

**Brooks Memorial Library Policy BR4
Investment Fund Policy
Approved November 13, 2012, updated November 10, 2014**

**BR 4-1
ENDOWMENT AND GIFT FUNDS POLICY, PURPOSE OF POLICY**

The purpose of the ENDOWMENT AND GIFT FUNDS POLICY is to clarify the types of funds the Brooks Memorial Library maintains, where they are deposited and how they are dispersed. A secondary purpose is to determine what restricted and unrestricted funds are. The final purpose is to determine the use of these funds and that the procedures for reviewing, budgeting and accounting are clearly determined.

**BR 4-2
ENDOWMENT AND GIFT FUNDS POLICY,
TYPES OF FUNDS**

The Library Board of Trustees has created three accounts for Board funds.

The accounts are

1. Unrestricted Endowment Funds
2. Restricted
Endowment Funds and
3. Targeted Donor Funds.

Ledger accounts of each individual fund shall be kept by the Library Director and reviewed by the Board Treasurer. They shall be presented to the Board for its information. These funds have come to the Library by bequest. They are deposited with a financial advisor that has been selected by the Board of Trustees, only the interest, dividends and, if necessary, a portion of capital gains, the combined sum of which is not to exceed 4% of principal (based on portfolio value on January 1st in any given year), may be spent. The amount deposited originally with Merrill Lynch in 1981 and any additions since then make up the principal which remains invested. These funds are divided into unrestricted and restricted categories. From 1981 until 2012, restricted funds were distributed by a formula based on the original deposit. The original deposit in November of 1981 was \$105,152.35 with an additional deposit in April of 1984 of \$5,567.69. Deposits into the Endowment Fund are noted in the annual Endowment Fund Report.

**Brooks Memorial Library Policy, BR4-3
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1. UNRESTRICTED ENDOWMENT FUNDS

These funds, which originally made up about 90% of the Endowment Fund are from the following bequests:

McGrew Fund
Hunt
Fund
Isham Fund
Simonds Fund
Pierce Fund

2. RESTRICTED ACCOUNT FUNDS:

These funds historically made up about 10% of the Endowment Fund, and in Fall 2012 they were separated into a "Restricted Fund Account" so that they may be better tracked.

The Loud Fund represents 1/3 of 10% and has been segregated into its own account. The remaining 2/3 of the other four legacy funds represent 6.7% of the 2012 endowment fund and will be held in a separate account. All restricted donations shall be placed in this account. The Trustees may decide to place restricted funds in a separate money market account, or to keep them in one money market with percentages allocated for each restricted use. The Restricted Fund Account currently contains the following Funds:

FUND	RESTRICTED USE
•Schorling Fund	books--annual allocation approved by Board of Trustees
•Calista Fund	books Calista would have liked--\$800/year
•Loud Fund	maintenance of the Loud Collection (previously 3.4 % of the total endowment value.)

LEGACY RESTRICTED FUNDS

Percentages in the legacy restricted fund should be recalculated as needed and the income is distributed yearly using the following formula:

FUND	RESTRICTED USE	% of current fund
Brown Fund	Photography Books	2.7
Frothingham Fund	Books	70
Jerard Fund	Children's Books	7.3
Wyatt Fund	Musical, Architectural & Psychical Books	20

3. Targeted Donor Funds:

Gifts, grants, memorial contributions, etc. make up the other funds. Designated for a specific purpose, the funds are usually spent within the year they are given.

BR 4-3

ENDOWMENT AND GIFT FUNDS POLICY, USE OF ENDOWMENT/GIFT FUNDS

Gifts to the Library by bequest, memorial contributions, and other sources have enriched the collection by making possible the purchase of books and materials of a wider subject matter and scope than would be covered by the annual Town appropriation.

The Library Board of Trustees has adopted the following guidelines for the use of these funds:

1. The funds are to be used to uphold the basic mission of the Library; which is, to buy the best books and other circulating materials, to make them available for loan and to provide the best possible reference and information services.
2. Upon receipt of restricted donations, the library director shall notify the trustees. The trustees shall deposit the restricted donation into restricted fund account or targeted donor fund account.
3. Upon receipt of unrestricted donations the Asset Development Committee, in consultation with the Library Director shall recommend that all or part of the donation be placed in the Unrestricted Endowment Account. The Asset Development Committee may also recommend that all or part of the donation be placed in a separate account to be used to support the collection and services.
4. The funds are dispensed at the discretion of the Trustees with the advice of the Library Director and are not to be part of the annual operating budget.

BR 4-4 ENDOWMENT AND GIFT FUNDS POLICY,

INVESTMENT REVIEW, BUDGETING AND ACCOUNTING OF ENDOWMENT/GIFT FUNDS

The Trustees will:

- Retain an independent Investment Advisor to invest endowment funds.
- Review the performance of the Investment Advisor on a yearly basis.
- Consider soliciting proposals from other Investment Advisors for the purpose of comparison at least once every five years.
- Provide a yearly accounting of Endowment Income and other funds to the Board of Selectmen, the Town Finance Committee and the Townspeople.
- Investment strategy will be developed by the Asset Development Committee and approved by the full board.

BR 4-5 ENDOWMENT AND GIFT FUNDS POLICY, INVESTMENT PHILOSOPHY (revised November 10, 2014)

The Board of the Brooks Memorial Library feels it has a fiduciary responsibility to realize the best return possible, while exercising ordinary prudence, when investing the funds placed in its keeping for the benefit of the present and future users of the Library.

The library endowment has, by its very nature, a long-term horizon. Historically, the stock market has returned more than CDs or other fixed income investments. Consequently, the endowment should be invested with an objective of total return, employing both value and growth stocks, domestic and international, large and small capitalization, fixed income securities and cash. Equity exposure should be in the range of 25%-75%.

This portfolio can accept a moderate level of risk while maintaining a value-oriented approach, but not at the exclusion of growth. It is the customary practice of the board to withdraw 4% of the unrestricted endowment into cash per annum for use in the library budget.

Management and expenditure of the endowment should take into consideration the long term viability of the funds for the sustainable future of the library. In making decisions about these expenditures, the board is bound by Vermont law Title 14, chapter 120, the *Uniform Prudent Management of Institutional Funds Act*.