



(860 434-7802 90 Lyme Street, Old Lyme CT 06371 www.LymeArtAssociation.org

AGENDA
ANNUAL MEMBERSHIP MEETING
Wednesday, October 10, 2018, 5:30 pm

Light refreshments will be served at 5:00 pm, prior to the meeting.

Call to Order, President's Remarks	Katherine Simmons, President
2017 Annual Meeting Minutes Review & Approval	Katherine Simmons, President
Executive Director's Report	Laurie Pavlos, Executive Director
Treasurer's Report	John Beatty, Treasurer Steven Ross, Assistant Treasurer
Audit Report	Paul Sellier, Chair of Audit Committee
Amendment to Articles of Incorporation	Lee Ruck, Chair of Governance Committee
Election of Directors	Katherine Simmons, President
APEC Report	Jocelyn Zallinger, Gallery Manager
Building and Grounds Report	Paul Sellier, Chair, Building and Grounds
Development Report	
Annual Fund	Gary Parrington, Development Director
Swing for Art Golf Party	David Moore, Chair, Swing for Art
Second Century Capital Campaign	Caroline Walters, Chair, Second Century
Palate to Palette Gala	Emily Reynolds, Chair, Palate to Palette
Membership/Web Presence	Laurie Pavlos, Executive Director
Education/Activities	Mary Mellot, Ed/Act Committee Chair
Gallery Sales	Jocelyn Zallinger, Gallery Manager
Adjournment of Meeting	Katherine Simmons



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**DRAFT MINUTES
ANNUAL MEMBERSHIP MEETING
Wednesday, October 10, 2018**

Elected Artists and Board Members present: See attached list. Others present: Mary Mellot (Associate Artist and chair of Education and Activities Committee). Staff present: Gary Parrington, Jocelyn Zallinger, Laurie Pavlos.

Call to Order: Kathy called the meeting to order at 5:33 and welcomed the members.

2017 Annual Meeting Minutes: On a motion by Caroline Walters, seconded by David Moore, the 2017 Annual Meeting minutes were approved unanimously.

Executive Director's Report: Laurie Pavlos thanked all the generous, productive, invested volunteers. One goal for coming year will be to broaden member base. Search is on for a Development Manager to help in this effort as well as to work on sponsorship, special events, and grants.

Treasurer's Report: John Beatty stated that the association is in good shape financially. We are current on bills and have a month of buffer in the checking account. Revenues have been approximately 10% over budget, and expenses approximately 5% under. Goals are to increase membership income, which has held steady for many years, and to increase investment income by increasing our endowment. Steven Ross reported on the Association's investments. Bonds were being held at Essex Financial Services as collateral on an unused line of credit. The line of credit will be closed and the bonds moved into the unrestricted fund held at SKY Financial. The three endowment funds are the Cooper-Ferry fund (\$179,000 balance as of September 30) which is restricted to withdrawals of income only, the Unrestricted fund (\$255,000 balance as of September 30) which the board has voted to restrict to withdrawals of income only, and the Foster Caddell fund (\$281,000 balance as of September 30) which is also restricted by board vote to withdrawals of income only. Investment income is about 7% of total income. Portfolio value as of 9/30/2017 was \$757,000. Portfolio value as of 9/30/2018 is \$772,600.

Audit Report: Paul Sellier, Audit Committee chair, thanked the other committee members: Rick Stout, Gayle Asher, and Nick Salerno. The internal audit took about six weeks and the purpose was to review the adequacy of policies, practices, procedures and controls in the day-to-day operations of the Association. The summary report is in the meeting packet. The committee reviewed six areas: the exterior renovation project, investment portfolios, general fund income and receipts, general fund expenditures, risk management, planning and budget process for operations and capital improvement programs. The committee's assessment was that internal controls and accounting and reporting procedures are sufficient to ensure that the accounting records and financial statements can be relied upon for their accuracy, fairness and completeness. The committee made some recommendations including reviewing insurance coverages and codifying data backup and conservation procedures. In all, the committee did not find any significant deficiencies. The full report is available to review in the staff office.

Report of the Governance Committee and Amendment to Articles of Incorporation: Lee Ruck, Chair of Governance Committee, stated that over the past year he, Kathy and Carrie have organized the documents in the archive room and he has reviewed them carefully. Lee explained that the Governance Committee has reviewed many issues and two have risen to the top in terms of



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importance. First, the Articles of Incorporation have been amended many times, but their latest iteration made them inappropriately complex, including things that should be delineated in bylaws. The current articles therefore are out of sync with the current bylaws. The committee proposed amending the Articles of Incorporation to remove unnecessary detail and to bring them into correspondence with the bylaws approved by the membership in June of 2017. The Governance Committee is now working on providing a recommendation for succession planning for officers. The 2017 revision in bylaws imposes term limits on the board, and many organizations have found that separate provisions for officer terms are needed to allow for sensible succession of directors. The committee is currently reviewing examples of these types of provisions and will be recommending one that is appropriate for the Association. Lee moved to ask the members to approve the amended Articles of Incorporation and that they be signed and submitted to the state. David Moore seconded. Jack Montmeat asked why the names of the founders were removed from the Articles. Lee stated that that information is of historical interest but is not appropriate in this legal document. The membership voted unanimously in favor of the motion.

Election of Directors Jay Berryman moved to put forward the slate as presented in the meeting packet, and Beverly Schirmeier seconded. There were no nominations from the floor. The slate was approved unanimously. Carrie moved to elect the slate of directors, Jay seconded. The slate was elected unanimously.

APEC Report: Jocelyn Zallinger said that the Artistic Policies and Exhibitions Committee now meets quarterly. This year they initiated juror honorariums, developed a policy to discourage artists from leaving their work behind after exhibitions, and established the 2019 exhibition schedule with 12 themed shows. She noted that juried shows and prizes keep the shows competitive and the quality of the work high. Jocelyn encouraged all Elected Artists to vote on the ten EA candidates before the evening is over. Jocelyn thanked Joan Wallace for serving as APEC chair.

