

ENDOWMENT PROGRAM POLICY

I. Name.

The Library Board hereby establishes on the books and accounts of the Library the Endowment Program of the Bad Axe Area District Library ("Endowment Program").

II. Authority to Accept/Reject Gifts.

The Library Board has exclusive authority to accept or reject any devises, bequests, subscriptions, donations, gifts of or proceeds from the sale of real or tangible personal property. If accepted, the donations shall be placed into the Endowment Program.

III. Endowment Program Funds.

The Library Board hereby establishes on the books and accounts of the Library four (4) separate funds within the Endowment Program. In making a contribution to the Endowment Program, the donor may place restrictions on the expenditure of principal (True Endowment v. Quasi Endowment) or may restrict the use of the donation (Restricted v. Unrestricted). Depending on the donor restrictions, the donation shall be placed in one of the following funds:

A. Unrestricted True Endowment Fund:

1. *Deposits:* At the discretion of the Library Board, proceeds from donors by bequests, subscriptions, donations or gifts of real or tangible personal property the principal of which the donor designates shall remain unspent shall be deposited in the Unrestricted True Endowment Fund.
2. *Principal:* The principal of the Unrestricted True Endowment Fund shall be held unspent and invested in accordance with resolutions of the Library Board.
3. *Income:* Annually, a portion of the net appreciation of the Unrestricted True Endowment Fund as determined by resolution of the Library Board may be allocated to principal so that the principal amount on deposit in the Unrestricted True Endowment Fund shall increase annually by the cost of living, as determined by the Library Board. The remaining portion of the net appreciation that is not allocated to principal, as stated above, shall be set aside to be disposed of as directed by the Library Board.

B. Restricted True Endowment Fund:

1. *Deposit:* At the discretion of the Library Board, proceeds from donors by bequests, subscriptions, donations or gifts of real or tangible personal property the principal of which the donor designates shall remain unspent and for which the donor designates the permitted uses shall be deposited in the Restricted True Endowment Fund. The Library shall keep separate accounts within the Restricted True Endowment Fund for each donor designated purpose in order to ensure that any appreciation spent as indicated in paragraph 3 below shall be used for the donor designated purpose.

2. *Principal:* The principal of the Restricted True Endowment Fund shall be held unspent and invested in accordance with resolutions of the Library Board.
3. *Income:* Annually, a portion of the net appreciation of the Restricted True Endowment Fund as determined by resolution of the Library Board may be allocated to principal so that the principal amount on deposit in the Restricted True Endowment Fund shall increase annually by the cost of living, as determined by the Library Board. The remaining portion of the net appreciation that is not allocated to principal, as stated above, shall be set aside to be disposed of as directed by the Library Board according to the donor designated purposes.

C. Unrestricted Quasi-Endowment Fund.

1. *Deposits:* At the discretion of the Library Board, proceeds from donors by bequests, subscriptions, donations or gifts of real or tangible personal property without restriction as to the expenditure of principal or the use may be deposited in the Unrestricted Quasi-Endowment Fund.
2. *Principal:* The principal of the Quasi-Endowment Unrestricted Fund shall be held and spent in accordance with resolutions of the Library Board. From time to time, the Library Board by resolution may place its own restrictions on the expenditures of principal in this Fund. However, these restrictions may be removed or amended at any time by subsequent resolution of the Library Board.
3. *Income:* Annually, a portion of net appreciation of the Unrestricted Quasi-Endowment Account as determined by the Library Board may be allocated to principal. The remaining net appreciation that is not allocated to principal, as stated above, shall be set aside and disposed of as directed by the Library Board.

D. Restricted Quasi-Endowment Fund.

1. *Deposits:* At the discretion of the Library Board, proceeds from donors by bequests, subscriptions, donations or gifts of real or tangible personal property without restriction as to the expenditure of principal but with donor designated restrictions on the use may be deposited in the Restricted Quasi-Endowment Fund. The Library shall keep separate accounts within the Restricted Quasi-Endowment Fund for each donor-designated purpose in order to ensure that any appreciation spent as indicated in paragraph 3 below shall be used for the donor-designated purpose.
2. *Principal:* The principal of the Restricted Quasi-Endowment Fund shall be held and spent in accordance with resolutions of the Library Board. From time to time, the Library Board by resolution may place its own restrictions on the expenditures of principal in this Fund. However, these restrictions may be amended at any time by subsequent resolution of the Library Board.

3. *Income:* Annually, a portion of net appreciation of the Restricted Quasi-Endowment Account as determined by the Library Board may be allocated to principal. The remaining net appreciation that is not allocated to principal, as stated above, shall be set aside to be disposed of as directed by the Library Board, according to the donor designated purposes.

IV. Library Board Responsibilities.

The Library Board shall review and consider all matters listed below or any others that become necessary in order to maintain the Endowment Program.

- A. Criteria for accepting or rejecting donor restricted funds.
- B. Fundraising material and methods for obtaining donations to the Endowment Fund.
- C. The recommended amount of annual unrestricted income that shall be reinvested.
- D. Management of the Endowment Fund, including the selection of investment advisors, if any, investment recommendations, accounting and other financial procedures.
- E. Timing of distributions of the income to the General Fund of the Bad Axe District Library.