



Board Meeting Minutes

October 28, 2015

NEFA

Boston, MA

Board Members Present – Alex Aldrich, Sandra Burton, Byron Champlin, Andrew Cornell, Amy Zell Ellsworth, Geoff Hargadon, Jane James, Doug Keith, Ted Landsmark, Ginnie Lupi (*via phone*), Kristina Newman-Scott, Julie Richard, Betsy Theobald Richards, Randall Rosenbaum, Larry Simpson, Ann Smith, Pamela Tatge, Ted Wendell, Marco Werman

Staff Present – Anita Chan, Summer Confuorto, Cathy Edwards, Steven Fenton, Jeffrey Filiault, Allie Fiske, Kristin Gregory, Daniela Jacobson, Deidra Montgomery, Tracey Mullane, Sara Nash, Cheri Opperman, Adrienne Petrillo, Jane Preston, Wendy Shesler, Kelsey Spitalny, Quita Sullivan, Sharon Timmel, Ann Wicks

Guests – Burt Glass, So Yeon Jeong, Rebecca Thomas

Notetaker – Steven Fenton

CHAIR LARRY SIMPSON CALLED THE MEETING TO ORDER AT 12:32 PM

Call to Order & Welcome

Board Chair Larry Simpson welcomed the board and expressed how he glad we was to come together again. He referenced the day's packed agenda and previewed a number of important discussions.

Executive Director's Report

Executive Director Cathy Edwards thanked the board for making it into Boston for the day and expressed her appreciation for their efforts. Before moving onto other business Cathy shared NEFA is now fully staffed. She acknowledged and introduced: Kristin Gregory, Program Coordinator for the National Dance Project; Wendy Shesler, Senior Accountant; Sharon Timmel; Development Manager; and Kim Szeto, Program Manager for Creative City (not present). In addition, Cathy announced she restructured NEFA's leadership team by promoting Jane Preston to Deputy Director and Anita Chan to Director of Finance and Administration.

Cathy and Larry represented NEFA at the 50th anniversary celebration for the National Endowment for the Arts (NEA). The current leadership at the NEA is supportive of the partner structure between the NEA, SAAs, and RAOs. Cathy also attended the National Assembly of State Arts Agencies (NASAA) conference for the first time, with new NASAA Executive Director Pam Breaux in place. Representatives from all of New England's SAAs and leadership of all six of the RAOs attended the conference, providing a platform to connect and discuss working collectively to advance the states' agenda. The regional organizations can add their voice to this process by advocating for increased dollars to the NEA.

Cathy and Jane Preston attended the Grantmakers in the Arts conference in Los Angeles where the primary issues being discussed were: racial and cultural equity in philanthropy; public dollars and accountability; funding for individual artists at the national level; and arts education.

NEFA staff attended the Alliance for Artists Communities (AAC) conference in Providence. 400 people from all over assembled to witness the depth of the creative community there. Cathy tipped her hat to the Rhode Island State Council on the Arts (RISCA) for the visibility they created for the unique cultural environment in Providence. Cathy recognized the importance of NEFA's involvement in highlighting important conversations when they are happening in the region and NEFA can be a catalyst to support national gatherings that highlight the region's assets. For example, the Americans for the Arts (AFTA) conference will take place in Boston in June 2016, which presents a great opportunity for Boston to show off the cultural planning happening in the city. NEFA will be able to inject New England into that conversation.

Cathy drew the board's attention to two news items. NEFA announced the inaugural recipients of the Rebecca Blunk Fund Awards. She also previewed NEFA would soon announce the Creative City's first cohort of grantees. NEFA has high hopes this program will prove to be replicable in cities across the region. Creative City will serve as a model for recognizing work already happening, funding artists directly, and advancing equity. The experience with this first cohort of grantees will provide essential learning for bringing the program into other communities.



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NEFA and SAA colleagues met in July and have continued to connect via phone to discuss creating a revised research agenda for the region. NEFA's Research Manager Dee Schneiderman is working with this group to capture current needs and opportunities and develop an outline for this ongoing work.

Finally, Cathy reported on outcomes from previous board meeting discussions. She shared Chris Dwyer is finalizing her report on NEFA's New England programs that will identify opportunities to expand the impact of NEFA's work. Board input will be critical to guide the strategic implementation of those recommendations. Additionally, Cathy met with the delegates of the Québec Government Office in Boston and the two parties committed to pursuing a collaboration between their regions. Cathy will report to the board as this partnership develops.

Approval of Meeting Minutes

Larry Simpson presented the minutes from the July 8-9, 2015 Board of Directors retreat. He asked board members for any corrections, but none were offered. He called for a motion to approve.

