

# UPPER PENINSULA LAND CONSERVACY

## Policy 6F and 6G – Investment and Management of Financial Assets and Dedicated Funds including those for Stewardship and Enforcement

Board approved 4/8/2014

---

### Introduction

The Upper Peninsula Land Conservancy (the Conservancy) exists to protect lands having a variety of conservation values. The Conservancy accomplishes its mission through three primary activities:

- Acquiring and managing important conservation lands;
- Holding conservation easements on lands owned by others and performing stewardship monitoring on these properties to insure that the conservation values are maintained;
- Education of individuals and the general public on various means available to them through the Conservancy for protection of conservation lands.

Funding to support these activities comes from several sources, including one-time or regular donations, capital fundraising drives, stewardship donations, and income from investments.

All land transactions the Conservancy undertakes, whether conservation easements, conservation preserves or lands to be owned in fee by the Conservancy, involve costs for professional services, administrative expenses, and staff time to develop the agreements between land owners or donors and the Conservancy. These are *one-time costs* and are paid from general operating funds.

In addition, the Conservancy must provide management *in perpetuity* for both easements and conservation preserves. This long-term management is called *stewardship*, meaning that the Conservancy must look after the lands to ensure that the conservation values for which the land is dedicated are not diminished by activities that can be controlled. Some of the costs involved in providing stewardship include site visits for annual monitoring, insurance premiums, possible enforcement actions, signage, and documentation of each site's condition.

The Conservancy must secure the funds needed to conduct this eternal stewardship and then manage those funds wisely to ensure it can pay all costs that will be incurred in managing a property forever.

As part of the Conservancy's overall financial management plan, it has established a Forever Fund (hereinafter called the Fund). This policy document outlines how the Conservancy will invest and manage its Forever Fund assets and the objectives it seeks to achieve.

### Definition

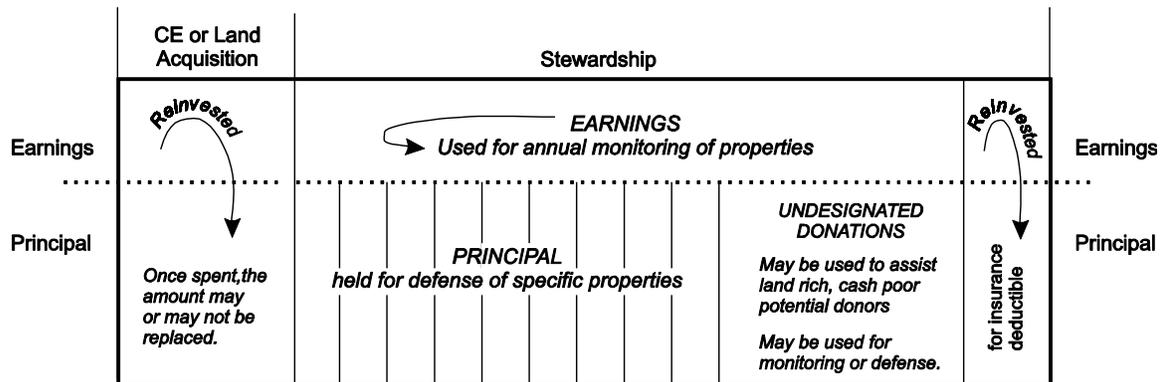
The Forever Fund is money donated to the Conservancy for one of two purposes 1) *the eternal stewardship of conservation lands and easements* or 2) *conservation easement or land acquisition*. The donor may specify the purpose. If not specified by the donor, money contributed to the Forever Fund will be used for stewardship—monitoring and/or defense.

The money in the Forever Fund is segregated from operating funds. The Forever Fund is designed to allow conservation-minded individuals *with* or *without* conservancy land to support the work of the Conservancy through donations.

**Management of the Fund:**

1. Donations to the Forever Fund may be designated for stewardship which includes defense and monitoring of conservation land, or for the acquisition of conservation easements or land.
2. Contributions not specifically designated for land acquisition will be placed in the stewardship portion of the Fund. Only donations specified for land acquisition will be placed in the land acquisition portion of the Fund
3. For investment purposes, the Fund will be treated as a single entity, but earnings distributions will be apportioned based on the percentage of the Fund held in the distinct categories of stewardship and acquisition.

**The Forever Fund**



4. Within the Stewardship portion, an amount needed to fulfill the insurance deductible for at least one claim will be satisfied first, thereafter stewardship funds (principal amount) will be held for defense while stewardship earnings will be used for annual monitoring.
5. Contributions to the Fund can come from a variety of sources, including gifts from individuals and foundations, grants, and bequests. There is no minimum or maximum size for donations to the Fund.
6. The Forever Fund is a restricted (segregated) Fund; money in the fund shall be used specifically for only two purposes--funding the stewardship of easements and preserves on conservation lands and funding the acquisition of conservation easements or land.
7. Ordinary distributions
  - a. Forever Fund *earnings* will be apportioned between the stewardship and conservation preserve or conservation easement acquisition portions of the fund based on the principal amounts designated for each. Earnings from the stewardship portion shall be used only for stewardship costs that are part of managing a property forever, such as, but not limited to, insurance, site

monitoring, signage, and enforcement actions. Forever Fund *earnings* specified for conservation preserve or conservation easement acquisition shall be used solely for the acquisition of conservation lands as opportunities arise.

- b. Ordinary distributions may be taken from the Fund as monies become available and when an appropriate need is identified.

8. Extraordinary distributions

- a. Generally, the principal shall remain in both the stewardship and land acquisition portions of the Fund and shall not be liquidated.
- b. However, extraordinary expenses associated with the enforcement and/or legal costs of defending an easement or preserve may be taken from the stewardship portion of the principal. At such time, by a 2/3 (or greater) vote of the Board of Directors, part of the principal may be taken as a distribution. Any such extraordinary distribution must be accompanied by a plan to expeditiously replenish the funds in the account.
- c. The land acquisition portion of the principal may be taken as an extraordinary distribution for the acquisition of conservation easements or land with a 2/3 (or greater) vote of the Board of Directors. No replenishment plan is required.

9. Contributions will be invested as they are received.

10. A professional investment advisor will be utilized to manage any invested portions of the Fund.

**Investment objectives**

- 1. Preserve capital while achieving returns greater than the rate of inflation;
- 2. Take a conservative approach in the amount of risk to which funds in the portfolio are subjected;
- 3. Utilize diversified portfolios that provide investments in environmentally sustainable and socially responsible companies as much as possible, while continuing to achieve objectives one and two.
- 4. Diversify financial assets across asset classes according to the following guide:

| ASSET CLASS  | TARGET ALLOCATION (%) | ALLOCATION RANGE (%) |
|--------------|-----------------------|----------------------|
| Equities     | 50                    | 30-80                |
| Fixed Income | 40                    | 20-50                |
| Cash         | 10                    | 0-20                 |
| TOTAL        | 100                   |                      |

### **Evaluation of the Fund**

UPLC will track its stewardship expenses, such as, but not limited to, insurance, site monitoring, signage, and enforcement actions and periodically evaluate whether the funds it has are sufficient to fulfill its long-term responsibilities. When the expenses to be drawn from earnings exceed the earnings, UPLC commits to raising the necessary funds and will ensure that it is making demonstrable progress in its fundraising strategy for the long-term stewardship of its lands and easements.

This applies to expenses for 1) the ordinary legal defense and enforcement including legal defense insurance premiums and 2) monitoring expenses that assure that the restrictions on Conservation Easements or land management practices on Conservation Preserves are being upheld.