FP-15 LEGACY FUND

15.1 Previous Policies

This policy, first approved by the Board on May 25, 2011, supersedes all previous Endowment Fund policies of the First Unitarian Congregation of Ottawa.

15.2 Objectives of the Legacy Fund

The Legacy Fund was known as the Endowment Fund up to May 25, 2011, when it was renamed the Legacy Fund.

The Legacy Fund has been established by the Congregation as a way of building long term capital to help achieve the goals and ensure the long-term financial stability of the Congregation, and thereby to sustain and promote Unitarian Universalist principles. The Fund is intended not only to sustain the social and spiritual initiatives which the Congregation values here and now in our community but also to make it possible to undertake the kind of initiatives it has successfully completed in the past, be they the creation of new institutions such as Unitarian House and River Parkway Preschool Centre, or major social or spiritual initiatives.

In more specific terms, the objectives of the Fund are to:

a. Serve as a means other than the annual pledge campaign and annual fundraising projects whereby people can make financial gifts to the Congregation, especially in the form of bequests and large lump sum donations.
b. Enable the Fund to grow over time, by investing the funds in accordance with Investment Policy (FP-12);
c. Make financial contributions each year to the Operating Fund revenues of the Congregation; and
d. Build up a large Legacy Fund, so that it will be possible for the Fund to be able to contribute to the Operating Fund without diminishing the size of the Legacy Fund. Such a level of contribution would help substantially in meeting the cost of the Congregation's programs and services, and in reducing the risk of annual operating deficits.

15.3 Policy Regarding the Operation of Legacy Fund

15.3.1 Structure of the Legacy Fund

The Legacy Fund shall consist of two parts:

Part 1 of the Legacy Fund shall be known as the Legacy - Externally Restricted Fund. It is intended that donations made to this Fund shall be managed in such a way that the principal of the donation is retained in the Fund and enabled to grow to offset inflation. Earnings over and above the rate of inflation shall be available for transfer to the Congregation's annual Operating Budget.

Part 2 of the Legacy Fund shall be known as the Legacy - Internally Restricted Fund. It is intended that donations made to this Fund will be available to be used as determined from time to time by the Board. The Congregation shall be informed of such decisions by the Board.

15.3.2 Investment of the money in the Legacy Fund

Funds will be invested in accordance with the Congregation's Investment Policy (FP-12) as amended from time to time.

15.3.3 Contributions to the Legacy Fund

a. Encouraging people to make donations

In order to increase the size of the Fund through additional contributions, the Board and the Planned Giving Committee will encourage donations to both parts of the Legacy Fund.

b. Initial transfers into the Legacy Fund

Legacy - Externally Restricted

After approval of this new policy, an amount of funds equal to the amount which was in the past placed into the previously existing Endowment Fund at the specific request of donors, plus accumulated increases in these funds to offset inflation (as indicated by the Consumer Price Index) since the date these funds were donated, shall be placed into the Legacy Endowment Fund. (This was completed in 2018)

i. Legacy - Internally Restricted Fund

The remaining funds in the previously existing Endowment Fund shall be placed into the Legacy Internally Restricted Fund.

c. Future Contributions to the Legacy Fund

i. Legacy - Externally Restricted Fund

All funds received by the Congregation, specifically designated by the donor as Endowment or for the Legacy - Externally Restricted Fund, shall be placed into the Legacy - Externally Restricted Fund.

ii Legacy - Internally Restricted Fund

All funds received by the Congregation, specifically designated by the donor as Legacy or for the Legacy – Internally Restricted Fund, shall be placed into the Legacy Internally Restricted Fund.

Eighty percent (80%) of funds received by the Congregation which are in the form of bequests, or donations of more than $10,000, for which a purpose has not been specified by the donor, shall be placed into the Legacy - Internally Restricted Fund.

The remaining 20% of these bequests and donations are placed in the Campus Project Funds, as per FP-6 *Campus Project Funds*.

d. Letters of thanks, and recognition of donors

For all significant donations and bequests to the Legacy Fund, the Treasurer shall:

I. write a letter to the donor, family, or estate executor thanking them, on behalf of the Congregation, for the donation/bequest;

II. inform the Finance Committee and Planned Giving Committee; and

III. recognize the donations / bequests in our newsletter and in other appropriate means adopted by the Congregation, stating the amount only when the donor agrees. Anonymous donations will also be recognized.

The Congregation shall maintain and display a visible listing of all significant donations to the Legacy Fund in the Book of Gratitude. The listing shall include all known donations and bequests received back to the beginning of the Fund in 1999. Anonymous donors shall also be recognized.

15.4 Transfer of Funds Out of the Legacy Fund

Because it is important that the contribution to the Operating Fund revenues be relatively stable from year to year, and because investment earnings tend to fluctuate greatly from year to year, the amount to be transferred from the Fund to the Operating Fund annual revenues shall be based on the average earnings realized from the Fund over a period of years.

Past experience indicates that over an extended period of time the total rate of return on a mix of investments such as the Congregation intends to select will be approximately equal to the rate of inflation plus 0% to 5%. For this reason, and in order to limit the variability of contributions to the Operating

Budget, the long-term policy is that the amount of these annual transfers to the Operating Budget will not exceed 5%.

a. Legacy - **Externally Restricted Fund.**

The purpose and intent of transfers from the Legacy - Externally Restricted is to contribute to the Congregation's Operating Fund annual revenues the total earnings (interest, dividends, and capital gains) generated by the Fund, less a provision to protect the Fund against inflation, as measured by the Consumer Price Index.

