



Cortland Free Library

Books are just the beginning!

Policy Category: Financial Controls

Policy Title: Endowment Spending Policy

Need for Policy: The Cortland Free Library Endowment Fund is the result of many gifts of varying size and levels of restriction. When the trustees put the fund under professional management it was decided to treat the funds as one for investment purposes in order to gain the benefits of a more diversified investment portfolio. Each individual endowment is expressed as a percentage of the whole fund. Additions or withdrawals may change the allocation percentage of the endowment fund for each category. The spending percentages will be recalculated annually and documented in the board minutes.

Policy: For spending purposes, the endowment income is currently allocated as follows:

- 55% - Restricted to books and library materials
- 10% - Restricted to furniture & fixtures
- 10% - Restricted to building repairs
- 25% - Unrestricted - For other operating expenses of the library

The Spending Rule: The intention of the Board of Trustees is to prudently manage the endowed funds to provide payments of about 4% of a 4 year moving average of the endowment fund balance to support the operation of the library. This rate of expenditure is intended to protect the endowment's principal while still providing much-needed funds for the library's operation.

Unexpended Funds: If funds eligible to be drawn from the endowment within a calendar year are unexpended at year's end, the unexpended portions will be sequestered in accounts titled Unexpended for Books and Library Materials, Unexpended for Furniture and Fixtures, or Unexpended Unrestricted Funds as appropriate. The unexpended funds can accumulate from year to year and will continue to be managed by the investment manager as the manager, in consultation with the Board of Trustees, deems best. However, the unexpended funds will not count as part of the endowment principal in determining the amount to be withdrawn in future years. Because some expenditures vary greatly from year to year, e.g. furniture and fixtures and building repairs, the intent is to save unexpended, accumulated portions in years when expenses are low to pay for these items in years when expenses are high.

Approved: 5/8/2008

Amended: 6/11/2008 [Revised to devote 10% of the endowment fund to building projects and reduce Unrestricted from 35% to 25%.]

Amended: 6/24/2015 [Added Unexpended Funds section.]

Amended: 9/16/2020 [Applied standard policy format; changed policy name from “Spending” to “Endowment Spending”; distinguished between allocation vs. spending percentages; removed old percentages from body of policy.]