

The Prairie Enthusiasts

Investment Policy

February 2, 2022

This policy was adopted by the Board of Directors (Board) of The Prairie Enthusiasts, Inc on **February 2, 2022**. This policy supersedes any and all prior actions regarding investment policies. This investment policy covers both short term funds consisting of cash and cash equivalents held at local financial institutions, and the long-term investment portfolio.

I. Background

The Prairie Enthusiasts (TPE) is an Accredited Land Trust committed to the protection and management of native prairie and savanna of the Upper Midwest. We have an incorporated, nonprofit status and are a grass roots organization run mainly by volunteers.

TPE differs from other conservation groups in its sole dedication to the preservation of the last remaining pieces of the once vast, now endangered, prairies and savannas of the Upper Midwest through land protection and management.

The Prairie Enthusiasts evolved from small prairie preservation organizations that began in the mid-1970's. We now have 11 chapters in Illinois, Minnesota, and Wisconsin. Goals include:

- To ensure the perpetuation of the remaining native prairies and savannas through preservation, restoration, and management.
- To educate the public through presentations and publications about our prairie and savanna heritage.
- To assist public agencies, private groups and individuals in restoring prairie and savanna communities.

II. Purpose

This policy is created to provide clear investment policies, strategies and guidelines related to all cash, cash equivalents, and investments held by TPE and any related or affiliated organizations of TPE. The overall objective will be to maximize returns, while minimizing risk and expenses, through prudent investing and planning, as well as a diversified portfolio. In doing so, this policy intends to:

- Clarify the delegation of duties and responsibilities concerning the management of funds.
- Identify or provide target asset allocations, permissible investments, and diversification requirements.
- Identify the criteria against which the portfolio investment performance will be measured.
- Communicate these objectives to the Board, staff, investment managers, brokers, donors, and funding sources that may have involvement.
- Confirm the policies and procedures relative to the expenditure of TPE funds.
- Serve as a review document to guide the ongoing oversight of the management of TPE's assets.

III. Fiduciary Standards

The Directors of TPE recognize their fiduciary responsibilities. These duties can be summarized according to the duties enumerated in the model Uniform Prudent Management of Institutional Funds Act (UPMIFA). In addition, TPE will follow the Duties and Responsibilities of Nonprofit Directors and Wisconsin Statute Chapter 121.11. The Directors must comply with the duty of loyalty and must manage and invest funds in good faith with the care an ordinarily prudent person in a like position would exercise under similar circumstances.

IV. Delegation of Authority and Responsibilities

The Board has ultimate responsibility for the management of the Organization's assets. Subject to any specific limitation set forth in a gift instrument or law, the Board is authorized to, and may delegate, certain responsibilities to professional experts in various fields. These include, but are not limited to an Investment Management Consultant, an Investment Manager, or additional specialists (collectively Investment Consultants). The Board has delegated supervisory responsibility for the management of TPE's investments to the Finance Committee (Committee). Specific responsibilities of the various bodies and individuals responsible for the management of TPE's investments are set forth below:

A. Responsibilities of the Board

The Board shall ensure that its fiduciary responsibilities concerning the proper management of TPE's investments are fulfilled through appropriate investment structure, internal and external management, and Portfolio performance consistent with this policy. Based on the advice and recommendations of the Committee, the Board shall:

- select, appoint and remove members of the Committee
- approve investment policies and objectives that reflect the long-term investment-risk orientation of the organization.

B. Responsibilities of the Committee

Members of the Committee are not held accountable for less than desirable outcomes, rather for adherence to procedural prudence of the process by which decisions are made in respect to investment assets. In consideration of the foregoing, the Committee is responsible for the development, recommendation, implementation, and maintenance of all policies relative to TPE's investment funds and shall:

- develop and/or propose policy recommendations to the Board with regard to the management of investment funds.
- recommend short-term and long-term investment policies and objectives for investment funds including the selection of asset classes, determining asset allocation ranges, and setting performance objectives.
- Monitor and evaluate the performance of all those responsible for the management of investment funds.
- Recommend the selection/retention and/or dismissal of Investment Consultants.
- Receive and review reports from management and/or Investment Consultants.
- Evaluate on at least an annual basis whether this policy, investment activities, risk management controls and processes continue to be consistent with meeting the goals and objectives set for the management of investment funds.

