Katina Leodas, it was

**VOTED:** That the Board of Directors hereby adopts the **Cash Management Investment Policy** attached hereto as [Exhibit A](#).

All in favor.

Todd Carey noted that our accountants had recommended, and that in his prior experience on boards it was considered important the all Board members be given the opportunity to review the Society's tax return ("Form 990") before it is filed and that the Committee was therefore recommending adoption of a "Form 990 Review Policy." Peter Bain noted that the draft tax return was expected from the accountants a week or two before the October 15 filing deadline, and the Finance Committee would review it in depth and suggest any corrections first; following corrections, the return would be circulated to the rest of the board. Upon motion by Bruce Neumann, second by Louise Hara, it was

**VOTED:** That the Board of Directors hereby adopts the **Form 990 Review Policy** attached hereto as [Exhibit B](#).

**VOTED:** That the Board of Directors requests each of its members to acknowledge receipt of the Society's Form 990 when it is distributed and to review the 2019 Form

All in favor.

### **Building Committee Report**

Louise Hara summarized the written report. Recent work completed includes:

- The Committee had decided not to proceed with the lift replacement at this time (at a budgeted cost of \$60,000) and instead try to repair the lift (expected cost less than \$6,000).
- The main electrical line from the front to the back of the building had been successfully relocated from below the surface of the parking lot to inside the building at a cost of \$25,000. This addressed a major safety issue, since the underground sub-panel was vulnerable to water penetration.
- The front landscaping and new signage project had been substantially completed, except for a few punch-list items.

Louise stated that earlier in the year, the Committee had received a proposal to place solar panels on the roof, with a projected cost savings of \$100,000 over 20 years. The Committee was seeking the advice of the Board, and particularly the Investments, Finance and Audit Committee, whether that seemed worth pursuing. Todd said that the savings did not seem to large, especially over a 20-year period, and certainly not large enough to offset the potential conflicts with any future building projects. The rest of the Board concurred.

Louise also reported that the Committee had begun long-term planning, starting with a functional needs analysis and was recommending that specific funds be set aside each year for capital replacement needs.

Jenny expressed concern about proceeding now with major capital expenditures for the current building and asked about looking at alternatives to staying in this building. Louise advised that because of easement issues (diagonally across parking lot) that the value of the property may not be as high as we would like it to be (~\$3M). It was suggested to talk to the town manager about the renovation of Lexington Community Center and the issues encountered by the town.

Louise stated that the Building Committee wished to apply the approximately \$50,000 saved from canceling the lift replacement to the next set of priorities in the long list of deferred maintenance, repair and replacement items. She asked whether the Board concurred. Board members asked that the

Committee publish the next set of priorities. It was suggested that an email notification of any expenditure to the lift (estimated at \$10K) should be circulated to the Board for prior approval.

Upon motion by Bruce Neumann, seconded by Jenny Pyle, it was

**VOTED:** That the report of the Building Committee be accepted, and that the Building Committee is authorized to proceed with up to \$50,000 in additional maintenance, repair and replacement projects, subject to the Committee circulating its list of priorities and to prior approval of the Board for any expenditures of \$10,000 or more.

All in favor.

### **Gallery, Shows and Events Committee Report**

Bruce Neumann summarized the written report and discussed several of the new programming ideas under consideration. This committee will look at hosting more non-guild shows and improving the quality of the shows. The Gallery Committee will host a Poetry night sometime in November

Matthew Siegal noted that selling should be encouraged and the Gallery to Go doesn't necessarily have to be related to the show.

Upon motion by Bruce, seconded by Louise, it was

**VOTED:** That the report of the Gallery, Shows and Events Committee be accepted, and Steve Goldstein and Mary McDonald be appointed to the Committee.

All in favor.

### **Development Committee Report**

Alison Lauriat summarized the written report and stated that the Committee's current focus was on the upcoming Annual Appeal and on updating the donor database. The Committee was seeking guidance from the Board on "the story of LexArt" that should be presented.

In discussion, there was general sentiment that it was premature to ask for funding for specific projects and, in any event, most organizations do not do so in an Annual Appeal. Instead, a more generalized appeal for support of the mission should be made. It was suggested emphasizing being part of a community and showing how craft transitions from clay-> pot and wood-> finished piece.

Matthew offered that he can bring a colleague to speak on development matching funds.

Upon motion by Matthew, seconded by Mireille Gart,

**VOTED:** that the Development Committee's report be accepted and that Bill Wright, Jasmine Lipman, and Ginny Chomitz be appointed as additional members of the Committee.

All in favor.



### **Nominating and Governance Committee Report**

Katina Leodas summarized the written report. An important upcoming priority will be reviewing the staggered board process. Five board members end their term in 2020. We want to get more people to help. One possibility is to appoint associate members.

Upon motion of Rachel Rosenblum, second by Jenny Pyle, it was

**VOTED:** To approve the report of the Nominating and Governance Committee.

All in favor.

### **Membership, Marketing and Outreach Committee Report**

Louise Hara summarized the written report. The Committee had not yet met, so the report listed the activities that various members have been carrying out since June. The Committee expects to meet September 18.

### **Executive Committee Report**

Wayne Davis briefly reviewed the written report. He noted that the Committee had no recommendations to the Board, and that the General Authorization (to be taken at the end of the meeting) ratifying officers' actions will suffice.

### **Approval of Minutes**

The minutes from the May 14 and June 18, 2019 meetings were reviewed. No changes were noted to the May 14 minutes. Several corrections were suggested to the June 18 minutes. Upon motion of Rachel Rosenblum, seconded by Katina Leodas, it was

**VOTED:** That the Board of Directors hereby approve as submitted the minutes of the Board of Directors Meeting of Members held May 14, 2019.

**VOTED:** That the Board of Directors hereby approve as amended the minutes of the Board of Directors Meeting of Members held June 18, 2019.

All in favor.

Katina Leodas moved to adjourn the meeting at 4 pm. Rachel Rosenblum seconded the motion. All in favor.

Respectfully submitted,  
Terumi Irizawa, Clerk of the Corporation

# EXHIBIT A

## Lexington Arts and Crafts Society, Inc.

### Cash Management Investment Policy Statement

*Adopted September 10, 2019*

1. **Purpose.** The purpose of the Society's Cash Investment Policy is to establish guidelines and procedures for the management of its non-operating cash.
2. **Definitions**
  - a. **Long-term Funds** consists of any funds beyond those anticipated to be required within twenty-four (24) months to meet Society operating expenses.
  - b. **Non-operating Cash** consists of funds that are not expected to be used for operating expenses in the next six (6) months, but which may be required in the next six (6) to twenty-four (24) months.
  - c. **Operating Cash** consists of funds expected to be used in the next six (6) months.
3. **Cash balance targets.** In general, the Society's funds should be managed such that:
  - a. Operating Cash sufficient to cover a minimum of the next 30/60 days of expenses and a maximum of the next six (6) months of expenses should be maintained in the Society's primary, non-interest-bearing checking account.
  - b. Non-Operating Cash must be invested in interest-bearing accounts consistent with this policy.
  - c. Long-term Funds must be invested according to the Society's overall Investment Policy Statement.
4. **Investment Objectives.** The objectives of the investment portfolio are to:
  - a. Preserve capital and protect principal
  - b. Maintain sufficient liquidity
  - c. Increase yield of the funds
  - d. Diversify assets of the Society
5. **Risk Tolerance.** Operating Cash and Non-operating Cash should be limited to US dollars and managed in securities and investment vehicles that offer a reasonable rate of return with zero or very limited volatility. All securities and investment vehicles should be guaranteed by the issuer and offer liquidity without suffering a loss of principal, if held to maturity.
6. **Permissible Investments**
  - a. Cash sweep accounts
  - b. Certificates of deposit
  - c. Money Market Funds
    - i) Government funds

- ii) Prime and Municipal funds
- iii) Ultra-short bond funds

**7. Roles and Responsibilities**

- a. The Board must approve, monitor and update the Cash Investment Policy Statement.
- b. By adoption of this Policy Statement, the Board delegates authority to the Finance Committee to determine the appropriate level of Non-operating Cash to be invested, the investment vehicles and the monitoring of the portfolio.
- c. By adoption of this Policy Statement, the Treasurer is authorized to execute the investments and is directed to gather all relevant information on the portfolio and produce regular reports to the Finance Committee.

## Exhibit B

### Lexington Arts and Crafts Society, Inc.

#### Form 990 Review Policy

Adopted September 10, 2019

- 1. Purpose.** The purpose of this policy is to create a process for preparation and review of the Form 990 and its distribution to all board members of Lexington Arts and Crafts Society, Inc. (“LexArt”) whether before or after filing with the Internal Revenue Service. This process will provide the board members the opportunity to review the Form 990 while also ensuring that annual filing deadlines may be met.
- 2. Procedure for Preparation and Review of Form 990.** LexArt’s Treasurer is responsible for the timely preparation of the Form 990. The Treasurer may confer with accountants and legal counsel with respect to drafts of the Form 990.

Copies of the completed Form 990 (including required schedules) will also be reviewed by the Investments, Finance and Audit Committee. Any questions or concerns will be noted and addressed, and the Treasurer will ensure that any appropriate changes are incorporated into the Form 990.

