



Trustee Meeting Agenda
Monday, May 16, 2016, 8:00am
The Morton Arboretum, Lisle, IL
Chestnut Room in Visitor's Center

Breakfast on your own at the Hyatt
Shuttle to The Morton Arboretum departs from the Hyatt Lobby at 7:30am

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| 8:00 | Meeting call to order
Chairman's comments
Welcome new trustee Beau Brodbeck | Randall Miller |
| 8:10 | Consent Agenda Approval
Minutes from 12/08/15 trustee meeting
President's Report
Treasurer's Report (first quarter financials, endowment report)
Governance Committee Report
Development Committee Report
Research & Education Committee Report
Liaison Committee Report
Council of Representatives Report | Tab 1
Tab 2
Tab 3a-h
Tab 4
Tab 5
Tab 6
Tab 7
Tab 8 |
| 8:15 | Research Committee
Grant/Scholarship Award Recommendations/vote
Provision for Grant Overhead Allowance
Supplemental Summer Grant Cycle | Hallie Dozier
Tab 9
Tab 10 |
| 9:15 | Break | |
| 9:30 | Audit Committee
Audit
RFP for audit services | Will Nutter
Tab 11 |
| 9:45 | Governance Committee
Ratify electronic votes (Barborinas 2 nd term)
Liaison Committee Structure Documents
Trustee and committee member recruitment | Steve Geist
Tab 12 |
| 10:15 | Development Committee
Proposed Endowment Building Campaign/vote
Heritage Oak Society Survey | Brian Sayers
J. Eric Smith Tab 13a-b |

11:30 Lunch

12:30 Old Business

12:35 New Business

Tree Biomechanics Week request

J. Eric Smith Tab 14

New office lease

J. Eric Smith

Endowment Permanently Restricted

J. Eric Smith

Housekeeping items

Barb Duke

Schedule October webinar

December Trustee/Liaison Meeting schedule and
proposed structure

J. Eric Smith

1:00 Adjourn

1:00 Executive Session

1:30 Adjourn



Trustee Meeting Minutes

Date & time of meeting: December 8, 2015, 7:30am Central Time at Embassy Suites, Rosemont, Illinois

Attending: Randall Miller, Chairman; Brian Sayers, Vice Chairman; Ray Henning, Treasurer. Trustees: Brent Asplundh, Jim Barborinas, Hallie Dozier, Barbara Fair, Paul Fletcher, Steve Geist, George Hudler, Will Nutter, Roger Phelps, Bill Schleizer, Jim Urban, Jeff Wilson, Tom Wolf
Chairman Emeritus Al West; President and CEO J. Eric Smith

Meeting call to order: Chairman Miller called the meeting to order at 7:40am. Randy welcomed the board and celebrated the following: J. Eric Smith joining TREE Fund as President and CEO, having a full board which raised \$300,000 in 2015 and TREE Fund being well positioned for 2016.

Consent Agenda: Trustees were asked whether they would like any items removed from the Consent Agenda and added to the meeting agenda. None were requested. Motion was made by Trustee Dozier to approve the Consent Agenda. Motion was seconded by Trustee Geist. Discussion: None. Motion carried.

Consent Agenda items:

- Minutes from 9/2/15 Trustee Meeting
- President's Report
- Treasurer's Report
- Development and Communications Committee Report
- Research & Education Committee Report
- Governance Committee Report
- Liaison Committee Report
- Third Quarter Financials

Development and Communications Committee: Vice President Sayers requested input from trustees on the Compelling Case Brochure. Brochure will be sent to board for approval at May 16, 2016 Trustee meeting or prior. Gift Acceptance Policy was approved by Development and Communications Committee and recommended for Board approval. Vice President Sayers distributed "Good Prospects" sheets to trustees and requested they return the completed sheets to him.

Planned Giving Status: mailing will be sent to Heritage Oak Society members early January 2016 to clarify their intentions.

Annual Operating Campaign Approach: mailings will be sent to different audiences each month throughout the year for unrestricted gifts.

Gift Acceptance Policy: Motion was made by Vice President Sayers to accept Gift Acceptance Policy. Motion was seconded by Trustee Phelps. Motion carried.

Governance Committee:

Trustee renewals:

Motion was made by Trustee Dozier to accept Trustee Asplundh for his first 3-year term as trustee. Motion was seconded by Trustee Phelps. Motion carried.

Motion was made by Trustee Geist to accept Trustee Barborinas for his 2nd 3-year term as trustee. Motion was seconded by Trustee Urban. Trustee Barborinas asked for time to decide.

Motion was made by Treasurer Henning to accept Trustee Phelps for his first 3-year term.

Motion was seconded by Trustee Asplundh. Motion carried.



Chairman Miller presented the Slate of Officers. Motion was made by Trustee Dozier to accept Randall Miller as Chairman. Motion was seconded by Trustee Barborinas. Motion carried. Motion was made by Treasurer Henning to accept Steve Geist as Trustee. Motion was seconded by Trustee Wolf. Motion carried. Motion was made by Treasurer Henning to accept Brian Sayers as Chairman-Elect. Motion was seconded by Trustee Geist. Motion carried. Motion was made by Trustee Wolf to accept Steve Geist as Vice President. Motion was seconded by Trustee Dozier. Motion carried. Motion was made by Trustee Barborinas to accept Ray Henning as Treasurer. Motion was seconded by Trustee Asplundh. Motion carried.

Chairman Miller presented Committee Chair appointments: Finance: Ray Henning, Development & Communications: Brian Sayers, Research & Education: Halie Dozier, Governance: Steve Geist, Audit: Will Nutter. Motion was made by Trustee Phelps to accept the Committee Chairs as stated. Motion was seconded by Trustee Fair. Motion carried.

Board approved Liaison Committee election of Beau Brodbeck as Liaison Committee Chair and Jeff Carney as Vice Chair of the Liaison Committee.

Recruitment of board and committee members is ongoing. Focus on board comprised of trustees with age, profession, ethnic and geographic diversity.

Grant Retention Policy: Motion was made by Trustee Wolf to accept Grant Retention Policy. Motion was seconded by Trustee Asplundh. Motion carried. Board agreed that Research Committee may waive retention upon special request basis.

403B Matching Recommendation: Recommendation was amended as follows: “**Proposed:** 50 cents per dollar match on each employee dollar up to maximum annual employer contribution of 4.25% of salary or \$3,500 (whichever is ~~larger~~ **smaller**).” Motion was made by Trustee Phelps to approve 403B Matching Recommendation as amended. Motion was seconded by Trustee Barborinas. Motion carried.

Liaison Committee: Liaison Committee Chair Steve Geist updated the board on the Liaison Business Meeting 12/7/15. The Committee elected Beau Brodbeck as Liaison Committee Chair and Steve Carney as Vice Chair. Chapter Challenge 2016 goals will be submitted to TREE Fund prior to 3/1/16. Successful Chapter fundraising events were reviewed and new fundraising ideas discussed. Social media is preferred communication vehicle with Liaisons. Liaison positions from Texas and Michigan have been filled. Only Western Chapter Liaison position is open. Liaison turnover in Q1 of 2016 will be high.

Research and Education Committee: Committee Chair Dozier stated that TREE Fund received a total of 30 Kimmel Grant applications. Of those, 12 were cut as education programs or not meeting our mission. Committee reviewed 18 applications and recommended funding for two. Trustee Barborinas made a motion to fund Mohammad Asrafur Rahman, Technical University of Munich, Germany for his project “Quantifying the cooling effectiveness of urban street trees in relation to their growth” for \$10,000 and Henrik Sjöman, Swedish University of Agricultural Science / Gothenburg Botanic Garden for his project “The role of tree species in cooling the urban climate - application in tree planting and landscape architecture” for \$10,000. Motion was seconded by Trustee Schleizer. Motion carried.

Trustee Dozier stated that the Research Committee reviewed 12 John Z. Duling Grant applications and recommended funding for Whitney Cranshaw, Colorado State University, for her project “Improving Management Tools for Drippy Blight of Red Oaks” for \$10,000. Motion was made by Trustee Geist to fund Whitney Cranshaw’s project. Motion was seconded by Treasurer Henning. Motion carried.



President and CEO J. Eric Smith stated that there are extra funds available to fund another grant for \$10,000. Trustee Dozier stated that the Research Committee recommended Michael Arnold, Texas A&M University, for his project "Long-Term Impact of Container Size on Tree Establishment" for \$9,976. Motion was made by Trustee Geist to fund Michael Arnold's project. Motion was seconded by Trustee Asplundh. There was one dissenting vote from Trustee Barborinas. Motion carried.

Trustee Dozier recommended an increase in grant award levels, which has been reviewed by the Finance Committee and endorsed by the Executive Committee. She proposed increasing the John Z. Duling Grant from \$10,000 to \$25,000 and the Hyland Johns Grant from \$25,000 to \$50,000. Motion was made by Trustee Urban to increase both awards as proposed. Motion was seconded by Trustee Barborinas. Motion carried.

Discussion and vote regarding overhead provision was tabled until additional information could be gathered. Trustee Hudler volunteered to aid Trustee Dozier in review of further information. Topic will be voted upon at May 16 trustee meeting.

Trustee Dozier recommended requiring a funding match for all research grant applications. Motion was made by Trustee Fair to require a minimum match of 10%. Motion was seconded by Trustee Urban. Motion carried.

Trustee Dozier recommended offering the Research Fellowship Grant of \$100,000 in 2016. Executive Committee endorsed recommendation. Motion was made by Trustee Dozier to fund a Research Fellowship Grant in 2016. Motion was seconded by Trustee Urban. Motion carried. Trustee Dozier will revise the RFP.

Finance Committee: Treasurer Henning presented the proposed 2016 Budget which was reviewed and accepted by the Finance and Executive Committees. Motion was made by Trustee Phelps to approve the proposed 2016 budget. Motion was seconded by Trustee Asplundh. Motion carried.

Treasurer Henning recommended reinvesting \$89,000 from the endowment disbursement back to Chicago Community Trust. Motion was made by Trustee Asplundh to reinvest the \$89,000 in the endowment. Motion was seconded by Trustee Geist. Motion carried.

Old Business: None

New Business: Motion was made by Trustee Fletcher to appoint former Trustee Mike Robinson as Trustee Emeritus for his long term service to TREE Fund. Motion was seconded by Trustee Barborinas. Motion carried.

Meeting adjourned at 11:40am and was followed by Executive Session.

Task	Assigned to	Due date
Provide input on Compelling Case Brochure	Trustees	
Submit completed "Good Prospects" sheets to Brian Sayers	Trustees	
Gather additional information on overhead	Hudler/Dozier	5/1/16
Revise RFP for Research Fellowship	Dozier	

Respectfully submitted by Barbara Duke.

TREE FUND MEMORANDUM

Date: April 29, 2016

To: TREE Fund Trustees

Fm: J. Eric Smith, President and Chief Executive Officer

Re: President's Report for Spring 2016 Meeting

Introduction

I marked my eighth month as President and CEO of the TREE Fund this week, and I remain pleased with and proud of the opportunities you have provided for me to lead your organization. It has been a busy period as I work in Naperville to lay the groundwork required for a major endowment building campaign, while also traveling nationally to establish or reaffirm the personal networks required to bring that campaign to fruition.

As with my report to you in advance of our December 2015 meeting, I provide strategic or governance-level level analysis and information below, with the more granular details of our day-to-day operations being presented by staff members and me at the Trustee Committee level, and then summarized in the Committee Chairs' reports to you. I also note that this memorandum (as I intend all of my communications to you to be) is candid and frank in its contents, and contains information that could be sensitive to staff and volunteers beyond those entrusted with governance of our organization. I respectfully ask that you not reproduce it, forward it, or reply to it beyond the intended audience of Trustees, Barb Duke (as recording Corporate Secretary) and myself. Thank you.

Human Resources

As I've previously reported, at the start of 2016 I "flattened" the office organization chart so that the five staff members all report directly to me, thereby eliminating the opportunity for "silos" to form, and better integrating all activities toward desired strategic goals. I provided current macro-level responsibilities via e-mail earlier this week, and reiterate my respectful request that I be kept in the loop in all communications between Trustees and staff.

It took longer than I would have liked to fill the vacancies created by Carol Holmes' planned contract expiration, and Deb Hettinger's unexpected departure, but I am very pleased to have Sharon Lenza and Robin Borgione joining us at the end of that process. Barb Duke is to be commended for her particularly significant role in successfully bridging that gap, and I have recognized her "above and beyond the call of duty" efforts with a one-time bonus. Sharon and Robin both have strong systems skills, and I intend to deploy them in evaluating our office technology suites to see if we can better integrate our accounting and development databases.

The hiring process for these two positions further affirms my sense that our staff members have been (and some remain) undercompensated against local market norms and against the value that they add to the organization. I am committed to working to improve this situation in future years' budgets. Sharon's and Robin's compensation terms both ended up higher on an hourly basis than I had budgeted, but for the current year, their increases are offset by savings during the hiatus period, so bottom line budget impact will be negligible in 2016.

Mary DiCarlo and Karen Lindell are in a directed period of transition this year. At the end of the October 2016 Tour, Karen will assume most of Mary's historic core duties, with Mary shifting into a more traditional nonprofit major gift development officer role to support me, the Trustees, and the Campaign Committee of the endowment building campaign. Managing change processes like this can be challenging for everyone involved, but I am hopeful that both Karen and Mary will thrive and succeed in their new roles once we come through the transition.

On a personal front, I had provided the Executive Committee with a set of goals and metrics as part of our Trustee and President Memorandum of Understanding last fall, upon which my performance was to be evaluated at the six month point. I provided my self-assessment against these goals to the Executive Committee for discussion and evaluation in early March. While I strive for 100% in all of my work, I was only able to score myself as having achieved 53 of 64 possible points, for an overall evaluation summary of "B -- Exceeds Expectations." I will soon be providing my goals for the remainder of 2016 to the Executive Committee, and will continue to strive to fully meet all defined goals.

Real Estate

In early 2016, I engaged a real estate broker to help us evaluate office properties in advance of our September 30, 2016 lease expiration date. I limited the search to properties within 1.0 mile of the Naperville and Lisle train stations, to not overly inconvenience staff or myself with a move that would increase daily commuting times; it already takes me nearly two hours door to door each way. I set an ideal footprint of ~1,100 square feet, compared to the ~560 square feet we currently occupy with six people, in space originally configured for three. The current space makes many routine tasks (e.g. telephone conversations, personnel meetings, etc.) virtually impossible, resulting in staff often having to conduct business remotely, or scheduling meetings in offsite locations.

Barb and I visited several sites with our broker, and the affordable options were, frankly, disappointing. We identified one property in Lisle (near the site of our May 16 meeting) that seemed to meet our goals, but in the negotiation phase, additional fees and limitations emerged that moved it outside of my desired budget. While I would have preferred to move us to something more closely approximating "Class A" office space, I have negotiated with our current landlord to add an adjacent suite to our current office footprint, reconfiguring both to provide five offices (one shared, four private) and a conference room where we can meet as a group or with guests.

The consolidated suites will provide ~1,080 square feet of usable space. The conversion of the new portion of the suite will be completed for occupancy in August, and renovations on the current office will be completed while three of us are in the Carolinas for the Tour in October. We will be fully resident in the completed new space by the end of October.

Our current rent is \$1,439 per month (~\$30.80 per square foot), and the new rent over a proposed five year lease will escalate from \$2,150 per month in year one to \$2,420 per month in year five (~\$24.60 to ~\$26.90 per square foot). These are “all in” costs, including water, electricity, housekeeping, maintenance, etc. We will incur some modest furnishing and retrofitting costs (e.g. conference room furniture, phone relocations, etc.), but will not need to hire a commercial mover to support the relocation, so there are savings associated with remaining in place.

Overall, the impact of this decision is favorable to what I had proposed in the 2016 budget. I will request your approval to sign this lease at our meeting next week.

Current Year Financial Overview

We reported a strong first quarter to Finance Committee with expenses on track to budget for the quarter, and revenues exceeding budget for the quarter. Some of these surpluses are simply timing matters (e.g. donors and corporate partners making expected gifts earlier than in prior years), while some are from new funding sources. I expect this trend to continue through the year. The only revenue area I have mild concerns about is the unrestricted operating line, since we were not able to launch this program as effectively as I would have liked given staffing shortages in early 2016. I think we will be able to make it up going forward.

As reminder, we do not intend to draw earnings from the Chicago Community Trust (CCT) this year, but will instead draw down surplus operating reserves to address any net shortfall. The budget was based on a reserve draw of ~\$56,000 (from ~\$500,000 in operating reserves at the start of the year), and I am optimistic that any net variances in budget performance at year end will have the effect of reducing this draw.

Our auditors, Dugan and Lopatka, have presented their findings related to our 2015 financials to our Audit Committee, who will in turn present them to you at our meeting in May. No findings of significance were reported to me. As I have mentioned before, I would like to run an RFP process this summer to evaluate auditing firms for the next five years. Dugan and Lopatka will be invited to bid. I see this process as being an important periodic step in ensuring that we are receiving both good pricing and strong audits. I have some mild nagging concerns on both fronts with the process and outcomes I observed for the 2015 closeout that I will discuss at our meeting, most especially related to how we account for the funds held by the Chicago Community Trust to support our work.

Endowment Building Campaign

I've provided you with an extensive written proposal for our campaign, and come to the meeting in May having vetted it with the Development, Finance and Executive Committees. We will have additional expenses in 2016 associated with launching this campaign, including wealth screening, Feasibility Study, and a public relations retainer (the latter will not be placed until late in the year, so will have nominal impact on 2016 spending plans). We will issue a public RFP for the Feasibility Study upon Board approval in May. The last one I ran cost about \$25,000 in Iowa; I would estimate it should not exceed \$30,000 in the Chicago market. The wealth screening costs will be less than \$10,000. These new items are manageable within the approved 2016 budget, given savings achieved by remaining in the same office building, and costs for the ISA International event (discussed below) looking as if they will be lower than budgeted.

I will be seeking your approval to move forward with the campaign at our May meeting.

STIHL Tour des Trees

The STIHL Tour des Trees is off to a strong start with nearly 80 riders registered, five weeks before our normal registration period ends. Team Bartlett and Team Rainbow are both working hard to recruit new riders, with our gratitude, and the Carolina Tour location has allowed us to bring in new riders and corporate partners from within that arboriculture-friendly market. Corporate partnerships have already been secured to cover all budgeted expenses in aggregate, though we still have some stops requiring support, etc. Our goal at this point is to ensure that we maximize rider-raised funds, and then see an amount equal to or greater than their total lift go out the door in 2017, either to current year's research, or to the Endowment.

Note that there are several riders who are requesting that gifts to their campaigns be designated to the Skiera Fund or to the Utility Arborist Research Fund (UARF); funds designated to UARF are eligible for the 50% Pacific Gas and Electric match. While we have been somewhat lukewarm about such designations in the past, I am fine with riders taking this approach, as it supports our strategic goal to build the Endowment, as Tour costs are defrayed by corporate partners, and as we are seeking other sources of unrestricted operating funds to ensure that the Tour is not perceived as subsidizing our office expenses. We have also changed our approach to Corporate Partnership marketing to make gifts less single event specific and advertising oriented where possible, and more about corporate investment in our overall work and mission. Gifts can be allocated across multiple functional areas this way as we acknowledge our partners' contributions via multiple platforms, not just via single event sponsorship.

