

**GLOUCESTER LYCEUM AND  
SAWYER FREE LIBRARY, INC.**

**FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2018 AND 2017**

**GLOUCESTER LYCEUM AND SAWYER FREE LIBRARY, INC.**

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Gloucester Lyceum and Sawyer Free Library, Inc.  
Gloucester, Massachusetts

We have audited the accompanying financial statements of Gloucester Lyceum and Sawyer Free Library, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gloucester Lyceum and Sawyer Free Library, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

*Luccitelli & Co CPAs PC*  
Luccitelli & Co CPAs PC

November 27, 2018

**GLOUCESTER LYCEUM AND SAWYER FREE LIBRARY, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2018 AND 2017**

	<b><u>ASSETS</u></b>	
	<b><u>2018</u></b>	<b><u>2017</u></b>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 278,713	\$ 382,408
Investments, at fair market value	6,187,017	6,002,748
Property and equipment, net	3,074,488	3,035,736
Inexhaustible collections and books	-	-
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>\$ 9,540,218</b>	<b>\$ 9,420,892</b>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES:</b>		
Accounts payable and other liabilities	\$ 120,107	\$ 17,979
Total Liabilities	<hr/> 120,107	<hr/> 17,979
<b>NET ASSETS:</b>		
Unrestricted:		
Board designated - property and equipment	3,074,488	3,035,736
General operating	<hr/> 3,130,697	<hr/> 3,063,369
	6,205,185	6,099,105
Temporarily restricted	3,090,168	3,179,050
Permanently restricted	<hr/> 124,758	<hr/> 124,758
Total Net Assets	<hr/> 9,420,111	<hr/> 9,402,913
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 9,540,218</b>	<b>\$ 9,420,892</b>

See Independent Auditor's Report and Notes to Financial Statements.

**GLOUCESTER LYCEUM AND SAWYER FREE LIBRARY, INC.**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUES:</b>				
Support:				
City of Gloucester appropriation	\$ 1,106,462	\$ -	\$ -	\$ 1,106,462
Commonwealth of Massachusetts grants	45,618	-	-	45,618
Contributions, legacies and bequests	208,297	14,058	-	222,355
Total Support	<u>1,360,377</u>	<u>14,058</u>	<u>-</u>	<u>1,374,435</u>
Revenues:				
Fees for services	3,349	-	-	3,349
Book/video rentals, sales and fines	10,762	-	-	10,762
Investment income, net	136,371	158,628	-	294,999
Art Auction	-	12,970	-	12,970
Net assets released from restriction	274,538	(274,538)	-	-
Total Revenues	<u>425,020</u>	<u>(102,940)</u>	<u>-</u>	<u>322,080</u>
<b>TOTAL SUPPORT AND REVENUES</b>	<u>1,785,397</u>	<u>(88,882)</u>	<u>-</u>	<u>1,696,515</u>
<b>EXPENSES:</b>				
Program services	1,377,865	-	-	1,377,865
Management and general	289,676	-	-	289,676
Fundraising	11,776	-	-	11,776
<b>TOTAL EXPENSES</b>	<u>1,679,317</u>	<u>-</u>	<u>-</u>	<u>1,679,317</u>
<b>CHANGE IN NET ASSETS</b>	<u>\$ 106,080</u>	<u>\$ (88,882)</u>	<u>\$ -</u>	<u>\$ 17,198</u>

See Independent Auditor's Report and Notes to Financial Statements.

