

Investment (Forever Fund) Policy

Upper Peninsula Land Conservancy

Board Approved 7/16/2012
Revised and Approved 4/10/2018

Related to: LTA's 2017 Standards and Practices: 3A, 6A, 6E

3. Board Accountability
 - A. Board Responsibility
 2. Oversight of finances and operations
 - e. Investment policies and procedures
6. Financial Oversight
 - A. Fiscal Health
 5. Restricted funds
 - E. Risk Management and Insurance
 1. Routinely assess and manage risks

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 easements 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 fee-owned lands held by the Conservancy as preserves. This long-term management is called **stewardship**, meaning that the Conservancy must look after the lands to ensure that they are preserved in the intended condition. 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.

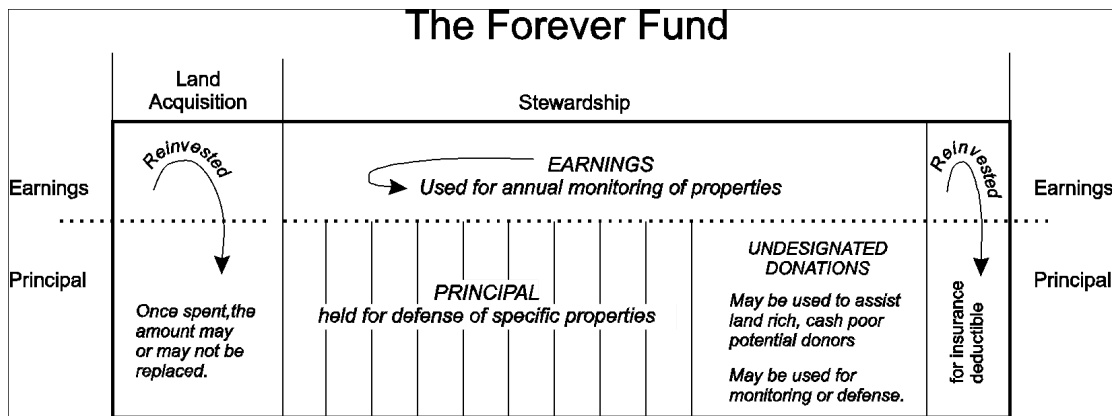
Definition

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 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 (permanently restricted funds), or for the *acquisition* of conservation land (temporarily restricted fund).
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 Forever Fund will be treated as three entities. Account #1 will be called the Stewardship Account; account #2 will be the Legal Defense Account, a subset of stewardship; and account #3 will be the Land Acquisition Account. Accounts #1 and 2 are considered *permanently restricted funds*. Account #3 is considered a *temporarily restricted fund*. It should be noted that UPLC will also invest operations monies when a surplus of *unrestricted funds* are available beyond the short-term needs for day-to-day functions. These unrestricted funds are not part of the Forever Fund. They shall be designated as the Operations Account. Operations monies are derived from a variety of sources, including but not limited to, fund-raising activities, membership dues, certain grants, and timber sales revenue.



4. Within the Legal Defense account (account #2), an amount needed to fulfill the insurance deductibles as recommended by the Land Trust Alliance (LTA) will be maintained. Dividends will be utilized to pay Terra Firma insurance premiums first and to grow the account with any unspent monies. Within the Stewardship Account (account #1), the principal will be held as an endowment, while Stewardship earnings (dividends and interest) will be used for annual monitoring and other stewardship needs. The Land Acquisition fund (account #3) principal will be held until an opportunity arises for its use. Dividends within the Land Acquisition account will be reinvested in that account, to grow the account.
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 Fund; monies in the fund shall be used specifically for only three purposes--funding the stewardship of easements, preserves, and reserves on conservation lands, legal defense of these properties, and funding the acquisition of conservation lands.
7. Ordinary distributions
 - a. Forever Fund *earnings* will be apportioned between the stewardship, legal defense, and land 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, site monitoring and documentation, signage, and trails. Legal defense earnings shall be utilized to pay insurance premiums and to build this fund. Forever Fund earnings specified for Land 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 permanently restricted 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 Legal Defense portion of the principal, and if necessary, from the Stewardship fund. 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 accounts.
- c. The Land Acquisition account may be taken as an extraordinary distribution for the acquisition of conservation 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 the Fund.

Investment objectives

- 1. Preserve capital while achieving returns greater than the rate of inflation;
- 2. Take a relatively conservative approach in the amount of risk to which funds in the portfolio are subjected, while at the same time recognizing that some of the funds may be invested to provide greater return at somewhat higher risk due to the very long term of these investments;
- 3. Utilize diversified portfolios that provide investments in environmentally sustainable and socially responsible companies where 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	65	30-80
Fixed Income	25	20-50
Cash	10	0-20
TOTAL	100	