Paul Wood of Black Bear Adventures has been our Tour Director for 11 years. The 2016 Tour is being staged on a one-year contract signed immediately before I arrived. Having seen Paul's management of the Tour and the esteem in which our riders hold him, reviewed the results of the most recent RFP for Tour services (completed before I was hired), and having participated in similar rides with other organizations, I am confident and comfortable with extending Paul's engagement on a sole source basis for an additional three years.

We have held Paul's fees constant throughout his 11 year service with us at \$40,000 per year. I do not consider this to be sound business practice as the Tour's financial success has grown throughout this time, but the person hired to serve as its "field marshal" has received no financial benefit from its success.

Using a retroactive 2.0% annual increase (conservative, and generally below consumer price index and other inflation indices of purchasing power) from the inception of Paul's service with us, on a constant dollar basis, his fee would be about \$50,000 per year today if our payments to him are to have the same purchasing power that they had when we first hired him. Paul's proposal for the 2017 to 2019 Tours includes about 1,050 hours, plus use of his physical and material infrastructure without additional charge; this equates to a rate of about \$45/hour, which is very reasonable for professional contract services of this nature.

I will be requesting your approval to contract with Paul and Black Bear Adventures to manage the 2017 to 2019 Tours at an annual fee of \$50,000 at our meeting in May.

Network Building

I have visited 14 ISA Chapters in the United States (some multiple times) since arriving at TREE Fund, and have two more scheduled between the date of this memorandum and our meeting in May. I am on track to visit all 20 U.S. Chapters by the end of the year, along with attending various TCIA events (Expo and Winter Management Conference) and other organizations' conferences and meetings. I will be visiting ISA headquarters in Champaign between now and then as well to discuss various items of mutual interest with their leadership.

While our history and our liaison structures have justifiably put the focus squarely on ISA Chapter conferences and events as the cornerstone of our outreach programs, I have also been seeking nontraditional (for TREE Fund) venues to create engagement, e.g. I attended the Iowa Shade Tree Short Course and Randy Miller attended the Minnesota Shade Tree Short Course this year, and both of these events were exceptional in their programming and their attendance (700 people in Iowa, and 1,200 people in Minnesota). These are "tree people," but not ones who necessarily have any existing connections with TREE Fund. I see such events as key to "opening the circle" to new donors as we move into Campaign mode.

Other examples of such networking opportunities: I attended the American Society of Landscape Architects conference in Chicago, with a kind invitation from, and excellent introductions to ASLA leaders by Jim Urban; I attended the Northwest Ohio Tree City Awards Ceremony, where we screened the TREE Fund supported "Trees in Trouble" documentary for ~200 enthusiastic participants, most of them municipal tree care professionals; Tom Wolf introduced me to the City Manager in Annapolis, Maryland, and that has lead to connections with the Smithsonian Environmental Research Center; and Alan Jones from Bartlett connected me with leadership of the Journey Through Hallowed Ground Partnership, who I will be visiting in Loudoun County, Virginia, in May.

These last two connections could be very valuable to us as we prepare to stage the Tour in the greater Washington D.C. metro area in 2017. I cite these examples to perhaps get you all thinking of other such connections you can help me make with events or organizations beyond our traditional ISA and TCIA calendar focus. Those organizations are our parents and our most important partners, of course, but there are a lot of opportunities out there beyond their circles, and it is important that we are open and receptive to them all.

We are also working to expand our visibility within our home market: I will be meeting with City Managers in Evanston, Illinois in May, to propose collaborative programs there, and we are conducting four community engagement events this week with local schools and businesses to mark Arbor Day. When I walked through the Chicago Loop last weekend, I noted that Morton Arboretum had (safely) tagged 2,000 street trees with “Trees Need Space, Trees Need YOU!” placards that direct viewers to their website as part of a well-funded, multi-partner initiative to create a sense of community ownership of our urban forest. There are many funders and many other nonprofit organizations involved in this initiative, and none of them thought to contact us as a potential partner, indicating a significant lack of awareness of our mission and work here. We need to be viable and known in our home market, and tap community resources here better than we have in the past.

Grants and Programs

With thanks to Dr. Hallie Dozier and her Research and Education Committee review teams, we will be seeking Board approval at the May meeting for our Spring Grant Cycle, which includes the Hyland Johns Grants (now up to \$50,000 each), the Arboriculture Education Grants and the Robert Felix Scholarships.

Also with Hallie’s blessing and help, we will be opening an extra grant review cycle on June 1, 2016, with applications due by September 1, 2016. These will be for an additional Fellowship Award (\$100,000), the initial Safe Arborist Techniques Fund grants (\$10,000), and the Ohio Chapter ISA Education Grant (this one was opened this spring, but did not receive applications; we are working with OCISA to ensure we receive some viable ones over the summer). We are also expecting guidance from UAA in May on an RFP for the first directed grants under PG&E’s initial \$250,000 gift to UAA, most of which will be transferred to us for grant administration. If we have this in time, we will also open this during the supplemental cycle.

All of these programs will require Board approval, and I would like our fall teleconference to be scheduled for the first week in October (slightly later than usual) to support this cycle. Reminder: we have budgeted \$450,000 in grant awards this year, a sizable increase for us, but crucial if we are to make a case for our work having deep and broad impact as we work to secure gifts under the endowment building campaign. We need to be fairly aggressive about running RFPs and issuing awards (e.g. if we have solid, viable candidates, I like to see us award two Hyland Johns grants in May) to reach our goal. I recognize this is extra work for the review teams, and I am grateful for their assistance in this regard.

Conclusion

2016 is going to be a significant pivot year for us in many ways, and I appreciate your support and enthusiasm as we seek to adapt our messaging, our outreach, our finances and our organizational structure to achieve the goals of our Strategic Plan. Please let me know if there are additional areas beyond those covered above on which you would like a report from me, or would like me to be prepared to present at our May meeting. I look forward to seeing you all soon, and remain grateful for the trust you've placed in me.

All best,

A handwritten signature in black ink, appearing to read "J. Eric Smith". The signature is fluid and cursive, with a large loop at the end.

J. Eric Smith
President and Chief Executive Officer



Finance Committee Report
Prepared by: Ray Henning, Chair
Date Submitted: April 29, 2016

The Finance Committee is charged with the following:

Basic Function: Responsible for the overall direction and control of the finances of the organization.

Responsibilities:

- Coordinates the preparation of the annual budget
- Makes recommendation of annual budget to the board
- Reviews monthly financial reports
- Compares actual expenses to approved budgeted expenses and discuss variances, make recommendations as necessary
- Reviews budgets of special projects and makes recommendations to the board
- Reviews on an annual basis the sources of funding for the organization
- Recommends to the board the investment of funds and reports to the board on a regular basis the condition of such investments
- Reviews annually amount of insurance coverage
- Reviews credit card procedures annually
- Reports to the board other financial matters deemed appropriate by the board

Related Strategic Initiatives:

Goals:

- To provide overall direction and oversight of the finances of the TREE Fund
- To understand the oversight process in order to insure the integrity of our resources
- Fiscally responsible Board of Trustees

Outcomes:

- A financial plan which is supportive of our strategic plan
- Availability of sufficient liquid cash to support operations
- Financial reports which are accurate, comprehensive and informative
- Deposits equal to 30% of annual estimated operating budget in a reserve account

Objective	Who	What	By When	Resources needed
Prepare a 3-year financial forecast				
Identify a mechanism for building the reserve account.		\$180K	12/31/17	
Budget approved annually	Staff Committee Chair	Develop annual budget to support strategic initiatives	Annual meeting in December	trustee time executive staff time, bookkeeper time, committees' budgets, conference call \$
Financial recommendations at each board meeting	Treasurer	Present treasurer report at each board meeting and make recommendations for approval or revision as needed.	May August Dec. 30	trustee time, staff time,
Monitor CCT performance compliance w/policy	Full committee		May	investment policy, endowment policy Trustee Time
Report on Named Funds	President CEO	Purpose; Financial Goal; date for initial disbursement	May Board meeting	Balance Sheet Fund establishment documents Executive time Staff time

Meetings:

Date: March 28, 2016

Participants: Ray Henning, Terry McGonegle, J. Eric Smith, Tom Wolf

Topics and actions: Reviewed and approved the proposed Endowment Campaign; Reviewed CCT statement, discussed timeliness of monthly statements from CCT, agreed that we do not want automatic disbursement checks and that funds will be sent to CCT on a monthly basis; requested that monthly P&L and Balance Sheet reports be sent to the Finance Committee monthly to measure performance against budget; reviewed Grants Paid/Payable 2015 year-end report.

Date: April 27, 2016

Participants: Ray Henning; Rick Joyce; Terry McGonegle; Bill Schleizer; J. Eric Smith; Tom Wolf; Sharon Lenza

Topics and actions: Reviewed the February CCT Statement; discussed the restrictions on the CCT investment tool, recommended that the Board classify the endowment as Permanently Restricted (aside from "Spendable Balance") and search for other investment tools; reviewed the first quarter financial statements and the new format of monthly reports, going forward financial reports will be presented monthly to the Finance Committee; the revised grants paid and payable report was reviewed, all 2016 grants will be paid from operating surplus, going forward funding for current projects will be held for payout and future funds will be held for Finance Committee and Board discussion prior to sending to CCT; update on the audit was presented; supported the proposed request to the Board to submit a RFP for future audit services.

Next Meeting Date: May 26, 2016



Finance Committee Meeting Minutes

Date & time of meeting: April 27, 2016, 1:00pm Central Time via conference call

Attending: Ray Henning, Treasurer; Rick Joyce; Terry McGonegle; Bill Schleizer; J. Eric Smith; Tom Wolf; Sharon Lenza

Ray Henning called the meeting to order at 1:04pm, welcomed the Committee and introduced Sharon Lenza, TREE Fund's new Accounting and Grants Manager.

Confirm Minutes from March 28, 2016 meeting: Committee members were asked whether they had any edits to the minutes. None were cited. Motion was made by Terry McGonegle to approve the minutes. Motion was seconded by Tom Wolf. Motion carried.

CCT February Statement: Eric stated that the CCT distribution check received in error from CCT in March was returned in April. Automatic distributions have been suspended. CCT allocates our gifts to their overall growth pool. TREE Fund staff keeps accounting of sub-account funds and allocates interest accordingly. Monthly financial reports will be presented to the Finance Committee going forward. All 2016 grants will be paid from operating surplus. Funding for current projects will be held for payout. Going forward, funds will be held for Finance Committee and Board discussion prior to sending to CCT. Motion was made by Rick Joyce to request Board to classify the endowment as Permanently Restricted (aside from "Spendable Balance") and to explore other investment tools in addition to CCT; motion was seconded by Terry McGonegle. Motion carried. Eric will evaluate benefits of having Endowment at CCT.

First Quarter Financial Statements: Eric reviewed new format of monthly reports. Expenses are on track. Income is up due to new funding and accelerated funding. Sharon will add a note under Net Income line on P&L showing funds sent to CCT.

Grants Paid/Payable: No new grant payments have been made Q1. Research Committee will recommend Hyland Johns Grant, Arboriculture Education Grant and Felix Scholarship awards at May board meeting. A \$5K check is being sent to TCIA for the Arborist Safety Training Institute (ASTI) from the Gamma Fund per request by Tim Gamma.

Old Business: IRS Form 990 was received. Audit was presented to the Audit Committee; no findings were reported. Guidestar module will be purchased to ascertain non-ratio based metrics.

New Business: Request to submit RFP for audit services will be made to the board May 16. Dugan & Lopatka will be invited to submit as well. Eric will work on this process with the Audit Committee and Will Nutter.

Motion was made to adjourn by Bill Schleizer. Motion was seconded by Rick Joyce. Motion carried. Meeting adjourned at 1:59pm Central Time. Next meeting has been scheduled May 26 at 1pm Central Time.

Task	Assigned to	Due date
Re-evaluate Finance Committee meeting schedule	Committee	August 2016



Make motion to the Board to classify funds at CCT as Permanently Restricted		Eric	May 16, 2016
Evaluate benefits of having endowment at CCT		Eric	May 26, 2016
Request Board to explore options other than CCT to hold funds		Eric	May 26, 2016
Add \$ amount sent to CCT on P&L		Sharon	May 26, 2016
Request approval from Board to issue RFP for audit services		Eric	May 16, 2016



Finance Committee Meeting Minutes

Date & time of meeting: March 28, 2016, 1:00pm Central Time via conference call

Attending: Ray Henning, Treasurer, Terry McGonegle, J. Eric Smith, Tom Wolf

Excused: Bill Schleizer **Absent:** Rick Joyce

Ray Henning called the meeting to order and welcomed the committee at 1:04pm.

Confirm Minutes from December 1, 2015 meeting: committee members were asked whether they had any edits to the minutes. None were cited. Committee members were asked to submit edits to Barb Duke by COB on March 28. After that time, the minutes will become the permanent record.

Review Proposed Endowment Campaign: Eric reviewed the proposed Endowment Campaign and asked the committee for questions and/or comments. The Executive Committee and Development Committee have also met to review the campaign. Intent is to present the campaign to the board in early April including any revisions suggested by these committees. Campaign will then be presented to the board for a vote at the May 16th Trustee Meeting. Finance Committee will be charged with managing these funds and setting policy/protocol related to oversight of funds. Motion to approve the proposed Endowment Campaign was made by Terry McGonegle and seconded by Tom Wolf. Motion carried.

CCT January 2016 Statement: Eric is meeting with Abbe Temkin at CCT on 3/29 to discuss timeliness of monthly statements from CCT and to reiterate that we do not want automatic disbursement checks.

2015 Audit Draft Review: Audit Draft will be sent to the Board after review by Audit Committee scheduled April 4. An auditor RFP will be sent this year

December 2015 P&L and Balance Sheet Review: monthly reports will be sent to Finance Committee to measure performance against budget.

Investment Roll Forward: per Committee agreement, funds will be sent to CCT on a monthly basis

Grants Paid/Payable: reviewed 2015 year-end report

Old Business: none

New Business: Eric updated committee on status of his Chapter visits; all have been accomplished or scheduled.

Motion was made to adjourn by Tom Wolf and seconded by Terry McGonegle. Motion carried. Meeting adjourned at 1:55pm Central Time. Next meeting has been scheduled April 27 at 1pm Central Time.

Task	Assigned to	Due date
Submit edits to 12/1/15 Finance Committee Meeting Minutes to Barb Duke	committee	3/28/16

The TREE Fund
Balance Sheet
As of March 31, 2016

	Mar 31, 16
ASSETS	
Current Assets	
Checking/Savings	
1003 · Petty cash	94.11
1004 · PNC- 4549 operating	22,409.22
1005 · PNC - 4434 reserve	42.09
1006 · Wintrust	426,627.26
Total Checking/Savings	449,172.68
Accounts Receivable	
1100 · Accounts Receivables	53,148.18
1510 · Pledge receivables	43,606.50
1510.1 · Discount on pledge receivables	-3,455.00
Total Accounts Receivable	93,299.68
Other Current Assets	
Prepaid expenses	
1490 · Prepaid rent	1,439.00
1491 · Prepaid postage	169.33
1492 · Prepaid Insurance	6,040.00
1493 · Prepaid other	500.00
Total Prepaid expenses	8,148.33
Investments held at CCT	
CCT - Permanently Restricted	1,263,380.87
CCT - Temporarily Restricted	1,271,166.91
CCT - Unrestricted	563,765.50
Total Investments held at CCT	3,098,313.28
Total Other Current Assets	3,106,461.61
Total Current Assets	3,648,933.97
Fixed Assets	
1600 · Fixed Assets	30,120.00
1699 · Accum Depreciation	-30,120.00
Total Fixed Assets	0.00
TOTAL ASSETS	3,648,933.97
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
2000 · Accounts Payable	1,804.44
2050 · Grants Payable	112,832.40
Total Accounts Payable	114,636.84
Other Current Liabilities	
Payroll Liabilities	0.03
2450 · Accrued PTO	16,988.61
Total Other Current Liabilities	16,988.64
Total Current Liabilities	131,625.48
Total Liabilities	131,625.48
Equity	
3200 · Unrestricted-Operating	787,752.89
3600 · Temporarily Restricted	1,088,104.00
3800 · Permanently Restricted	1,256,535.51
3900 · Retained Earnings	103,013.11
Net Income	281,902.98
Total Equity	3,517,308.49
TOTAL LIABILITIES & EQUITY	3,648,933.97

The TREE Fund

Profit & Loss Budget vs. Actual

January through March 2016

	Jan - Mar 16	Budget	Over Budget	% of Budget
Ordinary Income/Expense				
Income				
4001.00 • Annual Oper Campaign Unrestrict	101,464.83	45,000.00	56,464.83	225.48%
4100.00 • Other Income	22.09	800.00	-777.91	2.76%
4500.00 • Special Event ISA Conference	38,575.00	5,000.00	33,575.00	771.5%
4700.00 • Sponsored Grants/Scholarship	102,623.61	15,000.00	87,623.61	684.16%
4900.00 • Special Event Tour Des Trees	192,028.00	175,000.00	17,028.00	109.73%
5300.00 • Merchandise sales	210.00			
Total Income	434,923.53	240,800.00	194,123.53	180.62%
Gross Profit	434,923.53	240,800.00	194,123.53	180.62%
Expense				
6010.00 • Board & Liason Expense	3,248.75	0.00	3,248.75	100.0%
6020.00 • Monetary Grants	0.00	0.00	0.00	0.0%
6050.00 • Occupancy & Equipment Expense	3,234.24	7,000.00	-3,765.76	46.2%
6100.00 • Office Expense	5,234.82	6,000.00	-765.18	87.25%
6150.00 • Personnel Expenses	87,288.45	92,000.00	-4,711.55	94.88%
6200.00 • Professional Fees	17,106.93	15,000.00	2,106.93	114.05%
6300.00 • Service Fees	5,073.90	3,000.00	2,073.90	169.13%
6500.00 • Special Event ISA Conference	1,408.01	3,000.00	-1,591.99	46.93%
6900.01 • Special Event Tour des Trees	14,721.42	12,000.00	2,721.42	122.68%
7000.00 • Technology Expense	5,960.33	6,000.00	-39.67	99.34%
7100.00 • Travel & Meetings	9,743.70	12,200.00	-2,456.30	79.87%
8000 • Misc. Expense	0.00			
Total Expense	153,020.55	156,200.00	-3,179.45	97.97%
Net Ordinary Income	281,902.98	84,600.00	197,302.98	333.22%
Net Income	281,902.98	84,600.00	197,302.98	333.22%