- 3. Distribution of Form 990 to All Members of Governing Body.** After all input has been appropriately addressed, the final version of the Form 990 (with required schedules) will be distributed to every voting member of LexArt’s board of directors prior to filing with the IRS. The final form may be distributed either in paper or electronic form in any manner deemed appropriate by the Organization’s President.
- 4. Filing of Form 990.** After the final version of the Form 990 has been distributed pursuant to paragraph 3 above, the final Form 990 will then be signed by the President or other authorized officer of LexArt and the Treasurer will cause the Form 990 to be filed as required.

## **Appendix**



Board of Directors Meeting

September 10, 2019

**Committee Reports**

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# Education Committee Report

September 3, 2019

Chair - Terumi Irizawa

Members - Katina Leodas, Peter Bain, Ginny Chomitz, Deena Dubin, Marsha Firestone, Cathe Palo, Son-Mey Chiu, Lainie Dearden, Anne Pardo, Aimee Ratchelous, Jasmine Lipman, Peter Flister, Mireille Gart, Susan MacFarlane.

The Committee met August 22, 2019. The Committee plans to meet on a monthly basis going forward. The Committee recommends to the Board that the Committee's work be guided by the following:

**Mission.** The Education Committee oversees, develops, and coordinates LexArt educational programs, across all guilds and all art/craft disciplines.

Specific responsibilities include:

- Assess art/craft educational needs and appetites of the LexArt membership and, more broadly, the general public through surveys, studies and research.
- Identify and/or develop resources (instructors) and modes of delivery (multi-week courses, one-time classes, workshops, etc.) to address those needs.
- Assess current LexArt educational offerings, and partnerships and monitor the ongoing effectiveness of all educational activities.
- Review existing policies that relate to LexArt's educational programs to ensure that they advance growth and success and, where necessary, propose modifications.
- Suggest standards and otherwise assist and encourage guilds in creating pathways for non-member class attendees to become guild members, or to increase revenue.
- Recommend to the board what dollar amount we should target for class revenue; setting financial goals and taking those to the board
- Advocate for more diverse programming, social justice themes, bring more people into the guild – research on how to approach under-served populations
- Assess potential for increasing utilization of summer program, *e.g.*, by bringing in outside instructors for master classes in the summer for a week or two (will require housing, meals and travel).

**Desired Outcomes.** The desired outcomes of this committee are:

- A robust, diverse and well-subscribed program of classes, courses, workshops and other education events that meet the needs of LexArt members and the general public;
- LexArt is a respected center of arts and crafts education;
- LexArt's membership grows significantly as a result of converting students to members
- Meet its revenue goals for education

**Goals for FY 2019-2020** (timelines to be set at September committee meeting)

- Do an overview of LexArt's current education program. Classes by Guild/Number of classes/Number of students per class/Revenue per class/Effects of seasonality/External or internal facing
- Share best practices from each guild
- Develop ongoing metrics – comparing revenue YTD vs revenue goals (for example)
- Determine with Guilds – about opportunities to work with underserved populations
- Look at potential class offerings from ethnic populations (e.g. ceramics, needlearts)
- Joint programming with other organizations like Munroe, Cary Library etc
- Pricing analysis – are we charging too much or not enough?

**Membership:** In addition to the Committee members previously appointed at the June meeting (Irizawa, Bain), the Committee recommends that the Board also appoint the following:

Katina Leodas, Ginny Chomitz, Deena Dubin, Marsha Firestone, Cathe Palo, Son-Mey Chiu, Lainie Dearden, Anne Pardo, Aimee Ratchelous, Jasmine Lipman, Peter Flister



# Investments, Finance and Audit Committee Report

Sept 6, 2019

**Members:** Peter Bain, Todd Carey, Nancy Cornelius, Terumi Irizawa, Wayne Davis

**Responsibilities.** The Investments, Finance and Audit Committee is led by the board Treasurer and oversees the creation of the budget. It keeps track of LexArt's assets and liabilities, monitors and reports on the financial status and activities of LexArt at each Board meeting, ensures that LexArt's financial policies and practices are followed, prepares the annual financial report and audits the work of any contractor or employee involved with the organization's finances, and oversees investments and tax strategies.

**Outcomes.** The expected outcomes of this Committee are that the Board is kept well-informed about the financial status of the organization at all times, and empowered to maintain its financial health and well-being, while promoting its responsible growth.

**Membership.** Committee members should have experience and expertise with either non- or for-profit organizational financial management and with the Internal Revenue Service rules that apply to LexArt's nonprofit status.

**Meetings.** The Committee met on June 11, July 25, and September 5, 2019. The following projects and activities were completed or initiated;

- Reviewed cash accounts and developed a cash management policy (proposed for Board approval)
- Planned for compliance with Massachusetts Paid Family Leave Act
- Reviewed and confirmed the classification of custodians as independent contractors
- Developed a policy and procedure for Board member review of Form 990 (proposed for Board approval)
- Reviewed Board of Conflict of Interest situations
- Met with Juna Financial Solutions to review bookkeeping transition
- Initiate cost accounting project with Juna Financial Solutions to revise Chart of Accounts in order to improve our ability to generate meaningful reports and better understand costs and revenues on an activity/event basis
- Met with tax auditor Nardella & Taylor to review year end schedule and documentation needs
- Determined to draft and adopt a policy on managing bids for contracting projects
- Determined to create a budget template for events

## Decisions Taken

1. **Conflicts of Interest Reviews.** Based on submission of forms from Board Members, two situations with possible appearance of conflict were identified and reviewed.
  - a. Board Members Wayne Davis and Louise Hara have a personal relationship with David Friedman, who has been doing graphic design work for LexArt for the past 18 months. Davis and Hara have no financial relationship with Friedman. Friedman is a well-respected professional of many years' experience and is charging LexArt a fraction of his normal rate. The Committee determined that it was unlikely that the Society could obtain with reasonable efforts a more advantageous transaction or arrangement from another person or entity.
  - b. Board Member and Treasurer Peter Bain has been an Instructor at LexArt, starting from before his appointment to those positions. Terumi Irizawa, Director Operations and Programs stated that she calculates and approves all payments to instructors, using a set formula. She noted that an additional safeguard is that all payments are processed by our third-party bookkeeper, Juna Financial. The Committee determined that Peter's service as both an instructor and Treasurer did not pose a significant problem and that the existing controls should be sufficient. The Committee will also review all instructor payments to Peter annually.
2. **Cash Management Policy.** Historically, the Society has kept its assets largely in cash, money-market accounts, and certificates of deposit. The Committee believes it would be prudent to have a policy that directs the types of instruments to be used for cash management and to establish a set of procedures for determining appropriate levels of cash balances to be held. The Committee therefore recommends that the Board adopt the Policy included as **Exhibit A** in the Proposed Resolutions.
3. **Form 990 Review.** Form 990 is the tax return that LexArt must file annually with the Internal Revenue Service. The Committee believes it would be prudent to establish clear procedures for review of the Form 990 return before filing and to ensure that all members of the Board can review the Form. The Committee therefore recommends that the Board adopt the Policy included as **Exhibit B** in the Proposed Resolutions.

# Building Committee Report

September 6, 2019

Committee Members: Louise Hara (Chair), Peter Kelly, Nancy Cornelius, Lee Johnson, Bruce Newman, Chin Lin

The Committee met on July 2 and September 5, 2019.

The Committee meetings covered both immediate, shorter-term needs and discussion of longer-term planning.

## A. Short-Term Issues and Projects

1. **Lift Replacement.** After consideration of options on the placement and planning requirement of the lift, the committee voted unanimously to suspend immediate planning and installation of the lift and opt instead to repair the existing lift to try to extend the life of the lift for two more years so that further planning for the building could proceed. The replacement is a minimum of \$60K and might prove irrelevant if not included in a larger comprehensive plan. The projected cost of temporary repair is expected to be under \$6K. These repairs are scheduled for September.
2. **Electrical Main Relocation.** The Committee reviewed and voted to recommend acceptance of the bid from Caron Electric for \$25K to perform the work. The work was subsequently authorized by the Executive Committee. The work was overseen by Lee Johnson and Louise Hara, and satisfactorily completed during the month of July. The main electric line from the back to the front of the building now runs through the building itself, instead of to a sub-panel underneath the parking lot, which was subject to sub-surface water penetration issues. The next step in this project is to fix the paving above where the sub-panel had been, to prevent pooling of water on the surface.
3. **Interior Electrical Work.** The Committee determined that a portion (approximately \$10K) of the funds no longer being used this year for the lift replacement should be used to begin addressing some of the high priority interior electrical needs. The Committee is working with Caron Electric and Beth Finlayson Electrical on proposals.
4. **Landscape and Signage Project.** This project had been initiated in 2017 with the objective of a significant redesign to the front of the building to make it much more welcoming to the public. Specific funds had been raised in the 2017 Annual Appeal and spending authorized in the FY 19-20 Budget.

The Committee approved proceeding with work from three contractors: Emo's Landscape (landscaping, \$10K); Beth Finlayson Electrical (electrical, \$3,700), and GraphicCuts (signage, \$5,636.70). Lighting bought separately (\$2171.64)

Most of the landscaping work was completed in August, though additional landscaping and art installation help from member volunteers will be needed. Due to scheduling issues, the electrical work was handled by Caron Electric (\$3,900). The signage should be complete by September 14. Due to sequencing requirements, Emo was asked to do trenching work for the sign installation and other electrical work, beyond the original scope of work. This was

substantially offset by reduction in scope at other parts of the project budget, resulting in net increase less than \$200 over the projected total cost of the project.