**GLOUCESTER LYCEUM AND SAWYER FREE LIBRARY, INC.**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUES:</b>				
Support:				
City of Gloucester appropriation	\$ 1,027,593	\$ -	\$ -	\$ 1,027,593
Commonwealth of Massachusetts grants	14,913	-	-	14,913
Contributions, legacies and bequests	75,045	20,276	-	95,321
Total Support	<u>1,117,551</u>	<u>20,276</u>	<u>-</u>	<u>1,137,827</u>
Revenues:				
Fees for services	2,494	-	-	2,494
Book/video rentals, sales and fines	10,185	-	-	10,185
Investment income, net	166,051	253,297	-	419,348
Art Auction	-	10,742	-	10,742
Net assets released from restriction	119,051	(119,051)	-	-
Other	55	-	-	55
Total Revenues	<u>297,836</u>	<u>144,988</u>	<u>-</u>	<u>442,824</u>
<b>TOTAL SUPPORT AND REVENUES</b>	<u>1,415,387</u>	<u>165,264</u>	<u>-</u>	<u>1,580,651</u>
<b>EXPENSES:</b>				
Program services	1,208,242	-	-	1,208,242
Management and general	261,915	-	-	261,915
Fundraising	11,089	-	-	11,089
<b>TOTAL EXPENSES</b>	<u>1,481,246</u>	<u>-</u>	<u>-</u>	<u>1,481,246</u>
<b>CHANGE IN NET ASSETS</b>	\$ <u>(65,859)</u>	\$ <u>165,264</u>	\$ <u>-</u>	\$ <u>99,405</u>

See Independent Auditor's Report and Notes to Financial Statements.

**GLOUCESTER LYCEUM AND SAWYER FREE LIBRARY, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES**

**YEAR ENDED JUNE 30, 2018**

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
<b>EXPENSES:</b>				
Salaries and wages	\$ 685,703	\$ 129,040	\$ -	\$ 814,743
Depreciation	148,572	7,820	-	156,392
Employee benefits	117,338	22,081	-	139,419
Maintenance and repairs	124,204	6,537	-	130,741
Books	109,821	-	-	109,821
Consultant services	-	67,961	-	67,961
Noble membership expense	42,612	-	-	42,612
Technology expense	24,996	16,984	-	41,980
Electricity	29,694	1,563	-	31,257
Other media	29,896	-	-	29,896
Legal and audit	-	22,219	-	22,219
Community programming	13,787	-	-	13,787
Heating fuel	11,575	609	-	12,184
Office supplies	9,518	1,658	-	11,176
Art auction expense	-	-	8,164	8,164
Special library supplies	6,236	-	-	6,236
Publicity	6,025	-	-	6,025
Conference and meeting expenses	-	5,949	-	5,949
Postage and meter rental	2,827	1,583	-	4,410
Professional development	804	3,488	-	4,292
Fundraising - printing, postage, supplies	-	-	3,612	3,612
Printing expense	3,486	-	-	3,486
Museum passes	2,524	-	-	2,524
Miscellaneous	2,341	-	-	2,341
Special events	1,968	-	-	1,968
Janitorial supplies	1,478	78	-	1,556
Insurance expense	-	1,402	-	1,402
Memberships	894	-	-	894
Gifts and awards	811	-	-	811
Security system expense	755	40	-	795
Filing fees	-	500	-	500
Bank service charges	-	164	-	164
<b>TOTAL</b>	<b>\$ 1,377,865</b>	<b>\$ 289,676</b>	<b>\$ 11,776</b>	<b>\$ 1,679,317</b>

See Independent Auditor's Report and Notes to Financial Statements.

**GLOUCESTER LYCEUM AND SAWYER FREE LIBRARY, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES**

**YEAR ENDED JUNE 30, 2017**

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
<b>EXPENSES:</b>				
Salaries and wages	\$ 635,833	\$ 120,972	\$ -	\$ 756,805
Depreciation	145,166	7,640	-	152,806
Books	103,573	-	-	103,573
Employee benefits	78,590	14,952	-	93,542
Consultant services	-	91,368	-	91,368
Maintenance and repairs	81,957	4,314	-	86,271
Noble membership expense	39,666	-	-	39,666
Electricity	27,083	1,425	-	28,508
Other media	28,026	-	-	28,026
Office supplies	10,593	2,958	-	13,551
Technology expense	9,151	3,366	-	12,517
Heating fuel	10,479	552	-	11,030
Community programming	10,859	-	-	10,859
Special events	8,761	-	-	8,761
Legal and audit	-	8,270	-	8,270
Art auction expense	-	-	7,156	7,156
Security system expense	4,066	214	-	4,280
Museum passes	4,008	-	-	4,008
Fundraising - printing, postage, supplies	-	-	3,933	3,933
Special library supplies	3,111	-	-	3,111
Janitorial supplies	1,725	91	-	1,816
Gifts and awards	435	1,344	-	1,779
Professional development	1,282	460	-	1,742
Publicity	1,634	-	-	1,634
Conference and meeting expenses	219	1,294	-	1,513
Insurance expense	-	1,402	-	1,402
Postage and meter rental	642	468	-	1,110
Memberships	809	-	-	809
Filing fees	-	500	-	500
Printing expense	348	-	-	348
Bank service charges	-	240	-	240
Equipment supplies and expense	200	-	-	200
Travel	-	86	-	86
Miscellaneous	26	-	-	26
<b>TOTAL</b>	<b>\$ 1,208,242</b>	<b>\$ 261,915</b>	<b>\$ 11,089</b>	<b>\$ 1,481,246</b>

