

Agricultural & Applied Economics Association

**AAEA Trust**  
**OPERATING POLICIES**

January 2018

## Agricultural & Applied Economics Association

### AAEA TRUST OPERATING POLICIES

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**Agricultural & Applied Economics Association**  
**AAEA TRUST OPERATING POLICIES**

**VISION STATEMENT**

The AAEA Trust will mobilize resources and generate initiatives to increase membership, enhance member involvement, expand missions, and stimulate new fields of activity for the AAEA.

**GOALS**

The Goals of the AAEA Trust are to mobilize resources and serve as a catalyst to enhance the capacity of AAEA to fulfill its vision by:

1. Stimulating and nurturing the professional development of its members and potential members.
2. Providing information to enhance the quality of the public discourse on issues related to agricultural, development, environment, food and consumer, natural resources, regional, rural, and associated applied economics and business problems.
3. Providing a focal point for debate on critical issues.
4. Enlarging the community of AAEA membership (including, e.g., business economists, public service professionals, faculty and students of 1890 institutions, etc.).
5. Expanding and deepening the Association's involvement with industry, public service, and the international community.
6. Broadening participation in the full range of Association activities by individuals and groups with limited resources.

**ESTABLISHMENT**

The AAEA Trust exists as a 2009 renaming of the AAEA Foundation that was undertaken for legal reasons. The original AAEA Foundation was authorized by Article XII to the Constitution of the Agricultural & Applied Economics Association. The amendment was passed on August 6, 1985. Article XII was amended to change the governance structure by majority vote of the membership in March 2006. Anything not explicitly covered in these Operating Policies governing the AAEA Trust falls under the appropriate provisions of the Constitution and Operating Policies of the Agricultural & Applied Economics Association.

## FIDUCIARY RESPONSIBILITY

The AAEA Trust operates under the fiduciary responsibility of the AAEA Executive Board. Final approval of the AAEA Executive Board is required on all expenditures of funds, including Special Purpose Funds, according to these Operating Policies. Funds will be disbursed for selected activities that are in accord with the overall purposes of the AAEA Trust.

## AAEA TRUST COMMITTEE

**Composition of the Committee.** The AAEA Trust Committee will be a standing committee of the AAEA, composed of the AAEA Past President, one member appointed from the AAEA Executive Board, and seven members from the general membership, including at least one with a strong interest in the Trust (e.g., an Appreciation Club honoree or a major donor). The seven appointed members will be appointed as needed by the incoming President Elect during the normal committee appointment cycle, and will normally serve for two years with staggered terms. The Past President will chair the committee.

**Committee Member Responsibilities.** Service on the AAEA Trust Committee involves seeking the contribution of funds and recommending choices concerning the use of expendable funds to the AAEA Executive Board within established guidelines. Committee members should be committed to the principle, value and appropriateness of voluntary contributions for the programs of the Trust. All aspects of Committee service become more effective when Committee members make appropriate personal contributions. Thus, Committee members are encouraged to make an appropriate contribution.

**Executive Director Responsibilities.** The Executive Director shall attend all meetings of the AAEA Trust Committee. The staff liaison shall give or cause to be given notice of all meetings of the Committee, record all votes and the minutes of all proceedings and shall perform such other duties as directed by the chair of the Committee.

The Executive Director shall monitor the funds of the Trust, which shall be kept in an identifiable account by the Agricultural & Applied Economics Association Business Office.

The Executive Director shall disburse Trust funds as authorized by the Executive Board and in accordance with the orders of the AAEA President. Proper vouchers are required to verify such disbursements. The Executive Director shall bring to the AAEA President's attention any requests for disbursing funds if, in the judgment of the Executive Director, such request is not properly authorized. The Executive Director shall keep and maintain the Trust's books of account and shall render to the AAEA President and Executive Board an account of the financial condition of the Trust as well as an explanation of financial

transactions. At any time on their demand, the Executive Director will exhibit the books, records and accounts to the AAEA President or Executive Board.