Cultivating Innovation in Arboriculture and Urban Forestry

552 South Washington Street, Suite 109, Naperville, Illinois 60540 630-369-8300 www.treefund.org

Investments Managed by Chicago Community Trust

reconciliation as of 2/29/16

				12/31/2015 Balance	Addition: 2016 income	Subtotal	YTD Net Change in Asset	2/29/2016 Balance
Permanently Restricted Funds:								
1520.41	BRB	Barborinas Fund		65,076	-	65,076	(3,010)	62,066
1520.51	GAM	Frank Gamma Arbor. Ed. Fund		101,685	-	101,685	(4,703)	96,982
1520.13	SHI	John White Fund		59,332	-	59,332	(2,744)	56,588
1520.22	MCC	Dr. Mark McClure Research Fund		101,647	-	101,647	(4,701)	96,946
1520.81	IAA	IL Arborist Association Fund		32,075	-	32,075	(1,483)	30,592
1520.12	WRI	John Wright Memorial Schol Fund		18,585	-	18,585	(860)	17,725
1520.71	UAR	Utility Arborist Research Fund		362,441	-	362,441	(16,762)	345,679
1520.95	APP	Bonnie Appleton Memorial Fund		55,135	-	55,135	(2,550)	52,585
1520.11	DUL	John & Evelyn Duling End. Fund		195,482	-	195,482	(9,041)	186,441
1520.21	FEL	Robert Felix Memorial Fund		271,923	-	271,923	(12,576)	259,347
Total Permanently Restricted				1,263,381	-	1,263,381	(58,429)	1,204,952
Temporarily Restricted Funds:								
1520.30	SAT	Safe Arborist Techniques Fund		251,058	13,000	264,058	(11,611)	252,447
1520.92	OHC	Ohio Chapter ISA End. Fund		113,656	-	113,656	(5,256)	108,400
1520.20	FEL-C	Robert Felix Mem. Scholarship		353,869	-	353,869	(16,366)	337,503
1520.92	SKI	Bob Skiera Memorial Fund		299,359	13,000	312,359	(13,845)	298,514
1520.50		Gamma Investment Income		41,441	-	41,441	(1,917)	39,524
1520.80		Dr. McClure Research Fund		20,464	-	20,464	(946)	19,518
1520.82		IL Arborist Association Fund		11,816	-	11,816	(546)	11,270
1520.93		John Wright Scholarship Fund		8,568	-	8,568	(396)	8,172
1520.94	CATT	Collier Arborist Training Trust		-	96,765	96,765	-	96,765
Total Temporarily Restricted				1,100,231	122,765	1,222,996	(50,884)	1,172,112
Unrestricted Funds:								
1520.10		John & Evelyn Duling End. Fund		332,776	-	332,776	(15,390)	317,386
1520.61	BRT	Bartlett Fund		44,096	-	44,096	(2,039)	42,057
1520.99		Other Unrestricted Funds		186,892	-	186,892	(8,643)	178,249
Total Unrestricted				563,764	-	563,764	(26,073)	537,691
Total Investments at CCT				2,927,376	122,765	3,050,141	(135,386)	2,914,755



THE CHICAGO
COMMUNITY TRUST
AND AFFILIATES

**Financial Summary of
Tree Research and Education Endowment Fund (F726)
For the Month Ended February 29, 2016**

Beginning Market Value 01/31/2016	\$ 2,809,715.52
Contributions (see attached detail)	122,765.00
Grants Paid	0.00
Net Realized/Unrealized Gain/Loss	(19,628.48)
Net Investment Earnings	1,904.33
Administrative Fees	0.00
Administrative Expenses	0.00
Transfers	0.00
Miscellaneous Income	0.00
Miscellaneous Expenses	0.00
Ending Market Value 02/29/2016	\$ 2,914,756.37

Account Holdings

Investment Pool A	\$ 2,791,991.37
- 4,457.9795 units @ \$626.29 per share	
Short Term Investment Pool	122,765.00
- Pending Purchase in Investment Pool on 03/01/16	
Total	\$ 2,914,756.37

If you have questions about this statement or your fund, please contact:

Abbe Temkin
Director, Major and Planned Gifts
312-616-8000
atemkin@cct.org

**Financial Summary of
Tree Research and Education Endowment Fund (F726)
For the Month Ended February 29, 2016**

Spending Plan

Beginning Spendable Balance	\$ 0.00
Spending Allocation FY 2016	110,718.00
Grants Paid Year To Date	0.00
Administrative Fees Year To Date	(2,503.00)
Administrative Expenses Year To Date	0.00
Trustee Fees Year To Date	0.00
Investment Management Fees Year To Date	0.00
Miscellaneous Expenses Year To Date	0.00
Remaining Spendable Balance as of 02/29/2016	<u>\$ 108,215.00</u>

Contributions and Receipts Received

02/15/2016 Tree Research and Education Endowment Fund	\$ 96,765.00
02/25/2016 Tree Research and Education Endowment Fund	\$ 26,000.00
Total:	<u>\$ 122,765.00</u>

If you have questions about this statement or your fund, please contact:

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atemkin@cct.org



THE CHICAGO
COMMUNITY TRUST
AND AFFILIATES

**Financial Summary of
Tree Research and Education Endowment Fund (F726)
For the Quarter Ended March 31, 2016**

Beginning Market Value 12/31/2015	\$ 2,927,377.82
Contributions (see attached detail)	122,765.00
Grants Paid (see attached detail)	(50,353.00)
Net Realized/Unrealized Gain/Loss	(21,274.80)
Net Investment Earnings	5,717.24
Administrative Fees	(2,503.00)
Administrative Expenses	0.00
Transfers	0.00
Miscellaneous Income	0.00
Miscellaneous Expenses	0.00
Ending Market Value 03/31/2016	\$ 2,981,729.26

Account Holdings

Investment Pool A	\$ 3,034,585.26
- 4,653.9987 units @ \$652.04 per share	
Short Term Investment Pool	(52,856.00)
- Pending Redemption from Investment Pool on 04/01/16	
Total	\$ 2,981,729.26

If you have questions about this statement or your fund, please contact:

Abbe Temkin
Director, Major and Planned Gifts
312-616-8000
atemkin@cct.org

**Financial Summary of
Tree Research and Education Endowment Fund (F726)
For the Quarter Ended March 31, 2016**

Spending Plan

Beginning Spendable Balance	\$ 0.00
Spending Allocation FY 2016	110,718.00
Grants Paid Year To Date	(50,353.00)
Administrative Fees Year To Date	(5,006.00)
Administrative Expenses Year To Date	0.00
Trustee Fees Year To Date	0.00
Investment Management Fees Year To Date	0.00
Miscellaneous Expenses Year To Date	0.00
Remaining Spendable Balance as of 03/31/2016	<u>\$ 55,359.00</u>

Contributions and Receipts Received

02/15/2016 Tree Research and Education Endowment Fund	\$ 96,765.00
02/25/2016 Tree Research and Education Endowment Fund	\$ 26,000.00
Total:	<u>\$ 122,765.00</u>

Grants Paid

03/18/2016 Tree Research and Education Endowment Fund	\$ 50,353.00
Total:	<u>\$ 50,353.00</u>

If you have questions about this statement or your fund, please contact:

Abbe Temkin
Director, Major and Planned Gifts
312-616-8000
atemkin@cct.org



Governance Committee Report
Prepared by: Steve Geist, Chair
Date Submitted: April 29, 2016

The Governance Committee is charged with the following

Basic Function: The Governance Committee is Responsible for managing the process of soliciting new board members. It has the direct responsibility for coordinating the board's composition, development, evaluation and internal processes.

Responsibilities: To prepare priorities for board composition.

Draft a recruitment plan and continuously cultivate new prospects.

To meet with prospective board members and recommend candidates to the board.

To recommend a slate of officers to the board. Develop job descriptions for board members

Orientate new board members and provide continuing education of all members on their responsibilities.

Ensure that the board regularly engages in self-assessment

To suggest new, non-board individuals for committee membership.

Meetings:

		Jan 13 2016	Feb 17 2016	Mar 9 2016	Apr 13 2016
Attending					
Chair	Steve Geist	P	P	P	P
Trustee	Brent Asplundh	A	P	P	A
Committee	Dennis Beam	E	P	A	E
Trustee, treasurer	Ray Henning	P	P	P	P
Trustee	Tom Wolf	P	P	P	P
Staff	Barb Duke	P	P	P	P
Staff	Eric Smith	P	P	P	P

P – present A – absent E – excused

Topics and Action Items

- Communications sub-committee is in need of members. Chair, Roger Phelps will be otherwise committed for the short term. However Roger has communicated the direction of the sub-committee towards philanthropic mission to be communicated to the public, friend-raising parallel to fund-raising, engagement of a professional PR firm to increase our audience. Eric is developing a campaign plan which will outline needs from a PR firm. Tom Wolf and Steve Geist will ask their company's marketing departments for potential candidates.
- Ray Henning spoke with Jerrie LaHaie (Society of Municipal Arboriculture) regarding municipal arborist recruits. Jerrie has not come back with any names. Ray has also suggested the Sustainable Urban Forests Coalition website as a source of potential candidates. We do not currently have municipal forestry representation on the TREE Fund Board.
- The liaison committee has an opening in the Western Chapter. Steve will contact Rose Epperson and Eric will be at the Western Chapter meetings in May. Rose did contact Steve inquiring about changes in the liaison job description. Steve replied with generalized changes as the governing documents are still in draft form. Steve will also contact the American Society of Commercial Arborists for potential committee and trustee members.
- Steve will contact Will Nutter for Vice Chair position. Will Nutter graciously declined the position.
- Jim Barborinas has been working on finding a trustee candidate to succeed him on the board. His lead at J Frank Schmidt declined. Jim Urban brought up 2 individuals in the nursery industry coming from Florida. Initially I did not contact them as Jim Barborinas was still working on the individual from Schmidt.
- The governance committee is supportive of amending the liaison governing documents.
- The governance committee has asked Eric Smith to meet with Jim Skiera. The governance committee is interested in seeing if there isn't some way to even out the playing field amongst the chapters. We are also interested in the ISA International Chapters participating in the TREE Fund. How can that be facilitated? Also is there a way to tap into the Certification program as a source of funding.
- Requests for proposal are in development with ISA for the Safe Arborist Techniques Grant to open June 1.
- Eric Smith advised the Governance committee that we have 16 trustees which is 1 over the trustee agreement. This will correct at the end of the year when Randy Miller's term on the TREE Fund board comes to a close.

Accomplishments:

- Tom Wolf asked Sandy Reid at Davey for committee member recommendations. Sandy suggested Jennifer Lennox and she has been recruited to the communications sub-committee. Staff has communicated with Jennifer indicating that the committee will become active once Roger Phelps becomes available.
- The Liaison Committee governing documents have been revised. Attached.
- Jim Urban suggested 2 individuals for TREE Fund board of Trustees:
 - Matt Nielson, Select Trees
 - 1900 Cole Springs Rd, Bishop, GA 30621
 - 800.486.7353 (toll-free office #) 706.614.4798 (cell)
 - 706.743.5124 (office); www.selecttrees.com; mnielson@selecttrees.com

- Timothee Sallin, President , Cherry Lake Tree Farm and Legacy Scapes
- 7836 Cherry Lake Rd. Groveland, FL 34736
- (352) 429-2171 timothee.sallin@cherrylake.com

Objectives for the first quarter of 2016:

- Seek a candidate for Vice Chair position.
- Finalize, approve the liaison governing document.
- Fill the open vacancy for the Western chapter liaison position.
- Recruit for the communications sub-committee.

Next Meeting Date:

June 8, 2016



Development Committee Report
Prepared by: Brian Sayers, Chair
Date Submitted: 04/26/2016

The Development Committee is charged with the following:

Basic Function: Responsible for the leadership and oversight of fund development activities and external communications of the organization

Responsibilities:

- Oversees the creation and execution of the TREE Fund's development plan to effectively promote the organization, raise awareness about our mission, expand the donor base, develop new funding sources and coordinate planning giving materials.
- Reviews quarterly reports on fund development activities.
- Reviews quarterly reports on communications activities.
- Reviews and recommends budget line items, revenue and expenses for fund development and communication activities.
- Reviews annually basis the revenue sources for the organization in conjunction with the Finance Committee

Related Strategic Initiatives:

- To increase awareness and understanding of the TREE Fund's mission by existing and emerging constituencies
- To increase awareness of our programs
- To increase financial support of programs
- To increase unrestricted gifts in number and amount
- To diversify operating income

Projected Outcomes:

- Increased awareness of TREE Fund
- Diversified revenue streams to support the growth of our operations and endowment

Meetings:

- Dissemination of Eric's "bigmemo" outlining anticipated fund-raising for the next three years. (Eric Smith, Will Nutter, Sara Sankowich, Brian Sayers, Randy Miller)
- Included in this memo e-mail were numerous comments made by members of the executive committee and Eric's response to them.
- This memo has been in the hands of the above members since 04/11/2016.
- As per Eric's suggestion, we are waiting for board discussion before we move any further on development issues.
- Topics: Read memo and respond with any further comments.

Accomplishments:

- No member raised any issues so - as per instructions – we are to assume that the development committee has no significant issues to raise other than those that were raised and answered.

Next Meeting:

TBD



Research & Education Committee Report

Prepared by: Hallie Dozier, Chair

Date Submitted: May 9, 2016

The Research & Education Committee is charged with the following

Basic Function: Review and selection of research grant, scholarship, and education grant applications.

Responsibilities: Meet regularly with Research and Education sub-committees to review and select applications for scholarships and educational grants.

Related Strategic Initiatives:

Goal 2.1: Determine what we should fund in education and research

Goal 2.2: Manage the processes around making grants and awarding scholarships

Committee Activities.

- The **Research Sub-Committee** met via telephone on **April 29, 2016**.
- We reviewed 20 Hyland R. Johns applications
- We added four new Education Committee members:
 - Anne Spafford (North Carolina State)
 - Peggy Coates (Louisiana State University Hilltop Arboretum)
 - Jennifer Grimes (Aspen Tree)
 - Shirl McMayon (TF Liason, Western Chapter)
- The **Education Sub-Committee** met via telephone on **May 5 2016**.
- We reviewed 6 Robert Felix Memorial Scholarship applications
- We reviewed 12 Arboriculture Education Award applications

Accomplishments:

- We wish to welcome Anne Spafford, Peggy Coates, Jennifer Grimes and Shirl McMayon to the Education Sub-Committee.
- Both sub-committees continue to enjoy the ease using the online submission and review/ranking software (Wizehive). The software continues to prove its value for archiving reviewer comments, abstracts and other grant-related information. Facilitating the staff and committee access to this information and the ease of use is freeing up time to direct towards improving the grant review and evaluation process as well as conducting needs assessment surveys.

As the “newness” of this system wears off, though, committee members have come up with some suggestions for changes that will facilitate ease of use. Sharon Lenza has the suggestions and will work with the software company on this.

Other items:

- In December 2015 the Executive Committee and Research Chairman requested BOT approval to require match (in-kind or cash) to be included in the budgets of grant proposals to TREE Fund. Providing match as part of a grant proposal reflects buy-in from the researcher and his/her home institution. This request was discussed and approved by the BOT. The Research Chairman also requested approval to allow grant awards to include a modest indirect charge (up to 10% of the total award) in their budgets. After a lively discussion, the BOT tabled this vote and we will revisit the item during the May 16, 2016 meeting. The BOT also approved Chairman Dozier's request to approve increasing grant awards (see minutes for details).

We believe that these funding changes better meet the needs of the TREE Fund and the researchers, especially academic researchers. While it is too early to tell, this move seems to have attracted new (to TREE Fund) researchers (e.g., Kathy Wolf), as well as other, established researchers (e.g., Glynn Percival). Moreover, the proportion of high quality, innovative projects seems to be rising. Overall, the committee is quite pleased with what we hope will be a trend: TREE Fund grant programs appealing to a growing number of researchers with quality programs.

- One Research sub-Committee member suggested privately to Chairman Dozier that we consider quantifying the dissemination of research results section. We request a dissemination of results explanation, but it is not formally quantified. As a result, some of the proposals give only minimal attention to this component. Putting greater emphasis on this component would not be novel for granting agencies, but would be for TREE Fund.
- The Education Sub-Committee also noted that the quality of the Arboriculture Education projects is improving - significantly. It was challenging to select the top candidate projects.
- Warren Hoselton applied for an Arboricultural Education grant to support the **Professor Pricklethorn Program**. He had called Chairman Dozier to inquire about the viability of an application from him – she encouraged submission of an application not realizing he did not intend to partner with a non-profit organization. This project – unless submitted through a legitimate 501(c)(3) or other recognized non-profit organization is not eligible to receive these funds. I would like to request that the Board discuss the possibility of funding this project through another funding stream.

Funding Recommendations:

We evaluated four projects as grant-worthy and will request re-submissions of project for the next cycle from four others. **The committee recommends the following projects for funding through the Hyland R. Johns Research Grant Program in the order of priority** (see **Appendix A** for project summaries):

1. Dr. Bryant Scharenbroch – *A Soil Management Toolbox for Urban Trees* \$48,583

2. Dr. Glynn Percival – *Can Soil Amendments Reduce Disease Severity in Trees?* (pending clarification regarding one or two methodological details) \$40,000
3. Dr. Susan Day – *Urban Forests as Stormwater Systems—The role of canopy structure and ground cover in stormwater mitigation* (pending more detail regarding site selection) \$50,000
4. Dr. Kathleen Wolf – *Urban Forests and Human Health: Science Review & Economic Valuation* \$36,512.

The committee recommends the following projects for funding through the Arboriculture Education Award Program in priority order (see Appendix B for project summaries):

1. McCrory Gardens (with South Dakota State University) – *Junior Arborist Camp* \$5,000
2. Asheville GreenWorks – *Tree Detective Kits* \$5,000
3. The Greening of Detroit – *Our LAND* \$5,000 (should additional funding become available)

The committee recommends the following applicants to receive funding through the Robert Felix Memorial Scholarship Program:

1. Jamilee Kempton – University of Hawaii at Manoa
2. Daniel Hedden – California Polytechnic State University, San Luis Obispo
3. Savannah Haines – University of Maine

Objectives for next 5 months:

- Review education, scholarship and research applications for fall cycle;
- Assist with online application program modifications (if needed) based on committee feedback.
- Revise research and education award submission guidelines and post;
- Prepare a white paper/Arborist News manuscript summarizing the body of work funded by Tree Fund;
- Continue developing succession plan for committee chairmanship.

Appendix A: Hyland R. Johns – summaries for projects recommended for funding

Dr. Bryant Scharenbroch – *A Soil Management Toolbox for Urban Trees* \$48,583

In order to improve soil management for urban trees we need better assessment tools. However, not all urban tree managers require and can utilize the same soil assessments. For example, urban foresters may require coarser information on many planting sites. They would use this information to better match site conditions with species preferences to maximize diversity. Alternatively, arborists may be interested in seasonal patterns in the concentrations of nutrients in soil and tissues to develop prescription growth management recommendations. The goal of the proposed research is to develop three soil assessment models for urban tree managers to be included in a soil management toolbox. The first model, Urban Site Index (USI) is a field-based model that could be employed by the urban forester for a planting plan. Our most detailed model (USI++) would fulfill the objectives of an arborist wishing to develop a prescription fertilization plan. The last model (USI+) is intermediate in detail and cost and might be used by either the arborist or urban forester to assess soil conditions for urban trees. We have designed three experiments to develop and test these models. We also describe plans for collecting additional data for future refinement of the models. The models will be packaged in a user friendly and freely-available platform. Products from this research including three scientific manuscripts, workshops and presentations are described. Lastly, the research will train two graduate students and many undergraduates to grow the field of scientists in urban forestry, arboriculture and urban soil science.

Dr. Glynn Percival – *Can Soil Amendments Reduce Disease Severity in Trees?* \$40,000

During their life cycle, urban trees are susceptible to attacks by many pathogenic fungi and bacteria that, if uncontrolled, can result in high mortality rates. Control of these diseases is primarily through the use of synthetic agrochemicals. Increased tolerance to commercially available agrochemicals, failure of many chemicals to adequately control diseases once a tree is infected and increased legislative restrictions regarding agrochemical use and application means new techniques of disease control are now of fundamental and economic importance. It is widely known that trees can defend themselves against pathogen infection through a wide variety of mechanisms that can be either local, constitutive or inducible.