Building and Grounds Report: Paul Sellier, chair of the Building and Grounds Committee, first thanked the Capital Campaign Committee and Sapia Builders for the completion of the exterior renovation project. Other more minor projects that were completed this year included installing a commercial grade dehumidifier in the painting storage room, installing air conditioning in the studio, a number of maintenance and improvement projects involving plumbing and electrical work, and increasing the track lighting available in all the galleries. This final project will be completed shortly. The committee stayed within the set budget for building and grounds. Ann Pierson noted the sumac and brush that obscures the view of the building from Halls Road. She said that since this is state property, perhaps we can get the state to clear it. Paul said that we would add it to our list of projects.

Development Report

Annual Fund: Gary Parrington noted that this year the Spring Challenge portion of the Annual Appeal went entirely toward the Capital Campaign, and raised twice what is usually raised during this period.

Swing for Art Golf Party: David Moore noted that 2018 was the fifth Swing for Art fundraiser, and the gross income from the event has nearly doubled from \$2,500 in 2014 to \$4,357 in 2018. He thanked Old Lyme Country Club for hosting the event. Next year's event will be on Monday, May 20. Dave invited everyone to the event, noting that non-golfers can enjoy the cocktail party following the golf.



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Second Century Capital Campaign: Caroline Walters stated that the campaign met its goal both financially and “structurally.” But the committee is not disbanded but rather planning for the future. There will be a thank you event on November 15 for contributors.

Palate to Palette Gala: Emily Reynolds stated that 2018 is the fourth year of Palate to Palette. Sponsor donations have reached \$28,500. Food is donated by the restaurants so the cost of the event is low. The event is Thursday, October 18, and Emily encouraged all who have not yet bought their reservations to do so.

Membership/Web Presence: Laurie reported that total membership has stayed stable at about 700 in spite of the record number of new members this year, 96. Newsletters are now emailed out to over 3,500 people, and sales posted on Facebook and Instagram are getting lots of attention.

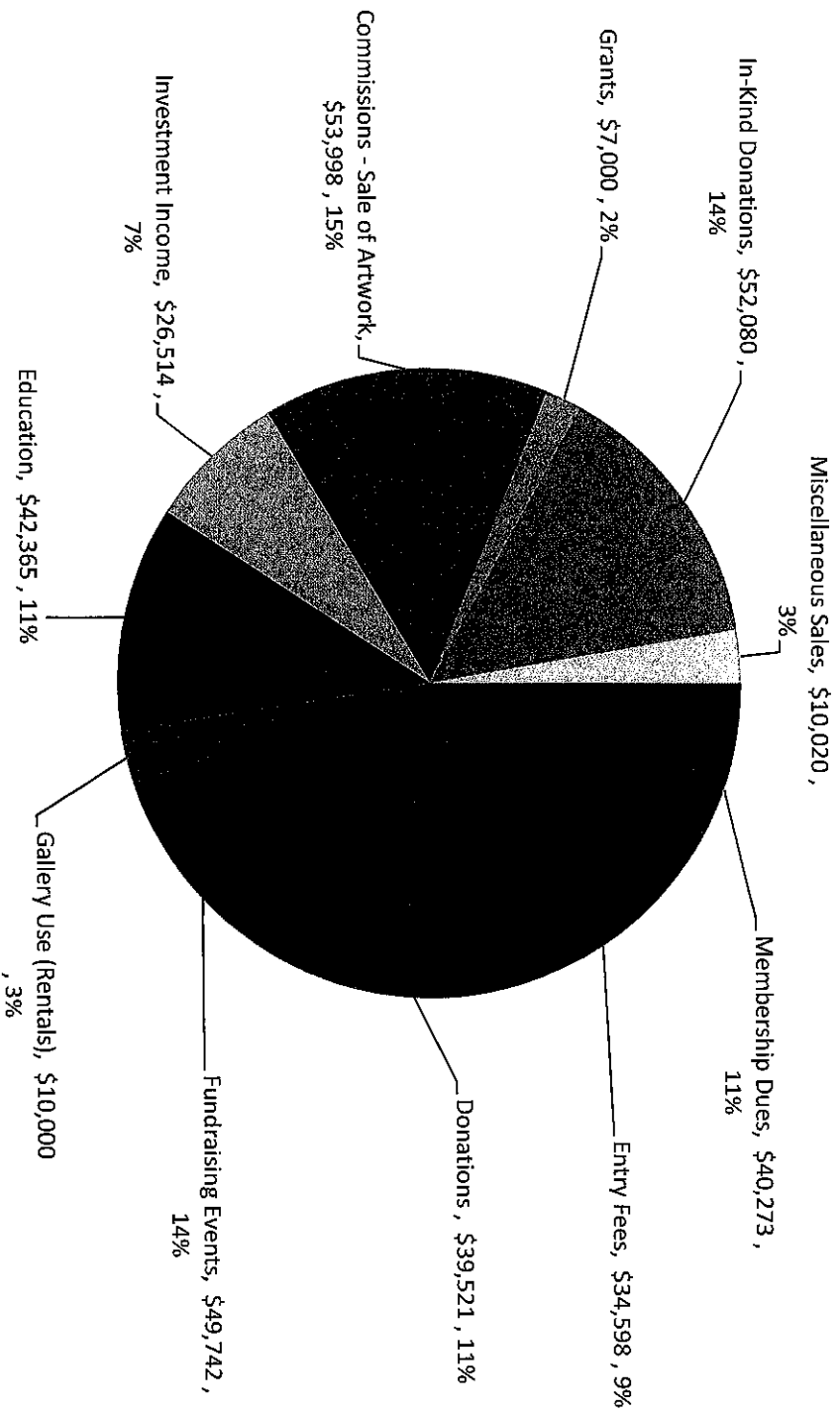
Education/Activities: Committee chair Mary Mellot reported that the committee has been coming up with activities to bring people into the gallery as well as things for longtime members to get involved in. A number of very successful workshops ran last year, including Steven Assael, Jordan Sokol, and the studio class schedule is nearly full. Plans are in the works for a lecture series in the spring and a series of workshops in the summer.

