SAILS, INC.

FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
SAILS, Inc.
Lakeville, Massachusetts

Opinion

We have audited the financial statements of SAILS, Inc., which comprise the statement of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the year ended, and the related notes to the financial statements. In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of SAILS, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of SAILS, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SAILS, Inc.'s ability to continue as a going concern for one year after the date that the financial statement is issued.

Auditors' Responsibilities for the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

To the Board of Directors
SAILS, Inc.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement. In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SAILS, Inc. internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SAILS, Inc. 's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Report on Summarized Comparative Information

The financial statements of SAILS, Inc. . as of June 30, 2022, were audited by us whose report dated December 14, 2022, expressed an unmodified opinion on those audited financial statements. The prior year summarized comparative information is not intended to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Treeful Damaso Aniceto. Inc.

October 31, 2023

SAILS, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
Cash and cash equivalents	$ 647,705	$ 1,063,644
Accounts receivable	15,893	20,640
Investments at fair value	1,713,776	1,151,024
Prepaid expenses	179,014	156,366
Property and equipment, net	9,918	8,153
Right-of-use asset	221,466	-
Total Assets	$ 2,787,772	$ 2,399,827
LIABILITIES		
Accrued expenses	$ 47,532	$ 40,844
Contract liabilities	20,061	-
Lease liability	220,802	-
Total Liabilities	288,395	40,844
NET ASSETS		
Without donor restrictions	2,115,848	2,003,169
Board Designated	238,271	207,669
	2,354,119	2,210,838
With donor restrictions	145,258	148,145
Total Net Assets	2,499,377	2,358,983
Total Liabilities and Net Assets	$ 2,787,772	$ 2,399,827

See accompanying notes and independent auditors' report.

SAILS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	Without Donor Restrictions	With Donor Restrictions	Total 2023	Total 2022
SUPPORT AND REVENUE				
Program service revenue	$ 1,330,172	$ -	$ 1,330,172	$ 1,283,487
Government grants	291,605	61,643	353,248	380,547
Direct public support	1,256	-	1,256	202
Investment income, net	72,488	-	72,488	(76,372)
Net assets released from restrictions	64,530	(64,530)	-	-
Total Support and Revenue	1,760,051	(2,887)	1,757,164	1,587,864
EXPENSES				
Program services	1,397,559	-	1,397,559	1,329,986
Management and general	220,111	-	220,111	226,543
Total Expenses	1,617,670	-	1,617,670	1,556,529
OTHER INCOME				
Gain on disposal of assets	900	-	900	-
Total Other Income	900	-	900	-
CHANGE IN NET ASSETS	143,281	(2,887)	140,394	31,335
NET ASSETS - BEGINNING OF YEAR	2,210,838	148,145	2,358,983	2,327,648
NET ASSETS - END OF YEAR	$ 2,354,119	$ 145,258	$ 2,499,377	$ 2,358,983

See accompanying notes and independent auditors' report.

SAILS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023 AND 2022

	2023			2022		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries and wages	$ 343,307	$ 147,132	$ 490,439	$ 340,623	$ 145,982	$ 486,605
Electronic database	300,391	27,906	328,297	333,967	31,025	364,992
Membership services	211,202	-	211,202	188,303	-	188,303
Equipment rental & maintenance	185,487	-	185,487	165,259	-	165,259
Other employee benefits	52,578	22,534	75,112	63,525	27,225	90,750
Occupancy	55,013	-	55,013	60,032	-	60,032
Lease expense	97,656	-	97,656	51,640	-	51,640
Catalog services	58,688	-	58,688	48,493	-	48,493
Payroll taxes	26,081	11,178	37,259	25,815	11,064	36,879
Dues and subscriptions	13,108	-	13,108	12,216	-	12,216
Website design	12,150	-	12,150	-	-	-
Supplies	3,432	1,273	4,705	6,022	2,233	8,255
Staff training	3,904	-	3,904	8,169	-	8,169
Accounting fees	-	8,800	8,800	-	7,900	7,900
Professional services	10,542	-	10,542	7,853	-	7,853
Insurance	6,501	-	6,501	5,905	-	5,905
Contractual services	7,417	-	7,417	5,273	-	5,273
Telephone	2,179	808	2,987	2,256	837	3,093
Amortization	1,354	-	1,354	-	-	-
Depreciation	2,006	-	2,006	2,414	-	2,414
Printing and publications	1,295	480	1,775	746	277	1,023
Travel	986	-	986	798	-	798
Postage and shipping	316	-	316	479	-	479
Bank fees	122	-	122	137	-	137
Legislative breakfast expenses	1,844	-	1,844	61	-	61

See accompanying notes and independent auditors' report.