Developments in plant protection technology have led to the formulation of several soil amendments that have been shown to induce or “switch on” a plant's own defence mechanisms. These include chitin, phosphites, biochar (a form of activated charcoal) and pure mulches i.e. a mulch made from a single tree species such as willow or eucalyptus. Preliminary studies have found a single soil application of these amendments provides long lasting, broad spectrum control of several fungal, bacterial and viral pathogens. Importantly these amendments act by organic means so are not subject to government legislative restrictions that relate to synthetic agrochemicals. Aims of this investigation are to investigate the efficacy of a range of commercially available soil amendments singly and in combination on controlling two worldwide economically important tree diseases i) apple scab (*Venturia inaequalis*) a foliar biotrophic pathogens and ii) *Phytophthora* root rot (a root invasive pathogen).

(Pending clarification regarding one or two methodological details)

Dr. Susan Day – Urban Forests as Stormwater Systems—The role of canopy structure and ground cover in stormwater mitigation \$50,000

Can planting design and tree management be used to significantly increase stormwater mitigation by trees? Does presence of an urban forest understory or site maintenance practices such as leaf removal or mulching influence water infiltration and capture? Stormwater attenuation by urban forests is provided by a complex structural system that includes canopy interception, stemflow, and transmission into the soil. Plant characteristics, such as leaf morphology, architecture, and stem characteristics dictate canopy interception and stemflow. However, we hypothesize that the overall urban forest canopy structure, rather than characteristics of individual trees, has a greater effect on stormwater mitigation. Specifically, the addition of understory plantings could increase both canopy density and lead to soil surface traits that have already been identified as beneficial to stormwater capture, such as the presence of litter or mulch layers. We will examine three landscape structures in urbanized areas: trees only, trees plus understory, and understory only (defined as low shrubs or herbaceous plants) and evaluate them in terms of their effects on this stormwater mitigation complex. Sites will also be compared to a natural forest reference site, often used in policy development. This analysis will be replicated in a greenhouse study using the three plant structures in bioinfiltration cells with engineered soils where we will analyze changes in soil physical characteristics over time as well as rainfall partitioning using a rainfall simulator and lysimeters. Results can be used to optimize groundcover management beneath trees as well as to inform stormwater policy and runoff estimation models. *(Pending more detail regarding site selection)*

Dr. Kathleen Wolf – Urban Forests and Human Health: Science Review & Economic Valuation \$36,512

Arborists and urban foresters are often challenged to justify the costs of tree planning and management. Evidence of environmental services (such as carbon sequestration and stormwater management) has generated support in many communities. In addition, nearly 40 years of research indicates the human health benefits gained from experiences of nature in cities. This evidence is now summarized at the Green Cities: Good Health (GCGH) web site (hosted at the University of Washington). The article database that informs GCGH includes studies spanning a wide range of urban greening situations (parks, gardens, school yards, hospital gardens, streetscapes, green roofs, etc.) and a wide range of positive human health responses (work performance, cardiovascular disease, mental health, stress and immune function, etc.). A subset of articles report on responses specifically associated with city trees and urban forestry. The entire article collection has been used to generate several peer-reviewed publications that indicate economic benefit and valuation (see Wolf et al., 2015, and Wolf & Robbins, 2015, in Relevant Citations). This project will extract the articles of previous research about tree and forest response from the GCGH database, synthesize them into a review manuscript, and conduct economic valuation using a benefits transfer approach. The resulting manuscript will be submitted to a peer-reviewed public health or medical journal. Science delivery products will include a results briefing, powerpoint presentation, and urban forestry policy guidelines. The results and outreach tools will be valuable for communicating the important human health and wellness benefits provided by the urban forest.

Appendix B: Arboriculture Education Award – summaries for projects recommended for funding

McCrory Gardens - South Dakota State University for \$5,000

The objective of this project is to create, implement and evaluate an arboriculture summer program focused on middle and high school students. The intent to create modules that other summer school programs can use as templates for creating their own programs. The summer camp will consist of four days of field and classroom modules designed to acquaint students with the opportunities and careers within the broad field of arboriculture. The curriculum will be prepared with input and direct involvement by University faculty and industry. The program will be taught by University faculty and ISA certified arborists and Board Certified Master Arborists.

Asheville GreenWorks for \$5,000

Asheville GreenWorks is requesting funding to create six “Tree Detective” kits to be used for free at Buncombe County libraries during the summer and fall and at Asheville City and Buncombe County Schools during the spring, reaching pre-school, elementary, and middle school students throughout the county. Asheville GreenWorks environmental education staff and consultants will prepare the kits and partner with staff from NC Arboretum, NC Park Service, Blue Ridge Parkway, Appalachian Highlands Science Learning Center at Great Smoky Mountains National Park and local educators to provide a self-guided, hands-on learning experience correlated to state education standards. Activities will include reading, science, math and the arts. Kits will be curriculum based and include books, hand lenses, binoculars, scavenger hunts, counting games, tree stacking blocks, leaf rubbing plates and specimens of tree cookies, leaves, and seeds to promote hands-on learning.

Each kit will cost \$375.00 and be replicable. Asheville GreenWorks’ staff will hold workshops for librarians and teachers on how to use the kits, helping to ensure the program's success. GreenWorks staff will also provide pre- and post-visits to students using the kit in order to enrich student learning. Kits will be distributed to libraries in the early fall of 2016, collected during the winter and modified if needed before being available to teachers during the spring when most teach forestry. The “Tree Detective” kits will increase knowledge of urban forestry concepts for residents in Asheville and Buncombe County leading to a greater appreciation of the role trees play in community health.

If additional funding becomes available:

The Greening of Detroit for \$5,000

The Greening of Detroit seeks funding for its Our LAND (Learn, Admire, Nurture and Dream) project, servicing students in grades 4-8 in Detroit schools. This program connects students to their local forests through yearlong classroom activities, on-site field experiences and service learning opportunities taking place in River Raisin, their nearby Federal Land, and Rouge Park, Detroit’s only section of riparian forest. Our place-based education approach boosts student achievement and demonstrates to youth how local citizens can improve their community’s urban forest, environmental quality and social vitality. Our LAND students learn about the factors impacting trees and study forest health surrounding their school, at a Detroit park and nearby federal land. They explore the impacts humans have on the forest

ecosystem and ways to improve these interactions by helping plan and implement a service learning project which may include tree planting or invasive species removal within the forest. The Greening connects students to Citizen Foresters who act as mentors to the youth and provide assistance during plantings. This program engages families by providing take home activities and invitations to all of the field trips, particularly the tree planting event. These program elements provide students a wide environmental view with local context, while also helping to enhance their grasp of required science curriculum content. Teachers love our program and have noticed improved student outcomes as a result of their students' participation.



Liaison Committee Report
Prepared by: Beau Brodbeck, Chair
Date Submitted: April 28, 2016

The Liaison Committee is charged with the following

Basic Function: To establish and maintain a sound, dynamic relationship between ISA Chapter Officers, members and other supporting organizations and the TREE Fund Board and Staff. Each Liaison serves as the primary communication link between their supporting organization and the TREE Fund. Liaisons are an essential part of the TREE Fund leadership team and must have the appropriate forums for relating information and issues to both their organization and the TREE Fund.

Responsibilities:

- Participate in their Chapter's Board meetings;
- Utilize their Chapter's communications tools to keep the membership informed about current TREE Fund opportunities, events and achievements;
- Establish regular, proactive communication with the TREE Fund Board and staff regarding relevant opportunities and issues within their Chapter;
- Facilitate the inclusion of a TREE Fund exhibit booth at their Chapter's annual conference or meeting;
- Ensure that time is scheduled on the agenda of their Chapter's general membership program for a TREE Fund presentation;
- Assist the TREE Fund Development Committee members and staff with identification and solicitation of potential funding sources and donors within your Chapter;
- Encourage strategic alliances with other stakeholder groups to enlist their support of the TREE Fund;
- Assist their Chapter in reaching its goal in the TREE Fund Chapter Challenge program by involving the membership in fundraising projects such as Tour des Trees, "Raise Your Hand for Research" auction, local auctions, golf tournaments, etc.;
- Communicate to the TREE Fund Research Committee research and education topics of special concern to their Chapter members;
- Encourage past TREE fund grant recipients to participate in Chapter education programs to communicate research results and the value of TREE

- Fund-sponsored projects; and
- Be an advocate for the TREE Fund and arboriculture research and technology transfer in general.
- **Provide mentorship for TREE Fund scholarship recipients within your chapter. Also be available to assist in mentoring scholars from other chapters with your specific area of expertise.**

Related Strategic Initiatives:

- Identify and Connect to New Resources
- Evaluate Potential Relationships with Possible Funding Sources
- Ensure User Groups Know What We Have Accomplished
- Target Constituencies for Feedback

Meetings Attendance and Known Liaison Status

Chapter	Name	Liaison Status	Sept. 15 16, 2015	Dec. 7, 2015	Feb/March , 2016
Florida	Eric Hoyer	1	X	X	X
Illinois	Mark Younger	1			X
Indiana	Tom Ordway	1		X	
Kentucky	Dave Leonard	2	X		X
Michigan	Kathy Gilmour	3	X	X	X
Mid-Atlan.	Doug Peterson	3	X	X	X
Midwestern	Jeff Iles	3	X		X
Minnesota	Ryan Gustafson	1	X	X	X
New England	Jeff Carney	3			
New Jersey	Todd Mastrobuoni	3		X*	X*
New York	Frazer Pehmoeller	1		X	X
Ohio	Beth Buchanan	3	X****	X****	X
Ontario					
Pacific NW	Wendy Robinson	1	X		X
Penn-Del	Kristin Wild	1	X		X
Rocky M.	Jon Elliott	3	X	X***	X
Southern	Beau Brodbeck	1	X	X	X
Texas	Gene Gehring	3	X	X	X
Utah	Shirl McMayon	3	X	X	X
Western					
Wisconsin				X**	
Staff	Mary DiCarlo		X	X	X
Staff	Karen Lindell		X	X	

	1	In place, stable no known changes in next 12 months.
	2	Vacated or looking to vacate and appoint new liaison within 6 months
	3	New Liaison within the past 12 months
Green		Vacant positions
	*	Represented by Steve Chisholm
	**	Represented by Adam Alves
	***	Represented by Steve Geist
	****	Represented by Laurie Skull

February/March 2016 Conference Call

Welcomed and introduced our newest liaisons, John Elliot, representing Rocky Mountain and Todd Mastrobuoni, representing New Jersey. Staff provided a wrap-up summary of the 2015 year including, scholarships, grants, annual appeal and chapter challenge reports. The staff recognized liaison concerns regarding increasing chapter achievement levels and shared Eric's revamped Chapter Challenge achievement levels.

Staff unveiled the new 2016 three key messages. 1) Rolling out more funding for grants and education, 2) Friend-raising and its important role to fundraising and 3) opening the circle for finding new funding sources. Priorities for the 2016 plan discussed included 1) increasing awareness of research findings and 2) Laying groundwork for tripling the endowment by 2020 and its relation to opening the funding circle.

Updated the liaisons on current and new fundraising efforts including the Tour de Trees, the new After Hours friend-raiser and the new PG&E matching gift. Liaisons were reminded of upcoming grant deadlines, Ed Gilman's webinar, and Tree Fund 2015 published works at their disposal.

In the student mentoring program liaisons expressed some difficulties in getting responses from scholarship recipients, but have agreed to keep trying various methods to contact them in 2016.

Objectives for the Next 3 Months:

- Determine chapter support of the Tree Fund After Hours events
- Continue to encourage liaisons to share Tree Fund published work with their chapters
- Promote the May 11 Ed Gilman webinar
- Continue to disseminate Tree Fund Bulletins to chapters
- Encourage liaisons to work with their chapter leadership to ID new corporate partners or donors



COUNCIL OF REPRESENTATIVES (COR) REPORT
ALLAN WEST, CHAIRMAN EMERITUS
TREE FUND REPRESENTATIVE TO COR
APRIL 20, 2016

BASIC FUNCTION

The ISA Council of Representatives (COR) is an integral part of the ISA Governance. The Council is composed of a Representative from each ISA Chapter, Professional Affiliate, Certification Board, TREE Fund and ISA Associate Organizations, all referred to as individual components. The TREE Fund has one seat on the Council known as the TREE Fund Representative to COR. Because we are not a membership organization, we do not have a vote on most issues, however play an important role in providing information and insight on issues.

The mission of the Council is: To support the mission of the ISA by facilitating cooperation and collaboration among the ISA components and the ISA Board of Directors.

RESPONSIBILITIES

- Represent the TREE Fund at COR activities and deliberations
- Attend Annual COR meeting and annual joint COR/ISA Board of Directors meeting
- Participate in COR conference calls, committees, task forces as assigned
- Report COR activities to TREE Fund Board
- Keep current on TREE Fund Board activities, policies and procedures
- Take TREE Fund concerns and issues that involve other components through COR to the ISA Board
- With other COR members participate in making recommendations to ISA Board of Directors concerning ISA policies, by-law changes, activities and other matter of organizational interest
- Participate in annual vote of COR-elected directors to the ISA Board

ACTIVITIES

- The Council continues to function efficiently because of strong support from assigned ISA staff and the effectiveness of the current COR Executive Committee. Examples are a monthly e-mail "ISA COR Update", monthly COR Executive Committee conference calls, and 3 or 4 COR conference calls during the year. Preparatory materials for all contacts continues to be outstanding.
- The ISA Board has requested input from COR on issues related to strategic planning, annual meeting agenda items and nominating and electing two future members of ISA Board. This

spring, a total of six names were nominated for two Director positions. For the first time they were won by two current COR Executive Board members, Nicolaas Verloof (Netherlands Chapter) and Tom Wolf (Southern Chapter).

- COR members are currently asked to provide nominations for three Executive Committee members from existing COR members, (Chair, Vice-Chair and Secretary). The election will be held at the annual COR meeting in August.
- Each COR member was asked to submit strategic topics that should be discussed at the ISA Annual Meeting. Of all topics submitted "Research" was identified the third most important topic behind promoting profession and public awareness.
- The COR Annual Meeting will be held all day Sunday, August 14 ahead of the ISA Annual meeting in Fort Worth, Texas. We will provide a short slide presentation on TREE Fund activities along with similar presentations from other individual components. I hope to focus on the TREE Fund's contributions internationally so we can gain more support from the International Chapters.
- As your COR representative, I have participated in all meetings, responded to requests for information, and all conference calls. We continue to be recognized for 100% participation, it averages 67% for all COR members, up from 59% in 2014.

Grant/Scholarship Award Recommendations

Hyland Johns Grant:

Dr. Bryant Scharenbroch, University of Wisconsin - Stevens Point

Project Title: "A Soil Management Toolbox for Urban Trees"

Requested: \$48,583

Summary: In order to improve soil management for urban trees we need better assessment tools. However, not all urban tree managers require and can utilize the same soil assessments. For example, urban foresters may require coarser information on many planting sites. They would use this information to better match site conditions with species preferences to maximize diversity. Alternatively, arborists may be interested in seasonal patterns in the concentrations of nutrients in soil and tissues to develop prescription growth management recommendations. The goal of the proposed research is to develop three soil assessment models for urban tree managers to be included in a soil management toolbox. The first model, Urban Site Index (USI) is a field-based model that could be employed by the urban forester for a planting plan. Our most detailed model (USI++) would fulfill the objectives of an arborist wishing to develop a prescription fertilization plan. The last model (USI+) is intermediate in detail and cost and might be used by either the arborist or urban forester to assess soil conditions for urban trees. We have designed three experiments to develop and test these models. We also describe plans for collecting additional data for future refinement of the models. The models will be packaged in a user friendly and freely-available platform. Products from this research including three scientific manuscripts, workshops and presentations are described. Lastly, the research will train two graduate students and many undergraduates to grow the field of scientists in urban forestry, arboriculture and urban soil science.

Dr. Glynn Percival, Bartlett Tree Research Laboratory

Project Title: "Can Soil Amendments Reduce Disease Severity in Trees"

Requested: \$40,000

Summary: During their life cycle, urban trees are susceptible to attacks by many pathogenic fungi and bacteria that, if uncontrolled, can result in high mortality rates. Control of these diseases is primarily through the use of synthetic agrochemicals. Increased tolerance to commercially available agrochemicals, failure of many chemicals to adequately control diseases once a tree is infected and increased legislative restrictions regarding agrochemical use and application means new techniques of disease control are now of fundamental and economic importance. It is widely known that trees can defend themselves against pathogen infection through a wide variety of mechanisms that can be either local, constitutive or inducible. Developments in plant protection technology have led to the formulation of several soil amendments that have been shown to induce or "switch on" a plant's own defense mechanisms. These include chitin, phosphites, biochar (a form of activated charcoal) and pure mulches i.e. a mulch made from a single tree species such as willow or eucalyptus. Preliminary studies have found a single soil application of these amendments provides long lasting, broad spectrum control of several fungal, bacterial and

viral pathogens. Importantly these amendments act by organic means so are not subject to government legislative restrictions that relate to synthetic agrochemicals. Aims of this investigation are to investigate the efficacy of a range of commercially available soil amendments singly and in combination on controlling two worldwide economically important tree diseases i) apple scab (*Venturia inaequalis*) a foliar biotrophic pathogens and ii) *Phytophthora* root rot (a root invasive pathogen)

If additional funding is available:

Dr. Susan Day, Virginia Tech

Project Title: “Urban Forests as Stormwater Systems—The role of canopy structure and ground cover in stormwater mitigation”

Requested: \$50,000 (pending site selection criteria clarification, meta-analysis)

Summary: Can planting design and tree management be used to significantly increase stormwater mitigation by trees? Does presence of an urban forest understory or site maintenance practices such as leaf removal or mulching influence water infiltration and capture? Stormwater attenuation by urban forests is provided by a complex structural system that includes canopy interception, stemflow, and transmission into the soil. Plant characteristics, such as leaf morphology, architecture, and stem characteristics dictate canopy interception and stemflow. However, we hypothesize that the overall urban forest canopy structure, rather than characteristics of individual trees, has a greater effect on stormwater mitigation. Specifically, the addition of understory plantings could increase both canopy density and lead to soil surface traits that have already been identified as beneficial to stormwater capture, such as the presence of litter or mulch layers. We will examine three landscape structures in urbanized areas: trees only, trees plus understory, and understory only (defined as low shrubs or herbaceous plants) and evaluate them in terms of their effects on this stormwater mitigation complex. Sites will also be compared to a natural forest reference site, often used in policy development. This analysis will be replicated in a greenhouse study using the three plant structures in bioinfiltration cells with engineered soils where we will analyze changes in soil physical characteristics over time as well as rainfall partitioning using a rainfall simulator and lysimeters. Results can be used to optimize groundcover management beneath trees as well as to inform stormwater policy and runoff estimation models.

Dr. Kathleen Wolf, University of Washington

Project Title: “Urban Forests and Human Health: Science Review & Economic Valuation”

Requested: \$36,512

Summary: Arborists and urban foresters are often challenged to justify the costs of tree planning and management. Evidence of environmental services (such as carbon sequestration and stormwater management) has generated support in many communities. In addition, nearly 40 years of research indicates the human health benefits gained from experiences of nature in cities. This evidence is now summarized at the Green Cities: Good Health (GCGH) web site (hosted at the University of Washington). The article database that informs GCGH includes studies spanning a wide range of urban greening situations (parks, gardens, school yards, hospital gardens, streetscapes, green roofs, etc.) and a wide range of positive human health responses (work performance, cardiovascular disease, mental health, stress and immune function, etc.). A subset of articles report on responses specifically associated with city trees and urban forestry. The entire article collection has been used to generate several peer-reviewed publications that indicate

economic benefit and valuation (see Wolf et al., 2015, and Wolf & Robbins, 2015, in Relevant Citations). This project will extract the articles of previous research about tree and forest response from the GCGH database, synthesize them into a review manuscript, and conduct economic valuation using a benefits transfer approach. The resulting manuscript will be submitted to a peer-reviewed public health or medical journal. Science delivery products will include a results briefing, powerpoint presentation, and urban forestry policy guidelines. The results and outreach tools will be valuable for communicating the important human health and wellness benefits provided by the urban forest.