5. **Solar Proposal.** The Committee had received a proposal to place solar panels on the roof, with a projected cost savings to the Society of \$100K over 20 years. The Building Committee requests that the Investment, Finance and Audit Committee advise whether that savings is substantial enough to offset the risk of tying our hands in making larger substantial improvements to the building of a different nature.

## **B. Longer Term Planning**

The Committee has begun work and proposes to accomplish the following this fiscal year:

6. **Needs analysis.** Programming, short term and long term for the guilds and building upkeep.
7. **Develop a maintenance budget.** Propose specific budget for FY 20-21.
8. **Capital Fund for Building Replacements and Upgrades.** The Committee recommends that specific funds be set aside each year to address capital replacement needs (such as roof replacement). Such a fund would be separate from a capital campaign for any major renovation or building replacement.

# Gallery, Shows, and Events Committee Report

September 6, 2019

The Committee membership is currently Bruce Neumann (Chair), Wilda Ward, Steve Goldstein, Mireille Gart, Susan St. Maurice, Tom Whelan, Matthew Siegel, Molly Nye, Mary McDonald, and Rachel Rosenblum

We have met three times, on June 26, July 23, and September 3.

We approved the Mission statement as previously drafted and circulated. In essence, we consider it our charge to rethink the ways we use the gallery, to foster high quality shows that make visitors want to come back, to offer more variety and interesting shows which will bring in new audiences, and hopefully to increase income through gallery sales.

We have talked about a variety of events that might happen in conjunction with gallery shows, or occasionally between shows. Thoughts include poetry readings, concerts, PechaKucha events (ask me what this is!) or a “Salon” event where LexArt artists would not just show their work but speak to others about the process. Our goal is to make LexArt seem like a livelier place, where people know that things happen, and are likelier to check our calendar to see what’s up.

We have talked about making a gradual shift from one-or-two Guild shows to a mix that would include;

- Invitational shows (please come to “Respecting the Grain” in September)
- Juried shows where submissions are accepted from beyond LexArt (Think “State of Clay” but for different disciplines)
- Member shows – all work would be by members but work from all disciplines would be displayed.

We have talked about the presentation and setup of shows. This includes having a theme or concept that unites (many of) the items in the show, and how the items are arranged and labeled. This takes a good eye and time, but in a good show the “The sum is greater than the whole,” meaning that in addition to the individual art on display, there is art to the overall experience.

We are working against an expectation of having a plan for the 2020-2021 season for Board review in January.

Finally, we would like to recommend that that Board approve sending the following out the larger Society, to encourage more sales during Gallery shows:

The Gallery, Sales, and Events Committee encourages everyone planning gallery shows to, as much as possible, offer items for sale. Let’s think of ourselves more as a gallery than a museum! We also encourage every show to have a “Gallery-to-go” area.

# Development Committee Report

September 5, 2019

**Members:** Molly Nye (co-chair), Alison Lauriat (co-chair), Katina Leodas, Jenny Pyle, Bill Wright, Jasmine Lipman, Todd Carey, Rachel Rosenblum, Lee Webster, and Ginny Chomitz

The Committee met on September 4, 2019 with Nye, Lauriat, Leodas, Pyle, Wright and Lipman in attendance.

The Committee discussed several items that begin to map out our plan for fund-raising in 2019-20.

First, we will be interested in seeing the current list of priorities established by the Board for current uses of fund-raising resources. Katina provided a “quick and dirty” list of the many items that we might be fund-raising for but suggested that we should move ahead with our plans and that no matter what is on the list, the Development committee will be responsible for developing the committee materials and for the fund-raising that we are expecting to do.

Second, we discussed who are our prospects. Alison passed out 2018-19 yearbooks to those present and suggested that we all begin thinking about possible prospects and appropriate ways of engaging both those who have given in the past and those we hope to engage in the coming year. We are interested in both identifying and cultivating those in our organization and in the community-at-large and beginning to collect information that would be helpful in the future (e.g., names, addresses, past giving histories, connections to LexArt, possible contact people, etc.). At that point, we discussed the importance of honoring the privacy of those we are contacting and the importance of confidentiality of information we may be sharing in the committee.

And third, we talked about the materials we would want to use for our solicitations. Bill suggested that it would be essential for us to come up with “the story of LexArt” as we want to tell it in this year’s appeal. Katina volunteered to take a first crack at this. We want to move our work along as efficiently as possible and hope to have our Annual Appeal letter out early in November.

Jenny suggest that we think about a visual representation of our positive change and growth this past year. As an example, she suggested the image of, first, a lump of clay that, second, gets formed into a pot and, third, ends up as a finished glazed and fired piece of pottery. We all felt that this representation would be a strong way to present to our potential donors that ways we’ve changed and the ways we’re hoping to grow.

We then discussed ways that we might be able to develop additional fund-raising materials for Committee use. These would include photographs for the annual appeal letter and possibly a video that we could be link to the annual appeal. Katina is investigating possibilities for both the still and video resources for use for the upcoming appeal.

In our story materials, we hope to present diversity of age, color, gender, geography of our members and hope to showcase some of the extraordinary works that are being produced in the building.

Although the mission statement of the Development Committee was attached to the agenda, we did not have time to discuss it at this first meeting. We all felt that there was an urgent need to get started with the work at hand. We plan to follow up with the statement at the next meeting.

At the September Board meeting, the Development Committee:

1. Requests guidance on priority uses for funds that might be raised over the coming year.
2. Requests that Bill Wright, Jasmine Lipman, and Ginny Chomitz be appointed as additional members of the Committee. Each has previous experience with non-profit development work and are willing to contribute their efforts.

# Nominating and Governance Committee Report

September 1, 2019

Members: Katina Leodas, Wayne Davis

The Committee met on August 30, 2019 to review its Mission Statement and goals.

The Committee recommends to the Board that the Committee's work be guided by the following:

**Mission.** The Nominating and Governance Committee oversees the identification, recruitment, orientation, training, and retention of board and committee members, from both inside and outside the organization. It looks for opportunities to strengthen and grow the effectiveness, capacity and composition of the board, as well as LexArt's standing committees. It does this by identifying priorities for board composition; meeting with prospective board members and recommending candidates to the board; recommending slates of officers to the board; conducting orientation sessions for new board members and organizing training sessions for the entire board; suggesting individuals for committee membership; and leading the Board through an annual evaluation of its effectiveness and of the bylaws. It also assesses the entire governance structure and functioning of the Society and assists the guilds in improving their governance.

**Outcomes.** The primary goal for this Committee is to ensure a progressive, well-functioning Board. Supporting goals include the effective and timely populating of the Board and all committees with appropriate individuals. These are people who possess relevant expertise and a solid commitment to the mission and vision of LexArt, and who are well oriented and trained to perform the necessary work of the Board and committees, as well as periodic evaluations and recommendations for improvement of board practices and procedures and of Society bylaws.

**Members.** Ideally, members of this committee have experience and expertise in recruitment (including the ability to conduct online and offline candidate research), but that is not required. What *is* required is that they are knowledgeable about corporate (non-profit or for-profit) governance and that they possess strong social networks or the ability to create them. They should have high expectations about LexArt's ability to attract outstanding leaders.

The Bylaws (Article IV, Sec. 2), establish the Committee as a "Primary Committee" meaning that it is to be composed solely of existing members of the Board. While this may be appropriate for some purposes, it is somewhat limiting for the actual work of identifying and recruiting prospective board and committee members. The Committee therefore proposes to add Associate Members who could assist with the Committee's work. We plan to Identify 2-4 people who meet these criteria and recruit them before the November board meeting. Longer-term, the Committee will consider whether to recommend a bylaw change to change the Committee to a "Standing Committee" that can include non-Board members.

## FY 2019-20 Committee Goals

1. Recruit 2-4 Associate Members for the Committee and recommend their appointment by the Board at the November 2019 meeting.
2. Facilitate board self-evaluation of membership and effectiveness in January 2020.
3. Assist Standing Committees in identification and recruitment of additional members.



4. Recruit continuation/replacements for the first group of current board members whose terms will end in 2020. (Gart, Hara, Neumann, Pyle, Rosenblum). In the process, determine whether there are areas of expertise that we lack on our board or committees, and if they exist, fill gaps.
5. Maintain an opportunistic posture towards recruiting -- always on the lookout for talented and connected people who can help LexArt to grow. Identify, meet, vet and invite prospects throughout the year.
6. By May 2020, ensure that each Guild's bylaws have been reviewed for consistency with Society bylaws and good governance practice, and assist Guilds in updating their bylaws as needed.

# Membership, Marketing and Outreach Committee Report

September 6, 2019

**Committee Members:** Matthew Siegal, Cassandra Goldwater, Lauri Hugentobler, Louise Hara (acting chair), Susan St. Maurice

## Meeting planned for September 18, 2019

The committee has yet to meet. The work is currently being done by Terumi Irizawa (publications and contact management) and Louise Hara (website and marketing material development), with events supported by individuals in charge of each specific event.