Gallery Sales: Jocelyn Zallinger referred to the gallery sales report in the packet, pointing out that sales have increased pretty steadily over the past several years, with 2018 being the highest. Also, this year the average sale price has increased to \$760 from \$590 in 2017. The marine show was the top seller with 29 sales. Jocelyn encouraged Elected Artists to change out their art in the Elected Artist Gallery since this helps sell the work. Jocelyn thanked the gallery associates, Sara Nebel and Samantha Sealy.

Dave moved to adjourn the meeting at 7:00, Emily Reynolds seconded, all in favor approved.

Lyme Art Association Income

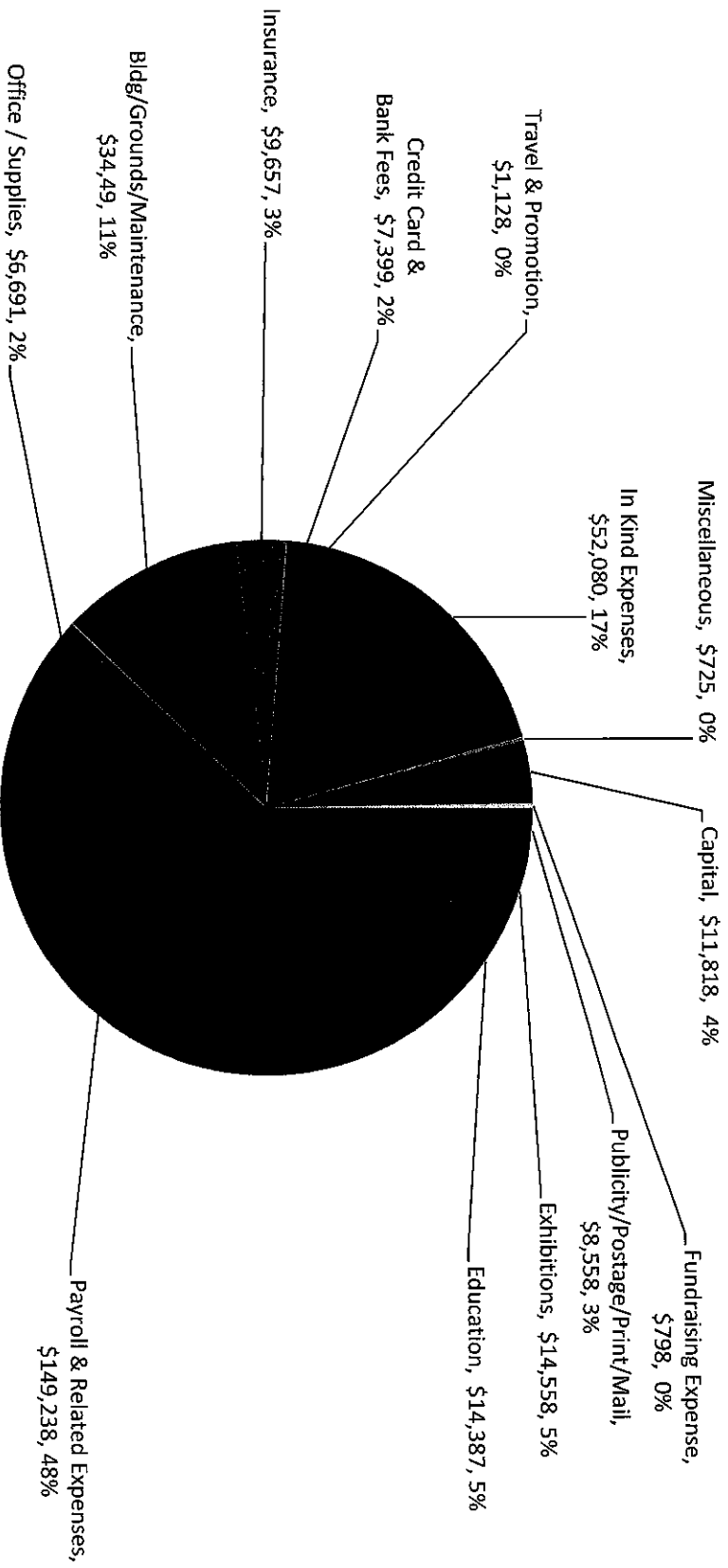
October 1, 2017 through September 30, 2018 \$366,111



Lyme Art Association Expenses

October 1, 2017 through September 30, 2018

\$311,534





AUDIT COMMITTEE REPORT

Submitted September 18, 2018



INTERNAL AUDIT REVIEW, OBSERVATIONS AND RECOMMENDATIONS

Conducted between August 10 and September 16, 2018

Lyme Art Association by-laws now require an annual audit review of the Association's operations. This can be accomplished through an internal review, external review, or both. The 2018 audit review committee consists of four members – Paul Sellier, Richard Stout, Gayle Asher and Nick Salerno. The scope for this year's audit is limited to an internal review.

The purpose of the audit is to review the adequacy of policies, practices, procedures and controls that are exercised in the day-to-day operations of the Association and to ensure that such are being adhered to.

The Committee conducted a series of interviews with Executive Team and Executive Committee members and the Investment Manager. Additionally, we performed qualitative and quantitative tests, such that we have reasonable assurance that the accounting records and resultant financial statements can be relied upon for their accuracy, fairness and completeness.

The audit review touched upon all facets of the Association's operations, with emphasis on the procedures and controls surrounding receipts and disbursements. The day-to-day operations are primarily conducted by the three-person Executive Team – the Director of Development, the Business Manager and the Gallery Manager. That team works closely with each other and the Executive Committee members of the Board. Executive Committee members are deeply involved in the day-to-day operations of LAA and have an intimate knowledge of current and planned activities that impact the financial condition of the Association. Our review further notes that Board Members are active participants in the oversight of LAA's operations and sit on one or more working committees of LAA or are otherwise involved.

Summary of the Audit Review:

The review focused on six major areas – (1) exterior renovation project (2) investment portfolios (3) general fund income/receipts (4) general fund expenditures (5) risk management (6) planning and budget process for operations and capital improvement programs.

