



Endowment Policy Statement

Massachusetts Boys and Girls State Foundation

I. Introduction

The members of the Massachusetts Boys and Girls State Foundation (hereafter known as the “Foundation”), in accordance with our mission, vision, and core values, and in support of the long-term growth and quality of the Massachusetts Boys and Girls State Program (hereafter known as the “Program”), have developed this Endowment Policy Statement to guide our Foundation’s management of our Endowment Fund (hereafter known as the “Fund”) with regard to governance, spending policy, investment management, and gift acceptance procedures, in accordance with generally recognized accounting and management practices for non-profit organizations, and applicable state and federal laws and guidelines.

Policies set forth in this document are intended to be used as guidelines with regard to the general management of the Fund, consistent with the long-term and short-term objectives of the Fund while providing sufficient flexibility to meet changing market conditions or changes to the overall objectives of the Fund.

II. Foundation Fund Mission, Vision, and Core Values

Mission: Provide tuition and financial support for programming at Massachusetts Boys and Girls State

Vision: Reach a principal level where the program can be substantially supported by the Fund

Core Values:

- Supporting high quality programming at the Program
- Equal support for both the Boys and Girls program
- Prudent management for the long term growth of the Fund

III. Governance

The Finance Committee (hereafter known as the “Committee”) acts in a fiduciary capacity as an investment steward for the overall management of the Fund, including spending guidelines, investment management, and gift acceptance procedures.

The Committee is accountable to the Foundation, and is required to submit reports to the Foundation on a regular basis with regard to the activities of the Committee, gifts and distributions, and performance of the Fund. The Committee will be made up of the Foundation’s Treasurer and elected members from the Foundation who perform their duties prudently, and solely for the benefit of the Fund. The Committee will have an odd number of members. Any conflicts of interest by an investment steward or other party should be avoided

when possible, and always when required by law. Conflicts should be immediately disclosed to the Committee and Foundation in writing.

IV. Reporting

At all times, the Committee will operate in full transparent view of the Foundation. On at least an annual basis the Finance Committee will report to the Foundation the following information:

- Membership of the Finance Committee
- Balance of the Fund
- Amount of contributions to the fund in the past year
- Amount of disbursements from the fund in the past year
- The uses of those disbursements
- Any changes to this policy

Additionally, the Endowment Fund, as an asset of the Foundation, will be reported on all appropriate Foundation financial reports.

V. Gift Acceptance Policy

The Fund will accept a variety of types of gifts which shall be utilized for the benefit of the Foundation, and managed in accordance with the distribution and investment policies set forth in this document. A copy of this Endowment Policy Statement will be given to each prospective donor to educate the donor on the policy guidelines. While the Committee will work with all parties to accept all gifts, the Committee reserves the right to reject a gift that is deemed to not be in the long-term best interests of the Foundation.

A. Donor-Specified Purpose - If a gift is given with the donor-specified intent to be used to fund a specific use, the Committee will honor the request of the donor and manage the gift based upon the guidelines put forth in this document. If a gift is given without a donor-specified purpose, those funds will be deemed to be un-restricted, and therefore the Committee and the Council will determine the use of funds as required or dictated by the needs of the Foundation.

B. Gift of Stock, Bonds, or Financial Instruments – A gift of stock, bonds, mutual funds, or other security, whether in certificate or book form, will be liquidated within 180 days from receipt by the Foundation or Fund. After liquidation, the proceeds from the sale of the security will be invested based upon the guidelines in the Investment Policy.

C. Gift of Real Estate or Ill-liquid Assets – A gift of real estate or like ill-liquid asset will be liquidated in a suitable timeframe based on market conditions. Upon liquidation, the proceeds from the sale of the real estate or like asset will be invested based upon the guidelines in the Investment Policy. If the governing body of the Foundation determines that the sale of the asset is not in the long-term interests of the Foundation, the Committee will not be required to manage the asset or act in a fiduciary capacity with regard to the asset.

VI. Investment Policy

The objective of the investment policy of the Fund is to preserve the long-term real purchasing power of the net assets of the Fund, while allowing for predictable distributions in support of

the Foundation's mission. The invested assets of the Fund will be managed solely for the benefit of the Foundation and Program, and will be administered by prudent professionals.

A. Asset Allocation Strategy – The Committee seeks to invest the assets of the Fund to achieve returns consistent with the investment objectives, risk tolerance, and time horizon of the Fund. As such, an Investment Manager may invest assets over a diversified portfolio of asset classes with varying degrees of historical risk and correlation attributes. Any asset class selected for investment must include an appropriate process and tools for selection and monitoring of the asset class over time.

