

**RESPONSE TO REQUEST NO. 9**

#9.



Subject:	Statement of Investment Objectives, Goals, and Policy Guidelines	Finance - 30
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Approved by:	Board of Directors	Effective date: 8/2015
		Revised: 9/2020

**I. Mission**

Founded in 1883, Home Health & Hospice Care (HHHC) (here to for referred to as the Agency) is a 501(c) (3) not-for-profit home care and hospice organization dedicated to providing exceptional home, hospice and supportive services that enhance each individual's independence and quality of life.

**II. General**

The Agency is committed to prudent, fiscally responsible investment strategies and spending policies. The Investment Committee and Treasurer are charged with overseeing these funds and measuring the returns they produce against nationally recognized standards for investment performance. In managing the endowment and Board restricted funds created through HHHC and the Community Hospice House donors, our goal is to provide a consistent level of annual income, while also seeking long-term growth of principal.

The growth and success of the funds is due not only to the generosity of thousands of patrons, but also to the careful stewardship provided by knowledgeable and dedicated directors who have invested these funds wisely. Careful management of the assets ensures a total return necessary to preserve and enhance the real-dollar principal of the funds, while providing a dependable source of income for the Agency's current operations and programs. The investment policy has been designed as a guide to a disciplined process that seeks to add value and minimize risk for those who participate in, or benefit from, these investments.

On Nov. 8, 2008, HHHC received guidance from the New Hampshire Office of the Attorney General's Office (Division of Charitable Trusts) to combine the Community Hospice House Foundation endowment and HHHC's Board restricted accounts into one (1) combined account. Donor restricted assets (former Foundation endowment) would remain separate from Board restricted assets. "Historic dollar values" were determined and accepted for each account. HHHC's auditor at the time, Brad Borbidge submitted to the AG's office on January 30, 2009 the net worth of the donor restricted net assets. These funds are hereafter referred as the "Endowment" or Fund B (See Section IV below).

Subsequent to that meeting, the Foundation Trustees of the former Community Hospice House Foundation voted and signed a dissolution document on February 26, 2009. The effective date of dissolution of the Community Hospice House Foundation is June 30, 2009.

### **III. Investment Policy**

The Agency's investment policies are intended to preserve or increase the real principal value of its donor-restricted endowment and Board restricted funds, while providing a dependable stream of income for the operation of the organization and its programs to include the Community Hospice House. The Investment Committee and Treasurer carefully weigh risk/return characteristics in its asset allocation decisions. The Investment Committee and Treasurer have elected a total-return policy to provide HHHC with a maximum potential return on investment and funds availability for operations and long-term growth over time.

The endowment and Board restricted funds are intended to provide current income, growth of income, and appreciation of principal, with the recognition that this asset class requires the assumption of limited market volatility and, at least in the short term, risk of loss.

### **IV. Spending Policy**

Home Health & Hospice Care has two major investment funds.

- Fund A. is a Board restricted account subject to a majority Board vote for spending purposes (Article IV B).
- Fund B. is a donor defined permanently restricted endowment fund to be used "solely and exclusively for the benefit of the Community Hospice House and the conduct, maintenance, promotion, development or support of said House" (former guidelines of Community Hospice House Foundation). Fund B is subject to UPMIFA guidelines from the Office of Charitable Trusts of the NH Attorney General's office.

Currently, the amount available for expenditure from Fund B is calculated on an annual basis up to 5 % of a 3-5 year retrospective moving average of unit value of the endowment funds. Some or none may be drawn. It is the responsibility of management to comply with the requirements under the total return concept within New Hampshire's Uniform Prudent Management of Institutional Funds Act (UPMIFA) and that spending from the endowment comply with the restrictions imposed by the donors. "UPMIFA replaces the use of historic dollar value with a more flexible spending standard, allowing the Investment Committee to recommend to Finance with final Board vote to authorize spending of an endowment fund as they deem prudent, taking into account the following seven factors:

- The duration and preservation of the endowment fund
- The purposes of the institution
- General economic conditions

- The possible effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- Other resources of the institution
- The investment policy of the institution

## V. Investment Allocation and Performance

For investment purposes, Fund A and Fund B are separated by accounting guidelines, but invested jointly. At June 30, 2020 the Agency Board restricted fund and Community Hospice House endowment (Fund A & B) had a combined market value of approximately \$6,295,637. The funds were invested as follows:

1. Cash, money market and short-term cash investments
2. Equities, Foreign and domestic stocks, mutual funds, indexed funds and the like
3. Bonds and other fixed income securities

Under guidelines set by the Investment Committee and approved by Finance and the Board of Directors, the invested funds, in total, will be managed:

- 1). 100% to be actively managed by an independent investment advisor
- 2.) Provide for active management while utilizing passive Exchange Traded Funds as a means to keep management fees low
- 3). Asset Allocation: 60% +/- 10% equities; 35 % +/-10% fixed income; 5%+/- money market funds.