Findings and Conclusions:

We reviewed transactions that account for over 90% of operating account income and expense. Additionally, we reviewed capital campaign receipts during 2018 and all expenses incurred in connection with the exterior renovation project. Finally, we performed a detailed review of the investment portfolios, individual holdings and investment income earned within those accounts. We did not find any significant deficiencies in the policies, practices, procedures and controls employed throughout the normal course of business at LAA.

It is our assessment that policies and procedures in place at the Executive Team, Executive Committee and Board levels are sufficient to ensure financial transactions are properly approved and accounted for. We further note that, in our view, the resultant financial statements fairly, accurately and adequately reflect the financial condition of LAA. We also reviewed the adequacy of insurance coverages and risk management controls in place for data storage and recovery and other areas of operations, oversight and management.



We note LAA employs many “best practice” policies and procedures. We further note there is some opportunity for potential improvements in certain areas and we believe there is little economic or administrative cost involved to put such recommendations into practice.

We stress we did not identify any significant deficiencies throughout the course of our review. Our overall impressions of the Executive Team, Executive Committee and Board of Directors, with respect to financial operations and the management of business operations are, generally, extremely high.

The following is an overview of our review process and the results of each critical area of LAA’s operations. The details of such reviews and additional information is attached in the Appendix to this report.

The Audit Committee is a standing committee and we will continue to meet throughout the year. We will continue to focus on business operations generally and look for ways to improve the accounting and reporting functions at LAA.

We are most happy to discuss any part of our review in greater detail as requested.

Respectfully submitted by the 2018 Audit Committee.

Paul Sellier, Chair
Gayle Asher, Elected Artist Member
Nick Salerno, Associate Artist Member
Rick Stout, Member



AUDIT REVIEW OF OPERATING FUND

Approach, Observations And Recommendations

Overview:

The day to day operations of the Association are conducted by the Executive Team, which is comprised of the Director of Development, Business Manager and Gallery Manager. The Executive Team includes senior staff (Business Manager, Director of Development and Gallery Manager) who work closely with the Executive Committee regarding the operations of the Association.

There are two primary software applications used to record financial transactions. Giftworks, a program used to track membership and donation information and Quick Books, used as LAA's General Ledger.

Substantially all receipt and disbursement activity is managed in two bank account, the operating account at Essex Savings Bank (a standard business checking account) which includes substantially all of the non-credit card activity, and the operating account at Chelsea Groton Bank, which is LAA's credit card servicer. There is a small petty cash account primarily used for postage and other such items. Finally, a separate and dedicated bank account at Essex Savings Bank has been established for all Capital Campaign activity – see the audit review section on page 7 and Appendix E for details regarding that the Capital Campaign.

There are two signatories for the operating and capital campaign bank accounts. The Treasurer and Assistant Treasurer are the only authorized signatories for these accounts. This is a significant internal control that has been in place for many years. The Business Manager is authorized to sign checks drawn on the petty cash account, which has a maximum balance of \$500.

The Business Manager is primarily responsible for managing the office and record keeping activities. The Business Manager works closely with the other members of the Executive Team and the Treasurer and Assistant Treasurer/Secretary. An assistant business manager was recently hired to help support day-to-day operations.

The Treasurer and Assistant Treasurer/Secretary are Executive Committee members of the Board and play an important role in the smooth operations of the Association's business activities. The Treasurer has primary oversight for all financial reporting. The Treasurer and Assistant Treasurer have split responsibilities – one oversees income and receipts and the other oversees disbursements and expenditures. This was initially established as a measure of convenience and efficiency but has proved to be an important segregation of duties and internal control.

The Audit Committee is highly impressed with the dedication and commitment of the Executive Team and staff. We are also impressed with the significant and daily involvement of Executive Committee members. This too, serves as an internal control, as Executive Committee and Board members are very familiar with the inner workings of business operations at LAA.

The audit review focused on the adequacy of internal controls and accounting and reporting procedures employed in the day-to-day operations. We conducted extensive interviews with Executive Team and Executive Committee members and the Investment Manager to understand the flow of information and



workload on the staff. We spent several hours observing on different days and different times of day to see if procedures and controls were being followed. The members of this Committee are extremely impressed with the open lines of communication and the care and diligence exercised in the day-to-day management of the business side of LAA.

Please see the Operating Fund Audit Review section in Appendix A for a detailed review of the procedures and tests performed during our review of the Operating Fund.

Operating Fund – Observations and Recommendations:

Observation: Studio Rental fees are informally billed and collected.

Recommendation: We believe the “best practice” approach is for studio rental charges to be invoiced to better document studio use, rental charges and receipts from the instructors.

Observation: We noted some expenses for certain activities were posted to the income account as an offset. We learned that this practice aids management in its review and assessment of select account activity like fundraising on a stand-alone basis – all the receipt and disbursement information is captured in one place.

Recommendation: We believe the “best practice” approach is to record expenses separately and not as an offset to income.

Observation: We noted that LAA has several long-standing relationships with service providers and LAA is generally pleased with goods and services received.

Recommendation: We believe LAA should periodically assess all significant vendor relationships, under contract or not, to ensure best quality and prices are being received.

Observation: LAA engages an independent insurance agent for all insurance coverage and relies on the agent to ensure appropriate and adequate coverage at the best price.

Recommendation: We believe LAA representatives should meet with the agent annually to discuss all aspects of insurance requirements to ensure those requirements are met.

Observation: LAA carries a \$1.0 million umbrella policy.

Recommendation: We believe LAA should increase coverage to at least \$2.0 million as the incremental cost is very small.

Observation: LAA has an informal policy and process with respect to backing up electronic files and storing a copy of electronic files off site.

Recommendation: We believe a formal policy and process be adopted regarding the data management, storage and recovery practices already in place for all information that is electronically maintained.

A Final Observation: The importance of Succession Planning at the Board, Executive Committee and Executive Team levels cannot be over emphasized.

We note that this has been and continues to be a top priority at all levels and such topics are frequently discussed and updated as appropriate.



