

NEBRASKA FFA FOUNDATION  
STATEMENT OF INVESTMENT POLICY

The Foundation, upon the recommendation of the Board of Directors (Board), adopts this Statement of Investment Policy (Policy) which reflects the prudent management of the monies contributed for the long-term support of the Foundation. This policy reflects the Foundation's Investment "Buckets" - which exist in defining the monies invested, and the use of these monies. To attain this goal, the overriding objective is to maximize the total return while minimizing risk to principal. The Board of the Nebraska FFA Foundation is a fiduciary and is responsible for directing and monitoring the investment management of the Bucket assets. As such, the Foundation may retain the services of a professional Investment Consultant and/or Investment Managers for fees to assist with the attainment of the objectives and compliance with this Policy.

**I. PURPOSE OF THIS INVESTMENT POLICY STATEMENT**

This statement of investment policy is set forth by the Board of the Nebraska FFA Foundation in order to:

1. Define and assign the responsibilities of all involved parties.
2. Establish a clear understanding for all involved parties of investment goals & objectives of assets.
3. Offer guidance and limitations to all investment managers regarding the investment of assets.
4. Establish a basis for evaluating investment results.
5. Manage "Bucket" assets according to prudent standards as established in common trust law.
6. Establish the relevant investment horizon for which the "Bucket" assets will be managed.

In general, the purpose of this statement is to outline a philosophy and attitude that will guide the investment management of the assets toward the desired results. Unless defined differently, the established "Buckets" are as follows:

**1. Operating Reserve (Blue Bucket):**

- This is a reserve for the Nebraska FFA Foundation's overhead expenses.
- Includes budgeted expenses allocated to the management and general program, plus budgeted salary related expenses for all programs.
- Current fiscal year Budget dictates the minimum amount needed in this Bucket.
- Investment Goal for this bucket is preservation of capital.

**2. Unrestricted Long-Term Invested Funds (Pink Bucket):**

- Earnings from each Bucket to be used to support local agricultural education programs, local FFA chapters and FFA members through the Nebraska FFA Foundation Local Chapter Grant Program.
- 3-5% of ending FY portfolio value to be used for Local Chapter Grants.
- Fiscal Year-End surplus is moved to this Bucket last, after appropriating BlueBucket amounts.
- This Bucket to be used to support Nebraska FFA Association (staff salaries, office and rent) if state funds were reduced.
- This Bucket may also fund requests from Nebraska FFA Association, Nebraska Agriculture Educators Association and Nebraska FFA Alumni and Supporters for special projects.
- 
- Investment Goal for this bucket is growth of capital.
-

### 3. **Nebraska FFA Endowment Fund (Green Bucket):**

- Donations that are restricted to specific uses as designated by the originator.
- \$40,000 minimum required to establish an Endowment.
- Endowments are subject to an administration fee from the Foundation for the administration of the Endowment objectives.
- Investment Goal for this bucket is growth of capital.

## II. **INVESTMENT OBJECTIVES**

It is the objective of the Investment Campaign group to maximize the benefits for the Foundation and to provide financial support to the activities and operations.

- Assets grow sufficiently to offset long-term inflation and provide sufficient income.
- Liquidity to meet cash needs (Currently liquidity minimum of \$75,000 normally in checking account).
- Investment of the Bucket assets shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

In order to meet its needs, the investment strategy of the Bucket assets is to emphasize total return and income; specifically, the primary objective for Bucket assets shall be to achieve a balanced return of current income and growth of principal consistent with the preservation of the purchasing power of the combined Bucket assets. The annual distribution rate is to be earned through appreciation in the value of the portfolio, in addition to the yield.

The long term objective of the portfolio is to earn an absolute net total return of 5%, after adjusting for inflation (as measured by the CPI) and annual investment fees and expenses.

### A. **RETURN OBJECTIVES**

It is the objective of the Foundation to meet or exceed the market index, or blended market index, selected and agreed upon by the Board that most closely corresponds to the style of investment management. These indexes may include the S&P 500, Russell 3000, All World ex US, EAFE International Equity, Government/Corporate Intermediate Bonds, BC Aggregate Bond and 90-Day Treasury Bills and will be weighted with the same average asset allocation as the Fund. The performance of the Fund shall be measured over a full market cycle typically three to five years. Shortfalls relative to return objectives may be tolerated over short-term periods, provided that the return objectives are met over the full market cycle.

### B. **RISK TOLERANCE**

It is the objective of the Foundation to provide long-term growth of income and principal, without undue exposure to risk, while displaying an overall level of risk in the portfolio that is consistent with the risk associated with the benchmark. Risk will be measured by the standard deviation of quarterly returns.