## PROGRAMS

The AAEA Trust Committee with assistance of the Executive Director shall be responsible for soliciting proposals for the Trust to support. At least four months before the Winter Board Meeting of each year, a call for proposals shall be announced to all AAEA members in *The Exchange*, which will indicate possible types of projects and due dates. These proposals may come either from the Agricultural & Applied Economics Association members or from others outside the Association. The Committee shall meet to evaluate the proposals and develop a written report summarizing each project request and the funds needed for each project. The Committee will also make a recommendation to the Executive Board to support or reject each project. At the Winter Board Meeting, the AAEA Executive Board shall select which projects should be funded, and the Business Office staff shall undertake arrangements to carry out such projects. This schedule will not preclude the consideration of unique proposals any time during the year.

Each approved proposal has one year to use funds unless otherwise specified.

## FINANCIAL MATTERS

**Fiscal Year.** The fiscal year of the Trust shall be the same as the fiscal year of the Agricultural & Applied Economics Association.

**Spending Rule.** The AAEA Executive Board shall plan total annual expenditures equal to 5% of a three-year rolling average of the investment portfolio valuation based on October through September years. Restricted funds and Special Purpose Funds are excluded from this calculation. For example, the distribution for 2011 is based on October 2009-September 2010, October 2008-September 2009, and October 2007-September 2008.

**Investment Objective.** The objective over time is to achieve long-term total investment returns derived from both income and capital appreciation that are comparable to overall financial market performance, given the Trust's particular asset allocation. The guidelines and policies outlined below are designed to achieve this objective.

**Time Horizon.** The time horizon for funding programs supported by the Trust is long term or perpetuity.

**Liquidity.** Sufficient liquidity should be maintained to cover all anticipated obligations and payouts. Liquid assets are defined as assets that can be readily

converted to cash or reserves without constraint or penalty. The Board shall be responsible for informing the investment advisor of unusually large anticipated distributions or expense obligations of the Trust for which liquidity will be needed.

**Risk Tolerance and Asset Allocation.** Risk may be defined in terms of how much the return on an asset or portfolio is likely to vary over time, or the chance the investment will suffer a loss. The AAEA Executive Board recognizes the tradeoff existing between risk and portfolio return, and that achieving the growth objective requires assuming some reasonable risk. The Executive Board's approach with respect to risk tolerance will be to take a moderately aggressive investment approach.

The risk of the total portfolio primarily depends on the allocation to different asset classes with stocks being riskier than bonds and cash reserves. A long-term target allocation of stocks will be 70% of portfolio assets, with an acceptable range between 60% and 80%. The target allocation for fixed income securities (including cash equivalents) will be 30% of portfolio assets, with an acceptable range of between 20% and 40%. The fund advisor is given discretion to periodically rebalance the portfolio within this range.

**Eligible Investments.** Trust assets are to be invested in various diversified mutual funds provided by the Vanguard Group. These assets will be allocated in a manner to meet the investment objectives.

**Taxes.** The Trust does not incur taxes on income or capital gains generated by the assets. Therefore, investments in tax-exempt securities are not suitable.

**Records and Management.** Acting as liaison for the AAEA Trust and its contributors, the AAEA Business Office will be responsible for maintaining all permanent records of the AAEA Trust.

The AAEA Trust Committee is responsible for supplying updated information to the AAEA Executive Board on Trust programs and activities on an annual basis.

The AAEA Business Office will maintain separate financial accounts for the AAEA Trust and will make annual financial reports to the AAEA Executive Board and the AAEA Trust Committee.

The AAEA Business Office will supply support to staff to handle functions of the AAEA Trust as deemed necessary by the AAEA Executive Board (e.g., recording and publishing Trust Committee minutes, label and mailing list preparation, mailings, reproduction of materials, receipt and acknowledgment of donations and pledges).

## SOLICITATION OF FUNDS

The AAEA Trust Committee, with the advice and concurrence of the AAEA Executive Board, shall be in charge of soliciting funds for the Trust and arranging various fund-raising activities. Funds are to be solicited both from members and nonmembers as well as firms, institutions, and foundations interested in advancing the work of agricultural and applied economists. The AAEA membership dues notice will provide space to invite members to contribute. The AAEA may also transfer moneys to the Trust.