## Committee mission as stated in goals packet from June 2019.

- Develop and propose to the Board a business plan, components of which include:
  - Identification of target audiences with at least rough-cut segmentation (*e.g.*, current members; potential active guild members; potential high-engagement non-guild members; casual non-member engagement) with associated possible value proposition for each;
  - Refinement of the organization's brand;
  - Proposals for membership categories and benefits;
  - Assessment of current and identification and analysis of potential new sales channels (*e.g.*, off-site sales location, pop-up sales, on-line)
  - Reassessment of the purposes, goals, and interests served by Holiday Marketplace, Fall Fair, and Artisan market and consideration of alternative approaches to meetings those purposes, starting in 2020. (Events already in planning for 2019 are *not* in scope.)
- Develop, propose and execute a marketing and communications plan that includes:
  - branding and graphic standards
  - protocols for repeatable processes
  - management and execution of various channels (web, social media, direct mail, print publications, flyers, *etc.*)
- Develop and implement ideas for attracting and on-boarding new members and for retaining existing ones.

## WORK SINCE START OF JUNE 2019-20

### Outreach success for Artisan Market: Terumi & Cassandra Goldwater

- Funding grant by Community Endowment of Lexington \$4500
- 300+ participated in demo activities
- Outreach to Chinese Community thru translated advertising posted on We Chat by Wei Ding, a member of the board of Community Endowment of Lexington. Result was several hundred Chinese community members visited and participated in activities during the three days of the market.

### Instagram & Facebook & Web 2019 Mary Grace Cronin

- Hired Mary Grace Cronin to develop Instagram and Facebook presence. Developed the Instagram account so that posts are now made on a regular basis.
- Consulted with Andrea Gabrielle and Carl Tortolla of Neptune Web on how to optimize outreach with our website.

- SEO recommendations from Andrea and Carl have been by Lauri Hugentober for our website. Website now more recognizable in searches.
- Posting new events on Website as information comes in. Need to get information 4 months or more in advance to get into print venues.

**Invitational Woodworking show: Sept 14 -29 Katina Leodas**

- Funding for reception with Chamber of Commerce event at LexArt – TD Bank \$150
- Funding for Opening reception for Show - Brookline Bank \$600
- Advertising in targeted locations for woodworking and furniture

**Fall Fair October 4-5-6 Louise Hara, Amy MacLeod, Theresa Carmichael**

- Lawn signs in addition to Signboard in center, banners
- Posting with Minute Man and Colonial Times
- Evite to members to send out to friends and families - What should be the main message to the mailing list? Beautiful, interesting, one of a kind gifts? Who is our target audience for the sales?
- Use Wei Ding to translate and send to Chinese community
- Notice in website postings
- Post Cards sent on 9/9/19
- Need evaluation of mailing targets.

**Korean Cultural Council of Boston Date: Oct. 12 – 25 Wayne Davis**

- Banner in design
- Reception with Gugak Jazz is planned.
- Most advertising and outreach is done by the Korean Cultural Council of Boston.

**HMP : Plan to be developed**

**Regional High School Art Show: in planning. Chin Lin, Lainie Reardon, Helen Fitts, Louise Hara**

**Guild Shows** : Need reps and name of show by the end of September and the first shows thru march artwork by the end of October and the remainder by the end of November.

**Instructor Student Show:** Need people to run the show and a get together for instructors to build community within instructors.

**Development of volunteers** to carry our various arms of this group is in development. This will include Photography, Social Media, Website , Internet postings, mailings, outreach volunteers for town events, Education targeted advertising and outreach, External and Internal show coordination with the Gallery committee. This work cannot be done without an army of people who can take on specific jobs or events.

**Marketing Materials** have been developed by David Freedman (Graphic Designer) working with Louise Hara.

# Executive Committee Report

September 6, 2019

Members: Wayne Davis (Chair) , Katina Leodas, Peter Bain, Louise Hara, Terumi Irizawa

**Meetings.** Since the last report to the Board on April 24, 2019, the Committee met on April 25; May 2; May 23; June 13; July 2; July 23; and August 16. One vote was taken via email on July 3, 2019.

**Agendas.** Apart from routine operating issues, the meetings considered the following agenda items

- Planning for major upcoming events: Artisan Market, Fall Fair, Holiday Marketplace
- Monitoring transition of bookkeeping from internal to Juna Financial.
- Review of Artisan Market
- Ongoing building projects
- Upcoming curated show – “Respecting the Grain”
- Organization for board of directors’ meetings in June and September
- Committees -volunteer recruitment
- Guild elections and Council of Guild Chairs – monitoring progress

**Major Decisions.** Key decisions taken at the meetings:

1. **Expenditures of funds** (all within approved budget)
  - a. Authorized \$25K for electrical work to reroute main electrical circuit through building instead of outside, under parking lot.
  - b. Authorized \$10K for landscape work
  - c. Authorized \$15K for signage project
2. **Approved Fall Fair inventory policy.** The purpose of adopting a new policy was to improve the quality of the items that are submitted for sale at the Fall Fair and thereby boost sales and net proceeds to the Society
  - a. All guild members are required to meet a dollar commitment. The minimum commitment is \$75. Minimum amounts vary by Guild
  - b. Members may submit an unlimited number of items if designated that 100% of the proceeds will go to the Society
  - c. Alternatively, members may designate a “Desired Contribution Amount” at your guild Minimum (\$75 or \$100) or higher, such as \$200. Any sales in excess of the Desired Contribution Amount are treated as “70/30 items” (70% to artist; 30% to guild).
3. September invite to Chamber of Commerce for their meeting – Sept 25<sup>th</sup>, 7 – 9 am
4. Engage Mary Grace Cronin – 10 hours per week to update social media for LexArt
5. Set approval policy for expenses: Terumi will approve all invoices in Bill.com, Peter Bain will also approve any invoices > \$200 and Wayne will approve any invoices > \$10,000.

**Recommendations to Board.** The Committee can address questions and provide further detail on any of the above. Apart from that, the General Authorization ratifying officers’ actions will suffice.

Board members questioned how we should think about the 3-legged revenue stool (membership dues, class registration, sales). We need to figure out the proper proportions and then put plans in place to achieve

Upon motion of Rachel Rosenblum, seconded by Matthew Siegal, it was

**VOTED:** That, the Treasurer's Report be accepted.

**PASSED.** All in favor.

#### **4. DEVELOPMENT COMMITTEE REPORT AND DISCUSSION**

Alison Lauriat reported on behalf of the Committee.

**Annual Appeal.** All Board Members have committed to contribute to the Annual Fund. The Annual Appeal letter is ready for mailing and will be sent this week. A separate, slightly different appeal will go to our email list. The Committee is also intending to follow up with "Friends of the Society," non-member donors who have given money in the past. A reminder email will go out several weeks later, along with a link to the video (see below).

**Video.** A 2.5-minute video is being produced that features members talking about why LexArt is important to them. A rough cut has been completed. If the final version can be completed on time, a link will be included in the Annual Appeal emails.

**Finding Additional Potential Donors.** Alison asked that board members, observers, and other Society members can suggest friends that might be interested in supporting LexArt that you please pass those names to Alison

**Planned Giving.** In 2020, the Committee will address those in the 1935 Society who have previously pledged to put LexArt in their will. There were several comments on changing the name to "1935 Founders Society" or "1935 Legacy Fund" – to make it more descriptive of its purpose. Existing members' names are on the plaque in the hallway of the lobby.

**Other Planning.** The Committee is also considering potential events that are non-traditional; please send fundraising ideas to the Development Committee.

#### **5. EDUCATION COMMITTEE REPORT AND DISCUSSION**

Terumi Irizawa reported on behalf of the Committee. She provided a brief overview of fall classes and instructors. The Committee is starting to benchmark our classes with those offered by other local organizations. The hardest issue is to find a convenient meeting time for the committee members

#### **6. INVESTMENTS, FINANCE & AUDIT COMMITTEE REPORT AND DISCUSSION**

Todd Carey reported on behalf of the Committee. He noted that the tax return had been filed. Proceeds from the Ferrara Estate bequest have been received and deposited. The state Paid Family and

Medical Leave law had become effective as of October 1, 2019. Wayne had spent considerable time, with the assistance of Juna Financial and other advisors determining how to apply it to LexArt. Several checking accounts have been consolidated into a single money market account. Peter Bain and Terumi Irizawa continue to work with Juna Financial on the bookkeeping transition and chart of accounts changes. These are nearing completion. At the suggestion of TD Bank, all the guilds were registered with the Town of Lexington under as DBA's (doing business as), *e.g.*, Lexington Arts & Crafts Society, Inc. *dba* Lexington Needle Arts Guild. The checking accounts have been renamed accordingly.

## **7. BUILDING COMMITTEE REPORT AND DISCUSSION**

Louise Hara reported on behalf of the Committee. The Committee has its ongoing list of maintenance and upgrade projects, but is considering having a professional building inspection performed, which may highlight other issues or suggest adjustments to priorities on the current list. Peter Kelley has been very helpful in talking with the town on several issues relating to drainage and other regulatory matters. Chin Lin has been working on longer-term plans for the Society.