SAILS, INC.
STATEMENT OF CASH FLOWS
JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 140,394	$ 31,335
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,006	2,414
Amortization	1,354	-
Net realized and unrealized gains and losses	(41,188)	123,911
Change in:		
Accounts receivable	4,747	32,622
Prepaid expenses	(22,648)	(4,659)
Accrued expenses	6,688	10,056
Deferred revenue	20,061	-
Net Cash Provided by Operating Activities	111,414	195,680
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	(3,771)	(7,838)
Purchase of investments	(589,316)	(131,395)
Proceeds from sales of investments	65,735	84,004
Net Cash Used by Investing Activities	(527,352)	(55,229)
Net Decrease in Cash and Cash Equivalents	(415,938)	140,451
Cash Balance - Beginning of Period	1,063,644	923,193
Cash Balance - End of Period	$ 647,705	$1,063,644
SUPPLEMENTAL DISCLOSURES:		
Taxes paid	None	None
Interest paid	None	None

See accompanying notes and independent auditors' report.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

SAILS, Inc. (the Organization) is a non-profit corporation incorporated in 1995. It is organized for the purpose of providing resource sharing, direct and equal access, and meet every patron's needs through cooperation, leadership and technology. SAIL's Inc. runs and supports the Enterprise Online Catalog and Circulation systems for 72 libraries and branches throughout 40 communities in Southeastern Massachusetts.

Basis of Presentation
The financial statements of SAILS, Inc. have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (US GAAP). A summary of the Organization's significant accounting policies are set forth below.

Financial Statement Presentation
The Organization reports information regarding its financial position and activities according on two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions are subject to donor-imposed restrictions. 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. Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions.

The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in it corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

The Organization's unspent contributions are reported in net assets with donor contributions if the donor limited their use, as are promised contributions that are not yet due. Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program. These restrictions expire when the assets are placed in service.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restrictions is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

The Organization has net assets with donor restrictions of $145,258 and $148,145 as of June 30, 2023 and 2022, respectively.

Management Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments in Marketable Securities

Investments in marketable securities are initially recorded at fair market value as of the date of purchase. Subsequent financial statements reflect the fair value of all investments in marketable securities as of the date of the financial statements. Any increase or decrease in value is recorded as an unrealized gain or loss. Any income derived from a marketable security is recorded as investment income in the statement of activities. When an investment in marketable securities is sold, the cost of the securities sold is based on the average cost of all the shares of each security held at the time of sale and a gain or loss is recognized. All investments are classified as level 1, meaning that the valuation is based on quoted market prices in active markets for identical assets.

Accounts Receivable

Accounts receivable are stated at unpaid balances. No allowance for uncollectible accounts has been provided because the Organization believes that all balances in accounts receivable are collectible. In the instance a bad debt is recognized, the Organization uses the direct write off method.

Property and Equipment

Acquisitions of property and equipment in excess of $1,000 are capitalized at cost or, if donated, at fair value at the date of donation. Depreciation is calculated over the estimated useful lives of the assets by the straight-line method as follows:

Furniture and fixtures	5 - 7 years
Computer and office equipment	5 years

Income Tax Status

The Organization qualifies as an agency formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC) and therefore are not subject to income tax. The Organization is not a private foundation under Section 509(a)(J). Certain unrelated business income, as defined in the IRC, is subject to federal income tax. For the years ended June 30, 2023 and 2022, there was no liability for tax on unrelated business income. Management has considered and concluded that the Organization has no uncertain tax positions. The Organization’s tax returns for the years ended June 30, 20211 through 2023 are subject to examination by the Internal Revenue Service.