Randall Rosenbaum made a motion to approve the July 8-9 Board of Directors Retreat meeting minutes. Byron Champlin seconded the motion. The vote was unanimous.

Larry called for a motion to name Anita Chan the Assistant Treasurer of NEFA with signing privileges on behalf of the organization.

Randall Rosenbaum made a motion to appoint Anita Chan as the Assistant Treasurer of the organization. Julie Richard seconded the motion. The vote was unanimous.

Finance & Audit Committee Report

Board Treasurer and Finance & Audit Committee Chair Geoff Hargadon reported NEFA received a clean audit for 2015 with very high marks. He congratulated and thanked Anita for managing the process seamlessly. He then presented the investment summary which showed NEFA's assets were down about four percent, but still slightly better than the market. He shared the Investment Committee made the decision to rebalance the portfolio to better align with NEFA's long term goals.

Anita Chan thanked Cathy Edwards and the board for the opportunity to enhance her role at NEFA. Anita turned to the financial statements and noted a few items. She explained expenses for the Creative Communities Exchange (CCX) were lower than anticipated, resulting in a lower draw than budgeted. Total program spending as of August 31 hit \$1.7 million, representing 36 percent of the budget in the first 3 months of FY16. This higher than budgeted program spending is due to the annual award cycle of the national programs. As the fiscal year progresses, spending will true-up to closer in line with budget. She also pointed out NEFA's Balance sheet shows higher cash holdings than usual. This is due to a pending transition of the organization's treasury account.

Trustees Committee Report

Jane James shared the Trustees Committee is in a rebuilding year as she assumes the role of chair and Pam Tatge and Betsy Richards join. The committee recently reviewed the current board roster and considered what renewals and appointments will occur at the June retreat. They are expecting to have four vacancies in the upcoming Class of 2019. Jane hoped to be able to share a roster of nominees for the March board meeting. The committee put together a list of recruitment priorities to help guide their work. They are looking for candidates who: are based in Vermont or Maine; are practicing artists; have philanthropic expertise or capacity; or are experienced in legislative advocacy. She asked board members to reflect on these attributes and pass along any recommendations to the committee by December 1, 2015.



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Development report

As co-chair of the Development Committee, Jane James welcomed NEFA's new development manager, Sharon Timmel. Jane reiterated Cathy's excitement with the inaugural awardees of the Rebecca Blunk Fund and reminded the board the fund is still open and encouraged further contributions.

Jane turned to the launch of the Annual Appeal. She urged everyone to donate this year, because 100% percent participation is an important benchmark for the board to hit. The previous year's campaign reached \$39k. This year, the committee would like to surpass \$40k from the board of directors and \$50K in total individual donations. Jane also asked the board to share names of colleagues or peers who should receive an appeal letter. Larry Simpson thanked Jane and hoped everyone would support NEFA at the highest level they can.

State reports

Alex Aldrich shared there is a lot happening in Vermont related to the 50th anniversary celebration of the Vermont Arts Council (VAC). They will soon launch the Vermont Creative Network (VCN), which will seek to create and grow a network of creative entities looking to expand their impact in other fields. The purpose is to develop this network, to ensure entities are aware of each other and working together in a meaningful way toward a shared set of goals. VAC will share ownership of the network, but won't be responsible for it. Alex described this project as one of the most exciting he's worked on in his nineteen years with the Council.

Ginnie Lupi reported the New Hampshire State Council on the Arts (NHSCA) suffered another cut to appropriations for the current fiscal year. They postponed grant deadlines until a budget was agreed on in September. They reset the deadline, but will not have funds they were anticipating. A commission was approved by the New Hampshire legislature to study the economic impact of arts and culture in the state. Ginnie believes this commission could increase understanding of who serves the constituency. NHSCA is helping the legislature understand how they work as a state agency. A group of Dartmouth students will study data including some NEA research provided to them by Ginnie. A final report is due in November.

Kristina Newman-Scott oversees both the arts and historic preservation offices for the State of Connecticut. She announced the office would bring Arts Day back to the state after a ten-year hiatus. It will take place in March 2016 and will look back on the office's 50 years of support. Like Ginnie, Kristina has tapped into a need to reintroduce her office and its work to constituencies and state leaders. She has been touring the state speaking with mayors and selectman providing toolkits to help them speak to their constituents. Connecticut will create its first strategic plan with help from industry leaders to bring in a fresh perspective. Kristina's role will be to educate the governor and his office about the role of the arts in Connecticut.