Jenny Pyle asked whether the Committee has begun looking at space usage by the guilds and correlating with income generation. She suggested that these issues be discussed in guild member interviews. Joe Brown commented that the Woodworkers Guild has been looking at this.

Bruce Neumann commented that the new landscaping and signage is great and the front of building looks fabulous

## **8. GALLERY, SHOWS AND EVENTS COMMITTEE REPORT AND DISCUSSION**

Bruce Neumann reported on behalf of the Committee. A poetry-reading event has been scheduled for next Saturday, November 9<sup>th</sup> with 8 or more readers including Matthew's wife. This will be our first attempt to program an event in between shows – there will be wine and cheese served and donations will be accepted. Future events under consideration include Moth - story telling; Future of Art and Technology – could be a symposium; and a Fiber Art Invitational.

## **9. NOMINATING AND GOVERNANCE COMMITTEE REPORT AND DISCUSSION**

Katina Leodas reported that the Committee has not met. Beginning at the start of the year, it will be recruiting board members to fill the seats that were elected with an initial one-year term

## **10. MEMBERSHIP, MARKETING AND OUTREACH COMMITTEE REPORT AND DISCUSSION**

Louise Hara reported on behalf of the Committee. The Committee is still looking to add members, especially anyone with marketing expertise. A sub-committee of 4 has begun working on Publicity.

Jenny Pyle suggested trying to reach parents of students. For example, could we participate in a school Art Night. The scholarship program is a good opportunity to get LexArt better known.

Terumi reported that we had received a request from the daughter of Jack Powell to rename the scholarship in the name of both Jack and his wife Marian, who had recently died. The original scholarship fund was set up with support from the Lexington Chamber of Commerce, so we are checking with them to see if they agree to the change. Peter Bain will prepare a list of expenditures for the Powell and other scholarships. Todd Carey said he wants to work on the more strategic aspects of the scholarship program. He spoke to the contact provided by Terumi for the high school scholarships and

has some ideas on how to give LexArt more visibility in terms of presenting the scholarships. Louise mentioned that Tomasina Lucchese has been working on the scholarship program for several years, so it would be good to coordinate with her.

The Committee has asked the Council of Guild Chairs to work on outreach. Lauri Hugentobler reported that the Council will do so but has not yet taken up the issue.

## **11. EXECUTIVE COMMITTEE REPORT AND DISCUSSION**

Katina Leodas reported on behalf of the Committee. Since the last Board meeting, the Executive Committee had focused operational issues and addressing some policy decisions around sales and member shares at Fall Fair and HMP.

Cassandra Goldwater asked more details on the 5% charitable donation decision mentioned in the Committee Report. ("Authorized offering to donate 5% of sales in support of a cause, to be offered to Parent Teacher Associations or equivalent in Lexington, Bedford, Waltham, and Arlington. The offer to each PTA will apply to sales on a designated day, if requested by the customer. PTA must promote the offer within its membership. The 5% will be deducted from the gross sales price; thereafter, sales proceeds will be split per the usual arrangement of 70% to the artisan and 30% to the Society.) Terumi responded that, at the request of the HMP Organizing Committee, the Executive Committee had developed the policy. Cassandra suggested contributing to a scholarship fund for arts students and/or donating to CERF which is an organization that assists artists whose studios have burned down

The Executive Committee is also recommending that it be given authority to appoint an *ad hoc* committee to develop a recommendation on how to handle the expenditure of the Ferrara Bequest. Upon motion of Jenny Pyle, seconded by Peter Bain, it was voted:

**WHEREAS** Lee Ferrara was a long-time member of the Lexington Arts & Crafts Society; and

**WHEREAS** The Corporation has received and accepted a bequest of approximately \$91,000 from the Estate of Lee Ferrara (the "Ferrara Bequest"); and

**WHEREAS** The Ferrara Bequest by its terms is subject to the condition that the bequest be used "as a yearly prize, 'The Lee Ferrara Award' for most creative watercolor, collage, or mixed media;"

**NOW, THEREFORE** it is hereby **VOTED** as follows:

- A. That, the Executive Committee be authorized to appoint an *ad hoc* committee to develop a recommendation to the Board on the expenditure of the Ferrara Bequest consistent with the terms of the bequest; and
- B. That, the *ad hoc* committee be directed to consider how the Ferrara Award might best be used to further the mission of the Corporation; and
- C. That, the *ad hoc* committee be further directed to consult broadly with the Council of Guild Chairs, guild and sustaining members, instructors, and outside artists and supporters of the arts as it formulates its recommendation.

PASSED. All in favor.

Katina noted that at the September 10 board meeting, we had not voted the usual general authorization to the Executive Committee. She asked for motions for both that meeting and today's meeting. Upon motion of Jenny Pyle, seconded by Todd Carey, it was voted:

**VOTED:** That, the President, Vice President, Treasurer and Secretary of the Corporation be, and each of them acting singly hereby is, authorized and directed, in the name and on behalf of the Corporation, to execute and deliver any and all certificates, agreements and other documents, take any and all steps and do any and all things which any such officer may deem necessary or advisable in order to effectuate the purposes of each and all of the votes as described in the Minutes of the September 10, 2019 meeting of the Board of Directors of the Corporation; and that any and all actions taken by said officers prior to today's date in order to effectuate the purposes of said votes are hereby affirmed, ratified and made effective as official actions of the Corporation on the date such actions were made.

Upon motion of Jenny Pyle, seconded by Rachel Rosenblum, it was voted:

**VOTED:** That, the President, Vice President, Treasurer and Secretary of the Corporation be, and each of them acting singly hereby is, authorized and directed, in the name and on behalf of the Corporation, to execute and deliver any and all certificates, agreements and other documents, take any and all steps and do any and all things which any such officer may deem necessary or advisable in order to effectuate the purposes of each and all of the foregoing votes.

## 12. MEETING REVIEW AND FEEDBACK

There was a question whether it is necessary to vote the General Authorization every time; isn't once enough? Katina will relay to Wayne.

Although the space at the Lexington Community Center is nice, it is very difficult to hear the conversation when sitting on the side of the room (affecting primarily the observers).

Respectfully submitted,



Terumi Irizawa  
Clerk of the Corporation



## Presidents Report

### LexArt Board Meeting

November 5, 2019

I'm sorry that I can't be with you today, but I know that you're in good hands with Katina and will have lively and productive discussions.

We're now about seven months into our collective first term as a Board of Directors. It seems that now is a good time for a brief reflection on what has been accomplished and what challenges still lie ahead. Each of our Board Members has recently met with the Development Committee and shared their assessments on those questions. I understand that several broad themes emerged from those discussions. I concur with those assessments and have some additional color to add.

First, we have made important progress on several fronts. The Board is beginning to coalesce as a group and developing a deeper understanding of LexArt. The Committees are starting to get their feet under them. We've strengthened important elements of our infrastructure—both the “soft” infrastructure of things like our bookkeeping and financial management and the “hard” infrastructure of things like our electrical systems and our front signage and landscaping. We're innovating in our programming: the Artisan Marketplace brought in hundreds of new people who never knew we were here before; the Respecting the Grain Show demonstrated our ability to mount an invitational show and attract top artisans; new dates, display set-up, focused publicity, and member financial incentives drove a 22% increase in Fall Fair Sales; and we've got high hopes that our upcoming Poetry Reading and special evening sales hours for the Holiday Marketplace will continue to bring new faces through our doors.

And of course, with the Board's personal leadership commitments and the efforts of our Development Committee, I'm cautiously optimistic that our Annual Appeal will be the best in our history.

All that said, we're all very aware that we've just begun. We knew this would be a multi-year effort, with considerable challenges. I'm grateful that you signed up for this Board *despite* those challenges; and delighted that not a few signed up *because* you enjoy a good and worthwhile challenge.

Among the most significant of these challenges are the following:

**Our long-term strategy and story.** The strategic planning discussions that started two years ago and this Board's half-day planning retreat in May have gotten us rolling but have not gotten us to nearly enough detail. We need to keep elaborating and refining our strategy, both to guide our internal planning and decision-making and to have a clear and compelling story that we can share with the community, potential programming partners, and funders.

**Sharing the load.** LexArt has long prided itself on its volunteer-driven operating model. And for probably nearly as long, members have complained that too few people are burdened with doing way too much. A President's Annual Report in the mid-60's (more than fifty years ago) noted this issue and warned that the time was rapidly approaching when the Society would need to consider whether to hire a part-time Executive Director

While we've greatly expanded our volunteer capacity by adding outside Board members and by separating Board membership from Guild chair responsibilities, we've also expanded our ambitions and

become ever-more aware of what hadn't been getting done before. We have made too little progress in engaging a broad segment of the membership to volunteer more time and in more meaningful ways. That, in turn, is because we haven't done enough to make it easier and more personally rewarding for members to volunteer.

You as board members have devoted significant effort already, because you have recognized the strategic importance of doing so in this period of transition. But as several of you commented, and I agree, those time commitments are not long-term sustainable for you personally.

Similarly, all your Executive Committee members – Katina, Louise, Peter, Terumi and me – have been working at a pace that is not long-term sustainable either.