Contributions and Promises to Give

Contributions received, including unconditional promises to give, if any, are reported at their net realizable values. Gifts of cash and other assets are reported as with donor restriction if they are received with donor stipulations that limit their use or if they are intended to support activities in future periods.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose recognition is accomplished) in the same reporting period in which the revenue is recognized. All other donor-restricted contributions are recorded as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Revenue Recognition

Member Dues and Assessments
The Organization receives a substantial amount of its revenue through Membership fees from the libraries in the network, which are billed on an annual basis.

Government Grants/Contributions
The Organization is also funded by various contracts/grants from the Commonwealth of Massachusetts Board of Library Commissioners. Grants, which represent contributions in support of the organization's activities are recorded as "net assets without donor restrictions" in the year received. Grants received for purchase of long-lived assets or other specific purpose are recorded as "net assets with donor restrictions" until such purpose is fulfilled.

Functional Allocation of Expenses
Expenses directly identifiable are charged to program and supporting services. Expenses related to more than one function are allocated between program services and management and general services based on relative benefit.

Outreach and Advertising
Advertising is charged to expense as incurred.

Leases
Effective July 1, 2022, the Organization adopted the FASB ASU 2016-02, Leases (ASC 842), which replaced the existing guidance for leases using the transition method introduced by ASU 2018-11. Under ASC 842, a right-of-use asset and lease liability is recorded for all leases and the statement of activities reflects the lease expense for the operating leases and amortization/interest expense for the financing leases. The balance sheet amount recorded for existing leases at the date of adoption of ASC 842 is calculated using the applicable incremental borrowing rate at the date of adoption. The adoption of the lease standard did not result in a cumulative catch-up adjustment to the opening balance of net assets.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases – Continued

The new standard provided various practical expedients, which were assessed to determine the ultimate impact of the new standard upon adoption. The Organization elected the package of practical expedients, which permits the Organization to not reassess (1) whether any expired or existing contracts are or contain leases, (2) the lease classification for any expired or existing leases and (3) any initial direct costs for any existing leases as of the effective date. The Organization also elected the practical expedients to not apply the recognition requirements in the standard to a lease that at commencement date has a term of twelve months or less and does not contain a purchase option that is reasonably certain to exercise and to not separate lease and related non-lease components.

The Organization leases its facilities under a non-cancelable operating lease. Right-of-use asset represents the right to use an underlying asset for the lease term, and the lease liabilities represent the obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date based on the present value of the lease payments over the lease term. As this lease did not provide an implicit rate, the Organization uses the federal borrowing rate in determining the present value of lease payments. This lease agreement does include options to extend the lease, but these are not included in these financial statements as the certainty of exercising these options is not reasonably certain.

NOTE 2 – RISKS AND UNCERTAINTIES

Concentrations of Credit Risk

The Organization places its temporary cash investments with several financial institutions and limits the amount of credit exposure to any one financial institution. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000, deposits in excess of the $250,000 are insured by the Depositors Insurance Fund (DIF) or the Share Insurance Fund (SIF). As of June 30, 2023 and 2022, the Organization had uninsured balances of $510,599 and $854,224, respectively.

Concentration of Revenue

SAIL's revenue consists of membership dues and assessments of member libraries making up approximately 76% and 83% of total revenue for June 30, 2023 and 2022, respectively.

NOTE 3 – PROPERTY AND EQUIPMENT, NET

A summary of equipment and related accumulated depreciation follows:

	2023	2022
Furniture and fixtures	$ 28,976	$ 28,976
Equipment	38,377	34,606
Less: accumulated depreciation	(57,435)	(55,429)
Net book value	$ 9,918	$ 8,153

Depreciation expense for the years ended June 30, 2023 and 2022 were $2,006 and $2,414, respectively.

NOTE 4 – FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10 are described as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2 inputs to the valuation methodology include the following:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability

Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023 and 2022.

Common stocks, corporate bonds and U.S. government securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the net asset value of shares held by the plan at year end.

