

New England Foundation for the Arts, Inc.
Investment Policy

Approved December 13, 2016

Background

NEFA established an Investment Committee in the spring of 1999 to review the management of endowment assets and related endowments and to explore opportunities to broaden its investment purposes. A committee comprised of staff and board members as well as advisors from the Fund for the Arts (FFA) and the LEF Foundation, agreed upon two objectives: first, growth of principal and income, and second, use of a modest portion of the fund to strengthen the New England region's community development infrastructure, with a particular focus on cultural development.

The Investment Committee completed its review with the belief that the long-term resource requirements of NEFA would be well served under this new arrangement, and that the connection of arts programs to their broader communities would be recognized and strengthened.

Investment Guidelines

The following guidelines have been reviewed and re-affirmed by the Finance & Investment Committees in January 2009 and updated by the Investment Committee in April 2016.

Investment Objectives

1. The growth of real principal and real income from the portfolio;
2. The investment of up to 100% of NEFA's assets in a socially responsible investment strategy.

Time Horizon

NEFA has a long-term investment horizon.

Liquidity

Funds shall be invested in a manner that allows for sufficient liquidity for withdrawals when needed. Withdrawals shall be made under the guidance of the Investment Committee and may include:

- i. draws from NEFA's portion of portfolio in accordance with NEFA's Endowment & Reserves Policy;
- ii. draws from Funds for the Arts' portion of portfolio for current year grantmaking and related activities;
- iii. redemptions deemed appropriate by the Investment Committee to limit NEFA's exposure to market volatility.

Risk and Return

Because of NEFA's long-term time horizon, NEFA assumes a moderate to moderately high level of risk with the funds invested in this portfolio.

Asset Allocation Guidelines

The targeted asset allocation for the entire portfolio should be 70% stocks, 30% fixed income (including cash, equivalents, and, from time to time, alternative investments). The portfolio manager will have discretion to vary the stock and bond asset allocations around the target by plus or minus 10%, depending upon market conditions. When conditions permit, the Investment Committee may decide to explore international and small cap funds for further diversification.

Committee Membership

In April 2016, the Investment Committee determined that the Committee shall have no less than five members, and the Executive Director and Treasurer of NEFA shall be members of the Committee ex officio. At least one Committee member shall be a representative from Fund for the Arts.

Taxes

New England Foundation for the Arts is a tax-exempt institution; the funds under management are not subject to income or capital gains taxes.

Legal Issues

The funds comprising the portfolio are quasi-endowment only; there are no permanent restrictions on the use of principal by NEFA. The Board of Directors may consider it appropriate, from time to time, to devote portions of NEFA's assets to specific purposes, whether or not such course of action is specifically within this policy, or procedures and practices adopted by the Investment Committee. The Board of Directors may, from time to time and within the limits of its fiduciary responsibility, pledge NEFA's assets as collateral for a working capital line of credit to support operations as needed.

Measurement of Investment Performance

Total return on investments, including interest and dividends as well as changes in market value, is the appropriate measure of investment return.

Communication and Review

The Investment Committee will meet no less than twice annually to review the managers' performance and the policy statement.
