

Western Counties Regional Library Literacy Legacy Fund

The idea was not an original one. As the third public relations manager to ponder creating such a fund, I was the one fortunate enough to get board approval, stimulated by a \$10,000 memorial donation in 2015.

In a way, it forced my hand and I worked with management and the board to determine the best way to create a legacy fund to help the library survive funding uncertainty. When funding is frozen or does not match costs and inflation, then it is usually the materials budget that suffers. This hurts our ability to deliver the robust collection needed by our members and our community.

I looked at a variety of options, but thought tying our fund into the Community Foundation of Nova Scotia would be the first choice.

Here is a look at investing Charitable Endowment Funds with the Community Foundation of Nova Scotia:

What It Is:

Funds are established by charitable organizations as permanent funds to ensure an ongoing source of support for their programs and operations. The charitable organization transfers ownership of the fund to the Community Foundation under agreement and the annual income is distributed to the charitable organization in perpetuity.

How It Works:

A charitable organization creates a designated fund at the community foundation. The fund is owned by the Community Foundation; however, the income is directed to the charitable organization. Donors can make contributions to the fund through the charitable organization or directly through the Community Foundation.

Advantages:

By placing an endowment fund into the Community Foundation investment pool, the charitable organization increases its opportunities for maximizing income while reducing investment cost.

The charitable organization is relieved of the internal accounting and reporting required as periodic statements on principal and income status are provided by the Foundation. In addition, an annual audit is performed by independent auditors as part of the Foundation's regular audit procedure.

By transferring ownership to the Community Foundation, the fund is protected from encroachment by future boards. Community Foundation ownership also provides added reassurance to donors that their gifts will be held in perpetuity for exclusive use by the charitable organization or for a similar purpose should the charitable organization cease to exist.

Transfer of capital funds also removes the fund from the charitable organization's financial statement, which may eliminate misunderstanding about the actual funds available to the agency for immediate use.

Disadvantages:

The fund is non-encroachable by the charitable organization, even during times of extreme financial need.

Notes:

The fund has garnered returns in the range of 9% (2015) to 15% (2012). The Foundation is required to disperse a minimum of 3.5% annually and will disperse up to 5%. 1.77% goes toward administration fees and anything above that goes back into the fund to cover any years where there may be a shortfall. That remainder is available for use by the charitable organization if needed at any time. The year end for the Foundation is Sept. 30 and funds are dispersed from November to January depending on when the books are completed. A letter is issued to the charitable organization providing a detailed account of how the fund did over the fiscal year. The \$10,000 donation would be eligible to be placed under the umbrella of the Foundation with the idea it would grow over time with future donations. These can be from other sources and mandated to purchase material for other branches.

Decision to manage its own fund

Western Counties Regional Library Board decided it wanted to control the fund and chose to have it managed by a certified fund manager hired by the library board.

The fund generates revenue via interest from donated money to purchase new books and library material for the library every year in perpetuity.

Every book purchased with the money will have a name plate noting the fund placed inside the front cover or on the digital listing in our catalogue (if possible).

Large donors, \$5,000 or more, can decide what type of book/library material that their contribution would be used to purchase with a specialized nameplate.

Monthly giving can be set up to allow people to donate over an extended period of time. There will be different recognition levels, based on the donation amount.

Possible levels:

- Guardians of Literacy (\$50,000 and over)
- Visionary (\$25,000-49,999)
- Benefactor (\$10,000-\$24,999)
- Book Club (\$5,000-9,999)

The initial goal is \$100,000 with the hope of building it up to \$1 million.

Plan:

The fund will build over the years through donations and, very two years, through Dining Among the Stacks fundraising dinner. Dining Among the Stacks will bring in an estimated \$10,000-12,000 every two years for the fund.

The Public Relations Manager will solicit donations through existing provincial, national and international foundations and individuals, organizations and businesses. He will target previous large donors and individuals and organizations that focus on supporting literacy related causes. This will be accomplished by completing the necessary applications and paperwork to meet the funding requirements of charitable foundations and businesses. There will be a concerted letter writing campaign and follow-up with previous large donors. The Public Relations Manager will visit various services clubs and library friendly individuals to discuss possible annual giving plans to support the fund over the years.

Update:

Just over \$74,000 is in the fund. This includes a \$50,000 transfer from Library Development to help boost the fund. Although it is not clearly stated in the Literacy Legacy Fund Investment Policy, The board will begin considering to use the fund interest once the fund has reached \$100,000.

Once the fund reaches the \$100,000 mark, Western Counties Regional Library Charitable Association will donate to Western Counties Regional Library annually 75% of the net investment income generated by the Literacy Legacy Fund. We expect interest to be between 3 and 4%.

Literacy Legacy Fund Investment Policy

The Western Counties Regional Literacy Legacy Fund was created in 2016 to help support the future of the library. The fund will help the library maintain and enhance its collections and services, bettering the library experience for users in Digby, Shelburne and Yarmouth counties.

The goal of the Literacy Legacy Fund is to grow and preserve the principal while maximizing total return.

Fund Characteristics

The Western Counties Regional Library Charitable Association will donate to Western Counties Regional Library annually 75% of the net investment income generated by the Literacy Legacy Fund, where the net investment income equals revenue generated from dividends, interest, capital gains, and other distributions less outlays for investing purposes including, but not limited to, broker fees, interest and bank charges, and capital losses.

The donation is to be made on an annual basis as calculated by management and reviewed by the year-end accountant. The donation will be approved at the Annual General Meeting.

The donation from the Fund shall be made separately from any other donation made by Western Counties Regional Library charitable Association to Western Counties Regional Library and shall not be used to subsidize any commitment or donation made throughout the year.

Investment income from the Literacy Legacy Fund earned but not disbursed in a given year, will be added to the principal of the Literacy Legacy Fund.

Any additional disbursements of the principal and/or earnings of the fund will require a vote from the Board.

Board Responsibility and Risk Tolerance

The Board is responsible for appointing professional money managers who will employ fund investment strategies consistent with the board's risk tolerance and investment goals. The board recognizes that the investment plan will evolve as the fund matures and economic conditions change; however, it is unwilling to assume investment strategies that might jeopardize the ability of the fund to maintain principal value over time.

Review and Evaluation

The management of the fund will be evaluated annually against the fund's investment objectives and investment performance standards. The Regional Library Director will provide fund performance reports annually and shall notify the Board of any substantial or notable deviations in the management of the fund.