Julie Richard shared Maine Arts Commission (MAC) would be celebrating its 50th anniversary the following week at Point Lookout. The festivities include the launch of the state's cultural plan. MAC is also set to go through a governmental evaluation. They were asked to write a thesis for the legislature to review that the agency will defend. MAC is implementing Maine Arts Awards, but to do so they are creating a 501c3 support organization to house an endowment fund, which requires two bills to pass through the legislature. Julie spoke briefly about additional initiatives they will work on throughout 2016.

Randy Rosenbaum thanked Cathy for her comments about the AAC conference in Providence. He described the conference as part of a larger effort to bring national and regional conferences to Rhode Island so local artists and administrators can participate. In these instances, RISCA tries to offer attendance scholarships and to showcase artists throughout the proceedings. RISCA has been active in the NEA 50th anniversary celebrations; they were the first state to complete and post their NEA video. Randy also hosted a party at the Newport Art Museum with NEA Chair Jane Chu and the entire congressional delegation. The voters of the State of Rhode Island passed a Creative and Cultural Economy Bond Initiative, with \$30m going to RISCA to support capital improvements to cultural facilities. RISCA will distribute \$6.5 million in competitive grants, with the balance going to support capital projects at nine specifically-named arts organization throughout the state.



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NEFA Reserve Policy Planning

Geoff Hargadon introduced Rebecca Thomas, a financial consultant hired by NEFA to advise on the creation of a reserve policy. Rebecca reviewed five years of data and developed three proposals to discuss with the board. Geoff described this part of the process as information gathering as Rebecca and the Finance & Audit committee will incorporate the board's comments and questions into a draft policy. A final version of the policy will come back to the board for a vote in March.

Rebecca thanked the board for welcoming her. She described NEFA as being in the enviable position of having accumulated a sizable amount of net assets; a success she attributed to NEFA's conservative fiscal stewardship. She summarized this planning time as an opportunity to step back to think creatively and strategically to about how to use NEFA's unrestricted assets and what that will accomplish. This process will address concerns that NEFA lacks structure and clarity around how decisions are made to spend and save money. Having a policy in place will be a useful communication tool when speaking with funders. Rebecca did not enter with any particular strategy in mind. With the Finance & Audit Committee she has developed three different scenarios for the board to consider.

Rebecca's proposal addresses the portion of NEFA's funds not tied to any donor restrictions, an amount representing about twenty-three months of administrative costs. Unlike many organizations, NEFA has not accrued this income through a campaign or windfall, but via strong financial management, consistent surpluses, and strong returns. Investment managers have treated these dollars almost like an endowment by investing it to generate income, but unlike a traditional endowment the dollars are unrestricted. NEFA has periodically tapped into these funds for special opportunities, which is considered perfectly appropriate.

Rebecca acknowledged it is tempting to look at savings and question why they exist, but they are essential for an organization to weather unexpected setbacks. These funds also make it possible to innovate and experiment from a position of strength rather than waiting opportunistically. Rebecca addressed these ideas in conversation with board members and staff. Nobody she spoke with questioned the value of NEFA's savings, but she heard loud and clear NEFA needs to be more specific with their purpose. Rebecca reflected everyone was extremely thoughtful in their comments; there was more consensus than she expected.

Based on the feedback she received, Rebecca developed three financial scenarios for consideration. In the first scenario all money would be placed into a quasi-endowment, increasing income each year to support modest growth. Many organizations have endowments to care for depreciation on fixed assets. NEFA could set an annual draw of the quasi-endowment at any level. NEFA's typical draw is around 1%, which gives about \$50k, representing 2% of the budget each year. The industry norm for a draw is around 5%, which would come in at \$220k annually given the current size of unrestricted assets. This is a relatively reliable source of income. Endowments are attractive to individual donors and it is something an organization can campaign around. This would be a more flexible scenario than a permanently restricted endowment.

In scenario two, NEFA could spend strategically, but keep a cushion. Assets would be split into two buckets, one a cash reserve, the purpose of which would be kept relatively flexible. These funds would be available for rainy day situations or transition, and periodically for risk taking. The second bucket would be a venture investment, a time-limited reserve that would be spent down to \$0. NEFA would need to develop a strategic plan to determine how this would be spent and how the organization will sustain itself on the other side. This scenario could create an opportunity to strengthen NEFA's presence and impact, which could attract new donors and build up NEFA's reputation. The risk is NEFA could grow in a way it could not maintain over time.

