

Patterson Library

Finance Policy for the Endowment

Adopted October 4, 2003
Amended July 11, 2009
Amended July 13, 2013
Amended & Approved Sept. 9, 2021

Article I

Purpose of the Endowment

The primary purpose of the endowment of the Patterson Library is to provide a significant contribution to the annual operating costs of the library. The Endowment may also serve as a source of funds for plant, equipment, maintenance, and for capital improvements when other sources of funding are not available.

Article II

Objectives

An objective of the Board of Trustees is to increase the library's endowment market valuation and earning power, in keeping with inflation, by fund-raising programs and prudent management of investments in order to fund annual allocations to library operations and major maintenance and capital improvements. An objective of the library financial operations is to obtain funding from public and other private sources so that the library endowment funds used annually will be no greater than the funds allocated. Funds allocated but not transferred to the operating or capital account will remain in the endowment to increase its ability to provide funding for major maintenance and capital improvement costs. All funds transferred from the Endowment to the operating and capital accounts will remain in these accounts for current or future needs.

Article III

Standards of Management

The Board of Trustees have established investment objectives and a management structure that allows consideration for the following factors, if relevant in managing and investing the Endowment.:

- general economic conditions.
- the possible effect of inflation or deflation.
- the expected tax consequences, if any, of investment decisions or strategies.
- the role that each investment or course of action plays within the overall investment portfolio.
- the expected total return from income and the appreciation of investments.
- other resources of the Endowment.
- the needs of the Endowment to make distributions and to preserve capital; and
- an asset's special relationship or special value, if any, to the purposes of the Fund.

Article IV Calculation of Annual Allocation

The amount of funding from the Endowment account will be calculated by taking the rolling average of the value of the endowment portfolio using the year-end values of the prior nine years plus the current year third quarter end-value, then taking five percent of the average of these values as the maximum amount allocated to library operations for the upcoming year. This approach is designed to provide a gradually increasing allocation to the operating budget, consistent with the goal of preserving the real purchasing power of the Endowment and smoothing over variations in income or gains and losses of investments from year-to-year.

When the Board of Trustees determines that there is a need, funds may be allocated for a specific purpose other than library operating costs.

Article V Spending Policy

In determining appropriations from the Fund, the Directors will act in good faith, with care that ordinarily prudent persons in a like position would exercise under similar circumstances, and will consider the intent of donors expressed in gift instruments (where applicable), as well as the following factors, if relevant:

- the duration and preservation of the Investment Accounts.
- the purpose of the Endowment funds.
- general economic conditions.
- the possible effect of inflation or deflation.

- the expected total return from income and appreciation of investments.
- other resources of the Fund.
- where appropriate and if circumstances would warrant, alternatives to appropriations, giving due consideration to the effect such alternatives may have on the Fund.
- the investment policy of the Fund.

The Trustees will review appropriations whenever circumstances warrant, but no less often than annually. They shall keep a contemporaneous record describing the consideration given to each of the factors enumerated above. The Directors have identified gifts which are not subject to explicit donor intent and are not limited in their ability to apply the Fund's withdrawal policy. The Directors have also identified gifts which, as a result of a specific notice provided by the donor, are subject to restrictions on withdrawals.

Article VI

Annual Review of Corporate Finance Policy

The Corporate Finance Policy shall be reviewed annually by the Finance Committee. Any changes recommended shall be submitted to the Trustees for action.

Article VII

Investment Guidelines

Types of Assets

The Board of Trustees wishes the Investment Manager(s) to act in a fiduciary manner consistent with such widely accepted standards as the Prudent Investor rule and the Employee Retirement Income Security Act of 1974 (ERISA). Holdings will be consistent with such standards, and the Portfolio must be diversified by allowing the Investment Manager(s) the flexibility to invest in various types of assets.

All securities must be publicly registered for sale, have a readily ascertainable market value, and must be generally considered marketable at time of purchase. The following types of assets are among those approved for investment.

Equity Investments

- *Common Stocks
- *Preferred Stocks
- *Convertible Securities (including Debentures)
- *Foreign Stocks including A.D.R.'s (American Depository Receipts).
- *Stock Mutual Funds

Equity Diversification Guidelines

No more than 5% of total Portfolio assets at market at time of purchase shall be invested in the securities of any one issue. No more than 30% of the total Portfolio assets at market at time of purchase shall be invested in any one broad industry, as defined by S&P.

Equity Asset Allocation Guidelines

Equity investments are expected to comprise no more than 75%, and no less than 25% of the total market value of the Portfolio at the time of purchase. These allocation parameters will become effective after the period of initial positioning of the Portfolio.

Fixed Income and Cash Investments

- *U.S. Government and Agency securities (Bills, Notes and Bonds)
- *Commercial Paper
- *Certificates of Deposit
- *Corporate Bonds
- *Insurance Company Contracts
- *Mortgage-backed Securities
- *Money Market Funds

Fixed Income Diversification Guidelines

No limitations are placed on investments in U.S. Government obligations (including any fully guaranteed Federal Agency obligations). Investments in any one issuer (excluding direct or indirect obligations of the U.S. Government) shall not exceed 5% of the total Portfolio assets at market value at time of purchase. Mutual funds and money market funds are excluded from the above guidelines to the extent they are purchased as diversified investment funds (s).

Fixed Income and Cash Allocation Guidelines

Fixed income and cash equivalent investments are expected to comprise no less than 25% and no more than 75% of the total market value of the Portfolio at the time of purchase. Any Cash shall be invested daily in interest bearing securities or bank accounts through an automatic sweep provided through the Endowment's custodial banks.

Prohibited Investments

- *Commodities and Futures
- *Warrants
- *Eurobonds
- *Naked Option transfers
- *Margin purchase of Securities
- *Private Placements
- *Short sales of Securities
- *Unregistered and/or Restricted Stock
- *Speculative Securities
- *Derivatives
- *Real Property

Summary of Asset Allocation Guidelines (at time of purchase)

	Maximum	Minimum
Total Stocks (U.S. & Foreign)	75%	25%
Fixed Income (Bonds, Notes & Cash)	75%	25%

Article VIII

Reporting of Endowment Valuation

The Investment Manager (s) shall provide monthly reports of changes in investment selection and changes in Portfolio value to the Finance Committee, and the Trustees. The Investment Manager (s) shall also provide an annual summary to the Trustees at the annual meeting to include the Endowment valuation and a breakdown of proceeds including interest, dividends and proceeds from investment transactions. The annual and cumulative balance of Endowment funds allocated and used for library operations will also be reported.

Article IX **Signatories**

For all disbursing purposes, the signatures of the Board of Trustees President, Treasurer and the Library Director shall be required. All changes in roles shall be reported to the investment manager within two weeks of said change in order to create new signature cards and secure the integrity of the endowment assets.

Article X **Amendments**

This policy may be altered or amended in whole or in part by a majority vote of the Trustees present at any meeting thereof at which a quorum is present, provided that due notice of the proposed amendment containing a brief resume of the substance thereof has been sent in writing to all the Trustees prior to a library Board of Trustees meeting.