## CONTRIBUTIONS

Funds donated to the Trust may be designated in honor of individuals or groups and may be allocated among funding categories within guidelines set forth by these Operating Policies. Substantial donations can be directed to specific purposes in accord with Trust Goals subject to AAEA Executive Board approval. Unless donors have reasons for doing otherwise, they are encouraged to make unrestricted gifts. Some restricted funds are designated as Special Purpose Funds. These funds are accounted separately and typically have a committee that recommends disbursements to the AAEA Trust Committee annually. Unless otherwise specified, all other funds are kept in the endowment general purpose fund and are not considered as restricted funds other than by the principles of these Operating Policies.

## APPRECIATION CLUBS

1. The purpose of an Appreciation Club is to recognize professional contributions of a particular individual or group.
2. Donations to an Appreciation Club will not be kept in a separate account, although a record will be kept of cumulative donations to each Appreciation Club. Both donated funds and income from the donations will be added to the endowment general purpose fund. Expenditures will follow provisions for spending from the endowment general purpose fund and member-allocated donations as specified elsewhere in these Operating Policies.
3. The club is to bear the name of the individual or group being honored.
4. A minimum of \$10,000 contributed or pledged is required to charter an Appreciation Club.
5. Donations and bequests by family and friends in any amount will be received any time following formation of a club.
6. The individuals contributing the initial principal (\$10,000 or more) for a club charter will be designated as charter members.
7. After the charter is granted, additional supporters will be invited to become club members by making a pledge or contribution.

8. When a club achieves charter status, a plaque extolling the virtues of the honoree(s) and stating the purposes of the club will be prepared. The plaque will be presented at the AAEA Annual Meeting to the honoree(s), or family or department, as appropriate.
9. A periodic report of contributions received by each active club will be published in *The Exchange* and in the Trust Annual Report.
10. Two or more people who have collaborated on a specific area of professional contribution can be honored with one appreciation club.

## **SPECIAL PURPOSE FUNDS**

1. A minimum of \$20,000 is required to establish a Special Purpose Fund. The fund is to be accounted separately and to be allocated separately to purposes of the special fund.
2. Such a fund can be established by any individual or organization and the fund can be names named for an individual or group if its purposes are compatible with the objectives of the Trust.
3. After a named special purposes fund has been established by the Trust, the fund will welcome continuing gifts in any amount.
4. Special Purpose Fund groups will be allowed to make recommendations to the AAEA Trust Committee. If the recommendation aligns with the stated purpose of the Special Purpose Fund and with the purposes of the AAEA, the Committee will send the recommendation with its endorsement to the AAEA Executive Board for action (approval, disapproval, or return to the Trust Committee for further consideration).
5. The AAEA Business Office will keep a record of the balance associated with each Special Purpose Fund.
6. Special Purpose Funds will be paid out over a period of 20 years starting from the date the fund is established. Spendable funds in a given year will be determined by dividing the fund balance by the number of years remaining in the fund.

## **ENDOWED FUNDS**

1. A minimum of \$100,000 is required to establish an Endowed Fund. An Endowed Fund is to be accounted separately and to be allocated separately to purposes of the special fund.
2. An Endowed Fund can be established by any individual or organization and the fund can be names named for an individual or group if its purposes are compatible with the objectives of the Trust.
3. After a named Endowed Fund has been established by the Trust, the fund will welcome continuing gifts in any amount.
4. Endowed Fund groups will be allowed to make recommendations to the AAEA Trust Committee. If the recommendation aligns with the stated purpose of the Special Purpose Fund and with the purposes of the AAEA, the Committee will send the



recommendation with its endorsement to the AAEA Executive Board for action (approval, disapproval, or return to the Trust Committee for further consideration).

5. The AAEA Business Office will keep a record of the accumulated gain on investment for each Endowment according to the percentage the Endowment represents of the total portfolio investment of the Trust.
6. Unless otherwise specified in the organization of an Endowed Fund, only the estimated income from the principal will be allocated to support purposes of the endowment. Spendable funds will be determined based on up to 90% of the average earnings in the three years prior to September 30 the year before the funds are to be spent. For example, funding for a proposal requesting funds in 2018 will be based on spendable funds available on September 30, 2017.

## **EAGLE AWARDS**

1. The purpose of the Eagle Award is to recognize professional contributions of a particular individual.
2. A minimum contribution of \$2,500 is required for this award. All funds collected through this awards program are added to the endowment general purpose fund.
3. Award recipients will be presented with a plaque honoring the contributions of the recipient.