**Our financial sustainability and the chicken-and-egg of professional resources.** Even if we had made greater progress on the volunteer side, we'd still likely have some significant gaps in having professional staff who can provide day-to-day expertise and support. In addition to our already-known need for an Executive Director, the Development Committee seeks part-time professional staff support for its activities, the Membership, Marketing & Outreach Committee seeks support for marketing and publicity, and the Building Committee will need outside architectural and engineering help. In theory, all these expenditures *ought* to pay for themselves by driving additional membership, donations, *etc.* But we can't afford them all, at least not now.

**Our membership value proposition is not clearly understood by us or the members.** Without a clear sense of the importance and value of LexArt, both to their own lives and to the broader mission we exist to serve, and without a clear sense of what it costs to deliver services to them, it is no wonder that many of our members question why they ought to contribute more of their time, effort, or financial support to LexArt. Even if we as a Board thought we understood what that proposition is (and I don't think we do yet), it's not something that we can "tell and sell" to the membership. It is something that must develop organically, through dialogue within and between the guilds.

And it's not just one "cost and value proposition." It will be very different for each guild. Some of our guilds have access to space and equipment at incredible bargain rates compared to elsewhere; others have no dedicated space or equipment at all. Some of the "studio" guilds open themselves to extensive class schedules, which furthers our mission to educate and pass forward craft traditions but comes at the cost of member access. Other guilds deliberately favor member access—a different way of supporting the learning and creating aspects of our mission. Some of our guilds spend much time working together; others rarely do and instead come together for demonstrations and discussion of techniques.

This diversity yields richness to our community, while it complicates the challenge of setting a member fee structure that will be attractive to members and prospective members and sustainable for the Society in terms of our costs.

## **SOME THOUGHTS ON MOVING FORWARD**

There are a couple *bad* ways to react to that list of challenges. One is to get depressed and do nothing; another is to get ambitious and try to do everything all at once. The latter, in my experience, typically ends in failure and reversion to depression and doing nothing.

My preferred approach is to find and focus on one leverage point...one thing that if we get right, will make everything else a whole lot easier and likely to succeed. It's not that we pause everything else we have going on, but that I devote a significant portion of my attention in the next six months in one direction that is likely to have a high return.

That leverage point, I believe, is the discussion around the value of membership. We need to have our members focus on why they are here, why the organization exists and ought to exist, what is worth fighting for, and what is worth paying for. Unless and until they have those conversations, we will continue to struggle to engage our members as volunteers, involve them in strategic planning, enlist their support for membership fee structuring, and rely on them as a base for any kind of capital campaign.

But if we hold those conversations and do so in a way that rekindles their enthusiasm for LexArt, then we will have a solid foundation for addressing all those challenges. And we will have collected some of the most important information that will shape long-term planning.

So my current intent is to devote a significant amount of my own time supporting the Membership, Marketing and Outreach Committee pursue the Membership discussion. In particular, I will want to work with the Council of Guild Chairs, meet with individual guilds and members, and find other avenues for engaging members and outside stakeholders in this discussion.

Practically speaking, these conversations can't begin in earnest until after HMP and they must be finished by early April so that the Membership, etc. Committee can formulate a fee proposal.

I'm not talking about stopping anything else, but just sharing with you where I think both my personal priorities as President and the Society's priorities need to be in the immediate period ahead.

I invite your reactions, advice and counsel on these observations and plans. What have I got right? What wrong? What missed? How can it be done better? While I can't be there in person, the Executive Committee will of course brief me on your thoughts.

Wayne Davis

**LexArt**  
**TREASURER'S REPORT**

**To**  
**Board of Directors**  
**November 2019**

# Lexington Arts and Crafts Society

## Balance Sheet

As of October 31, 2019

	As of Oct 31, 2019	As of Oct 31, 2018 (PY)	Change
<b>ASSETS</b>			
Current Assets			
Checking Account 3283	99,111	78,083	21,028
Fall class income (to be deposited Nov)	45,000		
Office Safe	131	0	131
Operating High Rate MM Acct 3697	0	106,075	-106,075
Accounts Receivable	7,933	0	7,933
Operating Acct 6542	70,044	68,851	1,193
Operating Acct 6617	64,568	63,231	1,336
Total Current Assets	286,787	316,239	-29,452
Fixed Assets			
Guild Fixed Assets	17,019	16,985	34
Society Fixed Assets	210,199	172,031	38,168
Total Fixed Assets	227,218	189,016	38,202
Other Assets			
Centennial Fund	-0	1,010	-1,011
CD Permanent Fund -Restr	46,302	46,302	0
Masumi Mary Nagatomi Fund 0337	13,511	13,511	0
Powell Scholarship 2706 - Restr	10,100	11,678	-1,578
Rawding Vanguard Fund - Restr	13,584	12,972	612
Ferrara Bequest *	91,438	0	91,438
z_Guild Bank Accounts			
1100 Ceramics - Checking	27,076	19,859	7,217
1101 Ceramics - Fidelity	2,906	2,848	58
1110 Dec Arts - Checking	726	567	159
1120 Metals - Checking	13,418	12,207	1,211
1121 Metals - Savings Lincoln	0	0	0
1122 Metals - Savings Beesley	2,201	2,198	2
1123 Metals - Savings	6,280	6,276	4
1124 Metals - Restricted CD	10,139	10,000	139
1130 Needle Arts - Checking	442	676	-234
1140 Painters - Checking	20,777	21,387	-610
1160 Polymer/Bead - Checking	3,712	3,833	-121
1170 Weavers - Checking	4,475	3,945	530
1171 Weavers - MMkt	2,045	2,041	4
1180 Woodworkers - Checking	6,020	1,654	4,366
Total z_Guild Bank Accounts	100,217	87,492	12,725
Total Other Assets	275,152	172,966	102,186
<b>TOTAL ASSETS</b>	<b>789,157</b>	<b>678,221</b>	<b>110,935</b>
<b>LIABILITIES AND EQUITY</b>			
Total Liabilities	2,005	0	2,005
Total Equity	787,152	678,221	63,931
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>789,157</b>	<b>678,221</b>	<b>65,936</b>

\* As of 10/31 funds are in checking account. Restricted investment fund is being created.

Lexington Arts and Crafts Society  
 Profit and Loss  
 June - October, 2019

	TOTAL
Income	
7100.10 Class/Workshop Income *	18,870
7100.20 Membership/Dues Income	42,007
Total 7100.30 Sales	23,001
Total 7100.40 Contributions **	106,919
Total 7100.95 Misc. Income	1,225
<hr/>	
Total Income	192,022
Expenses	
Total 7300.02 Advertising	1,390
7300.03 Outreach/Publicity	111
Total 7300.08 Building & Grounds	8,398
Total 7300.24 Insurance Expense	-294
7300.26 Materials & Supplies	1,720
Total 7300.30 Misc. Expenses	2,568
Total 7300.32 Office Expenses	4,212
7300.46 Postage/Printing	-87
Total 7300.48 Professional Fees	7,973
7300.54 Scholarships	400
Total 7300.56 Payroll	41,173
7300.60 Teacher Pay	22,329
7300.61 Gallery/Show Expenses	6,497
7350.16 Depreciation	-177
Total Utilities	6,394
<hr/>	
Total Expenses	102,606
Net Operating Income	89,416
Total z_Guild Income	4,515
<hr/>	
Net Income	93,963

\* Fall classes not yet booked; \$45,000

\*\* Includes Ferrara bequest; \$91,000

Lexington Arts and Crafts Society  
Profit and Loss (adjusted)

June - October, 2019

	TOTAL
Income	
7100.10 Class/Workshop Income *	63,870
7100.20 Membership/Dues Income	42,007
Total 7100.30 Sales	23,001
Total 7100.40 Contributions **	15,919
Total 7100.95 Misc. Income	1,225
<hr/>	
Total Income	146,022
Expenses	
Total 7300.02 Advertising	1,390
7300.03 Outreach/Publicity	111
Total 7300.08 Building & Grounds	8,398
Total 7300.24 Insurance Expense	-294
7300.26 Materials & Supplies	1,720
Total 7300.30 Misc. Expenses	2,568
Total 7300.32 Office Expenses	4,212
7300.46 Postage/Printing	-87
Total 7300.48 Professional Fees	7,973
7300.54 Scholarships	400
Total 7300.56 Payroll	41,173
7300.60 Teacher Pay	22,329
7300.61 Gallery/Show Expenses	6,497
7350.16 Depreciation	-177
Total Utilities	6,394
<hr/>	
Total Expenses	102,606
Net Operating Income	89,416
Total z_Guild Income	4,515
<hr/>	
Net Income	47,931

\* Fall classes income added; \$45,000

\*\* removed Ferrara bequest; \$91,000

## 2019 Fall Fair Summary

Total sales (excluding Demo sales)	17,147
Contributions (expected)	7,952
<u>Payout to members</u>	<u>(3,640)</u>
Proceeds to LexArt	21,459 (+10% over 2018)
Proceeds to Lexart 2018	19,624
Proceeds to Lexart 2017	19,391

### Changes:

Date Change to beginning of October

Set up in 1.5 days, minimizing disruption of classes for Painters. ( Tues – Sun)

Contributions designated by members and larger, higher priced items encouraged.

Documents for members and guild reps reorganized and put up on website.

Demos and Art Café with plants and free refreshments. + Bake sale

Donation basket covered cost of drinks & baked goods

Demos got feedback and sign ups for potential classes.

