

**Finance Committee Call Minutes**  
**February 9, 2024 1:00 pm ET**

In attendance: Matt Wilson (Chair / agInnovation Past Chair), George Smith (Incoming Chair / agInnovation Chair), Steve Lommel (agInnovation Incoming Chair), Chris Pritsos, Jose Toledo, Bret Hess, Gary Thompson, Jeanette Thurston, Alton Thompson, Rick Rhodes, David Leibovitz, Matthew Kappa (TD Wealth)

agInnovation Investment Account Discussion (Matthew Kappa, TD Wealth)

- Our current investment allocation was chosen in the heat of the pandemic, 2020. Current investment mix is 35% stocks, 65% bonds (a moderately conservative approach).
- Our investments have yielded low-to-mid single-digit returns annually. Income is being reinvested into securities.
- 2022 recap: Interest rate hike and decades-high inflation, a down year for our investments.
- 2023 recap: A recovery year, our account rebounded to an amount beyond the initial investment.
  - 11% rate of return EOY 2023
  - Q3 – US economic growth came in at a decades-high, labor market remained strong.
  - Q4 – the idea of a “soft landing” (increased interest rates to curb inflation but not enough to cause a severe downturn in the economy) came into play.
- 2024: The anticipated ceiling is lower for the stock portion of the portfolio and there is a lower chance we’ll end up “in the basement.”
  - An upside for bond prices is anticipated later in 2024.
  - Treasury yield is currently higher than the inflation rate. Pursuing a treasury yield would give us a positive return at maturity.
- agInnovation seeks to treat its investments like a retirement/endowment account. The group wants to explore the possibility of transferring interest income annually to the agInnovation operating account.
  - It may be worth projecting the next 12 months’ income and setting up quarterly disbursements of funds out of the investment account and into the operating account.
  - Cash flow will be irregular throughout the year, so quarterly disbursements might be the best option.
  - In this scenario, it might be worth re-mixing our investments to a balanced 50% bonds / 50% stocks investment, to keep up with inflation.
  - We would never be locked into any arrangement for multiple periods if we wanted to make a change.
- We have been doing a good job at spending down the healthy carry-forward left from the pandemic. If we don’t want to significantly increase the agInnovation assessment, this transfer of interest income from the investment account to the operating account will be helpful.
- George Smith, as agInnovation chair, is supportive. A strategy/proposal that shows the membership at large that we have a nest egg, and it can be used to support agInnovation goals, is important.
- If we didn’t make significant investments on the agInnovation operating side and we had a surplus of funds, money can always be ploughed back into the principal on the investment side.

- If we do transfer some funds out of the investment account, we attempt to protect our ~\$600k principal.
- Matt Wilson will work with Rick to develop a strategy for presentation to the finance committee.

#### agInnovation Budget Discussion

- Details from the CY2024 budget:
  - \$183k in expenses
  - \$100k assessment revenue
  - \$109k projected carryforward from CY2023
- The actual CY2023 carry-forward amount (reported from APLU) is ~\$142k (unaudited).
- Actual CY2024 year-to-date expenses are \$53,500.
- agInnovation is in strong financial position and can carry out the goals for the organization over the upcoming year under George's leadership.
- Options for us moving forward: Transferring funds from the wealth account, increasing assessments, or constraining proposed operating budgets.

*The meeting adjourned at 1:54 pm Eastern Time.*