Annual Fund contributions to the Operating Fund between 0% and 5% will be transferred from the Legacy - Externally Restricted Fund. See *Appendix 1* for an illustration of the calculation of average rate of earnings. The annual transfer threshold will be reassessed on an on-going basis to ensure it continues to reflect the average rate of earnings.

The procedure for approval of the transfer of funds from the Legacy Endowment Fund to the Operating Fund shall be as follows:

I. The Finance Committee shall, normally as part of the budget preparation process, consider the amount to be transferred from the Fund in accordance with this Policy and shall make recommendations to the Board.
II. The Board shall consider the recommendations from the Finance Committee and shall approve the amount to be transferred.
III. The Board shall inform the Congregation of amounts approved for transfer from this Fund.

b. Legacy - Internally Restricted Fund.

The purpose and intent of transfers out of the Legacy - Internally Restricted Fund is to enable the Congregation to conduct its operations and undertake initiatives in pursuit of Congregational goals beyond what can be funded from annual pledge revenues and annual fundraising activities. While use of Internally Restricted funds may exceed the 5% threshold indicated above, it is intended that the funds in the Legacy -Internally Restricted Fund be used prudently and carefully, so that these funds will be available for many years to come.

The procedure for approval of the transfer of funds out of the Internally Restricted Legacy Fund shall be as follows:

I. The Finance Committee shall, normally as part of the budget preparation process, consider the amount to be taken transferred from the Fund in accordance with this Policy and shall make recommendations to the Board.
II. The Board shall consider the recommendations from the Finance Committee and shall decide the amounts of the transfers to other funds.
III. The Board may approve transfers from this fund at any time of the fiscal year.
IV. The Board shall inform the Congregation of amounts approved for transfer from this Fund.

Note that transfers in and out of the investment portfolio are not the same thing as transfers in and out of funds.

15.5 Records

The Finance and HR Manager shall keep a record of all donations and bequests made to either part of the Legacy Fund, including those which have been received in the past. That record shall include information about the date, amount, the source of each contribution, any request for anonymity, who (the donor, the Board, or another person) decided to place the funds into the Legacy - Externally Restricted Fund or the Internally Restricted Legacy Fund, and any other pertinent information. Such a record will enable the Congregation to give appropriate recognition to donors; and to ensure that funds will be used as intended by the donors, even if there are future changes in the policy governing the Legacy Fund.

15.6 Loans from the Legacy Fund to the Congregation

The Congregation may borrow money from the Fund in emergencies only in a manner that:

a. Protects the long-term value of the Legacy Fund by ensuring that there is an agreed written repayment schedule, and a high level of confidence that it will be repaid;
b. Has the approval of the Board and the Congregation; and
c. Pays interest to the Legacy Fund at a rate of at least CPI + 4%. (CPI = Consumer Price Index)

15.7 Future amendments to the Legacy Fund Policy

The Board reserves the right to amend the Legacy Fund Policy from time to time in the future.

15.8 Authorities and Responsibilities

- The Planned Giving Committee shall be responsible for encouraging and advising members of the Congregation with respect to the benefits of, and processes for, making bequests and other types of planned gifts to the Congregation.
- The Treasurer shall recognize all donations and bequests to the Legacy Fund.
- The Finance and HR Manager shall maintain records of all adjustments to the Legacy Funds.
- The Treasurer and Finance Committee shall report to the Board at least annually on the Fund's operations including the Fund's overall earnings and the market value of the Fund.
- The Finance Committee shall consider and make recommendations to the Board both the timing and the amounts of the transfers to the Operating Fund.
- The Board, after receiving the recommendation of the Finance Committee, shall decide the amounts of the transfers to the Operating Fund.

15.9 Policy Review

To respond to investment experience, improvements in opportunities for socially responsible investing, and changes in the financial requirements of the Congregation, this policy shall be reviewed by the Finance Committee at any time at the request of the Board, but no later than five years after the date of Board approval. Consideration shall be given to reviewing the Investment Policy at the same time as this policy.

APPENDIX 1 TO LEGACY FUND POLICY

Considerations Related to Return on Investment and Annual Transfers Out of the Fund

The process of calculating the annual transfer from the Legacy – Externally Restricted Fund is as follows:

- Using:
    - The annual percentage change in the investment fund found from the fund manager
    - The percentage paid as investment fees on the investment fund found from the fund manager
    - The annual inflation rate based on the general Inflation rates found on the Bank of Canada website

- For each of the preceding 7 years calculate the net growth as:
  - The annual percentage change
  - Subtract the investment fee percentage
  - Subtract the inflation percentage
- Average (as a mean) the preceding 5 and 7 year net growths providing 2 values
  - The Finance Committee will the determine what percentage between these 2 values is to be used to determine the draw down
  - This determines the annual percentage of the Legacy Fund's value that can be transferred to the Operating Budget
  - This percentage is used for a minimum of 3 and a maximum of 5 years at which point this process is repeated

WHO IS RESPONSIBLE TO REVIEW/UPDATE OR AMEND THIS POLICY: Finance Committee

WHO APPROVES THIS POLICY AND ITS AMENDMENTS: Board

DATE OF INITIAL APPROVAL: May 25, 2011

REVISION HISTORY

Revision Date	Version	Comment
21-10-05	21-05-04	Finance Committee edits
2021-08-27	2021-08-27	Initial Governance Edits
2022 March		Board approval
2025 February		• Change 15.2 Objectives of Fund to no longer include the goal in dollars • Change name of the funds: Legacy - Externally Restricted, Legacy - Internally Restricted Legacy • Change 'expected' to 'realized' in 14.4 and in the appendix. • Rewrite of the drawdown calculation in the Appendix - (intention not changed