

Emmaus Public Library
Financial Resources Management Policy

General

The Library's financial accounting is recorded as cash-in/cash-out.

- A. Operating Funds are set out in the annual budget for a calendar year, January through December. A draft of the operating budget is approved by the Library Board of Trustees in the month of August of the preceding year and confirmed by vote of the Board at its January meeting once municipal and state contributions have been approved. Day-to-day operating funds are held in FDIC insured bank accounts. The Board has set out a goal of retaining 2 to 3 months of Operating Expenses in such accounts. The approved annual budget and these accounts are managed by the Library Director with oversight by the Finance Committee.
- B. Capital Funds expenditures and new program initiatives are approved by the Board based on needs identified in the Library's Long Range Plan whereby scope definition and estimated cost are developed and put forth to the Board by the corresponding Committee, typically Building & Grounds. The Capital Funds can be placed either in an investment account and/or a FDIC insured bank account depending on expected timing of use. Funds received for capital projects from grants, donations, gifts and capital project specific fundraising will be held in the Capital Accounts. The outlay of capital funds to pay for approved expenditures are managed by the Director. Investment of Capital Funds, if any, are approved by the Board.
- C. Endowment Funds are funds received from private sources (estates, donor advised funds, foundations etc.) for the long term sustainability of the Library's facility and its programs. Such funds are invested by the Board in accordance with the Investment and Endowment Policies incorporated below. The Board's objective for the Endowment is to maintain the level of private contributions made to the Endowment (adjusting annually for inflation)-and to utilize income and/or annual value growth for supporting the needs of the Library as approved by the Board.

1. Sources of the Library's Financial Resources

1.1 Through compliance with the Commonwealth of Pennsylvania guidelines for Libraries, including hours of operation, proportion of budget expended for Library Materials, the Library becomes eligible for a distribution of funding from the Commonwealth per its annual budgeting process done prior to 30 June with funding distribution typically done in January

1.2 Annually the Library submits its draft annual budget to the funding municipalities it supports with its request for funding. The municipal funding is part of the budgeting process of the municipality and approved prior to the end of December each year. Municipal funding goes solely toward day-to-day operating expenses.

1.3 The Friends of the Emmaus Public Library through membership, book sales and other fundraising events provides funds it generates to the Library in several contributions per year typically.

1.4 Unsolicited gifts, fundraising, merchandise sales, book replacement fines comprise the remainder of income sources for operating budget funds. The Library has an annual fundraising event, as well as an annual fundraising appeal letter which combined provide substantial support of the Operating budget with any excess going to capital accounts.

1.5 Solicitation for grants from Foundations, businesses and private donors can be targeted to Capital Fund requirements, as well as, annual income and value growth of the Endowment. Donations received that are designated to go to the Capital Fund shall be placed in the Capital Accounts and not co-mingled in the General Fund Accounts with operating budget income received.

2. Operating Budget Expenditures

2.1 The Director drafts the budget for expenditures of the Library prior to the end of July of the preceding year for presentation to the Finance Committee. The Finance Committee reviews the desired expenditures in context of anticipated income and other financial resources of the Library.

2.2 The Finance Committee makes its recommendation to the Board of the draft budget to be proposed to the Municipalities including requests for increases of their funding contribution to Library.

2.3 The Board approves the draft Budget for submittal to the Municipalities.

2.4 Once the municipal budgets are approved, along with reflection regarding the amount of income to be received from private sources, the Board approves the annual operating budget at its January meeting.

2.5 Thereafter, the Director is responsible for managing operating budget expenditures both in line with the approved budget and in context of income received from private sources.

3. Capital Fund Expenditures

3.1 Large scale Capital Fund project needs of the Library should (emergency situations aside) be identified within the Long Range Plan and prioritized for action by the Board

3.1.1 Large Scale Capital Fund Projects shall be those in which total expenditures exceed \$25, 000.

3.1.2 Once a Large Scale Capital Fund Project has been identified, the Director, along with Committee members, staff and patron input (as appropriate) would develop the scope to achieve the desired objectives and outcome. Multiple estimates would then be obtained in line with [the Purchasing Policy?] prudent management of Library Financial Resources. As may be appropriate to the complexity of the proposed project, professional assistance might be approved to support the scope development, design, specifications, budget estimate and implementation plan

3.1.3 The Director and the Board Committee should present their findings and proposed expenditure to the Board for approval and/or further development.

3.1.4 If significant funds are required, grants and private donations would be sought out to be combined with use the Library's Capital Funds and, as may be approved by the Board, the Endowment Funds.

3.2 Capital expenditures that fall below the threshold of a Large Scale Capital Fund Project can be proposed to the Board by the Director and implemented after approval.

3.3 Once a Large Scale Capital Fund Project or lesser Capital Expenditure has been approved by the Board and funded, the Director will manage the procurement and the disbursements from the Capital Funds account for the approved expenditures.

