

<b>TO:</b>	<b>CHAIR AND MEMBERS COMMUNITY AND PROTECTIVE SERVICES MEETING ON DECEMBER 5, 2017</b>
<b>FROM:</b>	<b>ANNA LISA BARBON MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER</b>
<b>SUBJECT:</b>	<b>MUSEUM LONDON OPERATING ENDOWMENT FUND TRANSFER REQUEST</b>

<b>RECOMMENDATION</b>
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That, on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, the following actions be taken with respect to Museum London's request to transfer the Operating Endowment fund to the Museum London Foundation:

- (a) that the transfer of the Operating Endowment fund from Museum London to the Museum London Foundation **BE APPROVED** subject to the funds being held in trust by the Museum London Foundation for Museum London and the Corporation of the City of London; and
- (b) that Civic Administration **BE DIRECTED** to develop a trust agreement with Museum London and Museum London Foundation to support the transfer of the Operating Endowment fund to be held in trust by the Museum London Foundation for Museum London and the Corporation of the City of London.

<b>PREVIOUS REPORTS PERTINENT TO THIS MATTER</b>
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- May 24, 2017 Community & Protective Services Committee; Museum London Endowment Funds Transfer Request

<b>BACKGROUND</b>
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**Municipal Council, at its meeting held on May 24, 2017 resolved:**

*That the request from Museum London with respect to the possible transfer of the Museum London Endowment funds to the Museum London Foundation BE REFERRED back to the Civic Administration for further discussion with Museum London and a report back at a future meeting of the Community and Protective Services Committee regarding this matter. (AS AMENDED)*

In 2016, Museum London requested to transfer the John H. and Elizabeth Moore Acquisition Fund as well as the Museum London Operating Endowment fund to the Museum London Foundation. It was determined that the City of London (the City) could not direct Museum London on any actions regarding the John H. and Elizabeth Moore Acquisition Fund because, as trustee, Museum London is responsible for the administration of the endowment fund and must comply with all applicable law.

**Operating Endowment Fund**

Museum London's Operating Endowment Fund is a fund internally restricted by Museum London's Board of Directors. The Operating Endowment Fund is classified as a reserve fund set aside for specific purposes on the Museum's audited financial statements. As of December 31, 2016 the Operating Endowment Fund had a balance of \$2,745,991.

The City does have an interest in Museum London's assets as a local board and therefore, the City has an interest in the Operating Endowment Fund. Civic Administration was concerned that

transferring ownership of these funds would effectively be granting away City assets and would remove them from Museum London's and the City's financial statements. Once asset ownership is transferred to a separate entity, neither Museum London or the City has any control over it.

Since the initial request to transfer the Operating Endowment Fund from Museum London to the Museum London Foundation, both the City and Museum London continued discussions including with the external auditors to look at potential options to achieve the Foundation's objectives as well as to mitigate the risks to both the City and Museum London.

To protect the interests of both the City and Museum London, civic administration and Museum London agreed that the Museum London Foundation should hold the Operating Endowment Fund in trust for the City, therefore not transferring ownership.

Also, by transferring the Operating Endowment fund held in trust it will be subject to restrictions, limitations, conditions or other restricting factors imposed by the City/Museum London that constrain how the Museum London Foundation may use it. These restrictions would be documented via a trust agreement.

This arrangement serves the Museum London Foundation purpose of showing the investment balance on their financial statements and having the ability to control and manage the funds/investments even though the City/Museum London would retain legal ownership.

Civic Administration recommends that a Trust Agreement be developed between the City, Museum London and the Foundation. The Trust agreement should include the following items:

- Sufficient insurance,
- annual reporting regarding the acquisitions, expenditures and performance of the funds,
- regular monitoring/ audits,
- requirements to comply with Municipal Act regarding investment requirements,
- audits performed by the City's auditors, and
- compliance with the Trustees Act.

<b>CONCLUSION</b>
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In summary, to maintain control and ownership of the Operating Endowment Fund with Museum London, transfer of the Museum London Operating Endowment Fund to the Museum London Foundation should be held in trust. A trust agreement between all parties should be developed that outlines the terms under which the transfer has been completed. Civic Administration will develop an agreement to support the transfer which will be brought forward for Council's approval.

**Acknowledgements**

This report was prepared with the assistance of Jennifer Smout, Legal and Corporate Services.

<b>PREPARED BY:</b>	<b>RECOMMENDED BY:</b>
<b>LAURIE GREEN, FINANCIAL BUSINESS ADMINISTRATOR</b>	<b>ANNA LISA BARBON, MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER</b>

cc: Jennifer Smout, Legal and Corporate Services