Scenario three offers NEFA the chance to sustain itself while seizing opportunity. NEFA would create two funds - a cash reserve and a quasi-endowment. This would generate reliable income from the endowment and allow for a periodic draw for promising ideas from the cash reserve. With this plan, Rebecca suggested thinking about specific numbers later, but placing a large amount in the endowment would be ideal to generate meaningful income. The scenarios including endowments assume NEFA invests enough to generate enough income every year to balance the annual draw down in order to smooth out risk.

Geoff thanked Rebecca and offered to talk the board through the Finance & Audit Committee's recommendation. As a group, the committee favored Rebecca's third scenario. Geoff returned to NEFA's financial statements to back test different withdrawal rates and market conditions. He tested each of these years with three, four, and five percent draws. He found scenario three supports these numbers well.

Some board members wondered whether it made more sense to invest entirely, since this would ultimately generate the most income on an annual basis to use for program or staff investment, especially if there is a caveat in place for a board vote to authorize withdrawals in an emergency. Investment Committee Chair Ted Wendell reminded the board it is an important concept that a draw from NEFA's savings should be driven by the budget which demonstrates a need and use for access to cash. He suggested a quasi-endowment draw would be a starting point.

A board member expressed concern if scenario three would create a worse perception of NEFA's financial structure given its substantial size, can a reserve be set up with approval mechanisms so it could sustain the organization without having the perception of an endowment? Since the quasi-endowment is not a true endowment, it can sustain NEFA while allowing NEFA to avoid the pitfalls associated with an endowment. Finance & Audit Committee member Doug Keith felt discussing sustainability and matching that with return projections is just simply a math problem. The amount NEFA draws should be mechanical. What to do with these funds is a more nuanced conversation. Other board members added to Doug's point suggesting NEFA should consider a strategic plan to complement this policy planning. Having a sense of where NEFA hopes to go in the next five-ten years might provide more context for this work.

Larry Simpson thanked Rebecca Thomas for her work and the board for their comments. He charged the Finance & Audit Committee to come back to the board in March with a full draft of a policy for approval.

Messaging Exercise

NEFA's Communications Manager Ann Wicks reminded the board NEFA's last branding process did not incorporate a messaging plan. As NEFA enters its 40th year and the National Dance Project (NDP) celebrates its own 20th anniversary, it seems the right time to conduct a messaging exercise as a precursor to building a plan. The restructured Development & Communications Committee will take on this project as part of their new mandate. Ann introduced guests Burt Glass and So Yeon Jeong from Hairpin Communications, a firm NEFA has worked with on several projects. Ann engaged Hairpin to facilitate a messaging exercise to kickoff this new project.

Burt thanked the board for their warm welcome. Having become familiar with NEFA, he agreed with Cathy and Ann the timing is right to revisit issues around identity. Burt described the purpose of the exercise would be to define brand identity and why it is important. Branding is a strategy to cut through information clutter. In the age of information, breaking through and selling ideas, is more difficult than ever. Burt offered branding is not about molding a brand, but responding to an impression that already exists. Branding is creating a shorthand. People do not have time to investigate the details of a product, service or organization, so simplicity cuts through clutter. In some ways branding is a promise the product or organization is making to someone on the outside. Making a purchase or giving a donation is a transaction built on trust. Brands do not exist in a vacuum; human beings remember things in relation to others. Ultimately, good brand is: different, authentic, simple, emotive, and relevant.

Burt explained when considering message, the first question is: who is the audience? The audience is never the general public. An audience is the group of people who must act in a specific way for NEFA to get what it wants; this is where communications connects with strategy. After developing a set of messages, the next question is to understand the audience's desires, not their needs. This is where messages flow from; they are the intersection of audience desire and organizational need. With this groundwork in place, Burt and So Yeon led the board in an exercise where they asked members to break into teams to retroactively predict the board's collective answers to questions about the NEFA brand.



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Closing Remarks

Larry Simpson thanked Burt and So Yeon for creating such a fun and revealing exercise. He thanked the board for being so present in their discussion and for offering critical feedback on the day's topics.

LARRY SIMPSON ADJOURNED THE MEETING AT 4:24 PM

NEXT STEPS

- *Board members are asked to send any board prospects to the Trustees Committee by 12/1/15*
- *Board members will receive a letter soliciting their contributions to the Annual Fund in order to achieve 100% board participation in giving to NEFA*
- *The Finance & Audit Committee will present a draft reserve policy for a board vote in March*
- *The Development & Communications committee will develop a brand strategy for NEFA*
- *Submit the minutes from this meeting for board approval on March 2, 2016*
- *The next meeting of the board will occur June 28-29, 2016 at the Omni Mount Washington Resort in Bretton Woods, NH*