Arboriculture Education Grant:

McCrory Gardens - South Dakota State University

Project Title: Junior Arborist Camp

Requested: \$5,000

Summary: The objective of this project is to create, implement and evaluate an arboriculture summer program focused on middle and high school students. The intent to create modules that other summer school programs can use as templates for creating their own programs. The summer camp will consist of four days of field and classroom modules designed to acquaint students with the opportunities and careers within the broad field of arboriculture. The curriculum will be prepared with input and direct involvement by University faculty and industry. The program will be taught by University faculty and ISA certified arborists and Board Certified Master Arborists.

Asheville GreenWorks

Project Title: Tree Detective Kits

Requested: \$5,000

Summary: Asheville GreenWorks is requesting funding to create six "Tree Detective" kits to be used for free at Buncombe County libraries during the summer and fall and at Asheville City and Buncombe County Schools during the spring, reaching pre-school, elementary, and middle school students throughout the county. Asheville GreenWorks environmental education staff and consultants will prepare the kits and partner with staff from NC Arboretum, NC Park Service, Blue Ridge Parkway, Appalachian Highlands Science Learning Center at Great Smoky Mountains National Park and local educators to provide a self-guided, hands-on learning experience correlated to state education standards. Activities will include reading, science, math and the arts. Kits will be curriculum based and include books, hand lenses, binoculars, scavenger hunts, counting games, tree stacking blocks, leaf rubbing plates and specimens of tree cookies, leaves, and seeds to promote hands-on learning.

Each kit will cost \$375.00 and be replicable. Asheville GreenWorks' staff will hold workshops for librarians and teachers on how to use the kits, helping to ensure the program's success. GreenWorks staff will also provide pre- and post-visits to students using the kit in order to enrich student learning. Kits will be distributed to libraries in the early fall of 2016, collected during the winter and modified if needed before being available to teachers during the spring when most teach forestry. The "Tree Detective" kits will increase knowledge of urban forestry concepts for residents in Asheville and Buncombe County leading to a greater appreciation of the role trees play in community health.

If additional funding is available:

The Greening of Detroit

Project Title: Our LAND

Requested: \$5,000

Summary: The Greening of Detroit seeks funding for its Our LAND (Learn, Admire, Nurture and Dream) project, servicing students in grades 4-8 in Detroit schools. This program connects students to their local forests through yearlong classroom activities, on-site field experiences and service learning opportunities taking place in River Raisin, their nearby Federal Land, and Rouge Park, Detroit's only section of riparian forest. Our place-based education approach boosts student achievement and demonstrates to youth how local citizens can improve their community's urban forest, environmental quality and social vitality. Our LAND students learn about the factors impacting trees and study forest health surrounding their school, at a Detroit park and nearby federal land. They explore the impacts humans have on the forest ecosystem and ways to improve these interactions by helping plan and implement a service learning project which may include tree planting or invasive species removal within the forest. The Greening connects students to Citizen Foresters who act as mentors to the youth and provide assistance during plantings. This program engages families by providing take home activities and invitations to all of the field trips, particularly the tree planting event. These program elements provide students a wide environmental view with local context, while also helping to enhance their grasp of required science curriculum content. Teachers love our program and have noticed improved student outcomes as a result of their students' participation.

Robert Felix Memorial Scholarships \$3,000:

Jamilee Kempton

University of Hawaii at Manoa

Essay:

Dear Committee,

I have dedicated the last 5 years to a career in arboriculture. During this time I have become an ISA Certified Arborist and have worked as a climbing arborist in both the public and private sector. I chose to pursue a career in arboriculture because I find it to be fascinating, rewarding and challenging both physically and mentally. As a returning student, I consider myself fortunate to have found my passion for a life long profession.

Originally from Seattle I moved to the island of Oahu in 2009 and began working full time as a landscaper and nursery worker. During that time, I attended night and weekend classes to complete the Subtropical Urban Tree Care Program at Oahu's Windward Community College and the University of Hawaii's Master Gardener Program.

Following completion of the Tree Care Program, I was employed by the University of Hawaii's Lyon Arboretum as their arborist, where I learned how to care for a large and diverse collection of rare and endangered tropical tree species. Thereafter I worked for Oahu Tree Works, LLC, a privately owned company specializing in pruning and removal services for residential clientele.

Working for OTW, I gained valuable experience in production climbing, leadership, management and sales.

Since 2011, I've been an active member, volunteer and officer for the Aloha Arborist Association. As a volunteer I have organized and instructed various tree climbing workshops for our local community.

Through attending local workshops and ISA Conferences I acquired over 100 CEU's in my first three years as an ISA Certified Arborist. To support tree related research, education and outreach I have raised funds for the Britton Fund and participated in an 88 mile bike ride through the Angeles National Forest in 2014.

I started competing at the International Tree Climbing Championships in 2013 representing the Western Chapter and I am proud to say that I earned 1st place at the 2015 ITCC in Tampa, Florida and currently hold the world record for the women's 15M footlock. To say the least, I love the tree care industry and I couldn't imagine pursuing any other profession. I am very much looking forward to participating in the upcoming 2016 ITCC in San Antonio, Texas, April 2-3.

I'm thrilled to be a full time student, and for the Fall 2015 semester, I earned a 4.0 GPA and joined the Phi Theta Kappa International Honor Society. While attending school full time, I started my own business, Jamilee's Trees LLC. I primarily work as a contract climber which allows for a flexible work schedule to accommodate my academic commitments.

My educational goal is to complete a degree in Business Entrepreneurship with a minor in Tropical Plant Soil Science at the University of Hawaii, at Manoa. For Fall 2016, I will attend the University of Hawaii as a senior.

Ultimately, I would like to own and operate a tree care company on Oahu. Pursuing a degree in business has taught me valuable skills and introduced me to beneficial resources for successful entrepreneurship. I believe an education is invaluable, and I appreciate you taking the time to allow me to better represent the tree care industry.

Sincerely,
Jamilee Kempton

Daniel Hedden

California Polytechnic State University, San Luis Obispo, CA

Essay:

Dear members of the Tree Fund,

My name is Dan Hedden and I am very excited to be applying for the Robert Helix Memorial Scholarship. The scholarship will provide me another year at California Polytechnic State University, San Luis Obispo, Ca studying arboriculture, membership in the Association of Environmental Professionals, and the opportunity to work on more tree research projects. I want to explain how I discovered arboriculture and why I see it as a fulfilling career.

I transferred to Cal Poly in 2014 from Santa Barbara City College where I took a general botany course taught by Dr. Matthew Kay that opened my eyes to the diverse world of trees and why they matter. In response to my botany course, I sought out careers in restoration, one being a non-profit in Ojai, CA called Concerned Resourceful Environmental Workers (CREW). With CREW, I learned how to restore and maintain a variety of unhealthy ecosystems. This work brought a strong sense of community building while it also fueled my growing interest in identifying and understanding trees and how their services are used in urban settings.

I have since taken many courses at Cal Poly to further explore my interest such as forest ecosystem management, ecology, and my favorite so far, dendrology. When I'm not studying, I volunteer at Cal Poly's Plant Conservatory helping Dr. Matt Ritter and many undergraduate students grow and maintain a variety of plants for biology classes, graduate experiments and restoration projects throughout California. The Conservatory has been a wonderful alternative classroom allowing me to collaborate with professionals to reach goals while helping me to better understand the services different plants species provide.

In addition, I participated in a special extended study course with Drs. Ritter and Jenn Yost, palm expert Don Hodel and several Cal Poly students where we gathered field data on a variety of palm species at the Huntington Botanical Garden and LA Arboretum. Our data will eventually be used for peer reviewed publication. Moreover, I currently work with Dr. Ritter on a California Big Tree Registry Project, where I am responsible for the upkeep and management of the American Forests Registry and California Big Tree Registry databases. These databases are used to recognize, document and curate state and national tree records in California. I meet weekly with my Dr. Ritter to be assigned tasks such as transferring tree nomination forms into excel spreadsheets, finding and editing specific database files, locating champion trees by geo-referencing. Each task has a deadline and once completed I inform and discuss the results with my supervisor.

When I'm not helping Dr. Ritter, I explore Cal Poly's campus as it is home to 548 tree species which is more than any other campus in California and was named a Tree Campus USA November 2015. At the award ceremony, I spoke with California's State Urban Forester John Melvin who educated me on the importance of arboriculture as it aims to maintain and use the different services of trees in urban designs in such ways as surface runoff control and temperature control. During our talk, I began to envision arboriculture as not only a fulfilling career but as an opportunity to apply my course studies, work experience and curiosity. Furthermore, I was able to spend a day with Bartlett Tree Services master arborist Richard Mason in Santa Barbara, California. Mr. Mason provided me an excellent overview of what Bartlett does while also reinforcing the reasons why I see a career in arboriculture as important and fulfilling.

Last summer I worked with Cachuma Operation and Maintenance Board (COMB), a federal fisheries division in Santa Barbara, California that actively manages the Santa Ynez watershed. With COMB, I worked with Dr. Tim Robinson and other biologists as a field technician supervising a variety of California Conservation Corps (CCC) tasks, collecting water flow and temperature data and trapping native and nonnative freshwater aquatic species. I found my favorite part of working at COMB came through an oak restoration project as it allowed me to

apply my course studies, learn more about arboriculture and meet several arborist such as Ken Knight, an oak tree specialist. The project started in 2002 and has aimed to have four thousand oak trees planted, mature and mapped by 2025. Ken Knight was hired by COMB as a private arborist to see the project through and after working with him I gained a better understanding of the role trees play socially, environmentally and economically.

Dr. Kay's general botany course got me started in the world of trees, Cal Poly's "Learning By Doing" curriculum cultivates innovation and has expanded my interest in arboriculture, and lastly, botanist Matt Ritter and arborists Richard Mason and Ken Knight have shown me why arboriculture can be a fulfilling career. My next step in becoming an arborist will come this summer as I plan to complete the GRE as I will be applying to UCSB's Bren School and Cal Poly's city and regional planning masters program.

I will be at Cal Poly until spring 2017, support from the Tree Fund's Robert Helix Memorial scholarship is a great investment in my journey for knowledge, building a stronger community and pursuing a fulfilling career in arboriculture. Thank you again for your consideration.

Sincerely,
Dan Hedden

Savannah Haines
University of Maine

Essay:

Currently, I am a sophomore at the University of Maine majoring in forestry and minoring in environmental horticulture. I am a strong academic, with many extra circular activities. I strive myself on doing well in school, but I understand that academics is not everything. I am trying to improve myself professionally and socially. I am a member of the University of Maine's student chapter of the Society of American Foresters, the University of Maine's School of Forester Resources Volunteers, as well as the Horticulture Club.

For the 2015-2016 academic year, I have been president of the University of Maine's Student Chapter of the Society of American Foresters (SAF). Along with my vice president, Brian Renfro, we have been working tirelessly to turn this club around. Prior to our leadership positions, the student club did minimal trips and had a very small university impact. Since the fall, we have grown our group to about thirty members, ten of whom are actively participating every week. We have had guest presenters come in, had trips to Acadia, as well as have a strong representation at both the Maine Chapter of Society of American Foresters meeting, as well as the National Society of American Foresters meeting. In the upcoming semester, we are striving for more club activities and higher participation; especially from the freshman and sophomore class.

As well as being active in SAF, I have been recently been certified with the International Society of Arboriculture Arborist's certification. This is a professional credential that strengthens my resume and solidifies my ability to do arboriculture work. To be considered for this exam, I had to document my education and work experience, which was presented to a third party deciding committee.

In addition to my Arborist's certification, I am starting to prepare myself for my Forester's certification, as well as my certificate of professionalism. This past month, the student chapter of SAF hosted Ken Lawson who talked to us about this certification. I learned what was required for

credentials, as well as what I can do to prepare myself for the exam. Starting the summer of my junior year, I will be able to document work experience that will be counted as part of my credentials. While I am in school, I will continue working towards my certificate of professionalism. I have attend the School of Forest Resources' professional assemblies and will continue to do so in order to complete the certificate.

Upon graduating from the University of Maine, I would like to go to graduate school for forest pathology. Depending on the money I have available, as well as the job opportunities that are presented, I may continue graduate school to obtain my doctorate. After I finally graduate from school, I would like to be a forest pathologist.

As it has come to my attention, many plant pathologists do not have a strong plant background. I believe that with my forestry and arboriculture background, I will have one step above my job competitors.

Although graduate school is a few years away, I am doing my best to prepare. I am gaining work experience in the pathology field working part time for a graduate student on fungal pathogens of white pine. This is another great opportunity for me to add to my resume for future jobs. For this summer, I am applying for jobs with Massgov. I am trying to get a job working with red pine mortality in southeastern Mass, a job that I was underqualified for last summer. Previously, I have worked in mostly environmental fields; last summer I worked for the Westport Land Conservation Trust and the summers before that I worked for T.F. Morra's Tree Care. I love being outside and working with the environment.

With this scholarship, I will be able to pursue my dreams. Without higher education, I will not be able to be the professional I aspire to be. With this money I will be able to stay in school and gain knowledge and skills that will help me obtain jobs in the future.

Making sense of "overhead" charges on academic grants - G. Hudler, March 2015

The December 2015 meeting of the Tree Fund Board of Trustees included some discussion of the need for the Fund to reach consensus regarding inclusion of institutional "indirect costs" (IDC) in budgets of grant applicants. Inasmuch as no one at the table seemed to have a firm grasp on the whys and wherefores of the IDC issue from the perspective of agencies requiring it, the matter was tabled until more background information was available.

Since then, I've queried colleagues with tree research programs at ten prominent universities in the U.S. to learn (1) what their IDC policies were and (2) how flexible they were with respect to the granting agencies overall fiscal resources.

Here's what I learned cut and pasted directly from replies with minor editing to disguise names and locations:

Reply 1. *We are currently not as strict with IDC as some other universities are and will accept research funds if the Foundation or Agency has a published statement indicating they do not allow IDC on grants. I asked this of Sponsored Projects Administration to make sure of their policy and their response follows:*
Generally, we like to receive IDC if allowed by the sponsor, however, we do have grants that we accept from sponsors or in this case foundations that do not allow IDC. Usually, we need a statement of some kind that explains that IDC is not allowed. Sometimes the statement is part of a proposal announcement or application, if they have one, or it's posted somewhere on their website or it can even be in a letter we receive from the sponsor or foundation.

Reply 2. What Reply 1 said about the situation there is true of us, too. Of course in the past few years, there has been an increasing push from our administration to get IDC on grants like those from the various commodity boards that traditionally have not allowed IDC. Nonetheless, it is a bit of mixed bag. Some commodity groups have acquiesced and others have strongly resisted the change, but the IDC's that are allowed never approach the NSF or NIH levels with their 50+ % rates.

Reply 3. Our policy/practice is that if an organization (non-profit and governmental only; industry *has* to accept our indirect rates) has a published policy that indirect is not allowed on grants, then we abide by that. This policy either has to be published in the RFA, on their website or in a letter on letterhead from an authorized organizational representative. I hope this information is of some help in making your decisions.

Reply 4. Just yesterday our University passed down an edict stating that we can no longer accept grower and producer group money without IDC, with the minimum being 12%. Because of the history of our department being heavily influenced by commodity groups, who are not happy paying for large amounts of IDC, we have been shielded longer than many other departments on this. However, I have heard of some people in other units being told they cannot accept money without IDC. Even if it isn't explicitly banned, there is the implied negative effects on one's tenure and promotion considerations if there is a small amount of IDC being generated. Of course we are all aware of the fact that for forest health research, often we are relying on low IDC sources such as USFS Coop agreements etc. If it weren't for those sources, I would be in a different career right now. They built my program and the large IDC accruing grants have largely been fleeting for me. I can't say I have been personally hurt by this, but have been told by administrators I need to work harder to get those. FWIW, I think at least one tenure decision of a colleague hinged on this issue. I am very thankful for ISA funds and similar groups funding forest/tree health work. Without it, I fear we would be seeing a further erosion of our discipline and research infrastructure at Universities.

Reply 5. *Our policies within the university vary a great deal. The overall university indirect rate for large grants is roughly 50%, and there is no getting around it. The US Navy sets that rate, since we (not me!) get a lot of \$\$\$ from them. However, we can negotiate state grants (from our state only) down to*

about 15%. Internal, competitive grants that go through our College of Ag (i.e., lump sum from one industry that is then opened to competitive proposals within the college) are very competitive among researchers serving that industry and they carry no overhead. (GWH note: this seems to be a "one off" - perhaps politically motivated - to placate one significant commodity group in the state.) Of course, "gifts" (which everyone likes!) from chemical industries and other private sources also carry no overhead, so we get much more bang for our buck if we can secure gifts.

Reply 6. I just called our SPO to confirm my understanding, which is that here at XXXX, a restriction on IDC is not a deal-breaker. However, at a nearby institution which might also have interest in Tree Fund grants, it's a very different story: not only would they not accept a grant that did not include IDC; they have not allowed proposals submitted to USDA because of the 20-22% IDC cap that USDA imposes (in contrast to negotiated IDC rates as high as 55% with NIH and NSF). On a personal note, I believe that USDA is bending on its policy of capped IDC, because they're not getting research funds to some very good research institutions for whom the 20-22% rate is unacceptable. So they are currently working on modifying the policy to accept negotiated rates. (GWH note: I haven't heard this last concern expressed by USDA and will have to learn more from other sources.)

Reply 7. At our institution, we can apply for and receive grants without IDC or with reduced IDC. For example, some federal and state Forest Service grants have a 10% IDC. With little or no IDC, we are encouraged to include some expenses, like clerical help and phone charges, that wouldn't be normally included in a grant with IDC. I think for the smaller awards, our university is quite happy to get the funds without IDC than not getting the funds at all.

Reply 8. The basic tune here is that we should do all we can to recoup some or all of the IDC, but in reality I have had many proposals approved by our Office of Sponsored Programs, and my department in particular, without ANY IDC. There is an (unofficial perhaps) understanding that it is better to have some research done without IDC than none with IDC. Having said that, in general we try to recoup at least 10%, unless there is no opening by the sponsor on this matter. Then we go with 0%.

GWH Summary: All of the institutions represented here seem to have some sensitivity for the inability of smaller funding agencies to provide the 50-70% IDC that is common for prominent research sponsors like NIH and NSF. It's also interesting to note that some distinguish between "industry" and "non-profit". I wonder which side of that aisle the Tree Fund would fall on. For those who come as close to a mandate as possible (leaving themselves a little room to negotiate with special local interests), the going rate seems to be 10%.

From the Cornell administration comes the following in its entirety with what I perceive to be most important points in **bold** and added personal commentary in **red**. (Note: This reply comes from a relatively new Senior Associate Dean who is still learning the fine points of life in higher administration and who, because of that, may have taken more time than others to try to provide a comprehensive view. I trust the honesty of this effort and suspect that it reflects what others elsewhere in the country would also share *except maybe point number 4*.)