See Independent Auditor's Report and Notes to Financial Statements.



**GLOUCESTER LYCEUM AND SAWYER FREE LIBRARY, INC.**

**STATEMENTS OF CHANGES IN NET ASSETS**

**YEAR ENDED JUNE 30, 2018 AND 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>NET ASSETS, JULY 1, 2016</b>	\$ 6,164,964	\$ 3,013,786	\$ 124,758	\$ 9,303,508
Change in net assets	<u>(65,859)</u>	<u>165,264</u>	<u>-</u>	<u>99,405</u>
<b>NET ASSETS, JUNE 30, 2017</b>	6,099,105	3,179,050	124,758	9,402,913
Change in net assets	<u>106,080</u>	<u>(88,882)</u>	<u>-</u>	<u>17,198</u>
<b>NET ASSETS, JUNE 30, 2018</b>	<u>\$ 6,205,185</u>	<u>\$ 3,090,168</u>	<u>\$ 124,758</u>	<u>\$ 9,420,111</u>

See Independent Auditor's Report and Notes to Financial Statements.

**GLOUCESTER LYCEUM AND SAWYER FREE LIBRARY, INC.**

**STATEMENTS OF CASH FLOWS**

**YEARS ENDED JUNE 30, 2018 AND 2017**

**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

	<b><u>2018</u></b>	<b><u>2017</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 17,198	\$ 99,405
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	156,392	152,806
Realized and unrealized gains on investments	(187,686)	(326,924)
Changes in certain operating assets and liabilities:		
Accounts payable and other liabilities	<u>102,128</u>	<u>16,828</u>
Net cash provided by (used in) operating activities	<u>88,032</u>	<u>(57,885)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(195,144)	(322,002)
Proceeds from sale of investments	898,787	3,822,577
Purchases of investments	<u>(895,370)</u>	<u>(3,307,960)</u>
Net cash provided by (used in) investing activities	<u>(191,727)</u>	<u>192,615</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(103,695)	134,730
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>382,408</u>	<u>247,678</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 278,713</u>	<u>\$ 382,408</u>

See Independent Auditor's Report and Notes to Financial Statements.

# **GLOUCESTER LYCEUM AND SAWYER FREE LIBRARY, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

### **YEARS ENDED JUNE 30, 2018 AND 2017**

#### **Note 1 - Organization and Nature of Activities**

The Gloucester Lyceum and Sawyer Free Library, Inc. (the Library) is a non-profit corporation established on February 15, 1830 and incorporated on June 10, 1872 under Chapter 180 of the laws of Massachusetts. The Library is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The Library is a separate corporation with its own Board of Directors whose principal support comes from appropriations from the City of Gloucester operating funds.

Library personnel are employees of the City of Gloucester and are entitled to the same pension, medical and other fringe benefits available to other City employees. Any applicable pension or accrued vacation costs are not determinable and are not recorded in these financial statements.

#### **Note 2 - Summary of Significant Accounting Policies**

**Method of Accounting and Revenue Recognition** - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Under this method of accounting, revenues and expenses are identified with specific periods of time. Support and other revenue are recorded in the period services are provided without regard to the receipt of cash related thereto. Expenditures are recorded when incurred without regard to the disbursement of cash related thereto.

**Financial Statement Presentation** - Certain amounts in the 2017 financial statements have been reclassified to conform to the presentation for 2018.