AUDIT REVIEW OF INVESTMENTS

Observations and Recommendations

Investment Portfolios and Investment Income:

There are three investment portfolios with an aggregate market value of \$755,756 at June 30, 2018. SKY Investment Group, Hartford, CT (SKY), has been engaged to manage the assets of each of the three investment portfolios. SKY has full discretion over the management of the portfolios within the framework of the investment strategy established and periodically reviewed by the Board. SKY provides quarterly reports to the Board that describe the asset allocation, individual positions with current market values, projected investment income, investment performance and other such information as deemed appropriate. SKY representatives meet in person or by phone with LAA designated personnel to discuss these and other investment related topics and any proposed changes to strategy for the upcoming quarter. It is intended that the portfolios remain fully invested and the management style for all three portfolios be, relatively, identical. SKY charges an advisory fee of 80 basis points (0.80%) based on the market value of all invested assets, including cash.

Securities are held by Charles Schwab (Schwab) as the custodian bank apart from three securities and cash held by Essex Saving Bank (ESB) in support of our Line of Credit. Additionally, SKY executes trades through Schwab as its broker. This is an acceptable industry practice given the limited number of transactions and the fact that substantially all the investments owned are small in absolute value and exchange traded, with a high level of price transparency and low execution costs.

Unrestricted Investment Portfolio (\$305,194) This is an unrestricted account as to the use of principal and investment income. However, the Board has opted to place a restriction on the use of principal until further notice and any call on principal would require approval by the Board. The Board has authorized that all interest and dividend income earned less investment advisory fees be transferred from the investment account to the operating bank account on a quarterly basis. These monies can be used to pay expenses incurred in the normal course of business.

Foster Caddell Portfolio (\$273,003) This too is an unrestricted account and principal and interest can be used for any legal purpose upon appropriate board resolution. The Board has opted to place a restriction on the use of principal until further notice and any call on principal would require approval by the Board. The Board has authorized that all interest and dividend income earned less investment advisory fees be transferred from the investment account to the operating bank account on a quarterly basis. These monies can be used to pay expenses incurred in the normal course of business.

The Cooper-Ferry Portfolio (\$177,559) This portfolio, pursuant to the terms of its Gift Agreement, restricts the use of principal. Like the other two portfolios, interest and dividend income earned net of advisory fees is transferred to the operating account. These monies can be used to pay expenses incurred in the normal course of business.

Line of Credit The Association maintains a Line of Credit (LOC) with ESB in the amount of \$25,000. There is no outstanding balance on this facility. Funds may be drawn only upon Board approval. The terms of the LOC require eligible securities to be posted as collateral. Securities held by ESB as collateral had a market value of approximately \$52,750 at June 30 (and are included in the unrestricted portfolio balance above). ESB does not charge a standby or commitment fee to LAA for the use of this



facility. It should be noted that there has been no use of the LOC for some time and the Executive Committee does not anticipate the need to draw on the LOC in the foreseeable future.

As noted, it is the intent that earned investment income be used to pay advisory fees to SKY with the balance transferred to the operating account for operations. These payments/transfers are made on a quarterly basis. Please see Appendix B for more detail on the Investment Portfolio Review

Observations and Recommendations:

A more formal Investment Policy Statement (IPS) should be developed with assistance from the investment advisor for the management of each portfolio. The IPS should clearly address investment objectives, asset allocation targets, sub-sector and single issuer exposure limits, individual and aggregate credit quality minimums, benchmarks for performance measurement, restrictions on the use of principal and the use of investment income and payment of fees. See Appendix C for the Portfolio Objectives and Considerations and Appendix D for a review of investment reports.

A formal Investment Committee should be formed to provide oversight of the investment process.

The investment manager should provide formal reporting based on calendar quarter-end balances and activity. This will aid the accounting and review process.

The investment manager should articulate current strategy and demonstrate how activity is consistent with such strategy in each quarterly report.

There should be a clear written policy regarding the use of investment income and principal, including transfers to LAA and fee payments to the investment advisor. This was recently addressed by the Executive Committee and concluded that fees will be paid 50% from investment income and 50% from principal. Written instructions have been provided to SKY.

Distributions to LAA and to the investment advisor should occur on a consistent basis. This was recently addressed by the Executive Committee and concluded that estimated annual income shall be distributed in equal amounts monthly on or about the 10th of each month. However, there will be a true-up in December to account for any variance from the original estimate. Additionally, the investment advisor fee will be payable quarterly on or about the 10th of each month following calendar quarter end. Written instructions have been provided to SKY.

The Line of Credit (LOC) with ESB has not been used in several years and there is no expectation on the part of the Executive Committee to use it in the future. We recommend the LOC be terminated. Securities held by ESB for collateralization should be returned to the Unrestricted Portfolio and custodied at Schwab. All investment holdings will then be held by one custodian bank. This will aid in the administration, investment management and accounting of securities owned by LAA. The Executive Committee concurs with this recommendation and ESB has been instructed to close the LOC. SKY and Schwab will be informed of the transfer date of the securities, cash and accrued investment income from ESB to Schwab.

Investment activity should be recorded monthly and the annual budget and monthly reports should add an expense line to account for investment advisory fees. The Executive Committee concurs with this recommendation. The practice of recording income on a monthly basis and management fees on a quarterly basis (billed quarterly) will commence this October.



AUDIT REVIEW OF SECOND CENTURY CAPITAL CAMPAIGN

Exterior Renovation Project

Construction started in October 2017 and was substantially completed by June 2018. Total project costs totaled \$402,000 and include over \$25,000 of costs and services provided gratis by Sapia Builders Corp., the general contractor. Projected costs for additional work under the exterior renovation project are estimated at \$11,000, which remain under consideration and subject to approval.

The primary cost associated with the exterior renovation project was the fixed cost contract with Sapia Builders. We reviewed the approved and executed contract requirements. We examined detailed progress billings and agreed to the draw schedule. We examined approvals for payment by LAA's project manager. We reviewed the check disbursement process including supporting documentation and copies of checks signed by LAA's Treasurer. We reviewed change orders and add-on approvals and payments (\$14,515). We reviewed contracts with and payments to other contractors for work performed outside the scope of the general contractor agreement (exterior lighting, landscaping, signage, printing and other related costs). These costs totaled just under \$15,000.