## VI. Endowment Restrictions

Assets under the custody and control of the Agency are segregated into Board restricted funds (Fund A) and donor restricted (Fund B) and as well as unrestricted funds. The Agency **Chief Financial Officer** follows established accounting principles to segregate funds received by donor purpose and or restriction, and makes distributions in accordance with established investment policy and donor restrictions at the completion of the fiscal year which is July 1- June 30.

It is the policy of the Agency that endowment (Fund B) offered with donor restrictions are accepted with the restrictions agreed to, or not at all. In the event the Agency accepts a restricted gift, the restrictions shall be acknowledged and agreed to by resolution of the Board of Directors in conformance with the Uniform Prudent Management of Institutional Funds Statute (RSA 292-B:3). Likewise the Board may by resolution create new restricted funds or restrict existing funds in accordance with Chapter 292-B of the

NH statutes. Such restrictions shall be reduced to writing, and may include, but are not limited to, restrictions as to expenditure of principal or restrictions as to purpose, or both.

#### **VII. Investment Management**

Active investment management of the Agency's assets is delegated by the Board of Directors to its Treasurer/Finance Committee with recommendation from the Investment Committee. Inasmuch as the return on Board restricted and donor restricted funds are an important portion of the Agency's operating budget, the Board, may, from time to time, appoint independent investment managers in conjunction with the Investment Committee to carry out its investment policies. These independent investment managers are engaged for the management of the Agency's portfolio of assets. The investment managers have discretion with regard to portfolio composition and individual asset selection, within guidelines and constraints established by the committee. The Investment Committee oversees the activities and results of the managers through quarterly reporting and ongoing communication. Results of investment performance will be reported to the Board on a semi-annual basis by the **Chief Financial Officer**.

#### **VIII. Performance Evaluation**

The following criteria will be used to evaluate performance of the independent managers:

It is the expectation of the Investment and Finance Committees that the total return on investment of the overall funds of the Agency **should meet or exceed** the following portfolio benchmark:

60 % Equity will be made up of:

- 42% S&P500 Index
- 18% MSCI EAFE

35% Fixed Income will be made up of:

- 100% Barclays Aggregate Bond Index

5% Money Market Funds

Portfolio performance will be reviewed and measured against the above established benchmarks on an annual basis net of fees. At reasonable times, and at the direction of the Investment and Finance Committees (at least annually), a meeting shall be held to discuss investment results, the economic outlook, budget and organizational matters impacting the investment policy, and other pertinent matters with regard to this Agency's assets. If new management of assets is deemed necessary, an RFP will be generated for competing bids.

## **IX. Custody**

The Agency reserves the right to choose an independent custodian for all investment funds managed by a private or non-bank firm to assure safety of assets in the long term.

## **X. Communications and Reporting**

Quarterly evaluations of invested assets shall be supplied to the Investment Committee by the independent investment manager, containing market valuations, asset allocations, cash statements, and the like in such form as may be requested by the committees. The report of fixed-income and equity investment, showing inventories at cost, purchase date, and market price is required. The report shall also show share or unit values at cost and market prices **net of fees**.

## **XI. Conflicts of Interest**

In compliance with Home Health & Hospice Care policy and New Hampshire statutory requirements dealing with pecuniary benefit transactions (RSA 7:19, II and 292: 6-1), all Investment Committee members and Directors shall disclose in writing a list of businesses and or other organizations of which he or she is an officer, director, trustee, member, owner, shareholder, employee or agent, with which the Agency has, or might reasonably in the future enter into a relationship or a transaction in which the Committee member or Director would have conflicting interests. In addition, Investment Committee members and/or Directors will avoid conflicts of interest in its operation and selection of investment securities or managers.