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Dear George,

Sorry for the delay on this reply. There are not simple answers to your questions but I can tell you a few things that I have learned about overhead that you may be able to use (with more detail that Anne Marie pulled together below):

1. **The federally negotiated rate of 55% is based on real confirmed costs of doing research but does not cover everything (even at 55%!)**, so every time we take a grant or contract with lower IDC we are not covering real costs. The CALS average (for *all grants*) is well below 55%. If I'm reading this right, then for every \$1000 of *federal* money that the university gets to conduct research, \$450 goes for purchase and maintenance of basic equipment and supplies, travel, labor (but maybe not faculty except for June-August; and fringe benefits where appropriate.) The other \$550 goes to utilities in the broadest sense, libraries, IT, big-ticket equipment (like an electron microscope that might serve needs of many people across several departments), secretarial/administrative support and other items. Things like new building construction are funded via special allocations.)
2. **Research at universities is subsidized by the teaching enterprise.** The challenge is to balance this sustainably. I interpret this to mean several things including:
 - a. Even though faculty are paid to teach from mid-Aug to mid-May, many do not spend 100% of their time doing that; yet some significant amount of their non-teaching time is paid via tuition dollars and whatever supplements come from the state. There is probably some additional use of tuition dollars for research purposes when undergrads do research for academic credit. UG research is increasingly common and in many top-ranked institutions, students who graduate *without* some research experience are at a disadvantage for grad school and other career growth opportunities.
3. State support has been flat though our costs continue to go up. This is *definitely* true in NY such that Cornell now calls itself a "state-assisted" university rather than a "state-supported" university. I think most other land-grant universities as well as other "state colleges" are in similar situations. Expenses like support staff, general infrastructure, utilities, etc. have suffered most from loss of state \$\$\$ resulting in greater reliance on IDC.
4. **Specifically at Cornell, under the new budget model, CALS is being taxed roughly 20% on all research dollars coming in to cover the real costs of running the university. So every research dollar that comes in without overhead we need to come up with 20% from some source to cover this cost.** I'm not going to put anything in writing re. this issue; we can talk more at the meeting.

(continued next page)

More info:

The cost of conducting research consists of two broad types of costs – direct costs and facilities and administrative costs (F&A). Direct costs can be identified easily with a high degree of accuracy and *specificity* to a particular sponsored project. F&A costs are the costs incurred for common or joint objectives as a part of sponsored activities that cannot be identified with a *particular* sponsored project. The most important thing to remember is that F&A is about cost recovery – it is not about profit. If the costs of doing research are not recovered, funding has to come from elsewhere, because the costs of research are real. To think about what kind of costs are in the F&A bucket, I've included some examples as they relate to CALS, below:

Facilities Costs

- Building depreciation – depreciation expense associated with university-owned buildings, land improvement and related infrastructure
- Equipment depreciation – depreciation for university-owned capital equipment that cost more than \$5,000 and a remaining useful life greater than one year
- Interest pool – external debt financing of building construction or renovation
- Operation and maintenance – cost of utilities, custodial services, repair and maintenance of buildings
- Library – cost of maintaining and running a library, including acquisitions

Administrative Costs

- General administration – costs of university and general administrative offices (President, Provost, Counsel, Board of Trustees, etc.)
- Sponsored project administration – cost of offices responsible for administering sponsored research (Senior Vice Provost for Research, OSP, ORIA, CARE)
- Department administration – Dean's office and departmental and administrative staff, non-labor costs (copying, office supplies, phones, etc.)

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Final thoughts ... for now.

The issue of IDC raises hackles with everyone who has to confront it. And what you read above is by no means intended to be a defense of current practices but rather honest views of those of my peers who are trying to deal with them. My best guess is that there is something to be gained by using verbiage in our RFP that indicates our willingness to negotiate an acceptable IDC rate. Furthermore, I think we'd be doing our profession and our donors a terrible disservice if we ever let reasonable IDC rates (however we define them) trump more important items like the quality of a research proposal, the value of the work to the industry, or the track record of the investigator.

'Nuf said.

George Hudler

Tentative and Preliminary

**TREE RESEARCH AND EDUCATION
ENDOWMENT FUND**

**FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2015 AND 2014**

TOGETHER WITH AUDITOR'S REPORT

Tentative and Preliminary

EXHIBIT 1

TREE RESEARCH AND EDUCATION ENDOWMENT FUND
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>A S S E T S</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 383,660	\$ 425,218
Pledges receivable	52,415	43,402
Other contributions and grants receivable	46,931	8,000
Investments held by Chicago Community Trust	2,927,376	2,873,730
Prepaid expenses	9,466	5,600
	<u>3,419,848</u>	<u>3,355,950</u>
Total current assets		
	3,419,848	3,355,950
OTHER ASSETS:		
Pledges receivable, net of current maturities and allowance of \$20,000 in 2015	<u>3,781</u>	<u>69,145</u>
	<u>\$ 3,423,629</u>	<u>\$ 3,425,095</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 17,191	\$ 24,941
Grants payable	146,608	255,504
Accrued expenses	16,989	12,258
	<u>180,788</u>	<u>292,703</u>
Total liabilities		
	180,788	292,703
NET ASSETS:		
Unrestricted	734,587	787,753
Temporarily restricted	1,232,442	1,088,104
Permanently restricted	1,275,812	1,256,535
	<u>3,242,841</u>	<u>3,132,392</u>
Total net assets		
	<u>\$ 3,423,629</u>	<u>\$ 3,425,095</u>

The accompanying notes are an integral part of this statement.

Tentative and Preliminary

EXHIBIT 2

Page 1 of 2

TREE RESEARCH AND EDUCATION ENDOWMENT FUND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE:				
Contributions	\$ 116,731	\$ 193,053	\$ 24,627	\$ 334,411
Special events	671,537	-	-	671,537
In-kind	172,588	-	-	172,588
Merchandise sales	1,616	-	-	1,616
Investment (loss)	(10,337)	(13,668)	(5,350)	(29,355)
Miscellaneous income	818	-	-	818
Net assets released from restrictions:				
Satisfaction of purpose and time restrictions	35,047	(35,047)	-	-
Total public support and revenue	988,000	144,338	19,277	1,151,615
FUNCTIONAL EXPENSES:				
Program services	331,972	-	-	331,972
Administration and governance	178,886	-	-	178,886
Fundraising	530,308	-	-	530,308
Total functional expenses	1,041,166	-	-	1,041,166
CHANGE IN NET ASSETS	(53,166)	144,338	19,277	110,449
NET ASSETS, Beginning of year	787,753	1,088,104	1,256,535	3,132,392
NET ASSETS, End of year	\$ 734,587	\$ 1,232,442	\$ 1,275,812	\$ 3,242,841

The accompanying notes are an integral part of this statement.

Tentative and Preliminary

EXHIBIT 2

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TREE RESEARCH AND EDUCATION ENDOWMENT FUND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE:				
Contributions	\$ 164,882	\$ 233,956	\$ 23,097	\$ 421,935
Special events	671,766	-	-	671,766
In-kind	167,447	-	-	167,447
Merchandise sales	3,300	-	-	3,300
Investment income	57,956	69,420	24,908	152,284
Miscellaneous income	752	-	-	752
Net assets released from restrictions:				
Satisfaction of purpose and time restrictions	102,051	(102,051)	-	-
Total public support and revenue	1,168,154	201,325	48,005	1,417,484
FUNCTIONAL EXPENSES:				
Program services	498,324	-	-	498,324
Administration and governance	145,881	-	-	145,881
Fundraising	510,228	-	-	510,228
Total functional expenses	1,154,433	-	-	1,154,433
CHANGE IN NET ASSETS	13,721	201,325	48,005	263,051
NET ASSETS, Beginning of year	774,032	886,779	1,208,530	2,869,341
NET ASSETS, End of year	<u>\$ 787,753</u>	<u>\$ 1,088,104</u>	<u>\$ 1,256,535</u>	<u>\$ 3,132,392</u>

The accompanying notes are an integral part of this statement.

Tentative and Preliminary

EXHIBIT 3

TREE RESEARCH AND EDUCATION ENDOWMENT FUND
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	<u>\$ 110,449</u>	<u>\$ 263,051</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized/unrealized (gain) loss on investments	50,039	(127,997)
Change in assets and liabilities:		
Decrease in pledges receivable	56,351	15,649
(Increase) in other contributions and grants receivable	(38,931)	(2,725)
(Increase) decrease in prepaid expenses	(3,866)	6,835
Increase (decrease) in accounts payable	(7,750)	7,164
Increase (decrease) in grants payable	(108,896)	162,494
(Decrease) in deferred revenue	-	(780)
Increase in accrued expenses	<u>4,731</u>	<u>2,529</u>
Net adjustments	<u>(48,322)</u>	<u>63,169</u>
Net cash provided by operating activities	62,127	326,220
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments at Chicago Community Trust	<u>(103,685)</u>	<u>(141,650)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(41,558)	184,570
CASH AND CASH EQUIVALENTS, Beginning of year	<u>425,218</u>	<u>240,648</u>
CASH AND CASH EQUIVALENTS, End of year	<u><u>\$ 383,660</u></u>	<u><u>\$ 425,218</u></u>

The accompanying notes are an integral part of this statement.

Tentative and Preliminary

TREE RESEARCH AND EDUCATION ENDOWMENT FUND NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015 AND 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The objectives of the Tree Research and Education Endowment Fund (the Fund) are both educational and scientific. The Fund provides a greater appreciation of trees through the promotion of research, improved technology and the practice of professional arboriculture. The Fund's primary revenues consist of special events and contributions from individual donors and various arboriculture-related companies, both public and private.

The financial statements were available to be issued DATE, with subsequent events being evaluated through this date.

Use of Estimates -

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Basis of Accounting -

The financial statements of the Fund have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents -

The Fund considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Credit Risk -

Financial instruments which potentially subject the Fund to concentrations of credit risk consist principally of cash. The Fund places its cash and deposits with high credit quality financial institutions; however, during the year deposits may exceed the federally insured limits.

Property and Equipment -

Acquisitions of property and equipment in excess of \$3,000 are capitalized. Computer equipment is recorded at cost and is depreciated on the straight-line method over its estimated useful life of three years. There was no depreciation expense in 2015 or 2014. All assets are fully depreciated.

Net Assets -

Net assets are classified into one of three classes of net assets based on the existence or absence of donor-imposed restrictions. The following is a description of each class:

Unrestricted, operating - Unrestricted net assets include all net assets which are neither temporarily or permanently restricted.

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(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Net Assets - (Continued)

Temporarily restricted - Temporarily restricted net assets include contributed net assets for which donor-imposed time and purpose restrictions have not been met and ultimate purpose of the contribution is not permanently restricted.

Permanently restricted - Permanently restricted net assets include contributed net assets which require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

Contributions -

Annual contributions are available for unrestricted use in the related year unless specifically restricted by the donor.

Grants that meet the definition of a contribution and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets.

Pledges Receivable -

Pledges receivable are recorded in the fiscal year, in which the notification of an unconditional pledge is received and then are classified as either unrestricted, temporarily restricted or permanently restricted depending on the existence and/or nature of donor restrictions. Pledges receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledges receivable. For the years ended December 31, 2015 and 2014, there was an allowance of \$20,000 and \$-0-, respectively.

(2) DESCRIPTION OF PROGRAMS:

Directed Grants -

Directed grants are funded by a sponsor or donor for a specific project or topic. Proposals for the program are limited to the size specified in the "Request for Proposal". The schedule for submissions of proposals and awarding of the grant is dependent on the individual project.

Hyland R. Johns Grant -

The Hyland R. Johns Grant Program provides funds to priority programs that benefit the arboricultural industry and enhance the many contributions of urban and community forests.

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(2) DESCRIPTION OF PROGRAMS: (Continued)

John Z. Duling Grant -

The John Z. Duling Grant Program provides seed money to support research projects that address topics that have benefit to the everyday working arborist. Grant awards vary depending on the assessed value of the project to the needs of the arboricultural industry. No single award will exceed \$10,000.

Tree Research Fellow Grant -

Starting in 2008, the Tree Research Fellow Grant was designed to address a specific topic as defined by the TREE Fund Trustees and to provide support to a young scientist who is being mentored by an established and published scientist. The grant will support multi-year research projects (three to five years in duration), but no more than one grant can be awarded to any project. Grants are for a total of \$100,000 over three years, with approximately one-third released each of the three years, pending completion of interim and final reports.

Education -

The Educational programs support numerous public education endeavors. The Tour des Trees provides educational opportunities through presentations and media interviews on the importance of trees and the role of tree research. Programs include information for pre-school to high school. Programs also describe the career opportunities in arboriculture. Finally, funds may be provided to underwrite student attendance at the TCI Expo.

Scholarships -

The Robert Felix Memorial Scholarship program was established to honor Robert Felix and his commitment to the advancement of arboriculture through education. The Fund provides scholarships to students pursuing a career in commercial arboriculture.

The John Wright Memorial Scholarship is for high school seniors and returning college students interested in a career in arboriculture. Established in 2008 by the Wright Tree Service, Des Moines, IA and funded through an annual gift, the intent of this award is to enable undergraduate-level students to attend college without accumulating burdensome debt.

The Bonnie Appleton Memorial Fund was established to honor Bonnie Appleton and establish a scholarship.

The Horace M. Thayer Scholarship Program supports college students from Pennsylvania or Delaware enrolled in a program related to the practice of arboriculture and urban forestry.

The Fran Ward Women in Arboriculture Scholarship Program supports female college students from Pennsylvania or Delaware enrolled in a program related to the practice of arboriculture and urban forestry.

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(2) DESCRIPTION OF PROGRAMS: (Continued)

Jack Kimmel International Grant -

The Jack Kimmel International Grant program is championed by the Canadian TREE Fund and honors the late Jack Kimmel, former director of parks for the City of Toronto. The program provides much needed funding to arboriculture and urban forestry researchers all over the world. Projects are expected to be completed within one to three years.

Ohio Chapter ISA Grant -

Starting in 2012, the Ohio Chapter International Society of Arboriculture Education Grant funds arboricultural education programs or projects within the State of Ohio. The purpose of the grant is to raise the public awareness of and support the advancement of knowledge in the field of arboriculture and urban forestry to benefit people, trees and the environment. The grant application process is open to 501(c)(3) organizations including, but not limited to, arboretums, public gardens, high schools, vocational schools, and two and four-year colleges, which serve a target population of 16 years of age and older.

(3) SPECIAL EVENTS:

Special events consist of raffles, a bike tour, and auction. The purpose of the special events is to raise financial support and public awareness to stimulate and encourage arboricultural research.

(4) INCOME TAXES:

The Fund is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Fund qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

The Fund files income tax returns in the U.S. federal jurisdiction and Illinois. With few exceptions, the Fund is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2012. The Fund does not expect a material net change in unrecognized tax benefits in the next twelve months.

(5) PLEDGES RECEIVABLE:

Unconditional pledges receivable at December 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Receivable in less than one year	\$ 52,415	\$ 43,402
Receivable in greater than one year	<u>24,798</u>	<u>72,600</u>
Total unconditional pledges receivable	77,213	116,002
Less - Allowance for uncollectible pledges	(20,000)	-
- Discounts to net present value	<u>(1,017)</u>	<u>(3,455)</u>
Net unconditional pledges receivable	<u>\$ 56,196</u>	<u>\$ 112,547</u>

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(5) PLEDGES RECEIVABLE: (Continued)

The discount rate used on long-term pledges receivable was 3.25% for 2015 and 2014. The Fund's pledges receivable from the various funds as of December 31, 2015 are due as follows:

	<u>Endowment</u>	<u>Other</u>
2016	\$ 48,415	\$ 4,000
2017	15,153	2,000
2018	6,845	700
2019	<u>100</u>	<u>-</u>
Total	70,513	6,700
Less - Allowance for uncollectible pledges	(16,650)	(3,350)
- Discount	<u>(911)</u>	<u>(106)</u>
	<u>\$ 52,952</u>	<u>\$ 3,244</u>

(6) INVESTMENTS:

During the year ended December 31, 2008, the Board of the Fund voted to have the Chicago Community Trust (CCT), an unrelated party, manage their investments as a component of the CCT. The CCT established the *Tree Research and Education Endowment Fund* as a CCT investment account. Per agreement, the Fund named itself as beneficiary. Interest and/or principal of the established CCT account will be disbursed to the Fund and used in conformity with spending policy and donor restrictions. As a result of the transfer, the investment held at the CCT is presented in the statement of financial position as an asset, *Investments held by Chicago Community Trust*.

Investment income (loss), fees and gains for the years ended December 31, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Interest and dividend income, net		
of administration fees	\$ 20,684	\$ 24,287
Net realized/unrealized gain (loss)	<u>(50,039)</u>	<u>127,997</u>
Total	<u>\$ (29,355)</u>	<u>\$ 152,284</u>

(7) FAIR VALUE MEASUREMENTS:

The Accounting Standards Codification (ASC) for Fair Value Measurements establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

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(7) FAIR VALUE MEASUREMENTS: (Continued)

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation. Investments that are included in this category generally include equity and debt positions in private companies.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2015 and 2014.

Investment Held at Chicago Community Trust: Fair values for investments are provided by the trust administrator which determines the fair value by reference to quoted market prices and other relevant information generated by market transactions.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Fund believes their valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Fund's assets at fair value:

<u>Description</u>	<u>Assets at Fair Value at December 31, 2015</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments held by Chicago Community Trust	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,927,376</u>	\$ <u>2,927,376</u>

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(7) FAIR VALUE MEASUREMENTS: (Continued)

Description	Assets at Fair Value at December 31, 2014			
	Level 1	Level 2	Level 3	Total
Investments held by Chicago Community Trust	\$ -	\$ -	\$ 2,873,730	\$ 2,873,730

The following table sets forth a summary of changes in the fair value of the Level 3 assets for the years ended December 31, 2015 and 2014:

	2015	2014
Balance, beginning of the year	\$ 2,873,730	\$ 2,604,083
Realized and unrealized gains (losses)	(50,039)	127,997
Purchases and sales, net	103,685	141,650
Balance, end of year	\$ 2,927,376	\$ 2,873,730

(8) GRANTS PAYABLE:

Grants authorized but unpaid at year end are measured at fair value and reported as liabilities in accordance with ASC, *Accounting for Contributions Received and Contributions Made*. The following is a summary of grants authorized and payable at December 31, 2015 and 2014:

	2015	2014
Hyland R. Johns grants	\$ 27,433	\$ 34,821
John Z. Duling grants	19,975	17,500
Jack Kimmell grants	30,200	21,998
Utility Arborist Research Fund project	-	58,000
Research Fellowship grant	66,000	100,000
Emerald Ash Borer	-	19,185
Scholarships - Robert Felix	-	3,000
- John Wright	1,000	1,000
- Horace Thayer	1,000	-
- Fran Ward	1,000	-
Total	\$ 146,608	\$ 255,504

(9) PERMANENTLY AND TEMPORARILY RESTRICTED FUNDS:

General Endowment Fund -

During 2002, the Fund initiated an endowment campaign for the purpose of establishing a self-sustaining fund in which investment revenue would support Fund goals. The minimum balance for an established name endowment fund is \$100,000. Until this level is reached, all earnings are to be reinvested into the named account. Contributions to the endowment fund may be permanently restricted by donor. After reaching the \$100,000 fund amount, the investment income going forward will be temporarily restricted and expensed based on donor specifications.

