

TREE FUND MEMORANDUM

Date: November 21, 2017

To: TREE Fund Board of Trustees

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

Re: Report for December 4, 2017 Trustee Meeting

INTRODUCTION:

My report for our December meeting is a relatively brief one, since it has only been five weeks since our October teleconference. I know that the Committee meeting schedules and report deadlines also will cause other reports to be light or potentially incomplete, since some of our Committees will only have met once since our last Trustee meeting before reports are due.

To allay this compression in the future and to support other organizational needs and changes, I have put an item on the agenda to discuss our meeting calendar for 2018, as our consolidated grant award/review cycle means we will only have to vote on grants in May and December, and we won't need to meet in October as we did this year to award summer grants.

Ideally, I'd like to see us have quarterly meetings: two calls (nominally March and August), and two in-person meetings (nominally May and December). I would suggest a lighter written report rubric from Committees for the teleconferences, with full written reports from the Committees for the in-person meetings. I would also respectfully suggest moving the December meeting back a week (e.g. December 10-11, 2018 instead of December 3-4, 2018) to give Committees and staff more time to complete the November meeting cycles, and get reports and agenda items ready without being jammed up on top of Thanksgiving holiday.

Finally, a reminder that we need to decide where we want to do the December meeting next year, as we have proposed a warmer climate location. We have evaluated viable markets for hub airports, climate, central location in the U.S., average market expense for lodging and food, and connections with local chapters and/or researchers, and the Dallas-Fort Worth, Phoenix, Houston and Atlanta markets score highest in our assessment. The Trustees will need to make this decision at our Monday meeting, and we will then present it to the Liaisons on Tuesday morning as part of our joint meeting with them.

As I note in all of my written reports to you, I believe that frank communications from me best allow you to properly fulfill your fiduciary and governance responsibilities to our organization. By necessity, such candor also dictates that my reports be held closely and considered company sensitive information. Therefore, I respectfully request that you do not forward or share this report beyond the Board of Trustees, Barb Duke and I, with thanks in advance and as always for your discretion.

FINANCES:

I submitted the proposed 2018 budget to the Finance Committee on November 7, and we have calls scheduled on November 21 and November 29 to discuss it. The Finance Committee will come out of the second meeting with a Budget Resolution which will be presented to the Trustees for action at our December meeting.

I have proposed a conservative, cash positive budget reflecting the response to the unexpected operating deficits we experienced in 2017 that I detailed in my last report to you, while still meeting all 2018 Strategic Plan goals. While the budgeted level for new grant awards is modest, we have higher than usual payouts for prior year grants to make in 2018, so our net commitment and spend on research will still remain robust. We are still budgeting to meet the Endowment target of \$4.75 million by the end of 2018 as defined in the Strategic Plan, with focused fundraising on the Tree and Soil Research Fund, Skiera Memorial Building Bridges Fund, Larry Hall Memorial Fund, and John White Memorial Fund. We have also scrubbed the expense side hard, and will be streamlining/consolidating most of our digital platforms, saving significant money in the process.

This budget is less complex in many ways than our 2016 and 2017 budgets were as we have stabilized our staffing structure, finished with the contracted campaign work with CCS that was included in both of those years, and finished our second year within the current reporting and budgeting structure that simplifies our accounting and properly reflects the relationship with Chicago Community Trust in terms of cash flows between the organizations. The only structural change of note this year was to create a standalone Communications line on the expense side, pulling related work into a single category to allow our new Communications Committee to govern and oversee that area more clearly. This change came out of the Strategic Planning process, and I agree it makes management and tracking easier than our current structure.

For 2017, our approved budget had us operating with a positive \$12,247 net income against expenses of \$1,192,253 (1.0% surplus). My current year-end forecast has us at a negative \$16,000 net income against expenses of \$1,083,000 (1.5% deficit). While the dollar value of the deficit is small, we would like to close it, so we are working hard to secure as many 15th Anniversary Appeal and Partnership commitments/payments as we can over the last month of the year. We're ahead of last year at this point in both areas, so I am cautiously optimistic that we can make it up.

STRATEGIC PLAN:

I added an agenda item for us to briefly discuss Strategic Plan Implementation for 2018. It is our intention to add all 2018 deliverables to each Committee's monthly agenda, so we keep them in front of us throughout the year as our roadmap for achieving all goals. Reminder that our plan is to assess performance each year, adjust (where necessary) to reflect changing situations, and add a new third year to the plan on a rolling basis, so as part of our meeting in 2018 and beyond, we should keep that goal in front of us as part of the meeting planning and scheduling.

TOUR DES TREES:

We are well underway on the 2018 Tour des Trees in Ohio. Tour Manager Paul Wood has already laid out our draft route and has visited Ohio to drive and refine it, while also visiting and seeking quotes from three affordable hotel stops (we are preserving some of the “hub and spoke” model we used in Washington). The Tour Planning Committee is very active and engaged, and we have good contacts for educational and community engagement stops along the way. We are updating our website to have the landing platform for the Tour be at treefund.org, are developing new marks and brands that remove STIHL’s logos and name, and are implementing our new registration/fundraising platform that will more seamlessly integrate with our other online points of sale and accounting system. We are working to develop “virtual Tour” options that will allow supporters around the country to fundraise for us without actually committing to the seven-day endurance ride in Ohio. We will go live for registrations on January 15, and expect to announce the Tour route in December. Per the Strategic Plan, I will conduct an analysis of Tour options for 2019 and beyond before the Ohio Tour, and we are not publicly announcing anything about the Tour beyond Ohio 2018 at this time. If we went with our “normal” model, we would return to Southern Chapter for a Tour based out of Knoxville, Tennessee in 2019.

RESEARCH AND EDUCATION:

Dr. Hudler will be requesting Trustee approval of two Kimmel grants and one Duling grant at our December meeting. We have completed the contract and made first payment on the \$5,000 Educational Benchmark Grant you approved in October. We have not received the signed contract back from University of Florida for the \$20,000 Research Needs, Outcomes and Impacts Study, so are following up there to see what the delay is on their end. We will make sure it gets signed with first installment paid before year end.

As noted above, we are looking at the return on investment on all of our digital platforms, and as part of this review we will eliminate WizeHive as our grant management software in 2018. We pay over \$10,000 per year for a platform that is difficult for use for applicants and reviewers alike, and Barb Duke, Dr. Hudler and I are already doing a lot of the process management manually at this point. We will be creating simple application templates that can be edited and completed by applicants and emailed for review, and then using Excel templates for rating and screening going forward. I suspect all parties will find the new approach easier, with significant cost savings.

CONCLUSION:

Please don’t hesitate to let me know if you have any questions, comments, or concerns with anything contained in this report. Thanks, as always, for your support and wise counsel.

All best,



J. Eric Smith,
President and Chief Executive Officer