### C. **INVESTMENT GUIDELINES**

Specific guidelines and risk limitations for each asset class are listed below:

1. **Fixed Income Investments and Cash Equivalents:** Designed to generate income and to provide overall portfolio diversification. Allowable assets include:

#### **Fixed Income Securities**

- U.S. Government and Agency Securities

- Corporate Notes or Bonds: rated investment grade (BBB) or better by Moody's or S&P
- Tax Exempt or taxable Municipal Bonds (BBB) or better by Moody's or S&P
- Mortgage Backed Bonds
- Fixed Income Securities of Foreign Governments and Corporations
- Collateralized Mortgage Obligations
- Mutual Funds
- Exchange Traded Index Funds

#### **Cash Equivalents**

- Treasury Bills
- Money Market Funds
- Short Term Investment Funds
- Commercial Paper
- Certificates of Deposit (investment in institution may not exceed FDIC limits)

The fixed income portion of the Bucket assets is designed to generate income and to provide overall portfolio diversification. These include:

- a) Obligations issued or guaranteed as to interest and principal by the government of the U.S., or any agency or instrumentality thereof.
- b) Corporate obligations which are rated investment grade (BBB) or better by Moody's or S&P.
- c) Such other fixed income instruments the investment manager deems of comparable quality to those listed above including mortgage and asset backed securities

Mutual funds and Exchange Traded Index Funds consisting of the securities which meet the above criteria are permitted. With the exception of U.S. Government and U.S. Agency obligations, debt obligations of a single issuer will not exceed 10% of the Fund's assets. The average maturity and duration of the portfolio and the average portfolio rating should be within plus or minus 20% of the Barclay Capital Intermediate Government/Corporate Index.

**2. Equity Investments:** Designed to provide capital growth and overall portfolio diversification. Allowable assets include:

#### **Equity Securities**

- Common Stocks
- Convertible Notes and Bonds
- Preferred Stock
- Convertible Preferred Stocks
- American Depository Receipts (ADRs) of Non-U.S. Companies
- Stocks of Non-U.S. Companies (Ordinary Shares)
- Mutual Funds
- Exchange Traded Index Funds

The equity portfolio will diversify its holdings among various sectors and companies within each industry. No single company shall comprise more than 5% of the market value of the Bucket assets. Mutual funds and Exchange Traded Index Funds are permissible and are deemed to meet this diversification rule. Preferred stocks and bonds with convertible features (convertible into common stocks) will be considered as an equity substitute.

International and Emerging Market equities and/or equity funds are permitted as a component of the equity portfolio but should not exceed 65% of the total Bucket assets.

### 3. Liquidity

The Board requires that all Bucket assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the Foundation, with minimal impact on market price.

### 4. Investments Requiring Board Approval

**Prohibited Investments** include, but are not limited to the following:

1. Commodity Futures Contracts
2. Private Placements/Limited Partnerships/Venture Capital Investments
3. Options
4. Derivative Securities other than those listed above.

**Prohibited Transactions** include, but are not limited to the following:

1. Short Selling
2. Margin Transactions

### III. ASSET ALLOCATION GUIDELINES

The asset allocation will be established and monitored by the Board, with a purpose of ensuring the proper level of diversification within Foundations assets.

To achieve this, the Foundation Bucket assets will be allocated among a number of asset classes, including: domestic equity, domestic fixed income, international developed equity, international emerging markets equity, international fixed income, real estate, other alternative-style investments and cash depending upon economic and market conditions.

It is anticipated that the market fluctuations may cause the proportions of the asset classes to exceed the indicated levels. Such market fluctuation need not trigger the immediate purchase or sale of investments to rebalance the portfolio, however, the portfolio should be adjusted in a timely manner based on tolerance ranges.

In an effort to increase the value of the Foundation’s Bucket assets, and to minimize and control the risks, the allocation of the Foundation’s Bucket assets between cash, bond and equities will be established and followed. The allocation of assets will observe the following guidelines:

#### Operating Reserve (Blue Bucket)

<b>Allocation Target</b>	<b>Allowable Allocation Range</b>	
	<b>Minimum</b>	<b>Maximum</b>
Fixed Income/Cash	85%	100%
Equities	10%	20%
<i>Domestic</i>	<i>0%</i>	<i>20%</i>
<i>International</i>	<i>0%</i>	<i>20%</i>
Alternative	5%	10%

**Unrestricted Long-Term Funds (Pink Bucket);  
Nebraska FFA Foundation Endowment Fund (Green Bucket)**

<b>Allocation Target</b>	<b>Allowable Allocation Range</b>		
	<b>Minimum</b>	<b>Maximum</b>	
Fixed Income/Cash	35%	20%	50%
Equities	55%	40%	80%
<i>Domestic</i>		15%	65%
<i>International</i>		15%	65%
Alternative	10%	0%	15%

**IV. SPENDING POLICY & DISTRIBUTIONS**

The Board will establish a Distribution Rate (Spending Rate) and a minimum dollar amount to be distributed within each calendar year. The Board may choose to make actual distributions in excess of or less than the estimated Distribution Rate.

The original principal of each named fund of the Foundation’s Endowment Fund (Green Bucket) assets will not be distributed except (a) the event of a temporary impairment of the market value of the investments (as provided by NUPMIFA), or (b) an extreme and community-wide condition of emergency.)