We note there are a few minor items to be completed by the contractors such as additional signage, minor repairs to and painting of the exterior front entrance and doors, etc. These items are expected to be completed in the very near future.

A Capital Campaign Fund was created to cover all costs associated with the exterior renovation project (and potential future projects to the extent there are any remaining funds). Donations and grants have been collected over several years and deposited to this separate bank account. We reviewed the collection process and subsequent accounting process with the Director of Development, Business Manager and Project Manager. Receipts included grants from the Town of Old Lyme and donations, primarily from individual donors. Our review covered 2018 calendar year receipts collected through July 31. See details of Capital Campaign audit review in the Appendix E to this report.

Our findings indicate that all policies and procedures were adhered to throughout the donation collection and construction phases. We did not find any deficiencies throughout the course of our review.

Observations and Recommendations:

Observation: A separate account at ESB was used for all capital campaign receipts. We further noted that expenses were funded from the capital campaign account, but checks were drawn from the operating account.

Recommendation: All receipt and disbursement activity for future capital improvement programs (outside of normal maintenance) should be made from one account. This will ensure complete and accurate accounting for such program income and expenses.

Observation: Capital improvement costs provided by the general contractor without charge were valued at just over \$25,000. This in-kind donation, while valued, has not been recorded in LAA's financials. We note that LAA has a policy for recording in-kind income/assets for goods and services received.

Recommendation: The value of the gratis work by the contractor should be recorded as an in-kind donation for both income and capitalized asset.



AUDIT REVIEW OF BOARD GOVERNANCE

A critical part of the audit review was to identify policies, procedures and controls exercised throughout the day-to-day operations of LAA and oversight by the Board. The audit committee endorses the “best practices” mentality employed at LAA. The list below is a summary of our findings in this regard.

Findings:

LAA has an active and engaged Board of Directors that oversees operations and is deeply involved in the planning process. The Board consists of members with the different skills, knowledge and experience necessary to perform its duties as the governing body of LAA. The Board has developed subcommittees as required to effectively monitor and achieve its objectives.

The Executive Committee of the Board consists of the Association’s Officers (President, Vice President, Treasurer, Secretary) and other members of the Board as appointed.

The Executive Committee has appointed an experienced and skilled Executive Team to manage the day to day business and to protect and enhance the assets of the Association.

The Board has engaged a professional investment advisor to manage the investment portfolios.

The Board meets monthly to review and act on activity relating to all business and financial matters of LAA. Financial results are discussed at every Board meeting.

The Board develops and periodically updates its strategic plan to generate financial and other resources to support programs and services that are consistent with LAA’s mission.

The Board develops an annual operating budget that realistically reflects costs and funding sources.

The Board has developed and adheres to the policies and guidelines for the management of endowment and general investments owned by LAA. The Board adheres to policies and guidelines developed for the management and prudent use of its Line of Credit.

Management regularly produces financial statements that are reviewed by the Board and, commencing this year, are subject to an annual audit review.

LAA maintains a computerized accounting system and has a policy for frequently backing up electronic files and storing off-site. All programs are password protected.

There is a detailed plan for the multi-year capital improvement program that includes the renovation of the exterior and grounds (actual renovation nearly completed and fully funded) and interior of the building.

The Board has adopted a conflict of interest policy and Board members are required to attest to the policy annually. Additionally, the Board has adopted a sexual harassment policy.

The Governance Committee is forming options for a succession plan for the Board. The Board and voting members of Lyme Art Association are committed to its mission statement and constantly seeks ways to



broaden the scope of its outreach. The result is excellent goodwill with the artists, local government and the general community.

APPENDICES

Appendix A – Operating Fund Audit Review Detail, page 11.

Appendix B – Investment Portfolio Review Detail, page 20.

Appendix C – Investment Portfolio Objectives and Considerations, page 24.

Appendix D – Review of Investment Reports, page 30.

Appendix E – Review of Capital Campaign Income/Expense, page 35.

GOVERNANCE COMMITTEE PROPOSED AMENDMENT

The Governance Committee met on Monday, July 16, with all members present, and made a proposal to the Board to bring the Articles and the Bylaws into sync and, to the extent possible, simplify them. In particular, the issues of membership and the Board of Directors should be restated to conform to the current desires of the Association. The Board approved these Amended Articles at the July meeting, and submits them to the voting members for vote at the Annual Meeting.

AMENDMENT TO CERTIFICATE OF INCORPORATION Of THE LYME ART ASSOCIATION, INCORPORATED

The Certificate of Incorporation of the Lyme Art Association, Inc., also referred to as its Articles of Incorporation, first dated July 13, 1914, and amended from time to time, with the most recent amendment dated October 29, 2009, is hereby further amended as follows: Articles I through VI, being the entirety of the Articles as amended October 29, 2009, are deleted and the following is substituted in lieu thereof:

ARTICLE 1

1. The name of the Corporation shall be the Lyme Art Association, Incorporated.
2. The Corporation is located in the Town of Old Lyme, County of New London, and State of Connecticut.
3. The Corporation is non-profit and shall not have or issue shares of stock or pay dividends.

ARTICLE 2

1. The Corporation shall have four classes of Members: Elected Artist Members, Associate Artist Members, Individual/Family Members, and Life Members.
2. The manner of election or appointment of Members in each class, together with their qualifications and rights, including voting, shall be established in the Corporation's Bylaws.

ARTICLE 3

1. The Registered Agent of the Corporation is Laurie Pavlos.

2. Business Address, 90 Lyme Street, Old Lyme, CT 06371; Residence Address, 15 Fenwick Street, Old Saybrook, CT 06475.
3. Signature of Acceptance. _____

ARTICLE 4

The purposes for which the Corporation is formed are:

1. To advance the cause of representational Fine Arts by owning, maintaining, and preserving an historic Art Gallery in the Town of Old Lyme, Connecticut, by holding Art Exhibitions and conducting educational programs for the benefit of artists, the local community, and the general public.
2. To engage in any lawful act for which corporations may be formed and operated under Chapter 602 of the Connecticut General Statutes.
3. To invest and reinvest its funds in such securities and property as its membership shall deem advisable, subject to the limitations and conditions contained in any bequest, devise, grant, or gift, provided such limitations and conditions are not in conflict with Section 501(c)(3) of the Internal Revenue Code and its Regulations as they now exist or may hereafter be amended; and further to receive and maintain funds or property to use and apply the whole or any part of the income therefrom and the principal thereof exclusively for charitable, scientific, literary, or educational purposes either directly or by contributions under Section 501(c)(3) of the Internal Revenue Code and its Regulations as they exist or may hereafter be amended.