Demos in ceramics studio

All guild display area at entry

New orientation of circulation in Gallery – net more active space between window and stairs.

Total Weekend Sales <b>Category</b>	<b>2 0 1 9</b>		<b>2 0 1 8</b>		<b>Change in Sales 2018 -&gt; 2019</b>
	<b>Items</b>	<b>Sales</b>	<b>Items</b>	<b>Sales</b>	
Ceramics	153	3,179	161	3,257	-2%
Deco Arts - Tax Exempt	2	20	0	0	-
Deco Arts / Basketry	32	655	49	910	-28%
Food	41	269	not thru POS		-
LexArt Items	7	210	none available		-
Metalworkers	92	4,030	92	3,227	25%
Needle Arts	21	261	22	242	8%
Needle Arts - Tax Exempt	59	768	52	738	4%
Painters	40	1,119	44	498	125%
Photography	20	672	12	503	34%
Polymer / Beading	44	2,277	43	1,446	57%
Weavers	25	614	49	591	4%
Weavers - Tax Exempt	18	413	6	335	23%
Woodworkers	86	2,865	82	2,453	17%
<b>Total</b>	<b>640</b>	<b>17,351</b>	<b>614</b>	<b>14,240</b>	<b>22%</b>



Lexington Arts and Crafts Society  
 Gallery/Show Ledger  
 June 1 - Oct 31, 2019

	Income		Expenses		Net Income
Artisan Market	5,756.75		-3,560.93		2,195.82
Back Door Gallery	253.80				253.80
Fall Fair	21,649.00		-322.01		21,326.99
Korean Cultural Show	600.00		-107.74		492.26
Respecting the Grain			-1,034.92		-1,034.92
<b>Total Galleries/Shows</b>	<b>\$ 28,259.55</b>	<b>-\$</b>	<b>5,025.60</b>	<b>\$</b>	<b>23,233.95</b>

**LEXINGTON ARTS AND CRAFTS SOCIETY, INC.**

Financial Statements

May 31, 2019

(With Independent Accountants' Review Report Thereon)



## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors  
Lexington Arts and Crafts Society, Inc.  
Lexington, MA

We have reviewed the accompanying financial statements of Lexington Arts and Crafts Society, Inc. (a not-for-profit organization) which comprise the statement of financial position as of May 31, 2019 and the related statement of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

### *Accountants' Responsibility*

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

*Accountants' Conclusion*

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Nordello + Taylor LLP

September 24, 2019

**LEXINGTON ARTS AND CRAFTS SOCIETY, INC.**

Statement of Financial Position

May 31, 2019

ASSETS:	
Cash and cash equivalents	\$ 259,691
Investments in certificates of deposit	214,664
Investments in securities, at fair value	13,584
Property and equipment, net	<u>175,562</u>
TOTAL ASSETS	<u><u>\$ 663,501</u></u>
LIABILITIES:	
Deferred income	\$ 11,676
NET ASSETS:	
Without donor restrictions:	
Undesignated	556,947
Designated by the Board for operating reserve	<u>46,302</u>
	603,249
With donor restrictions	<u>48,576</u>
TOTAL NET ASSETS	<u>651,825</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 663,501</u></u>

*See accompanying notes and independent accountants' review report.*

**LEXINGTON ARTS AND CRAFTS SOCIETY, INC.**

Statement of Activities and Changes in Net Assets

For the Year Ended May 31, 2019

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>REVENUE:</b>			
Class fees	\$ 143,818	\$ -	\$ 143,818
Membership dues and fees	74,417	-	74,417
Galleries, fairs and holiday marketplace	52,543	-	52,543
Contributions	37,681	-	37,681
Rental income	1,330	-	1,330
Investment income	2,871	1,780	4,651
Net unrealized gains on investments	-	(225)	(225)
Other income	9,099	-	9,099
Net assets released from restrictions	2,064	(2,064)	-
<b>TOTAL REVENUE</b>	<b>323,823</b>	<b>(509)</b>	<b>323,314</b>
<b>EXPENSES:</b>			
Program services	191,319	-	191,319
Fundraising	825	-	825
Support services	110,326	-	110,326
<b>TOTAL EXPENSES</b>	<b>302,470</b>	<b>-</b>	<b>302,470</b>
<b>CHANGE IN NET ASSETS</b>	21,353	(509)	20,844
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>581,896</b>	<b>49,085</b>	<b>630,981</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 603,249</b>	<b>\$ 48,576</b>	<b>\$ 651,825</b>

*See accompanying notes and independent accountants' review report.*

**LEXINGTON ARTS AND CRAFTS SOCIETY, INC.**

Statement of Cash Flows

For the Year Ended May 31, 2019

Cash flows from operating activities:	
Change in net assets	\$ 20,844
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	16,238
Net realized and unrealized gains on investments	225
Changes in operating assets and liabilities:	
Deferred income	<u>11,676</u>
Net cash provided by operating activities	<u>48,983</u>
Cash flows from investing activities:	
Increase in certificates of deposit	(1,651)
Purchases of investments	(1,025)
Purchases of property and equipment	<u>(3,954)</u>
Net cash used in investing activities	<u>(6,630)</u>
Net increase in cash and cash equivalents	42,353
Cash and cash equivalents, beginning of year	<u>217,338</u>
Cash and cash equivalents, end of year	<u>\$ 259,691</u>

*See accompanying notes and independent accountants' review report.*

**LEXINGTON ARTS AND CRAFTS SOCIETY, INC.**

Statement of Functional Expenses

For the Year Ended May 31, 2019

<u>Expenses</u>	<u>Program Services</u>	<u>Fundraising</u>	<u>Support Services</u>	<u>Total Expenses</u>
Building operating expense	\$ 40,596	\$ -	\$ 10,149	\$ 50,745
Instructors	62,249	-	-	62,249
Personnel expense	17,253	641	62,143	80,037
Supplies - guilds	18,590	-	-	18,590
Depreciation	12,990	-	3,248	16,238
Insurance	9,841	-	2,460	12,301
Postage and printing	8,856	184	184	9,224
Advertising and publicity	8,789	-	-	8,789
Professional fees	-	-	7,500	7,500
Scholarships	1,800	-	-	1,800
Other operating expense	10,355	-	24,642	34,997
Total functional expenses	<u>\$ 191,319</u>	<u>\$ 825</u>	<u>\$ 110,326</u>	<u>\$ 302,470</u>

*See accompanying notes and independent accountants' review report.*



# LEXINGTON ARTS AND CRAFTS SOCIETY, INC.

## Notes to Financial Statements

May 31, 2019

(See Accompanying Independent Accountants' Review Report)

### (1) Nature of Activities

The Lexington Arts and Crafts Society, Inc. (the "Society") is a not-for-profit organization founded in 1935 and incorporated in 1953. The Society's purpose is to foster an environment that supports craftspeople and artists. The Society owns and occupies a building in Lexington, Massachusetts equipped with workshops and studios. The Society is currently composed of nine guilds each dedicated to a craft or artist specialty. Revenue is primarily derived from class fees, membership dues, gallery sales and special events such as annual fairs and a holiday marketplace.

### (2) Summary of Significant Accounting Policies

#### Basis of Accounting

The accompanying financial statements have been prepared using accounting principles generally accepted in the United States of America. The financial statements of the Society are prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

#### Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net assets without donor restrictions* - Net assets available for use in general operations and not subject to restrictions imposed by donors or certain grantors. Net assets without donor restrictions include board-designated net assets. Board-designated funds are designated for specific purposes as determined by the Society's directors.

*Net assets with donor restrictions* – Net assets subject to restrictions imposed by donors or certain grantors. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

# LEXINGTON ARTS AND CRAFTS SOCIETY, INC.

## Notes to Financial Statements

May 31, 2019

(See Accompanying Independent Accountants' Review Report)

### Endowment Funds

As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors (the "Board") to function as endowments are classified and reported based on the presence or absence of donor-imposed restrictions. The Commonwealth of Massachusetts enacted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") effective June 30, 2009, the provisions of which apply to endowment funds existing or established after that date.

### Use of Estimates

The preparation of these financial statements in accordance with generally accepted accounting principles requires management to make certain estimates and assumptions that affect reported amounts and disclosures. Accordingly, actual results could differ from those estimates but are not expected to materially affect the Society's financial position.

### Cash and Cash Equivalents

Short-term investments that are highly liquid, readily convertible into cash and have original maturities of three months or less are considered to be cash equivalents.

### Certificates of Deposit

Investments in certificates of deposit with original maturities greater than three months are reported in the financial statements at cost. The Society believes that the cost basis approximates fair value due to contractual interest rates on these deposits and the remaining terms to maturity.

### Concentrations of Credit Risk

Financial instruments that potentially subject the Society to concentrations of credit risk consist principally of cash and cash equivalents. The Society maintains its cash balances with two creditworthy, high quality financial institutions located in Massachusetts. The Federal Deposit Insurance Corporation ("FDIC") insures these balances up to \$250,000 per depositor, per bank. At times, cash balances may be in excess of FDIC limits. Cash in excess of federally insured limits totaled \$17,451 as of May 31, 2019.