B. Definition of Asset Classes – The Fund may include equities, including both domestic and international, as well as fixed income securities. Investments in cash or cash equivalent instruments will be utilized only in the short term or as temporary holdings. If the portfolio holds any assets which do not fall into the broad categories of equities, fixed income, or cash instruments, these assets will be considered alternative investments.

C. Allocation Flexibility – To the extent that a target allocation summarizes the risk/return profile of the Fund, the Committee understands that shorter-term changes in market conditions may dictate short-term target allocations. Therefore, the Committee recognizes that the Investment Manager may deviate from a target allocation from time to time, which will require re-balancing to remain consistent with the investment objectives of the Fund.

D. Return Objectives – The expected return objectives for the portfolio should be consistent with the distribution guidelines as defined in this document, in addition to other factors such as Fund expenses and inflation as generally defined, in order to protect the long-term real purchasing power of the Fund.

VII. Endowment Accounts

Program Fund: To establish this fund, the Committee will withdraw investments gains according to the Spending Policy on June 30. These gains will be used for the upcoming Program and kept in a safe account for accurate budgeting.

General Fund: To establish this fund, the Committee will initiate a capital campaign. The funding may be supported by the Foundation's operating fund only to meet investment minima.

The purpose of the General Fund shall be to support tuition and programming at the Program. The primary purpose is for tuition. The Foundation will designate a recruitment goal for the Program and tuition can be supported by the General Fund within the Spending Limits defined below. In accordance with our values, tuition paid by the General Fund will support the Boys and the Girls program equally. The Foundation may also vote to support high quality programming for the Program using General Fund subject to the Spending Limits defined below.

Restricted Funds: The Foundation may direct the Committee to establish separate funds for Restricted Donations, as needed. To establish these funds, the Committee will create Endowment Policy Statements to govern these funds.

VIII. Spending Policy

- A. The goal of the Fund will be to make periodic distributions, in accordance with the capital requirements of the Foundation and any mandates of the Fund, based on a total real (net of fees) return basis.
- B. The Committee will calculate the value of the fund on June 30 of each year. The prior year's investment return is the percentage change in the balance since July 1 of the previous year less any contributions. Annual spending will be calculated as the difference between the prior year's investment return percentage and the prior year's inflation rate, as measured by the consumer price index (CPI). For example, if the fund returned 6.0% in the fiscal year ending 6/30/2022 and the CPI inflation rate for the same period was 2.5%, then the targeted spending from the endowment would be 3.5%. The maximum targeted spending from the fund will be an inflation-adjusted 10%. That is if the fund returned 15% and the CPI inflation rate was 2.5%, then the maximum spend would be 10% and the remaining will be reinvested.
- C. This spending policy is set forth to promote the long-term viability of the Fund, reduce annualized volatility of available distributions due to adverse market conditions in a given year, and to limit the erosion of the Fund's real assets over time.
- D. The Committee shall review the Spending Policy guidelines on an annual basis, and report to the Foundation with their recommendation for the upcoming year in a timely manner.
- E. No spending shall be permitted during the first two (2) years of the General Fund and any future Restricted Fund to promote growth, except in an emergency as outlined in Paragraph IX, Principal Invasion. For example, the General Fund, started in 2022, will grow through 2024. On June 30, 2024 the spending can be determined for the 2025 program. This amount will be withdrawn on June 30, 2024 and kept in the Program fund – only to be invested in a risk-free, liquid asset such as a savings account or CD with a suitably short maturity to be available for the 2025 program.

IX. Principal Invasion

At all times the Fund should be considered a long-term asset of the Foundation. All donations and income or growth above the targeted spending level specified in VIII, Spending Policy and any unused funds from the prior year's targeted spend are to be considered part of the principal and should remain in the fund to ensure future financial viability.

However, in times of emergency the principal of the fund may be invaded. To request funds from the principal, both the Finance Committee and the Foundation must pass a resolution with a two-thirds majority. The resolution must include:

- Amount requested
- Reason for the request
- The plan to repay the principal. If repayment of the principal is doubtful, this must be stated explicitly.
- What other funding options have or will be investigated.

X. Changes to the Policy

The Finance Committee may make changes to this policy, with the exception of procedures for invading principal, with a two-thirds majority vote of each of the Committee and the Foundation.