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(9) PERMANENTLY AND TEMPORARILY RESTRICTED FUNDS: (Continued)

John Duling Fund -

During 2000, the Fund established the John Duling Fund based on John Duling's will. The principal is to be held in perpetuity and the investment income to be used for general operational purposes.

Robert Felix Fund -

During 2001, the Fund established the Robert Felix Scholarship Fund. The principal is to be held in perpetuity and the investment income to be used for funding of arboriculture scholarships and related arboriculture curricula in high school and college level programs as well as promotion of the arboriculture profession at all educational levels. There should be no more than four scholarships per year of up to \$3,000 each.

Permanently restricted net assets for the years ended December 31, 2015 and 2014 consist of:

	<u>2015</u>	<u>2014</u>
James Barborinas Fund	\$ 70,076	\$ 60,464
Gamma Fund	102,750	102,750
John White Fund	59,332	59,263
Mark McClure Research Fund	102,637	102,637
Illinois Arborists Association Fund	32,411	32,411
John Wright Scholarship Fund	18,780	18,780
Utility Arborist Research Fund	362,965	365,475
Bonnie Appleton Fund	<u>56,084</u>	<u>43,978</u>
Total General Endowment Fund	805,035	785,758
John Duling Fund	197,532	197,532
Robert Felix Fund	<u>273,245</u>	<u>273,245</u>
Total permanently restricted net assets	<u>\$ 1,275,812</u>	<u>\$ 1,256,535</u>

Temporarily Restricted Funds -

Temporarily restricted net assets for the years ended December 31, 2015 and 2014 are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Safe Arborist's Technique Fund	\$ 112,907	\$ 99,732
Ohio Chapter ISA Funds	138,944	139,773
Robert Felix Education and Scholarships	355,063	363,833
Bob Skiera Memorial Fund	358,088	337,212
Utility Arborist Research Grant	37,010	23,500
Bio Mechanics Research	50,000	25,000
Collier Arborist Training Trust	96,765	-
Gamma Investment Income	20,987	26,372
Mark McClure Research Fund	28,021	29,301
Other restricted amounts	<u>34,657</u>	<u>43,381</u>
Total temporarily restricted net assets	<u>\$ 1,232,442</u>	<u>\$ 1,088,104</u>

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(10) ENDOWMENT:

In August, 2008, the Fund adopted Accounting Standards Codification (ASC) *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*. The codification provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The codification also requires additional disclosures about an organization's endowment funds whether or not the organization is subject to UPMIFA.

The State of Illinois enacted UPMIFA effective June 30, 2009, the provisions of which apply to endowment funds existing on or established after that date. The Fund has adopted the above mentioned codification for the year ended December 31, 2009. The Board has determined that the majority of the Fund's permanently restricted net assets meet the definition of endowment funds under UPMIFA. Based on the Fund's interpretation of UPMIFA, the Fund has reviewed all of its endowment funds and determined that funds are properly classified as permanent and temporarily restricted net assets.

The Fund's endowment consists of ten individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Fund has interpreted the Illinois Prudent Management of Institutional Funds Act (IPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Fund classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Fund in a manner consistent with the standard of prudence prescribed by IPMIFA. In accordance with IPMIFA, the Fund considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Fund, and (7) the Fund's investment policies.

Investment and Spending Policy. The Fund has adopted investment and spending policies, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long term. Endowment assets include those assets of donor-restricted funds that the Fund must hold in perpetuity. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that equals or exceeds the assumed spending rate plus the rate of inflation. The Fund expects its endowment funds, over time, to provide an average rate of return of approximately 7%, net of investment fees. Actual returns in any given year may vary from this amount.

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(10) ENDOWMENT: (Continued)

To satisfy its long-term rate-of-return objectives, the Fund relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Fund targets a diversified asset allocation that places an emphasis on U.S. Treasury securities and equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The Fund's spending policy will be at the discretion of the Board as determined by the governing documents for the various donor-restricted funds that make up the endowments and applicable federal and state law.

Endowment net assets composition by type of fund as of December 31, 2015 and 2014 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds:				
2015	\$ -	\$ 314,998	\$ 1,275,812	\$ 1,590,810
2014	\$ -	\$ 339,740	\$ 1,256,535	\$ 1,596,275

Endowment changes by net asset classes for the years ended December 31, 2015 and 2014 are as follow:

	<u>2015</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 339,740	\$ 1,256,535	\$ 1,596,275
Contributions	-	-	24,627	24,627
Investment income	-	6,683	3,626	10,309
Net depreciation	-	(16,541)	(8,976)	(25,517)
Appropriated amounts	-	(14,884)	-	(14,884)
Endowment net assets, end of year	\$ -	\$ 314,998	\$ 1,275,812	\$ 1,590,810
	<u>2014</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 313,934	\$ 1,208,530	\$ 1,522,464
Contributions	-	-	23,097	23,097
Investment income	-	8,370	3,909	12,279
Net appreciation	-	23,436	20,999	44,435
Appropriated amounts	-	(6,000)	-	(6,000)
Endowment net assets, end of year	\$ -	\$ 339,740	\$ 1,256,535	\$ 1,596,275

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(11) EMPLOYEE BENEFITS:

The Fund maintains a 403(b) plan that covers full-time employees. The Fund matches 50 cents per dollar on each employee dollar up to a maximum employee contribution of 4.25% of employee salary or \$3,500 whichever is smaller. The Fund contributed \$4,857 and \$4,090 for the years ended December 31, 2015 and 2014, respectively.

(12) LEASE COMMITMENTS:

The Fund has an office lease that expires in September, 2016. The Fund also rents storage space on a month-to-month basis. There was rent expense of \$21,333 and \$18,485 for the years ended December 31, 2015 and 2014, respectively. Future minimum lease payments are as follow for the year ending December 31:

2016	\$	13,176
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(13) DONATED GOODS AND SERVICES:

Donated services are recognized as contributions at their fair value at the date of donation if the services create or enhance nonfinancial assets or require specialized skills and would otherwise be purchased by the Fund.

The Fund has a volunteer committee review the grant applications and their time is not recorded as contributions and expenditures because the Fund has no objective basis to measure or value these services. When services are measurable, and meet the definition of services that can be recorded, the determined amount is recorded. Any expenses that would have been incurred from hiring a committee for review of the grants would be recorded as program expenses.

Donated materials are recorded as contributions at their fair values at the date of donation.

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Schedule 1

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TREE RESEARCH AND EDUCATION ENDOWMENT FUND
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Services	Administration and Governance	Fundraising	Total
FUNCTIONAL EXPENSES:				
Salaries	\$ 51,916	\$ 94,527	\$ 125,293	\$ 271,736
Payroll taxes	2,715	5,847	12,320	20,882
Other employee benefits	5,147	10,793	23,905	39,845
Contract labor	8,748	13,561	37,626	59,935
Accounting fees	2,021	4,471	9,263	15,755
Advertising	3,686	24	9,159	12,869
Bad debt expense	20,000	-	-	20,000
Bank charges	2,082	193	17,730	20,005
Board expense	2,693	10,921	897	14,511
Computer services	10,799	562	4,161	15,522
Computer software	303	45	1,395	1,743
Conferences and meetings	83	165	1,390	1,638
Dues and subscriptions	-	-	815	815
Education and program	2,971	-	-	2,971
Insurance	1,438	905	6,033	8,376
Legal fees	-	-	3,477	3,477
Liaisons	-	-	-	-
Lodging	13,915	-	44,234	58,149
Meals	9,419	21	40,891	50,331
Monetary grants	124,155	-	-	124,155
Service rental	229	525	2,175	2,929
Office supplies	476	1,000	2,303	3,779
Payroll fees	-	1,213	-	1,213
Postage	470	597	2,703	3,770
Printing	327	301	5,857	6,485
Professional fees	-	425	230	655
Recruitment	-	20,966	-	20,966
Special event - Tour	2,063	-	8,649	10,712
- Auction	1,249	-	14,474	15,723
In-kind expenses	56,954	3,452	112,182	172,588
Telephone	1,078	2,354	5,098	8,530
Training	32	106	294	432
Transportation	37	108	232	377
Travel	4,605	395	26,702	31,702
Rent	2,361	5,223	10,820	18,404
Miscellaneous	-	186	-	186
Total functional expenses	\$ 331,972	\$ 178,886	\$ 530,308	\$ 1,041,166

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Schedule 1

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TREE RESEARCH AND EDUCATION ENDOWMENT FUND
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Program Services	Administration and Governance	Fundraising	Total
FUNCTIONAL EXPENSES:				
Salaries	\$ 36,180	\$ 92,715	\$ 150,598	\$ 279,493
Payroll taxes	3,956	6,036	12,806	22,798
Other employee benefits	3,527	12,319	6,913	22,759
Contract labor	11,828	891	41,005	53,724
Accounting fees	2,359	4,333	9,777	16,469
Advertising	2,801	67	11,382	14,250
Bad debt expense	4,500	-	-	4,500
Bank charges	10,725	-	8,675	19,400
Board expense	-	12,159	-	12,159
Computer services	16,845	518	4,861	22,224
Computer software	476	-	1,226	1,702
Conferences and meetings	250	90	535	875
Dues and subscriptions	-	-	1,212	1,212
Education and program	2,161	-	16	2,177
Insurance	1,248	2,100	5,550	8,898
Legal fees	-	15	3,850	3,865
Liaisons	553	-	2,540	3,093
Lodging	10,512	-	35,021	45,533
Meals	17,366	19	35,371	52,756
Monetary grants	303,583	-	-	303,583
Service rental	53	117	242	412
Office supplies	521	1,835	3,256	5,612
Payroll fees	-	-	-	-
Postage	-	1,464	2,290	3,754
Printing	388	102	2,630	3,120
Professional fees	-	-	-	-
Recruitment	-	-	-	-
Special event - Tour	1,476	-	7,419	8,895
- Auction	535	-	11,665	12,200
In-kind expenses	56,792	930	109,725	167,447
Telephone	1,237	2,053	5,719	9,009
Training	-	99	1,271	1,370
Transportation	-	36	86	122
Travel	5,605	3,162	23,192	31,959
Rent	2,773	3,905	11,395	18,073
Miscellaneous	74	916	-	990
Total functional expenses	<u>\$ 498,324</u>	<u>\$ 145,881</u>	<u>\$ 510,228</u>	<u>\$ 1,154,433</u>



Liaison Committee

Committee:	Liaison Committee
Chairperson:	<p>The chairperson is an active member of the TREE Fund liaison committee referred to as “the Committee”. The committee shall elect a Chair and Vice-Chair. The committee Chair and Vice Chair may serve no more than two consecutive two year terms. The Chair of the Committee shall serve as a voting member at all meetings of the Board of Trustees. In the event that the Committee Chair cannot fulfill the duties and responsibilities of the position the Committee Vice Chair shall then serve as the Chair of the Committee with full voting privileges at the meetings of the Board of Trustees until a new Chair is elected.</p>
Basic Function:	<p>TREE Fund Liaisons are essential to establish and maintain a sound, dynamic relationship between the International Society of Arboriculture (ISA) Chapter boards and membership as well as other stakeholders within their chapter. TREE Fund Liaisons serve as the primary communications link between their chapters and the TREE Fund.</p>
Members include:	<p>The TREE Fund requests that each North American ISA Chapter elects or appoints a TREE Fund Liaison for a three year term or as specified in chapter governing documents.</p>
Responsibilities.	<p>Participate in your chapter’s board meetings whenever possible.</p> <p>Utilize chapter communication tools to keep the membership informed about current TREE Fund opportunities, events and achievements.</p> <p>Provide a TREE Fund physical appearance at your chapter functions including the TREE Fund display. Request time on the program to engage chapter membership regarding TREE Fund activities.</p> <p>Encourage strategic alliances with other stakeholder groups to enlist their support of the TREE Fund.</p> <p>Be an advocate for the TREE Fund and arboriculture research and technology transfer.</p> <p>Encourage your chapter to embrace an annual TREE Fund Chapter Challenge goal.</p> <p>Identify potential funding sources and donors within your chapter.</p> <p>Participate in the TREE Fund Scholar program.</p>

Skill Set: Demonstrate a willingness to serve as a TREE Fund champion to your ISA Chapter, membership and key stakeholders.

Demonstrate a commitment to the goals and objectives of the TREE Fund.

Time Requirement: Average time commitment: 4 – 6 hours per month.

Conference calls throughout the year will be held as well as an annual joint TREE Fund Liaison and Trustee summit. This summit is usually held in the Chicago area in December.

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TREE FUND MEMORANDUM

March 31, 2016

Fm: J. Eric Smith, President and Chief Executive Officer

To: TREE Fund Trustees

Re: TREE Fund Endowment Building Campaign

INTRODUCTION AND ASSUMPTIONS

Before providing a proposed campaign structure for pursuing an ambitious endowment building campaign, I want to open this memorandum by clearly documenting a series of assumptions related to Board-approved goals, definitions of terms, and timing for achieving our shared objectives. These assumptions and the proposed courses of action that follow them were provided to and discussed with the Finance, Executive and Development Committees of the TREE Fund Board of Trustees during March 2016. This current document incorporates comments and clarifications received during this process, and it is presented to the full Board with those Committees' concurrence.

During the hiring process for a new President and Chief Executive Officer, members of the Search Committee communicated to me in writing that the Board of Trustees had defined a goal of tripling the TREE Fund's endowment from ~\$3.0 million to ~\$9.0 million by 2020. This goal has also been discussed publicly in a variety of settings since I was hired, although it is not specifically identified in the Strategic Plan approved by the Board at its May 4, 2015 meeting. The only numerically explicit financial objective contained in the Strategic Plan is that we produce "a system that generates \$2.5 million annually in revenue by December 2017." The Strategic Plan also sets the objective of issuing at least \$300,000 per year in grants, beginning in October 2015; we did not hit this goal in 2015, but have budgeted to do so in 2016.

With normal operating costs (exclusive of grants) running at ~\$650,000 per year, I am operating on the assumption that the "\$2.5 million annually in revenue" goal was intended to be a short-term one in pursuit of an endowment building campaign, with the significant surpluses embodied by that revenue goal being invested with Chicago Community Trust (CCT). It would be virtually impossible to seek such a level of sustained annual revenue independent of the endowment building campaign; even if we triple our annual grants upon completion of the campaign, I see no model where would we need or be able to wisely spend \$2.5 million annually in revenue.

For the purposes of this proposal, therefore, I am using the December 2017 Strategic Plan deadline as the point where we must be operationally ready for an intense – but time-limited – campaign to secure significantly more funding (i.e. the \$2.5 million per year goal), and the December 2020 deadline provided to me during my hiring as the point when the campaign would close, with its financial objectives completed. I have

backed my timelines down from these two anchor points, and explain how I would recognize campaign completion in the narrative below.

I also want to clarify the definition of the word “endowment” to ensure that we have a full understanding of our assets with the CCT going into this process. Technically, an endowment is composed of funds which are restricted in perpetuity, but only a portion of our total investments with CCT are so restricted at this time; per our year-end 2015 audited financial statement, our assets with CCT are allocated as follows:

Permanently restricted (traditional use of the term “endowment”):	\$1,275,812
Temporarily restricted:	\$1,232,442
<u>Unrestricted:</u>	<u>\$ 419,122</u>
Total:	\$2,927,376

It is very important to note that the CCT treats all of the funds it administers as *its own* endowment, and refers to this pool (and our portion of it) that way in its written and verbal communications with the Trustees. The nature of our relationship with CCT is that all of our assets are essentially given as irrevocable gifts to them (we receive charitable gift acknowledgments from CCT, not investment receipts) with ~4.5% per year then being accessible for our use. Should TREE Fund desire more be taken from the CCT account than this amount, our Trustees may advise CCT of this desire, but CCT reserves the right to decline it, because they view *their* endowment (including our funds) as being permanently restricted.

There are pros and cons to dealing with community foundations like CCT, with loss of full asset control clearly being the largest con. Given this relationship, the Trustees may wish to permanently restrict many, if not all, of the funds invested with CCT to provide clarity of terminology and intent. The Trustees might also consider that other investment accounts be established for legitimately temporary or unrestricted funds, so that we maintain more active control over their use. This could prove germane should we be successful in the fundraising campaign discussed below.

With all of that as preamble, for the purposes of this proposal, I will use the word “endowment” to refer to the totality of our CCT investments (~\$3.0 million), understanding that to be the Board’s intent. When we develop our marketing and solicitation materials for this campaign, however, we should be clear with our terminology to ensure that we do not create confusion or ill will from donors about how their funds will be invested and managed.

CLEARLY DEFINING THE GOAL

The statement “triple the endowment to \$9.0 million” is a good shorthand goal, but it is subject to situational conditions. If the market tanked next month, and our endowment

shrunk to \$1.0 million, then we would hit the tripling goal by getting it back to \$3.0 million, while the \$9.0 million goal would constitute a nine-fold increase. Conversely, if the market experiences rapid growth and our endowment increases to \$6.0 million a year from now, the \$9.0 million goal would represent only a 50% gain on our holdings.

For planning and execution purposes, these are very different scenarios, and we want to all be clearly working toward a single, measurable goal. It is preferable for this campaign, therefore, to have a standalone financial goal that is independent of current investments or operating balances. The clearest message we can offer is “We need to raise ‘X’ number of new dollars by ‘Y’ date.” Performance against such a message is then easily measured, removing the vagaries of the market.

There are numerous steps that should be taken before such an explicit goal is announced publicly, and I discuss those steps in detail below. That being the case, however, it is still optimal to go through those planning steps with an end result in mind. I would like to set our baseline goal per the table below accordingly, recognizing efforts underway through December 2017 for the UARF via the PG&E matching grant and the Collier Arborist Training Trust (CATT) campaign, and also recognizing that documented planned gifts can and should be considered part of our portfolio, even if they are not received in cash during the campaign period itself.

Funds Present or Campaign in Process Through December 2017:

Current Investment Balance:	~\$3.00 million
PG&E Matching Program (Maximum) :	~\$0.25 million
Required Match to Reach PG&E Maximum:	~\$0.50 million
CATT (Donor Advised Goal):	~\$0.75 million
<u>Heritage Oak Society Pledges (Estimate):</u>	<u>~\$0.50 million</u>
Subtotal	~\$5.00 million
Desired Investment Balance (Less Market Flux)	~\$9.00 million
Needed New Funding (December 2017 to 2020)	~\$4.00 million

Summarizing this, I would recommend that our campaign have two phases:

- **Phase One:** Complete the PG&E Matching Program and reach donor advised goals for the CATT by December 2017, while also conducting a feasibility study, developing marketing materials, preparing event donors for possible gift transition, developing enhanced unrestricted operating funding, and establishing a Campaign Committee pledging lead gifts (more on all of this below), all to support . . .

- **Phase Two:** A \$4.0 million public endowment building campaign to be launched in January 2018 and completed by December 2020.

WHAT COUNTS TOWARD THE GOAL?

Phase One initiatives already active in the public domain will give staff the crucial opportunity to develop needed fundraising skills and capacity as we transition from a heavily event-dependent model to a model that prioritizes endowment and unrestricted operating funding. We have relationships in place with UAA, the CATT Advisory Board and our other current corporate partners and individual donors to leverage our in-house capacity toward these current initiatives, but it requires a shift in both internal attitudes and activities, and external narratives about who we are and what we do. Success breeds success, and by proving our capacity to secure the UARF and CATT funds between now and the end of 2017 – and then demonstrating an equally important capacity to quickly disseminate increased funding for innovative and impactful research – we will position ourselves well for the Phase Two general endowment building campaign.