## DONATION CATEGORIES AND MEMBER-DIRECTED EXPENDITURES

Except for donations to Special Purpose Funds, AAEA members can and are encouraged to indicate their preferred allocation of donations among certain broadly-defined categories of support. Member allocations of these donations have five-year-sustained effects on Trust expenditure allocations that both influence the direction of discretionary activities of the AAEA and help the AAEA Executive Board to monitor member preferences for discretionary activities.

Half of member donations will be added to the subsequent year's amount of expendable funds available from applying the Spending Rule to the Trust investment portfolio, and will be allocated according to members' specified support category allocations. The remaining half of member donations will be added to the endowment general purpose fund of the Trust. Then expenditures equal in amount to the other half of member donations will be committed to support categories in proportion to member allocations over the subsequent four years, in equal annual amounts. This second half of expenditures will be funded from expendable balances generated by the 5% Spending Rule applied to the endowment general purpose fund. Funds will be expended subject to receipt of project proposals within support categories that meet Trust expenditure guidelines and warrant funding in the judgment of the AAEA Executive Board. Thus, the full amount of a members' donations will be spent according to members' designated allocations within five annual budget cycles following the donation, given that worthy projects are proposed. In summary, half of member donations will add to allowable expenditures on designated categories in the immediate budget year, while the other half will add to the endowment in addition to directing an equal amount of spending on designated support categories from earnings on the endowment over a subsequent four-year horizon. In any year in which there is an insufficient number of fundable projects proposed to exhaust the level of expendable funds available to support projects in a support category, the funds will be carried forward to support funding of projects in that support category in future years.

If the proportion of expendable funds allocated according to member donations becomes so large as a proportion of expendable funds determined by the Spending Rule that necessary operating obligations of the Trust cannot be met, then the AAEA Executive Board reserves the right to reduce the proportion of expendable funds allocated according to member designated support categories as necessary to meet obligations.

**Accounting of Member Donation Allocations.** The AAEA Business Office will report the aggregate allocation of member donations among support categories annually and include aggregate allocations among support categories for the most recent five years to the AAEA

Executive Board, the AAEA Trust Committee, and to the AAEA membership through the AAEA Trust Annual Report. Annual accounting of member donations shall be based on October through September years. Thus, for example, member-allocated donations from October 2009-September 2010 would have their initial impact on the 2011 AAEA Trust annual budget and remaining impacts would be on the 2012 through 2015 AAEA Trust annual budgets. The AAEA Trust Annual Report will be based on September through October and will be distributed to donors and members by early January.

**Other Use of Aggregate Member Allocation Data.** The AAEA Trust Committee and the AAEA Executive Board will review the aggregate allocation of members' donations among support categories as an indication of member preferences in the annual process of funding recommendations and decisions regarding additional disbursements of Trust funds supported by the Spending Rule. Member allocations will thus inform the Committee and Board about member preferences regarding use of Trust funds.

**Leveraging of Member Donations.** The AAEA Executive Board may from time to time choose to motivate additional contributions to the Trust by committing to allocate additional portions of disbursements supported by the Spending Rule based on members' annual allocations of donations among the designated support categories. For example, the Board may commit for a specified period of time to allocate an additional dollar of disbursement according to members' aggregate preferred allocations for every dollar donated, subject to disbursement limitations imposed by the Spending Rule. The Centennial Trust Initiative is an example.

**Initial Designated Support Categories.** Initially, the designated support categories available for member allocation of donations will consist of the following:

- Student and Young Professional Travel and Development
- Outreach
- C-FARE
- Unrestricted Uses.

To preserve adaptability and flexibility of future Trust funding, member-allocated donations are not allocated permanently into individual funding categories, nor are the funding categories themselves fixed or permanent.

**Category Additions.** New categories for member-allocated donations can be added from time to time upon recommendation of the AAEA Trust Committee and approval of the AAEA Executive Board. Any AAEA member or members can petition for addition of a new support category. Such a petition must present substantial evidence that member interests would generate, on average, more than 10% of member-allocated yearly donations. As part of that evidence, prior to the initiation of any new support category individuals or groups must submit pledges from members totaling at least 8% of the level of average annual Trust

donations from members over the previous three years. Subject to Board approval, a three-year provisional support category will be added to the next annual donation form. If cumulative donations fall below 10% of member-allocated yearly donations over the three-year period, the support category will be considered for termination, and all unspent funds allocated to the provisional support category will revert to unrestricted funds in the endowment general purpose fund. Otherwise, the provisional status of the support category will be removed.