**Use of Estimates** - The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from the estimates that were assumed in preparing the financial statements.

**Contributions** - Contributions, including unconditional promises to give, are recorded in the period received or promised. Conditional contributions are recorded when the conditions have been met. Contributions are considered to be unrestricted unless specifically restricted by the donor.

**Cash Equivalents** - Cash equivalents includes money market funds, highly liquid investments with initial maturities of three months or less and cash funds held by the City of Gloucester designated for the benefit of the Library.

**Investments** - Investments are carried at fair value based upon quoted market prices, when available, or estimates of fair value in the statement of financial position. Dividends, interest and net gains/losses on investments are reflected in the statement of activities. Investment income from restricted assets that is earned and used in the current year for the restricted purpose is recorded as unrestricted investment income.

# GLOUCESTER LYCEUM AND SAWYER FREE LIBRARY, INC.

## NOTES TO FINANCIAL STATEMENTS

### YEARS ENDED JUNE 30, 2018 AND 2017

#### Note 2 - Summary of Significant Accounting Policies (Continued)

**Property and Equipment** - Property and equipment are stated at cost. Expenditures for maintenance and repairs are charged as expenditures. Renewals and betterments that materially extend the life of the assets are capitalized. Prior to July 1, 1979, the Library recorded no depreciation expense. Depreciation of exhaustible buildings and equipment is provided over the estimated useful lives of the respective assets on either a straight-line or an accelerated basis as follows:

Equipment	5 or 7 years
Buildings and improvements	15 or 39 years

**Inexhaustible Collections and Books** - Because the values of inexhaustible collections, including research books, are not readily determinable, the Library has not capitalized them, nor have books used in the circulating library been capitalized.

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

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. Included in this category are net assets that are administratively restricted by the Library.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Library and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted revenues that are expended in the same fiscal year (including the City of Gloucester appropriations) are recorded as unrestricted revenues in the statement of activities.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Library. Generally, donors of these assets permit the Library to use all or part of the income earned on any related investments for general or specific purposes.

**Fair Value Measurement** - The Library, in accordance with U.S. generally accepted accounting principles, implemented the following requirements related to the fair value measurements for its financial assets and liabilities. The adoption of these principles did not have a material impact on the Library's financial position or results of operations. U.S. generally accepted accounting principles refines the definition of fair value, expands disclosure requirements about fair value measurements, and establishes specific requirements as well as guidelines for a consistent framework to measure fair value. U.S. generally accepted accounting principles 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. Further, U.S. generally accepted accounting principles require the Library to maximize the use of observable market inputs, minimize the use of unobservable market inputs, and disclose in the form of an outlined hierarchy the details of such fair value measurements. U.S. generally accepted accounting principles specify a hierarchy of valuation techniques based on whether the inputs to a fair value measurement are considered to be observable or unobservable in a marketplace. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Library's market assumptions.

**GLOUCESTER LYCEUM AND SAWYER FREE LIBRARY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2018 AND 2017**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

**Fair Value Measurement (Continued)** - This hierarchy requires the use of observable market data when available. These inputs have created the following fair value hierarchy:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than those included in Level 1. For example, quoted prices for similar assets in active markets or quoted prices for identical assets in inactive markets.

Level 3 - Unobservable inputs reflecting management's own assumptions about the inputs used in estimating the value of the asset.

**Donated Materials and Services** - The Library receives a significant amount of in-kind donated services from unpaid volunteers who assist in the daily operation of the Library. No amounts have been recognized in the statement of activities because the criteria for recognition under U.S. generally accepted accounting standards have not been satisfied.

The number of hours donated by volunteers amounted to approximately 7,700 and 4,000 for the years ended June 30, 2018 and 2017, respectively.

**Income Taxes** - The Library is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and therefore has made no provision for income taxes.

**Note 3 - Concentration of Risk**

The Library receives a substantial amount of its support from the City of Gloucester, Massachusetts. Any reduction in the level of this support would have a significant effect on the Library's programs and activities.

Financial instruments which potentially subject the Library to concentration of credit risk consist principally of temporary cash investments. The Library places its temporary cash investments in local financial institutions. As of June 30, 2018, all temporary cash investments were insured in full.