# LEXINGTON ARTS AND CRAFTS SOCIETY, INC.

## Notes to Financial Statements

May 31, 2019

(See Accompanying Independent Accountants' Review Report)

### Investments

Investments, consisting of mutual funds and money market funds, are carried at the quoted market values of the investments as of May 31, 2019. Investment income consists of interest, dividends, and capital gain distributions, less external and direct internal investment expenses.

### Property and Equipment

Property and equipment are stated at cost. Depreciation is calculated on the straight-line basis over the estimated useful lives of the related assets. Building and improvements are depreciated over 40 years, and machinery and equipment are depreciated over 5 or 7 years. Maintenance and repairs are charged to operating expenses when incurred. It is the Society's policy to capitalize assets with costs greater than \$1,000 and useful lives greater than one year.

### Revenue and Revenue Recognition

Revenue is recognized when earned. Class fees are recognized ratably when the services are performed. Revenue from the sale of products (primarily items produced by members of the Society's guilds) is recognized when all of the following conditions have been met: the title to goods transfers to the purchaser, the sales price is fixed or determinable, and collectability of payment is reasonably assured. Contributions are recognized on the earlier of the following to occur: when the payment is received or when the donor makes an unconditional promise to give. Contributions are recorded as support without donor restrictions or with donor restrictions depending on the existence and nature of donor restrictions. Membership dues are recognized as revenue in the applicable membership period.

### Sales Taxes

Sales taxes collected from customers are recorded as revenue, pending remittance to the taxing jurisdiction. When sales taxes are remitted, they are netted against revenue. The net liability is not material as of May 31, 2019.

### Advertising Expenses

The Society expenses advertising and publicity costs when the advertising first takes place.

# LEXINGTON ARTS AND CRAFTS SOCIETY, INC.

## Notes to Financial Statements

May 31, 2019

(See Accompanying Independent Accountants' Review Report)

### Tax Exempt Status

The Society is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code for activities related directly to its nonprofit purpose. The Society files tax returns in the federal and Massachusetts jurisdictions.

The Society has evaluated its tax positions and has concluded that the Society has taken no uncertain tax positions that require adjustment to the financial statements.

### Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be identified with a specific program or supporting service are allocated directly according to their natural expenditure classification. Expenses that are common to several programs or supporting services are allocated on a reasonable basis that is consistently applied. Salaries and employee benefits are allocated based on estimated time and effort. Payroll taxes are allocated as a percentage of salaries. Building operating expense, depreciation, and insurance are allocated using an estimated percentage based on square footage.

### Adoption of New Accounting Guidance

During the year ended May 31, 2019, the Organization implemented ASU 2016-14, *Financial Statements of Not-for-Profit Entities*. Accordingly, net assets are classified into two categories: without donor restrictions and with donor restrictions. The ASU requires additional disclosures about the liquidity and availability of funds and requires the reclassification of investment expenses, which are netted against investment income and include both external and direct internal investment expenses. ASU 2016-14 also requires the inclusion of a statement of functional expenses as part of the basic financial statements for all not-for-profit entities.

**LEXINGTON ARTS AND CRAFTS SOCIETY, INC.**

Notes to Financial Statements

May 31, 2019

(See Accompanying Independent Accountants' Review Report)

(3) Liquidity and Availability

The Society regularly monitors the availability of resources to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Society considers all expenditures related to its ongoing activities of holding workshops, operating its art gallery as well as general and administrative and fundraising costs.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, are comprised of the following as of May 31, 2019:

Cash and cash equivalents	\$ 259,691
Investments in certificates of deposit	214,664
Investments in securities, at fair value	13,584
Less: net assets restricted by donors	(48,576)
	<u>\$ 439,363</u>

In addition to financial assets available to meet general expenditures within one year of the balance sheet date, the Society operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

(4) Fair Value Measurements

The Society has implemented the requirements of FASB ASC 820-10 *Fair Value Measurements and Disclosures* for its financial assets and liabilities. ASC 820-10 refines the definition of fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The standard requires the use of market-based information over entity-specific information, when available, and establishes a three-level hierarchy for measuring fair value based on whether the inputs to a fair value measurement are considered to be observable or unobservable in an active marketplace.

The hierarchy requires the use of observable market data when available. These inputs have created the following fair value hierarchy:

# LEXINGTON ARTS AND CRAFTS SOCIETY, INC.

## Notes to Financial Statements

May 31, 2019

(See Accompanying Independent Accountants' Review Report)

Level 1 – Valuation based on quoted market prices in active markets for identical assets or liabilities that the Society has the ability to access as of the reporting date, and where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Valuation based on inputs other than quoted prices within Level 1. For example, quoted prices for similar assets in active markets or quoted prices for identical assets in inactive markets, in which there are few transactions, prices are not current, or prices vary substantially over time.

Level 3 – Valuation based on inputs that are unobservable and significant to the fair value measurement of the asset or liability. Unobservable inputs are supported by little or no market activity as of the measurement date and therefore reflect the entity's own assumptions about what market participants would use in pricing the asset or liability using the best information available under the circumstances. The following is a description of the Society's valuation methodologies used for assets measured at fair value:

*Money-market funds:* The fair value of these mutual funds is determined using the unadjusted published closing market price of the shares held as of the reporting date.

*Blended funds:* The fair value of these mutual funds is determined using the unadjusted published closing market price of the shares held as of the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Society's assets at fair value as of May 31, 2019:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Blended funds	\$ 13,584	\$ 13,584	\$ -	\$ -
Total investments in securities	<u>\$ 13,584</u>	<u>\$ 13,584</u>	<u>\$ -</u>	<u>\$ -</u>

**LEXINGTON ARTS AND CRAFTS SOCIETY, INC.**

Notes to Financial Statements

May 31, 2019

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(5) Property and Equipment

The balances of major classes of depreciable and non-depreciable fixed assets consist of the following at May 31:

	<u>2019</u>
Land	\$ 9,387
Building	198,159
Building improvements	220,360
Furniture and equipment	<u>77,238</u>
	505,144
Accumulated depreciation	<u>(329,582)</u>
Total	<u><u>\$ 175,562</u></u>

(6) Board-Designated Net Assets

The Board established a permanent fund that is invested in a certificate of deposit. The Board may approve disbursements from the fund for contingencies. Board-designated funds are included in net assets without donor restrictions and amounted to \$46,302 as of May 31, 2019.

**LEXINGTON ARTS AND CRAFTS SOCIETY, INC.**

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(7) Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at May 31:

	<u>2019</u>
Purpose restrictions:	
Building renovations	\$ 153
Nagatomi Fund	13,512
Powell Scholarship Fund	10,100
Parson Scholarship Fund	799
Society dues grant	13
	<u>24,577</u>
Endowments:	
Rawding Fund	13,688
Metalworks' Guild Fund	10,311
	<u>23,999</u>
Total net assets with donor restrictions	<u>\$ 48,576</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or the passage of time or other events specified by the donors were as follows for the year ended May 31:

	<u>2019</u>
Purpose restrictions:	
Scholarships	\$ 1,800
Building and gallery maintenance and repair	264
Total	<u>\$ 2,064</u>

(8) Endowment

The Society's donor-restricted endowment consists of two funds, the Rawding Fund and Metalworkers' Guild Fund. The Rawding fund was created to assist in funding the ongoing operations of the Society. The Metalworkers' Guild fund was created to assist in funding the ongoing operational needs of the Society's Metalworkers' guild.



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*Interpretation of Relevant Law*

The Board of Directors of the Society has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classifies as permanently restricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Society, and (7) the Society's investment policies.

The following represents the net assets classes of the Society's endowment funds as of May 31, 2019:

<u>May 31, 2019</u>	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Board-designated endowment funds	\$ -	\$ -	\$ -
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	22,243	22,243
Accumulated investment gains	-	1,756	1,756
Total endowment net assets	<u>\$ -</u>	<u>\$ 23,999</u>	<u>\$ 23,999</u>

**LEXINGTON ARTS AND CRAFTS SOCIETY, INC.**

Notes to Financial Statements

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Changes in endowment net assets for the year ended May 31, 2019 are as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Balance as of May 31, 2018	\$ -	\$ 22,793	\$ 22,793
Investment return:			
Net investment income	-	1,431	1,431
Net unrealized gains	-	(225)	(225)
Total investment return	<u>-</u>	<u>1,206</u>	<u>1,206</u>
Balance as of May 31, 2019	<u>\$ -</u>	<u>\$ 23,999</u>	<u>\$ 23,999</u>

*Funds with Deficiencies*

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor requires the Society to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. There were no funds with deficiencies as of May 31, 2019.

*Return Objectives and Risk Parameters*

The Society has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Society, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of relevant market indexes while assuming a moderate level of investment risk.

*Spending Policy*

The Society is in the process of developing a formal policy for appropriating distributions from its endowment funds. In establishing this policy, the Society will consider the long-term expected return on its endowment and any restrictions on spending imposed by donors. Accordingly, over the long-term, the Society expects the current spending policy to allow its endowment to grow at the total return less the spending policy. This is consistent with the Society's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

**LEXINGTON ARTS AND CRAFTS SOCIETY, INC.**

Notes to Financial Statements

May 31, 2019

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(9) Subsequent Events

The Society has evaluated all subsequent events through September 24, 2019, the date the financial statements were available to be issued.