Potential introduction of new categories is intended to give members an important stake in future AAEA directions and initiatives.

**Category Elimination.** After a 5-year history of member-allocated donations has been compiled, a category for member-allocated donations may be eliminated if it fails to achieve a 10% allocation of cumulative member-directed donations, at the discretion of the AAEA Executive Board. Use of the 5-year history will allow interested groups a substantial period of time to react to a falling share of member donation allocations before a support category is eliminated. To facilitate awareness of declining budget shares and possible termination of categories, the aggregate annual shares of member-allocated donations will be published for the most recent five years in the AAEA Trust Annual Report.

**Adherence to Fiduciary Responsibilities and Constitutionally-Mandated Purposes.** All allocations of disbursements within the designated support categories and all allocations of disbursements beyond member-allocated donations will be at the discretion of the AAEA Executive Board based on recommendations from the AAEA Trust Committee. When considering the allocation of disbursements, the AAEA Trust Committee and AAEA Executive Board will adhere to the clear and explicit purposes of the Trust described in the AAEA Constitution.

**Allocation of Donations to Appreciation Clubs and Eagle Awards.** Similar to other donations to the Trust, contributions by members to Appreciation Clubs (other than Special Purpose Appreciation Clubs) and Eagle Awards can be allocated among support categories. Donations made to Appreciation Clubs without suggested allocations to designated support categories will be tacitly considered to have been donated to the Unrestricted Uses category.

**Donations by Nonmembers.** Donations to the AAEA Trust are encouraged and solicited from non-member individuals and organizations. They are normally added to the endowment general purpose fund as unrestricted funds. The option of establishing a Special Purpose Fund allows donor-direction of substantial individual gifts by nonmembers or institutional members through negotiation with the AAEA President and Executive Director, subject to AAEA Executive Board approval. They may also support specific purposes by donating to existing Special Purpose Funds.

Nonmembers may donate directly to Outreach. Nonmember donations must be used over a two year period, and are tracked as a separate line item on the AAEA Trust financials.

Nonmember donations may not be otherwise allocated, as member donations are, to the designated support categories.

**Unspent Member Allocations.** If any part of member donations allocated to designated support categories remains unspent, e.g., because adequate projects have not been proposed, then the remaining portion will be added to Available Funds for expenditure on the given support category in the following budget year(s) until spent, unless the category is eliminated as described above, in which case the unspent funds will revert to the Unrestricted Uses category.

## GIFT RECOGNITION

Special recognition will be given to donors, unless they ask to remain anonymous, by publishing their names annually in the AAEA Trust Annual Report posted on the AAEA website.

**Accounting Recognition of Contributions.** Contributions to the AAEA Trust are recognized when cash is received, credit card information is processed, or signed pledge forms are received in the AAEA Business Office.

**Contributions of Assets and Bequests.** In addition to cash contributions, givers may transfer or make bequests to the Trust. Methods of giving assets or making bequests must be in accord with legal requirements and tax codes. A pledge arrangement for giving over a period of time is also possible. Under such an arrangement, a giver can specify, according to his/her convenience and desires, the timing and other aspects relating to the transfer of his/her gift or gifts. AAEA has a right to refuse a gift.

## REPORTING

The AAEA Executive Board will report annually to the AAEA membership. The written report will include a complete financial accounting of AAEA Trust funds received and disbursed, funds on hand, activities completed, in process and planned, and aggregate member allocations of donations among designated support categories annually over the past five years.

The AAEA Trust Annual Report will be published on the AAEA website.

**AAEA Trust Annual Statement.** The Chair of the AAEA Trust Committee shall present a full and clear statement of the business and condition of the Trust at the Annual Business Meeting of the AAEA.

## **AMENDMENTS**

These Operating Policies may be amended by a majority vote of the members of the AAEA Executive Board present at a meeting, in person or by telephone, at which a quorum is present and at which the same is voted on. Board votes on proposed amendments conducted by e-mail must be approved unanimously and will be read into the minutes of the next meeting of the Board.