4 Investment Policy

4.1. It is the policy of the Emmaus Public Library to invest its funds in a manner that will provide security of funds invested with investment returns reflecting the overall investment market, while not negatively impacting the daily cash flow needs of the library and complying with all applicable laws and regulations.

4.2. Scope: This investment policy applies to the investment activities of all funds of the library, including but not limited to operating funds, capital funds, endowment funds, and funds allocated for any other designated special purpose.

4.3. Objectives: The primary investment objectives, in order of priority, shall be:

4.3.1. Safety: The preservation of capital contributions shall be the primary concern in selecting investments.

4.3.2. Liquidity: The investment portfolio shall remain sufficiently liquid to meet all operating cost funding that might be reasonably anticipated.

4.3.3. Return on Investment: Investments shall be selected with the goal of obtaining a market average or better rate of return throughout budgetary and economic cycles, taking into account risk constraints, cash flow, and applicable legal restrictions on investments. The investment profile will have what is generally considered a moderate risk profile

4.4. Investment Guidelines:

4.4.1 The Library will not invest in individual stock or bond equities. Receipt of the same through gifts and donations will be liquidated and re-invested in accordance with the principles set out in this Section 4.

4.4.2 The Library can invest in mutual funds that are managed or exchange traded of diverse broad market sector holdings of Mid-Cap and Large Cap corporations based in the United States and other fully developed countries as such investments may be approved by the Board.

4.4.3 The Library can invest in Bond Funds of investment grade companies and municipalities based in the United States.

4.4.4 The Library will not invest in 'puts or calls', so called 'junk' bond funds, derivatives, hedge funds, special purpose acquisition funds and other investments that would be deemed to have a high risk profile.

4.4.5 The library may hire a professional investment advisor with a fiduciary responsibility to the library (such as a Certified Financial Planner) to assist in

making investment decisions or for managing an allocation of investments with a diverse set of funds with volatility or risk that is consistent with the investment objectives listed above and approved by the Board. The Finance Committee and the Director shall identify any such suitable advisor and present the same to the Board for approval.

4.4.6 Delegation of Authority: Administrative responsibility for the Board approved investment program shall be delegated to the Library Director. The Treasurer and Finance Committee of the Board of Trustees shall be responsible for overseeing the investment activities of the Library.

4.4.7. Ethics and Conflicts of Interest: Trustees and employees of the library shall disclose to both the Library Director and the President of the Board any material financial interests they may have in financial institutions that conduct business with the library. Trustees and employees that have such interests and are involved in Library investment activities shall refrain from personal business activity that could conflict with the proper execution and management of the investment program in the best interest of the library, or that could impair their ability to make impartial decisions.

5. Endowment Funds

The Emmaus Public Library Endowment Funds are maintained with the purpose of sustaining and enhancing the services of the library, supporting the fulfillment of its mission statement, and securing the future of the library. The endowment shall be managed according to the following conditions:

5.1 The Endowment Funds shall be held and managed by the library's Board of Trustees with the mandate to grow the Fund and as approved utilize its annual income and value growth (above inflation) for the needs of the library, but as it pertains to the operating budget the Endowment Fund will be only used as the income source of last resort.

The Board (at its January 18, 2022 meeting) approved the following with respect to the Endowment Funds: the investment funds held in the managed investment account (Youngs Advisory Group account in Jan 2022) shall be used to generate income and value growth to provide benefits for the library's staff and to provide funds for any Board approved staff year-end bonus amounts. Annually, the Board may approve an amount of funds to be withdrawn and disbursed from this account to fund the subsequent years benefits to be provided to staff and/or the staff year end bonus fund.

The Endowment Funds held in the Library's second investment account are not affected by this January 18, 2022 approval and remain available for the needs of the Library.

- 5.2 Management of the fund shall comply with all applicable laws
- 5.3 Monies in the Endowment Funds shall be clearly identified and segregated from the Library's General Funds and Capital Funds. The library shall maintain detailed records of all receipts and disbursements including but not limited to the sources of gifts, contributions, and bequests, income, and the purpose of each disbursement.
- 5.4 Monies in the Endowment Funds shall be invested in accordance with the Investment Policy.
- 5.5 The Board shall establish the maximum amount of monies from the Endowment Fund, if any, to be used in meeting annual operating expenses or approved capital expenditures each year as part of the annual operating budget approval process and/or capital approvals. Such budget approval authorizes the Treasurer to approve the transfer and utilize such authorized Endowment funds if needed to meet the operating expenses or capital expenditures of the library.
- 5.6 Withdrawal from the Endowment Fund in excess of those approved pursuant to Section 5.1 may only be made by approval of 2/3rds of the then seated Board of Trustees.
- 5.7 The Board of Trustees delegates responsibility for meeting the administrative requirements of this policy to the Library Director, under the supervision of the Board Treasurer.

The above Section 4 was formerly the Investment Policy adopted 03/17/2015 and Revised 11/17/2015

The above Section 5 was formerly the Endowment Policy adopted 07/18/2017

Approved March 15, 2022
Amended July 18, 2023