The Library's invested assets consist of common stocks, mutual funds, fixed income securities, and other investment securities. These assets are exposed to various risks, such as interest rate, market and credit. Due to the level of uncertainty related to changes in interest rates, market volatility and credit risks, it is at least reasonably possible that changes in these risks could materially affect the fair value of investments reported in the statement of financial position. However, the diversification of the Library's invested assets among these various classes is expected to mitigate the impact of any dramatic change in any one asset class.

**GLOUCESTER LYCEUM AND SAWYER FREE LIBRARY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2018 AND 2017**

**Note 4 - Investments**

Investments, at fair market value, consist of the following at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Certificates of deposit (maturity dates ranging from August 2018 to March 2025 at June 30, 2018)	\$ 1,498,577	\$ 1,430,223
Money market accounts	106,988	265,324
Exchange Traded Funds:		
Fixed Income	329,360	341,532
Equity	383,754	334,249
REIT	105,885	-
Mutual Funds:		
Equity	1,664,442	1,565,856
Fixed Income	22,981	-
Corporate Bond	301,576	318,124
Alternative	342,181	334,935
Stocks:		
Equity	64,789	50,407
Bonds:		
Municipal	104,744	107,403
Corporate	1,261,741	1,254,695
	<u>\$ 6,187,017</u>	<u>\$ 6,002,748</u>

At June 30, 2018 and 2017, all investments are level 1 under the fair value framework described in Note 2.

Investments income, net, consists of the following for the years ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Dividend and interest income	\$ 138,384	\$ 122,788
Unrealized gains on investments, net	74,821	268,115
Realized gains on investments, net	112,865	58,809
Investment management fees	<u>(31,071)</u>	<u>(30,364)</u>
Investment income, net	<u>\$ 294,999</u>	<u>\$ 419,348</u>

**GLOUCESTER LYCEUM AND SAWYER FREE LIBRARY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2018 AND 2017**

**Note 5 - Property and Equipment**

Property and equipment consist of the following as of June 30, 2018 and 2017:

	<b><u>2018</u></b>	<b><u>2017</u></b>
Land	\$ 1,000	\$ 1,000
Buildings and improvements	4,491,951	4,411,799
Equipment	403,278	326,367
Construction in progress	<u>231,616</u>	<u>193,517</u>
	5,127,845	4,932,683
Accumulated depreciation	<u>(2,053,357)</u>	<u>(1,896,947)</u>
Property and equipment, net	<u>\$ 3,074,488</u>	<u>\$ 3,035,736</u>

**Note 6 - Restrictions on Net Assets**

Temporarily restricted net assets are available for the following purposes as of June 30, 2018 and 2017:

	<b><u>2018</u></b>	<b><u>2017</u></b>
Building and building improvements	\$ 2,952,164	\$ 3,022,133
Promotion of the arts	-	63,769
Accumulated appreciation on permanently restricted net assets	53,789	40,297
Children's room improvements	53,492	27,507
Friends of the Library designations	<u>30,723</u>	<u>25,344</u>
Total temporarily restricted net assets	<u>\$ 3,090,168</u>	<u>\$ 3,179,050</u>

Permanently restricted net assets, the earnings of which are restricted for the following purposes, are comprised as follows as of June 30, 2018 and 2017:

	<b><u>2018</u></b>	<b><u>2017</u></b>
Children's books and programming	\$ 72,643	\$ 72,643
Adult books and programming	37,168	37,168
Promotion of the arts	<u>14,947</u>	<u>14,947</u>
Total permanently restricted net assets	<u>\$ 124,758</u>	<u>\$ 124,758</u>

**GLOUCESTER LYCEUM AND SAWYER FREE LIBRARY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2018 AND 2017**

**Note 7 - Endowment**

The Library's endowment consists of donor restricted endowment funds as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
June 30, 2018	\$ -	\$ 53,789	\$ 124,758	\$ 178,547
June 30, 2017	\$ -	\$ 40,297	\$ 124,758	\$ 165,055

The Library has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Library classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the permanent endowment 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 net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Library in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Library considers the following factors in making a determination to appropriate or accumulated donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Library and 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 Library
7. The investment policies of the Library

**Investment Objectives and Strategies:**

The Library has established an investment policy to ensure that its endowment investments are invested in a prudent manner that will achieve a long-term rate of return sufficient to support the objectives of the endowments. The investment objective is focused on preservation of capital and diversification of investments across various asset classes and numerous industries and sectors to minimize volatility and risk. The Library diversifies its investments among various assets classes in order to ensure safety of principal while producing investment returns consistent with overall investment policy as determined by the board of directors.