Limitations on the Corporation include:

1. No part of the net earnings of the Corporation shall inure to the benefit of any member, Director, or Officer of the Corporation, or any private individual (except that reasonable compensation may be paid for services to or for the Corporation affecting one or more of its purposes), and no member, Director, or Officer of the Corporation, or any private individual shall be entitled to share in the distribution of corporate assets upon dissolution of the Corporation. Upon dissolution of the Corporation, its assets, after all debts have been satisfied, shall be distributed to McCurdy-Salisbury Educational Foundation, Incorporated, for its general purposes. Should the McCurdy Foundation no longer exist or possess Section 501(c)(3) status under the Internal Revenue Code, then all such remaining assets shall be distributed exclusively to charitable, scientific, literary, or educational organization which qualify under the provisions of Section 501(c)(3) of the Internal Revenue Code and its Regulations.

2. No substantial part of the activities of the Corporation shall be the carrying on of propaganda or otherwise attempting to influence legislation. The Corporation shall not participate in or intervene in the political campaign of any candidate for public office.
3. Notwithstanding any other provision of this certificate, the Corporation shall not conduct or carry on any activities not permitted to be conducted or carried on by an organization exempt under Section 501(c)(3) of the Internal Revenue Code and its Regulations.

ARTICLE 5

1. A Board of Directors shall manage the affairs of the Corporation. The Board shall be comprised of at least fourteen and not more than twenty-one members, as may be set forth in the Bylaws. Directors shall serve terms of two years.
2. The Bylaws shall set forth the qualifications and procedures for election or appointment of Directors and Officers.

ARTICLE 6

1. The Corporation's email address is info@lymeartassociation.org

We, the undersigned Officers of the Lyme Art Association, Incorporated, hereby certify under penalty of false statement the following:

The foregoing Amendment was voted unanimous approval by the Board of Directors pursuant to and in accord with Connecticut General Statutes Section 33-1142; it was approved by a vote of the membership at a meeting on _____ 2018, in Old Lyme, Connecticut. The meeting was duly called and noticed to all members. The affirmative vote was in excess of two-thirds of the members casting votes, and was sufficient for approval.

Dated in Old Lyme, this ___ day of _____ 2018.

Katherine Simmons,
President

Steve Ross,
Secretary



(860) 434-7802 90 Lyme Street, Old Lyme CT 06371 www.LymeArtAssociation.org

LAA Proposed Slate of New and Returning Directors, 2018 Annual Meeting

Wednesday, October 10, 2018, 5:30 pm

NOMINATED FOR ELECTION (for a two-year term 2018 - 2020)

Current bylaws allow three consecutive two-year terms with the exception of those Directors already serving beyond their third term at the time the bylaws were adopted. These officers are allowed one last term.

Name	Brief bio and current committees/offices served
Gayle Asher	Gayle is a retired graphics designer and is an Elected Artist who lives in Madison. Gayle is starting his third term on the Board. He serves on the Internal Audit committee.
Del-Bourree Bach	Del has been involved in the governance of several art organizations and has owned a gallery. He is an Elected Artist starting his third term on the Board and serves on the APEC committee. Del lives in Mystic.
Serena Bates	Serena manages a small business and lives in Westerly, RI. She is an Elected Artist starting her first full term on the Board. She serves on the Education and Activities committee.
John Beatty	John is a certified public accountant and Old Lyme resident. He has served on the board and as the LAA Treasurer since 2006 and also serves on the Executive Committee.
Lisa DeFilippo	Lisa has owned and managed a retail business and is active in LAA classes and workshops. She is an Elected Artist starting her second term. She serves on the Education and Activities committee. Lisa lives in Branford.
Sarah Stifler Lucas	Sarah is an Elected Artist beginning her second term. She currently serves on the APEC committee. Sarah lives in Stonington.
David Moore	David is a retired publishing executive living in Madison. He is the chair of the Swing for Art Fundraiser and will be starting his second term on the board.
Emily Reynolds	Emily is a practicing psychotherapist and small business owner who lives in Lyme. She is the Vice President of the Board and the Chair of the Palate to Palette committee. She will be starting her third term.
Paul Sellier	Paul is a retired investment manager who lives in Old Lyme. He enjoys volunteering at the Shoreline Soup Kitchen and Pantry and is the new Building and Grounds chair at LAA. Paul also leads the Internal Audit committee. He will be starting his first full term.
Joan Wallace	Joan is a retired social worker and school psychologist and an Elected Artist who lives in Centerbrook. Joan chairs APEC and serves on the Palate to Palette committee. She will be starting her first full term.



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DIRECTORS CURRENTLY SERVING (terms ending in 2019)

Name	Office/Committee
James Berryman (second term)	Palate to Palette
Donna Gilberto (third term)	APEC
Debbi Goodman (third term)	Education and Activities, Palate to Palette
Steven Ross (seventh term)	Board Secretary/ Executive Committee
Lee Ruck (first term)	Governance Committee
Kim Sapla (second term)	Palate to Palette
Katherine Simmons (fifth term)	Board President
Caroline Walters (second term)	Director/Second Century

Notes:

Present slate includes 18 Directors, 8 of whom are Elected Artists.