C. Responsibilities of Chapter Support Staff

- Oversee the day-to-day operational investment activities of all investment funds subject to these investment policies.
- Contract with any necessary outside service providers, such as Investment Consultants, banks, and/or Trust Companies and/or any other necessary outside professional.
- Ensure that the service providers adhere to the terms and conditions of their contracts, have no material conflicts of interests with the interests of TPE; and performance monitoring systems are sufficient to provide the Committee with timely, accurate and useful information.
- Comply with official accounting and auditing guidelines as set forth in TPE's Accounting Manual.

V. Short-Term Funds - Cash and Cash Equivalents

Investment objectives and guidelines

The objectives for holding cash and cash equivalents are to: Preserve Capital; Liquidity; and to optimize investment return within these constraints.

All bank deposit accounts must be covered by FDIC Insurance.

The following short-term funds have been established:

- Operating Fund
- Reserve Fund

All expenditures of the Operating Fund and Reserve Fund shall be in compliance with TPE's Accounting Manual.

The Executive Director, or her/his designee, shall prepare and present reports to the Committee at least quarterly detailing the institutions, and the balances held, for all cash in the Operating Fund and Reserve Fund.

A. Operating Fund

The purpose of the Operating Fund is to provide sufficient cash to meet the day-to-day financial obligations of TPE in a timely manner.

The Executive Director, working with the Committee, if authorized by the Board, will invest only in the following:

- Checking account
- Interest bearing Savings/Money Market Account

B. Reserve Fund

The purpose of the Reserve Fund is to provide a place to hold excess cash and temporarily restricted funds being held for future designated expenditures.

The Executive Director, working with the Committee, if authorized by the Board, will invest only in the following:

- Checking account
- Interest bearing Savings/Money Market Account
- Certificates of Deposit at insured commercial banks (with maturities consistent with liquidity needs)
- *IntraFi Network Deposits* (formerly known as CDARS or ICS). Where funds in excess of FDIC insurance limits shall be automatically moved to another bank which allows TPE to have access to millions in FDIC insurance, through a single relationship with a local bank.

VI. Long-Term Investments (Portfolio Funds)

The purpose of the Portfolio Fund(s) is to provide secure long-term funding for the mission of TPE. The assets of the Portfolio Fund(s) shall be managed in such a way as to facilitate the organization's goals and objectives. The objective is that the portfolio is managed passively. Passive management is an investment strategy involving limited ongoing buying and selling actions. TPE will purchase investments with the intention of long-term appreciation and limited maintenance.

Within a passive management strategy, the basic philosophy governing the investments of TPE will be prudent growth of principal with the understanding that The Portfolio's values will fluctuate with the capital markets over shorter term time periods. Within this philosophical framework, this policy seeks to provide a competitive total return consistent with historical capital market conditions and subject to risk tolerances, liquidity requirements, and investment guidelines established throughout the remainder of this policy. The target investment return for portfolio funds over the long term should range from 5-7% which will allow sufficient return to cover the 4% spending policy and the effects of inflation.

The investment objectives of the Portfolio Funds align with this Policy and include maintenance of principal, timely liquidity, and preservation of purchasing power over time. No funds in the Portfolio Funds shall be used as collateral to borrow money from any other source.

VII. Portfolio Investment Guidelines

A. Investment Authority and Discretion

The Board shall prudently and diligently select one or more qualified investment professionals, including investment managers(s), investment consultant(s), and custodian(s), (**Manager**). It is TPE's intention to delegate to said Manager full discretion, within the scope and terms as established by TPE, and of this mutually agreed upon Investment Policy.

The Committee shall annually review the Manager's actions to monitor performance and compliance with the scope and terms of the delegation, and this policy, and report same to the Board. The criteria for this annual review may include the Manager's performance relative to market conditions, their reputation, ensuring that their values align with TPE, evaluation of their level of service such as timeliness of reports and responsiveness to questions, and that the Management Fees are reasonable. The Committee may recommend replacing

investment manager(s) due to a fundamental change in the investment management process, or for failure to comply with established criteria.

B. Risk Tolerances and Control

Risk shall be defined as the expected standard deviation of return based on historical capital market data. Risk shall be evaluated in terms of the total portfolio, not each individual investment. To minimize risk, the portfolio should be well diversified across asset classes, economic sectors, industry groups and individual securities as allowed by the target asset allocation of the portfolio.