Distributions from the Unrestricted Long-Term Invested Funds (Pink bucket) may be made at any time during the year as deemed necessary by the Executive Committee. All net investment income earned annually can be distributed annually. Distributions will be made from the total return of the portfolio, including interest, dividends and realized and unrealized gains. The Board will use a moving average method of determining year to year spending in order to smooth distributions from the aggregate portfolio. The "portfolio value" will be determined based on a 3 year moving average of monthly portfolio market value as defined in the *Sustainable Funding* document. This will provide for a more consistent and predictable spending for the programs supported by this Fund.

**Annual Distributions:** The Foundation may distribute funds, on an annual basis from all of the buckets. The Nebraska FFA Foundation Endowment Fund (Green bucket) distributions may not exceed five percent (5%) of the average fair market value of each endowed named fund within the Nebraska FFA Foundation Endowment.

**Distribution of Principal:** The Foundation Endowment Fund (Green Bucket) assets are intended to exist in perpetuity with only the income or appreciation in the named funds being used to support the purpose of the named fund. However, principal shall only be distributed upon the recommendation of the Investment Committee; approval of the Executive Committee; and 2/3 or greater approval by the Board of the Foundation.

The Foundation Unrestricted Long-Term Invested Fund (Pink Bucket) is intended to be unrestricted and not endowed. Principle (\$331K) may be utilized upon the recommendation of the Investment committee; approval of the Executive Committee; and 2/3 or greater approval by the Nebraska FFA Foundation Board.

**V. ATTITUDE TOWARD GIFTS**

The Foundation may accept specific assets from donors in accordance with the Nebraska FFA Foundation Gift Acceptance Policy.

**VI. INVESTMENT MANAGERS/INVESTMENT MANAGEMENT POLICY**

## A. INVESTMENT CONSULTANT ROLE

The Investment Consultant's role is that of a discretionary advisor to the Board of the Foundation. Investment advice concerning the investments of Fund assets will be offered by the Investment Consultant and will be consistent with the investment objectives, policies, guidelines and constraints as established in this statement.

Specific responsibilities of the Investment Consultant include:

1. Assisting in the development and periodic review of investment policy.
2. Conducting investment manager and investment option(s) searches when requested by the Board.
3. Providing "due diligence" or research, on the investment manager(s) and investment options.
4. Monitoring the performance of the investment to provide the Board with the ability to determine the progress toward the investment objectives.
5. Communicating matters of policy, research and portfolio performance to the Board.
6. Discretionary and/or non-discretionary investment management including decisions to buy, sell, or hold individual securities and to alter asset allocation within the guidelines established in this statement.
7. Reporting, on a timely basis, quarterly investment performance results.
8. Communicating any major changes to economic outlook, investment strategy, or any other factors, which affect implementation of investment process, or the investment objective progress of the Bucket asset investment management.
9. Informing the Board regarding any qualitative change to an investment management organization: including changes in portfolio management personnel, ownership structure, investment philosophy, etc.
10. Voting proxies, if requested by the Board, on behalf of the Bucket assets, and communicating such voting records to the Board on a timely basis.

## B. INVESTMENT MANAGER AND CONSULTANT SELECTION

The Board's selection of investment manager(s)/investment consultant(s) must be based on prudent due diligence procedures. A qualifying investment manager must be a registered investment advisor under the Investment Advisers Act of 1940, or a bank or insurance company.

1. **Preservation of Capital** — Consistent with their respective investment styles and philosophies, investment should make reasonable efforts to preserve capital, understanding that losses may occur in individual securities.
2. **Risk Aversion** — Understanding that risk is present in all types of securities and investment styles, the Board recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the Fund's objectives. However, the investment are to make reasonable efforts to control risk, and will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment style and objectives.
3. **Adherence to Investment Discipline** — Investments are expected to adhere to the investment management styles for which they were implemented into the portfolio for. Investments will be evaluated regularly for adherence to investment discipline.

## C. INVESTMENT MANAGER PERFORMANCE REVIEW AND EVALUATION

Any investment manager employed by the Foundation shall provide the Executive Director of the Foundation with information to monitor performance. The Executive Director is responsible for requesting this information from the investment manager(s). The Executive Director will share that information with the Investment Campaign group for review. Performance reports generated by the investment manager(s) shall be compiled at least quarterly. The Investment Campaign group shall monitor investment performance on a quarterly basis. In the case, the Executive Director is unable to fulfill these responsibilities, the board Treasure will be responsible for requesting this information.

The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks.

Investment managers shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may affect their ability to achieve the desired investment results.

The Board intends to evaluate the portfolio(s) over a three to five year period, but reserves the right to terminate a manager/consultant for any reason including the following:

1. Investment performance which is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results.
2. Failure to adhere to any aspect of this statement of investment policy, including communication and reporting requirements.
3. Significant qualitative changes to the investment management organization.

## **VII. INVESTMENT POLICY REVIEW**

To ensure continued relevance of the guidelines and objectives, the Board plans to review the investment policy at least annually.

Adopted on April 4, 2024 by the Board of Directors of the Nebraska FFA Foundation.

Nebraska FFA Foundation Board Secretary:

  
Katherine Byrne, Board Secretary