**Gross Sales
Month**

Year	January	February	March	April	May	June	July	August	September	October	November	December	Gross Sales
2012	\$1,900	\$3,055	\$6,320	\$6,290	\$7,308	\$13,775	\$14,241	\$12,750	\$5,750	\$13,398	\$17,114	\$10,321	\$112,220
2013	\$3,975	\$250	\$4,076	\$15,585	\$9,635	\$5,050	\$8,578	\$9,215	\$13,635	\$4,640	\$17,538	\$11,311	\$103,487
2014	\$8,545	\$2,985	\$5,425	\$14,298	\$5,785	\$14,515	\$15,565	\$7,235	\$5,945	\$18,933	\$18,125	\$10,925	\$128,281
2015	\$7,115	\$3,225	\$3,285	\$3,075	\$3,610	\$18,999	\$27,379	\$12,098	\$2,770	\$12,155	\$5,525	\$23,698	\$122,933
2016	\$2,520	\$2,787	\$10,255	\$22,425	\$8,065	\$26,915	\$6,367	\$5,525	\$13,580	\$6,700	\$20,570	\$9,580	\$135,288
2017	\$10,290	\$2,545	\$10,037	\$6,520	\$9,195	\$17,127	\$13,150	\$8,054	\$21,955	\$11,775	\$18,685	\$10,040	\$139,372
2018	\$12,840	\$1,250	\$6,900	\$2,893	\$15,920	\$7,344	\$18,021	\$31,481	\$22,030	\$12,340			

**Total Pieces Sold
Month**

Year	January	February	March	April	May	June	July	August	September	October	November	December	Total Pieces
2012	5	8	12	11	13	16	33	17	12	14	22	21	184
2013	9	1	9	32	16	7	21	24	16	6	26	22	189
2014	17	7	20	14	11	16	36	16	7	27	19	20	210
2015	17	4	8	5	7	30	62	23	6	18	7	47	234
2016	7	8	17	17	6	29	17	12	13	7	28	16	177
2017	17	6	18	10	9	30	36	17	21	13	40	19	236
2018	15	2	18	5	24	12	37	38	7	14			

Year-to-date Comparison

Year	January	Jan. - Feb.	Jan. - March	Jan. - April	Jan. - May	Jan. - June	Jan. - July	Jan. - August	Jan. - Sept.	Jan. - Oct.	Jan. - Nov.	Jan. - Dec.	Yearly Sales
2012	\$1,900	\$4,955	\$11,275	\$17,565	\$24,873	\$38,648	\$52,888	\$65,638	\$71,388	\$84,786	\$101,900	\$112,220	\$112,220
2013	\$3,975	\$4,225	\$8,301	\$23,886	\$33,521	\$38,571	\$47,149	\$56,364	\$69,999	\$74,639	\$92,176	\$103,487	\$103,487
2014	\$8,545	\$11,530	\$16,955	\$31,253	\$37,038	\$51,553	\$67,118	\$74,353	\$80,298	\$99,231	\$117,356	\$128,281	\$128,281
2015	\$7,115	\$10,340	\$13,625	\$16,700	\$20,310	\$39,309	\$66,687	\$78,785	\$81,555	\$93,710	\$99,235	\$122,933	\$122,933
2016	\$2,520	\$5,307	\$15,562	\$37,987	\$46,052	\$72,967	\$79,333	\$84,858	\$98,438	\$105,138	\$125,708	\$135,288	\$135,288
2017	\$10,290	\$12,835	\$22,872	\$29,392	\$38,587	\$55,714	\$68,864	\$76,917	\$98,872	\$110,647	\$129,332	\$139,372	\$139,372
2018	\$12,840	\$14,090	\$20,990	\$23,883	\$39,803	\$47,147	\$65,168	\$96,649	\$118,679	\$131,019			

Major Exhibitions - Gross Sales														
By Exhibition														
Year	Contemporary Look				LOL Jr. Women				Summer				Deck the Walls	Art Market
	Associate Artist	Wonders of Winter	Four Acts	EA Show	LOL Jr. Women	Marine Art	Anything Goes	Paint & Sculpt	Pastel Society	NE Landscape	EA Room	EA Room	Art Market	
2010	\$5,370		\$500	\$12,145		\$10,965	\$2,015	\$2,840	\$2,450	\$36,390	\$9,685	\$8,932		
2011	\$5,895		\$0	\$3,550			\$2,505	\$2,995		\$7,880	\$17,902	\$7,843		
2012	\$3,230		\$825	\$12,595		\$8,250	\$950	\$8,942	\$1,145	\$20,302	\$15,788	\$7,009		
2013	\$3,775		\$0	\$5,195	\$12,910		\$2,100	\$7,155		\$10,108	\$17,133	\$10,629		
2014	\$3,810	\$5,850	\$135	\$9,575	\$5,485	\$21,685	\$3,810	\$6,295	\$1,300	\$7,370	\$12,250	\$9,588	\$5,700	
2015	\$4,925	\$850	\$350	\$3,810		\$21,719	\$4,192	\$6,838	\$1,550	\$14,165	\$15,932	\$6,175	\$8,021	
2016	\$7,285	\$650		\$25,960		\$22,612	\$3,170		\$3,700	\$23,370	\$21,750	\$10,507	\$7,285	
2017	\$12,650		\$2,045	\$10,370		\$17,432	\$2,615			\$27,545	\$23,350	\$15,013	\$3,463	
2018	\$12,540			\$15,968		\$25,620	\$2,100	\$16,735		\$8,784		\$17,224	\$1,450	

Major Exhibitions - Total Pieces Sold														
By Exhibition														
Year	Contemporary Look				LOL Jr. Women				Summer				Deck the Walls	Art Market
	Associate Artist	Wonders of Winter	Four Acts	EA Show	LOL Jr. Women	Marine Art	Anything Goes	Paint & Sculpt	Pastel Society	NE Landscape	EA Room	EA Room	Art Market	
2011	12		0	5			9	8		8	34	22		
2012	10		1	11		10	8	15	2	21	28	18		
2013	10		0	8	27		10	11		10	29	27		
2014	9	10	1	4	10	28	15	10	2	15	30	19	14	
2015	7	5	1	7		23	16	9	2	14	33	14	25	
2016	12	1		11		22	14		5	17	33	27	12	
2017	19		3	7		33	12			27	46	37	11	
2018	13			22		29	13	18		7	41	41	5	