Within the risk framework established above, this policy contemplates that the Manager will construct a portfolio that reflects a passive management approach, that is, management associated with mutual and exchange-traded funds where a fund's portfolio mirrors a market index. Passive management is the opposite of active management in which a fund's manager(s) attempt to beat the market with various investing strategies and buying/selling decisions of a portfolio's securities.

The make-up of Portfolio Funds should take the following into consideration:

- Will be widely diversified by security type.
- Include a commitment to both investment grade and high yield fixed income to lower portfolio risk.
- Include a commitment to international securities for added diversification and lower portfolio risk.
- Include a commitment to real estate for added diversification, income and lower portfolio risk.
- Include a commitment to such other securities as deemed necessary for added diversification and enhanced return potential.

C. Liquidity

The target asset allocation and asset allocation rebalancing policies established in section E and F of this policy have been established to assure funding for foreseeable liquidity events.

D. Withdrawals, Expenditures, and Distributions

Withdrawals from the Portfolio will be in accordance with TPE's Accounting Manual and as set forth in the distribution section of each fund listed in this Policy. The goal of this policy is to smooth spending patterns over time, limiting disruption to TPE's budget during unfavorable market cycles. Withdrawals may only come from capital appreciation and income.

E. Target Asset Allocation

The time horizon of the portfolio is between eight and ten years. The overall strategic asset allocation of the Portfolio is listed below. Proposed changes to the asset allocation that is in this section have to be approved by the Committee. Exposure to each asset class will be measured on market value and is subject to the rebalancing guidelines described in section F.

Asset Class	Sub-Asset Class	Target
Domestic Equity	Large Cap Growth Equity: Passive	
	Large Cap Value Equity: Passive	
	Mid Cap Equity: Passive	
	Small Cap Equity: Passive	
	REIT: Passive	
	International Equity	
	Int'l Large Cap Equity: Passive	
	Int'l Small Cap Equity: Passive	
	Emerging Markets Equity: Passive	
<i>Total Equity</i>		55% - 65.0%

Domestic
Fixed
Income

Short Term Fixed Income: Passive
Intermediate Fixed Income:
Passive
Inflation Protected Income:
Passive
High Yield Fixed Income: Passive

	35% -
<i>Total Fixed Income</i>	45%
Cash	1.0%
<i>Total</i>	100.0%

F. Asset Allocation Rebalancing

The key objective of the portfolio rebalancing process is to minimize the loss of efficiency resulting when The Portfolio's actual asset allocations deviate from the target asset allocations. Rebalancing can also be used to enhance the risk adjusted return of a portfolio by the purchase/sale of asset classes at relative low/high valuations.

The Portfolio will be rebalanced coincident with material cash inflows or outflows. Additionally, the Manager will consider rebalancing whenever a single asset class's allocation exceeds +/- three percent (3%) of its target allocation range. Rebalancing is at the discretion of the Manager.

G. Performance Evaluation and Reporting

Investment return is to be measured in a manner consistent with TPE guidelines and as issued by the Global Investment Performance Standards (GIPS) or, if differently as TPE specifically directs in writing. Investment returns will be reported quarterly. This review will examine the Portfolio's total return as well as that of the separate asset classes or funds that comprise the Portfolio. Performance is to be compared to all relevant benchmarks.

Investment performance shall be measured no less than annually on a net of fees basis.

H. Specific Prohibitions on Investments

The Portfolio may not at any time:

- Acquire any security subject to any restriction on the sale thereof, or subject to any investment representation.
- Acquire or sell any commodity or commodity contract.
- Acquire any security on margin, or otherwise utilize borrowed funds for the acquisition of any security including but not limited to the use of reverse repurchase agreements.
- Sell any security not part of the portfolio.
- Make any investment for the purpose of exercising control of any corporation.
- Acquire precious metals.
- Acquire options, futures, warrants and other derivatives.
- Acquire hedge funds, venture capital funds and limited partnerships.
- Acquire direct investment in real estate, including short sales.
- Acquire other financial instruments, which do not meet the "prudent person standard" of ERISA or other, stated objectives of this investment policy.

I. Policy Modifications and Exceptions

Any changes to this Investment Policy deemed necessary by the Manager will be fully discussed and agreed upon by the Board before taking effect, and such changes will be incorporated in writing into the policy.