**Spending Policy:**

UPMIFA's spending provisions apply to endowment funds. Unless specifically directed to the contrary by the donor, under UPMIFA, the Library may expend so much of the endowment fund as an ordinary prudent person in a like position would spend for the uses, benefits, purposes, and duration for which the endowment fund was established. The Library has adopted an expenditure policy to comply with the provisions of UPMIFA in its spending from endowment funds.



**GLOUCESTER LYCEUM AND SAWYER FREE LIBRARY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2018 AND 2017**

**Note 7 - Endowment (Continued)**

The changes in endowment net assets for the years ended June 30, 2018 and 2017 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, July 1, 2016	\$ -	\$ 23,089	\$ 124,758	\$ 147,847
Net assets released from restriction	780	(780)	-	-
Unrealized appreciation (depreciation)	-	17,988	-	17,988
Appropriations of cumulative gains	(780)	-	-	(780)
Endowment Net Assets, June 30, 2017	-	40,297	124,758	165,055
Net assets released from restriction	876	(876)	-	-
Unrealized appreciation (depreciation)	-	14,368	-	14,368
Appropriations of cumulative gains	(876)	-	-	(876)
Endowment Net Assets, June 30, 2018	<u>\$ -</u>	<u>\$ 53,789</u>	<u>\$ 124,758</u>	<u>\$ 178,547</u>

**Note 8 - Affiliated Organization**

The Friends of the Sawyer Free Library (Friends) is an organization affiliated with the Gloucester Lyceum and Sawyer Free Library, Inc., whose mission is to support the program services of the Library through volunteer work of its members and through donations to the Library from funds raised through an annual art auction, book sales, an annual membership appeal, and various other activities. In accordance with U.S. generally accepted accounting principles, the activities of this organization are included in the accompanying financial statements in the temporarily restricted category. A summary of financial activity on the cash basis related to the Friends for the year ended June 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Cash balance, beginning of year	\$ <u>25,344</u>	\$ <u>23,261</u>
Receipts:		
Contributions and dues	10,568	9,327
Fundraising - art auction	3,665	2,949
Fundraising - other	<u>12,970</u>	<u>10,742</u>
Total receipts	<u>27,203</u>	<u>23,018</u>
Expenditures:		
Fundraising - art auction	8,164	7,156
Fundraising - other	612	733
Museum passes	1,649	1,450
Books	10,000	10,000
Contribution to Library	-	438
Office supplies, miscellaneous, printing	<u>1,399</u>	<u>1,158</u>
Total expenditures	<u>21,824</u>	<u>20,935</u>
Receipt in excess of expenditures	<u>5,379</u>	<u>2,083</u>
Cash balance, end of year	<u>\$ 30,723</u>	<u>\$ 25,344</u>

**GLOUCESTER LYCEUM AND SAWYER FREE LIBRARY, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2018 AND 2017**

**Note 9 - Subsequent Events**

The date to which events occurring after June 30, 2018 have been evaluated for possible adjustment to the financial statements or disclosures is the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

**Note 10 - Tax Positions and Filings**

As a tax-exempt organization, the Library is generally not subject to federal or state income taxes. The Library has adopted the guidance in the income tax standard regarding the recognition and measurement of uncertain tax positions. The implementation of this guidance had no impact on the Library's financial statements. As required by this standard, management of the Library has evaluated its tax positions, applying a "More Likely than Not" standard, and believes that there would be no material changes to the results of its operations or financial position as a result of an audit by federal or state taxing authorities. The Library is no longer subject to examination by federal or state income tax authorities for years prior to June 30, 2015 according to a three year statute of limitations.