NOTE 4 – FAIR VALUE MEASUREMENTS (continued)

Long-term investments are all classified as Level 1 and are comprised of the following at June 30, 2023 and 2022:

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
Cash and Equivalents	$ 98,966	$ 98,966	$ 199,990	$ 199,990
US Government Obligations	550,896	530,365	266,016	254,500
Corporate Bonds	331,064	322,423	167,737	161,202
Equity Mutual Funds	423,115	500,367	310,914	356,708
Fixed Income Mutual Funds	291,700	261,655	203,175	178,624
	$1,695,741	$1,713,776	$1,147,832	$1,151,024

The following summarizes the investment return as unrestricted operating income in the statement of activities for the years ended June 30, 2023 and 2022:

	2023	2022
Interest income from banks and others	$ 9,735	$ 147
Interest and dividends from investments	25,675	51,845
Unrealized net gain	12,908	(133,422)
Realized net gain (loss)	28,279	9,512
Investment expenses	(4,109)	(4,454)
Total	$ 72,488	$ (76,372)

NOTE 5 – RETIREMENT PLAN

The Organization has established a TIAA-CREF 403b retirement plan. All employees working a minimum of 20 hours per week are eligible to participate after the completion of six (6) months of employment. The Organization contributes 6 percent of the employee's earnings. Employees may contribute additional funds according to Internal Revenue Service regulations and the terms of the TIAA-CREF plan. Employees are permitted to make contributions by both salary deduction (after-tax basis) and salary reduction (before - tax basis). Employees who participate in the 403b retirement plan shall be fully vested upon participation in the plan. Employees may also establish a TIAA-CREF Separate Retirement Annuity (GSRA) funded by employee deduction. Total pension cost for the years ended June 30, 2023 and 2022 was $28,194 and $26,267, respectively.

NOTE 6 – LEASE COMMITMENTS

Operating Lease

The Organization entered into a 10-year lease agreement on April 1, 2013 through Canpro Investment Ltd for office space in Lakeville commencing on October 1, 2013 and expires on September 30, 2023. On April 1, 2013, the Organization made a payment of $16,396 for a security deposit. According to the lease agreement, the lease was renewed on April 1, 2023 and will terminate on March 31, 2028. Rent expense for the years ended June 30, 2023 and 2022 totaled $55,013 and $60,032, respectively.

In accordance with FASB ASC 842, the Organization has classified the lease as an operating lease and recognized on the accompanying balance sheet at June 30, 2023 an operating lease right-of-use asset and a corresponding operating lease liabilities equivalent to the discounted future lease payments. The following summarizes the undiscounted cash flows for the remaining years under the operating leases at June 30, 2023:

Year Ending June 30:	Amount
2024	$ 47,989
2025	49,436
2026	50,925
2027	52,454
2028	40,218
Total lease payments	241,022
Less: imputed interest	(20,819)
Total	$ 220,203

The weighted average remaining noncancellable lease term for the operating lease was 59 months. The weighted average discount rate for the operating lease was 3.60%.

NOTE 7 – DONATED GOODS AND SERVICES

The Organization does not recognize any support, revenue or expense from services contributed by volunteers. Contributed services are recognized as revenue only if the services create or enhance non-financial assets or require special skills, are provided by individuals possessing those skills and typically need to be purchased if not provided by donation. No specialized services were donated during the year ended June 30, 2023 and 2022.

NOTE 8 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has $2,377,374 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash of $647,705, investments of $1,713,776 and accounts receivable of $15,893. $145,258 of the financial assets are subject to donor restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The accounts receivable are subject to implied time restrictions but are expected to be collected within one year.

NOTE 8 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (continued)

The Organization has a goal to maintain financial assets, which consist of cash on hand to meet 60 days of normal operating expenses, which are, on average, approximately $270,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 10 – RELATED PARTY TRANSACTIONS

The Organization's Board of Directors include directors at member libraries. The Organization receives annual membership fees from each of the member libraries.

NOTE 11 – SUBSEQUENT EVENTS

The Organization evaluated all subsequent events and transactions that occurred after June 30, 2023 through October 31, 2023, the date the financial statements were available to be issued.

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