Endowment Policy

I. PURPOSE OF POLICY

The purpose of the INSTITUTIONAL 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.

II. INVESTMENT PHILOSOPHY FOR THE TRUSTEES’ PERMANENT FUND

The Board of the Brooks Memorial Library 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's investment activity 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 Library's Institutional Funds (including the Permanent Fund and the Endowment Funds) 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 Permanent Fund into cash per annum for use in the library budget. The Endowment Funds, also, customarily provide annual income for the uses specified by their donors.

Management and expenditure of the Institutional Funds should take into consideration the long-term viability of the funds for the sustainable future of the Library. Consistent with the Library's community-oriented mission, the Board may consider support of local entities and other environmental, social, or governance factors in making investment decisions, as long as these choices do not measurably increase investment costs, reduce returns, or introduce risk to the portfolio in excess of that necessary to meet the Board's growth and spending objectives.

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.

III. INVESTMENT POLICY STATEMENT FOR PROGRAM-RELATED FUNDS

The Library's Program-Related Funds (including the Trustees' Project Fund and the Small Gifts Fund) are to be invested for the short term and should avoid investments that could lose value. The Board prefers very safe instruments for these funds (generally some form of bond or CD).

IV. TYPES OF FUNDS
The Library Board of Trustees maintains two types of funds: Institutional Funds and Program Funds. The Institutional Funds are further divided into Endowment Funds, where the donor has specified that the fund is to be invested and also restricted the use, and the Trustees’ Permanent Fund (often referred to as “The Endowment”), which holds all the money restricted for long-term sustainability, but unrestricted in its use. Program Related Funds are also divided into restricted gifts, which are designated by the donor for a specific purpose, and the board project fund, which is unrestricted money that the board maintains for short-term needs (generally less than five years) related to the mission of the library.

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.

The original deposit in November of 1981 was $105,152.35 with an additional deposit in April of 1984 of $5,567.69. After the generous bequests from Ronald Read and Miriam Howland, at the end of 2017, the Trustees’ Permanent Fund stood at $1,986,690.22. Deposits into the Institutional Funds and Board Project Fund are noted in the annual Institutional Funds Report.

1. INSTITUTIONAL FUNDS: TRUSTEES’ PERMANENT FUND (“The Endowment”)

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

McGrew Fund; Hunt Fund; Isham Fund; Simonds Fund; Pierce Fund; Read Fund; Howland Fund; Pike Fund

2. INSTITUTIONAL FUNDS: RESTRICTED ENDOWMENT FUNDS

From 1981 until 2012, restricted funds were distributed by a formula based on the original deposit. These funds historically made up about 10% of the full Endowment Fund, and in Fall 2012 they were separated into their own accounts so that they may be better tracked. The Loud Fund represented 1/3 of 10% of the Endowment in 2012 and has been segregated into its own account. The other four legacy funds represent 6.7% of the 2012 endowment fund (the other 2/3rds of the original 10%) and will be held in a separate account. The Calista Fund began as a $20,000.00 fixed fund from which the trustees may use 4% or $800.00, whichever is greater. 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:

<table>
<thead>
<tr>
<th>FUND</th>
<th>RESTRICTED USE</th>
<th>Yearly Draw</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calista Fund</td>
<td>books Calista would have liked</td>
<td>4% or $800/year</td>
</tr>
<tr>
<td>Loud Fund</td>
<td>maintenance of the Loud Collection</td>
<td>4%</td>
</tr>
</tbody>
</table>

Legacy Restricted Funds: Percent of Legacy Fund

- Brown Fund: Photography Books, 2.7%
- Frothingham Fund: Fund Books, 70%
- Jerard Fund: Children’s Books, 7.3%
- Wyatt Fund: Musical, Architectural & Psychical Books, 20%

Note: The trustees draw 4% of the full fund balance each year from the legacy fund and the distribution into the individual accounts is done according to the percentages above.

3. PROGRAM FUNDS: DONOR RESTRICTED FUNDS

Gifts, grants, memorial contributions, etc. make up the donor restricted program funds. Designated for a specific purpose, these funds are often spent within the year they are given.

4. PROGRAM FUNDS: UNRESTRICTED PROJECT FUNDS

Starting in 2017, the board created a Project Funds account to track large donations separately from the invested Trustees’ Permanent Fund and from the money market account. Generally, some portion of any large bequest is voted by the trustees to be placed in the Permanent Fund. However, often the trustees will withhold some portion of a large bequest for specific projects or improvements. All larger donations and bequests that have not been placed in the Permanent Fund and do not have donor restrictions will be placed in the Project Fund Account until the board votes to either place the funds in the Permanent Fund or allocate the funds for specific projects. Project Funds are for medium-term projects such as building renovations, special capital purchases, or larger multi-year projects.

V. 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 a restricted fund account or other donor restricted fund. Any deposit of greater than $10,000.00 requires a full report to the board prior to acceptance by the treasurer.

3. Upon receipt of unrestricted donations over $1000.00, the donation shall be deposited in the Project Fund account. The finance committee will recommend that all or part of the money be either retained in the program fund or moved to the institutional fund – those funds retained in the project funds will be used according to the decisions of the trustees. Gifts of under $1000.00 will be reported by the library director to the trustees and placed in the small gifts fund.

4. The board project 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. The trustees need to designate the use of these funds within a moderate time span (normally within five years). As UPMIFA states: “within a reasonable time after receiving a donation, the trustees shall make and carry out a decision concerning the disposition of the donated assets.”

VI. INVESTMENT REVIEW, BUDGETING AND ACCOUNTING OF INSTITUTIONAL FUNDS

The Trustees will:

• Retain an independent Investment Advisor to invest the Trustees’ Permanent Fund.

• 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 income from the Institutional Funds and Program Funds to the Board of Selectmen, the Town Finance Committee and the Townspeople.

• Review investment strategy developed by the Asset Development Committee for the Board’s approval.

Approved October 9, 2018.