There are several options to consider in defining “what counts” against the \$4.0 million Phase Two goal. I recommend the following approach.

- Well-formed cash pledges may be paid in increments over five years with the entire value of the pledge being counted toward the campaign goal, even if the latter years are to be paid after the December 2020 Phase Two campaign end date. If a development pledge is properly documented, it can be posted to the general ledger as an account receivable, increasing our balance sheet accordingly. We may receive some of our largest pledged multi-year gifts deep into the campaign, and must be able to consider these receivables as part of our campaign goals.
- Well-formed planned gifts are not actuarially likely to be received as cash until after the December 2020 Phase Two campaign end date, but their estimated value should be applied toward the goal. We may receive some of our largest gifts via estate planning, charitable gift annuities, or other deferred income which could show up the day after it is pledged, or could not arrive for decades. We do not want to create perverse incentives in a campaign by favoring smaller immediate gifts more than we value potentially much larger deferred gifts. We may have long-term supporters who are reaching a point in their lives where they want to make gifts from their assets rather than their income, and we must be receptive to and supportive of such deferred gifts. While many types of planned gifts cannot be applied as accounts receivable, they are an important part of a development portfolio with significant out-year value, representing in many cases the legacies that long-term supporters wish to leave as a final declaration of support for their chosen charitable cause(s).
- In-kind gifts or gifts of real property or other non-monetary assets would only be applied toward the campaign goal if we can sell them and place the cash under CCT advisement. Gifts that could support the campaign but which cannot be monetized would be acknowledged under our Corporate Partners program for general operations, but not counted toward the campaign goal.

BUILDING THE PYRAMID: HOW MANY GIFTS, AND HOW BIG?

Fundraising pyramids are mathematical models that give development staff and volunteers a sense of how many gifts at various levels will be required to reach a desired goal. Sometimes the act of building a pyramid demonstrates that the desired goal is too high or too low, or that the lead gift required to anchor a campaign may be larger than initially considered. It is important to keep in mind that campaigns like this one are undertaken only periodically, and that current operating donors are encouraged to make large one-time gifts on top of their annual support, not in lieu of it.

For a starting set of assumptions in building a pyramid: a typical lead gift for a campaign is about 10 percent of the campaign goal, which ideally is also about 10 times the size of an organization's largest sustained annual gifts; four prospects are required for every gift successfully secured; ~60% of the total funds to be raised should be secured in a quiet phase before a public goal is announced; and the donors behind the lead gifts will generally serve as the Campaign Committee (or at least the honorary leaders of a campaign operationally managed by others). Our current largest sustained cash gifts are \$50,000 (50% of STIHL's \$100,000 gift is in in-kind marketing support), so a 10% Phase Two lead gift goal of \$400,000 is about eight times that level, which is within acceptable bounds.

The pyramid built by rote from these assumptions looks like this:

MAXIMUM GIFT AT \$400,000				
(10% of goal, 8 times largest current sustained annual operating gift)				
Gift Size	Number of Gifts	Level Total	Prospects (4:1)	
\$ 400,000	1	\$ 400,000	4	
\$ 200,000	2	\$ 400,000	8	
\$ 100,000	4	\$ 400,000	16	
\$ 50,000	8	\$ 400,000	32	
\$ 25,000	16	\$ 400,000	64	
\$ 10,000	40	\$ 400,000	160	
\$ 5,000	80	\$ 400,000	320	
\$ 2,500	160	\$ 400,000	640	
\$ 1,000	400	\$ 400,000	1,600	
\$ 500	800	\$ 400,000	3,200	
	1,511	\$ 4,000,000	6,044	
YELLOW HIGHLIGHT EQUALS QUIET PHASE				

This is a problematic pyramid for us, frankly. We would need over 6,000 prospects capable of giving \$500 or more, and our current database only has about 8,000 names, many of whom have never contributed. This would also require 71 gifts (and 284 prospects) in the quiet phase to get to the 60% threshold for public campaign announcement, creating an unwieldy list of lead donors, and requiring the feasibility

study to be larger than would be optimal (more on that below). It is clear to me that we need to inject one larger lead gift to achieve desired goals, resulting in the following steeper pyramid with a narrower base:

MAXIMUM GIFT AT \$800,000				
(20% of goal, 16 times largest current sustained annual operating gift)				
<u>Gift Size</u>		<u>Number of Gifts</u>	<u>Level Total</u>	<u>Prospects (4:1)</u>
\$	800,000	1	\$ 800,000	4
\$	400,000	1	\$ 400,000	4
\$	200,000	2	\$ 400,000	8
\$	100,000	4	\$ 400,000	16
\$	50,000	8	\$ 400,000	32
\$	25,000	16	\$ 400,000	64
\$	10,000	40	\$ 400,000	160
\$	5,000	80	\$ 400,000	320
\$	2,500	80	\$ 200,000	320
\$	1,000	100	\$ 100,000	400
\$	500	200	\$ 100,000	800
		532	\$ 4,000,000	2,128
YELLOW HIGHLIGHT EQUALS QUIET PHASE				

This pyramid creates a more manageable quiet phase and requires a more realistic prospect pool – although obviously it is a heavy lift to find and close a gift 16 times larger than the current sustained lead operating gift. That being said, I would likely appeal to the human preference for increments of fives and tens, and try to secure one \$1.0 million gift, and one \$500,000 gift to anchor the campaign, taking pressure of the next tiers of gifts.

I must note that the pursuit of the largest gift levels here represents a fundamental change of sea state for TREE Fund, but an essential one if we are to achieve our desired goals. For those lead gifts, we need to be receptive and prepared if one or more of our long-time operating supporters (corporate or individual) decides to make a “terminal gift” of this variety, forsaking future operating support. For those largest lead gifts, that will be a worthy tradeoff, though we would need to ensure that the vast majority of lower tier gifts made their endowment contributions atop their operating gifts.

If we assume that total corporate partner support for the STIHL Tour des Trees should not exceed the expense of the Tour (e.g. do not use the Tour to underwrite operations), then we have room for a corporate partner or two to make such a switch. I also consider our operating cash reserves may be excessive given the very limited liabilities we have with no real property and a small staff; if we manage “closer to the bone” through the campaign period, we will also have some room to transition support from operating to endowment. But even with these shifts in perspective, we will need to manage an

integrated fundraising program that seeks increased unrestricted operating funding at the same time as we are seeking endowment funding, and also changing our ISA International event to be more of a “friendraiser” than a fundraiser. These are formidable, challenging tasks.

As I have been noting in my visits around the country, our proposed campaign will also require us to “open the circle” to new donors, and we will need input and introductions from current supporters to make the number and size of connections required to achieve our goals. We have little to no history seeking funding from government and private foundations, but would need to thoroughly research such sources and walk through the (often time-consuming and labor intensive) processes of cultivating connections, passing through the inquiry phase, and crafting compelling narratives to secure such funding wherever possible. That said, we must also be realistic and note that as a grant-making organization ourselves, many other foundations will not be inclined to fund us as a “middleman” between their own charitable missions and the ultimate recipients of their gifts. Family foundations would likely be the most fruitful angle here.

FEASIBILITY STUDY, QUIET PHASE AND CAMPAIGN LEADERSHIP

In some ways, we’ve put the cart before the horse by publicly discussing the “triple the endowment to \$9.0 million” goal before doing the work to determine whether it is feasible or not. It can be hugely detrimental to an organization to state a campaign goal in public and then fail to achieve it. We could increase the endowment to \$7.0 million by 2020, for example, which would allow us to more than double annual research spend, but that campaign would be viewed as a failure if the \$9.0 million goal was widely discussed and remembered.

Campaign feasibility studies are designed to provide an accurate sense of whether and when an internal goal should be externally promulgated. They involve a series of interviews with key constituents to create the best possible campaign “call to action” appeals, and also to gauge those constituents’ potential interest in supporting the campaign, and at what levels. (Note that the feasibility study is not the ask itself; participants are usually given a range of gift levels and asked where they think they might fall, and then whether they have friends, colleagues or coworkers who might fall at that same level or higher). The feasibility study is also an important tool for building the campaign committee, as people often identify their willingness (or lack thereof) to take on such volunteer roles during their interviews.

The best feasibility studies are those conducted with third party assistance: people will often be more candid in such interviews than they will be in face-to-face interviews with current staff or Board members, since they will not want to be as critical to us to our faces as they might be with a neutral third party consolidating interview data. Such candor, including criticism, is crucial: we need to know where our weakest stories and connections are if we are to work through or around them. I recommend engaging a consultant to work with me on this task accordingly.

If we conduct a campaign feasibility study and none of the ~32 people close to TREE Fund who we interviewed were willing to even conceptually commit to gifts of \$50,000 per year or more (in cash or planned gifts), nor knew anybody else who would be, then that would be a clear indication that our goal is not realistic and must be revisited. This step is a key one accordingly to creating a public campaign that represents an organizational stretch, yet is realistically attainable.

In advance of the feasibility study, I recommend engaging a wealth screening study using a third party provider with expertise in pulling hidden prospects from within existing organizational databases. A wealth screening consultant takes an export of our Raiser's Edge database and filters it through their own larger development databases, seeking to identify key prospects through a variety of socioeconomic indicators (e.g. relative wealth of home ZIP codes), philanthropic giving to other causes, professional or personal relationships with existing major donors, etc. These studies can reap sizable dividends when hidden wealth is discovered behind long-term low-level donors who have yet to reach their full giving capacity. If our feasibility study interview pool could include at least a third of its population from such "low engagement" prospects, it could give us a strong sense of whether our message will be effective beyond those with an existing deep involvement with our work.

(I must note here for the record that I do have concerns about the quality of our development database, so I am hopeful that the new person we hire to administer it will have the fairly formidable skills required to work with me on data mining and development of the various prospect lists and asks required of such a campaign).

Once the feasibility study is completed, campaign volunteer leadership must be established. Our campaign committee must be composed of individuals who are known and respected in the tree care community and beyond, are able to effectively communicate the TREE Fund's goals, and can make asks in its behalf, with or without direct staff assistance. Solicitors must ideally be committed donors themselves, be fully knowledgeable of the TREE Fund's gift acceptance policies, and have the ability to make peer-to-peer asks of key prospects. Asking for money (especially large gifts) can be extremely challenging for even the most passionate volunteers, so advance training and support (both tangible and emotional) is essential to campaign success.

The selection of a campaign committee can be a fine balancing act: sometimes those who most desire to take a prominent role of such committee are not willing or able to make gifts at the desired levels, and we would want to have those making the heaviest contributions be available to encourage others to do the same. It may be difficult for a \$25,000 donor to make a compelling campaign ask for \$1,000,000 – while it is much easier for a \$1,000,000 donor to make a compelling ask for \$25,000. The campaign committee must be deftly recruited and empowered accordingly.

While we would want some Trustee representation on the campaign committee to provide governance oversight, it should mostly be composed of people supportive of the TREE Fund, but not directly involved from a governance standpoint, thereby extending our capabilities, not just increasing the efforts of those already engaged. Businesses or

individuals who have directly or indirectly benefited from TREE Fund grants may be willing to create new generations of beneficiaries by giving back through committee service in ways that tangibly leverage their earlier support.

Ideally, we would like the quiet phase of the campaign to end in December 2017 with all required gifts (60% of the target Phase Two goal, on top of UARF and CATT initiatives underway) being secured from within the campaign committee itself, though this does not always happen. If we do not have the full 60% by that time, we should focus first quarter of 2018 on getting to that point, with the public roll-out being shifted back as necessary into spring 2018. If we fall far short of the 60% mark at that point, we would need to revisit the public goal's level and/or timing at our May 2018 Board meeting.

This quiet phase would also be the time that we would work to secure at least four major (\$100,000 or higher) donors from outside the tree care industry completely, to demonstrate to our long-time supporters that the campaign truly will not be built solely on their contributions, and that our success outside the industry is not limited to a one-off fluke. We need these names on the supporters' list before we go public to prove that our work has value beyond the tree care community.

MARKETING AND POSITIONING THE CAMPAIGN

The endowment building campaign's marketing materials must be closely integrated and consistent with all aspects of our fundraising program, including planned gifts, operating appeals, and corporate partnerships for events. A campaign of this nature will succeed only if we create an inspirational, philanthropic purpose for it. At bottom line, people make charitable gifts because they want to change the world, not because they want to see an organization make incremental small ball changes to the status quo.

This will be another departure for us in some ways, especially with our corporate partners. Our historic relationships with many of them have essentially focused less on philanthropy, and more on the TREE Fund serving as an adjunct advertising agency, with the full value of gifts being returned *quid pro quo* in givebacks. There are financial ramifications to our current approach, as removing philanthropic intent from corporate partnerships and giving back the full value of the gifts dictates that such funds be treated as taxable earned income, and not as charitable support.

It would be devastating for TREE Fund to raise \$4.0 million in a Phase Two campaign and have to pay a sizable portion of it out as unrelated business income tax, so our case statement must be anchored in philanthropic terms, and we must severely limit the givebacks to allowable types of acknowledgment under relevant tax law (more on this below). The feasibility study will help us identify the most compelling philanthropic narratives, and these should be integrated first into our operating fundraising program (to prepare the market, so to speak), then into the campaign literature itself.

Per conversations at our December 2015 Board meeting, while our staff do a good job of producing and disseminating functional marketing materials within our current circles,

we are not a public relations agency, so our reach and creative capacities are limited. We are working with STIHL this year under our corporate partnership with them to shift their in-kind advertising support away from the logistics of rider recruitment and Tour promotion, toward a more strategic positioning of TREE Fund in the public domain as a charity with clear purpose and impact. I recommend engaging a public relations firm to build on this work as we get deeper into the campaign, ideally soon after completing the feasibility study.

STEWARDSHIP AND ACKNOWLEDGEMENT

Gift acknowledgment and stewardship are challenging for us in some ways, because we don't own any property, and therefore cannot offer the usual "brick and mortar" naming rights that some large donors expect when they participate in a campaign like we are considering. (Such naming rights are considered fair game from a charitable contribution vs taxable earned income standpoint, as they do not provide "substantial return benefit" to the donor). Our only current naming rights focus on discrete funds within the endowment (e.g. funds over \$100,000 can be named and restricted to certain purposes), or sponsorships (e.g. STIHL serves as name sponsor for the Tour des Trees).

During the feasibility study, we will need to explore options with our participants on how they themselves or others might wish to be honored for their contributions. We need to be open and receptive to new approaches, so long as they are within our mission statement and are not elaborately complex or expensive. To cite but one possible example: we could offer to host an annual public education symposium named after a donor, possibly in the donor's home market, which brings in our researchers to share the results of their findings; the nominal additional costs associated with this would be well spent to secure a larger gift. Or we could offer to rename our general endowment fund after a major donor, as the largest component of our investments; there is no cost to doing so, beyond marketing the change.

We may not, however, create elaborate new advertising models for the gifts to be secured under the endowment building campaign, and as noted above, this is going to require a shift in how we approach donors, especially corporate ones. The feasibility study and quiet phase are good times to plant these seeds and promote the shift in messaging and intent, and response to those shifts will be crucial to measure and manage. We will need to have a campaign "one pager" soon after completion of the feasibility study for use by the campaign committee and lead donors, providing sufficient naming rights for those who desire them.

At a minimum, we will require eight gifts of \$100,000 or more, so we must be prepared to have eight new named funds, each requiring its own application, review and reporting processes. That's a sizable increase over our existing pool of 11 named funds, and could require some changes to staffing and Research Committee structures to administer. All new programs created as a result of the campaign should be ready for roll out by Summer 2020 at the latest, though they may be launched as we move through the campaign process to demonstrate success in implementation.

TIMELINE OF EVENTS

March 1, 2016:	Campaign proposal submitted to Finance, Development and Executive Committees; reviewed in committees through March with comments incorporated back into master. (<i>COMPLETE</i>).
April 4, 2016:	Campaign proposal provided to full Board of Trustees for review and evaluation. (<i>COMPLETE</i>).
April 15, 2016:	Complete hiring and in-boarding process for two new staff positions (within approved budget levels), reconfigured with clear emphasis on campaign as part of assigned duties.
May 16, 2016:	Campaign proposal approved for implementation by full Board of Trustees.
May 20, 2016:	RFP issued for feasibility study contractor.
May 30, 2016:	Database export for wealth screening contractor completed.
June 30, 2016:	Wealth screening review completed.
July 10, 2016:	Formal, documented moves management system implemented to cultivate ~120 key prospects.
August 20, 2016:	Feasibility study contractor engaged with ~32 prospects identified to participate.
September 1, 2016:	RFP issued for public relations firm.
October 30, 2016:	Feasibility study interviews complete.
November 30, 2016:	Feasibility study report complete.
December ?, 2016:	Board of Trustees review progress to date at annual winter meeting and approve launch of quiet phase.
December 20, 2016:	Public relations firm engaged to develop materials incorporating feasibility study findings.
March 1, 2017:	Campaign committee leadership identified and confirmed.
March 15, 2017:	Initial campaign marketing materials ready to support quiet phase.

December 1, 2017:	Quiet phase complete after UARF and CATT goals achieved, and an additional ~\$2.4 million (60% of goal) in pledges secured for Phase Two of campaign.
December ?, 2017:	Board of Trustees review progress to date at annual winter meeting and approve launch of public Phase Two of campaign.
January 30, 2018:	Second round of campaign marketing materials completed for public Phase Two.
February ?, 2018:	Public Phase Two of campaign launched, ideally with an open rollout event with significant national public relations potential.
October 1, 2018:	Additional \$0.4 million in public pledges secured for Phase Two of campaign (total \$2.8 million)
March 1, 2019:	Additional \$0.4 million in public pledges secured for Phase two of campaign (total \$3.2 million)
October 1, 2019:	Additional \$0.4 million in public pledges secured for Phase Two of campaign (total \$3.6 million)
March 1, 2020:	Final \$0.4 million in public pledges secured for Phase Two of campaign (total \$4.0 million)
May ?, 2020:	Board of Trustees review progress to date at annual springmeeting and evaluate whether fundraising efforts are complete or should be continued deeper into 2020.
July 1, 2020:	All new programs or grants required under gift terms ready for rollout and implementation.
October 1, 2020:	Final campaign report, ideally presented at a formal closing event with significant public relations potential.

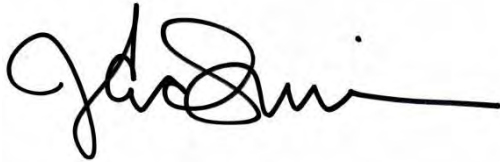
CONCLUSION AND REQUEST FOR ACTION

I provide this campaign proposal with concurrence from the Finance, Development and Executive Committees, who met via teleconference in March 2016 to provide feedback and comments, which I will integrated into this document. This campaign is going to require heavy lifts from all staff and Trustees, including personal contributions to the campaign; we will need to demonstrate 100% participation, even if at nominal values.

At our May meeting, I will request full Board approval of the plan and begin implementation immediately thereafter. As noted numerous times in this document, this is a challenging undertaking, but one with the potential to truly transform our organizational effectiveness.

I appreciate the Board's vision in seeking to make such a change, and I look forward to leading our team through to its successful completion.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "J. Eric Smith", with a long horizontal line extending to the right.

J. Eric Smith, President and Chief Executive Officer

TREE FUND ENDOWMENT BUILDING CAMPAIGN TIMELINE OF EVENTS
(Updated April 14, 2016)

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