

CHARLOTTE HOBBS MEMORIAL LIBRARY

Endowment Policy

PURPOSE

The purpose of this policy is to effectively and efficiently fulfill the Charlotte Hobbs Memorial Library (CHML) mission to serve our community by welcoming all to this free place to learn, connect, share, and have fun. This policy provides general guidelines for the establishment and administration of endowment funds from external gifts.

DEFINITIONS

Board - The elected Board of Trustees that supervises the affairs of the CHML.

Endowment Fund - A single or combined pool of assets gifted to the CHML to provide resources consistent with the mission of the CHML. Endowment funds may be either designated as "General Endowment" or "Restricted Endowment" for a specified purpose or time period.

Investment Manager - An employee of the investment firm where the CHML's funds reside and who is designed by that firm to be responsible for the investments.

POLICY

1. General.

- a. Acceptance and receipt of endowment funds are determined by the CHML Board.
- b. All endowment gifts to be acknowledged with an appropriate letter to the donor stating the amount donated, date received, and purpose (if any) stated with the gift.
- c. Appropriate records related to the endowment funds and accounts are maintained in the CHML.
- d. The endowment funds are audited annually as part of the audit of CHML performed by an external certified public accountant.

2. Restricted Endowments.

- a. The establishment of a Named restricted endowment fund requires a minimum donation of cash or stock of as provided in the Gift Acceptance Policy. Endowment contributions of less than the minimum amount stated in that policy may be made at any time to the General Endowment fund, but will not create a separately tracked endowment. A separate account line may be established to track each restricted endowment fund, unless the donor agrees to consolidate the endowment with a previously established restricted endowment with the same restrictions as the new donation.

Charlotte Hobbs Memorial Library Endowment Policy

- b. Prior to establishing a restricted endowment fund, the CHML prepares a Gift Agreement and submits it to the donor for approval and signature. The document should contain the information outlined in Appendix A.
- c. The Board maintains a clear understanding of any donor restrictions in all permanent records.
- d. The endowment funds may be commingled consistent with legal and/or regulatory provisions. However, each endowment shall be a separate account line.
- e. The CHML provides each donor a report on the accounts and activity for each endowment as specified in the gift agreement.

3. Investment of the Endowment.

- a. The primary investment objective of the Endowment Fund is to produce a rate of total return which will permit maximum support for the General Operating Fund of the CHML to the extent that is consistent with the following:
 - i. prudent management of investments,
 - ii. preservation of principal, and
 - iii. potential for long-term asset growth.
- b. The Board is responsible for selecting an investment firm with experience managing endowment funds in a prudent and responsible manner.
- c. Investment of the Endowment Fund should follow a balanced approach. The Investment Manager is authorized to utilize portfolios of equity securities (common stocks, preferred stocks, and convertible securities), fixed-income securities (debt instruments), and short-term investments (cash equivalents) or mutual funds comprised of these security types, according to the guidelines in Appendix A.

4. Expenditure of Funds from the Endowment.

- a. In accordance with law in the State of Maine, the Board may determine a prudent payout each year as part of the CHML's annual budget process.
 - i. Except by unanimous vote of the Board, the payout for the General Endowment in any one year shall not exceed the amount stated in 13 MRSA §5104 which, if exceeded, would create a rebuttable presumption of imprudence.¹
 - ii. Except by two-thirds vote of the Board, the payout for the General Endowment in any one year shall not exceed 4% of the value of the fund on the last day of the preceding fiscal year.

¹ As of March 2022, that figure is 7% of the fair market value of the fund in any year, calculated on the basis of market values determined at least quarterly and averaged over a period of not less than 3 years immediately preceding the year in which the appropriation for expenditure is made. An expenditure above that amount creates the rebuttable presumption of imprudence. 13 MRSA §5104, ¶7.

Charlotte Hobbs Memorial Library Endowment Policy

- iii. The payout rate from any Restricted Endowment be subject to the same payout rate restriction as the General Endowment, unless otherwise provided in the Gift Agreement establishing the Restricted Endowment.
 - iv. In no case may the payout from either the General or a Restricted Endowment draw on principal funds of the endowment, except by vote of two-thirds of the Board.
- b. If the fund has been in existence less than three years, then the payout rate will be calculated on the market of the fund since it has been in existence.

Adoption: This policy was adopted by the Board of the CHML on November 17, 2017, amended February 17, 2021, March 16, 2022, and April 19, 2023.