



Audit/Finance Committee Report

Prepared by: Ray Henning, Chair

Date Submitted: May 4, 2018

Meetings:

Date: November 29, 2017

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

Topics and actions: : The Finance Committee met in executive session to review and approve the draft 2018 TREE Fund Budget to be taken to the full Board for approval.

Date: January 16, 2018

Participants: Ray Henning, Treasurer; Jacques Brunswick; Terry McGonegle; Will Nutter; John Signorini; J. Eric Smith; Izabela Poludniak, Audit Manager, Sassetti, LLC

Topics and actions: The Audit and Finance Committees are merged in 2018 but the Audit group may hold separate meetings, if deemed necessary. Reviewed the October CCT statement and November 2017 financial statements. December financials will be completed when Dipika Vyas returns with no impact in audit schedule. New grants awarded in 2017: \$225K. Ongoing grant payouts: \$220K. Increased endowment by \$600K. Within the CCT endowment pool, we will be drawing down the unallocated funds in the account over next couple of years so that all funds in the endowment are tied to specific pools and programs. Endowment-building goals for 2018 include Tree and Soil Research Fund (\$500K by end of 2019), complete Skiera Fund, White Fund, and Hall Fund. Another objective is to get all grants endowed, i.e. Hyland Johns and Research Fellowship. Fellowship grants will be on hold until endowment fund is funded. There will be no Arboriculture Education Grant in 2018; Davey is planning to establish an education fund later this year. Reached \$4.4 Million in endowment. The 2018 endowment goal per the Strategic Plan is \$4.75 Million.

Izabela Poludniak, Sassetti, LLC Audit Manager reviewed the audit schedule. Preliminary financial statement will be delivered mid-March. Key items to review: revenue recognition, proper allocation classes, grants payable properly reflected, internal controls reviewed. Policies and Procedures were revised in 2017; this will be reviewed as well. Beginning in 2018 there will be a new accounting guideline that temporarily restricted funds will be removed from reporting. Gifts will be classified as either donor restricted or not restricted. Presentation on financials is only difference.

Date: February 20, 2018

Participants: Ray Henning, Treasurer; Jacques Brunswick; Terry McGonegle; David McMaster, Will Nutter; J. Eric Smith

Topics and actions: The audit fieldwork was completed; nothing of substance to report. Sassetti is on track to have financials completed by March 15. Reviewed the December 2017 CCT statement and December 2017 and January 2018 financial statements. TREE Fund endowment has reached \$4.5 Million. Reached goal for Barborinas Fund and will begin issuing \$10,000 awards in 2019. UARF and Appleton Funds have reached their goals and grant and scholarship applications are currently being accepted. Focus for 2018 is on completing funding for Skiera Fund, White Fund and Hall Fund. Donations are coming in for the Tree and Soil Research Fund for Landscape Architecture.

Date: March 20, 2018

Participants: Ray Henning, Treasurer; Jacques Brunswick; Terry McGonegle; Will Nutter; John Signorini; Bill Schleizer; Tom Wolf; J. Eric Smith; Izabela Poludniak, Sassetti

Topics and actions: The draft audit of the financials was reviewed. Sassetti provided a clean opinion. No material adjustments were suggested by Sassetti beyond making the planned entry to discount for multi-year pledges receivable. Footnotes are comparable to previous year. New accounting standards adopted by FASB regarding presentation of financial statements for not-for-profit entities will become effective December 31, 2018, and will be included in the next year's audit report. Management letter noted non-material sensitive disclosure of CCT relationship. Sassetti had no disagreements with management. Audit recommendations (not findings): disclosure of how indirect cost allocation begins next year based on actual vs. budgeted; procedure has already been implemented. Safeguard bank transfers procedure: authorization must be received from authorized signor prior to or after transfer; same policy as checks over \$5,000. Implement process to reconcile donor database to accounting records; process has been implemented to reconcile monthly. Audit/Finance Committee will vote to approve audit at April 17 meeting. Form 990 will be sent to Trustees in April for review prior to release.

Reviewed the January CCT statement and February 2018 financial statements. The only notable variances from budget are from timing of income received and contract awards for grants falling into December 2017 instead of January 2018.

Date: April 17, 2018

Participants: Ray Henning, Treasurer; Jacques Brunswick; Bill Schleizer; Tom Wolf; J. Eric Smith; Izabela Poludniak and Jeff Schroeder, Sassetti

Topics and actions: Izabela Poludniak reviewed the additional disclosures added to the Audit draft, which were the only changes made.

Note #3: Note to disclose gross pledges receivable and the related present value discount

Note #11: Note to disclose that TREE Fund has a line of credit available

Note #12: Note to disclose concentrations related to cash, special events and pledges receivable.

Since a quorum was not present a motion was approved to call for an email vote among all committee members to approve the audit. Jeff Schroeder from Sassetti stated that he will review the Form 990 and get the draft out this week. Following management review, the 990 will be provided to the board with sufficient time for review and comment prior to signature by the President/CEO and filing.

An electronic vote was sent to the entire Committee. The audit was approved by electronic vote.

Reviewed the February CCT statement and March 2018 financial statements. There were no significant material variances beyond time sequencing of some revenue and expense lines in the monthly P&L. Sonoma State submitted their interim report on April 16; it was originally due December 2017; wildfires in California have delayed their project. Based upon delay; grant payments for this project may slip into 2019, along with other projects with late 2018 report dates. May grant awards will be approximately \$120,000; with 75% to 80% due this year. Chicago Community Trust performance has previously not been posted to Balance Sheet until year end. Going forward, it will be updated monthly with one month lag for CCT report.

Accomplishments: The Audit/Finance Committee has provided overall direction and oversight of the finances of the TREE Fund to insure the integrity of our resources. We have provided a financial plan which is supportive of our strategic plan; ensured the availability of sufficient liquid cash to support operations; prepared financial reports which are accurate, comprehensive and informative and maintained a reserve equal to 30% of annual estimated operating budget. In addition the Audit/Finance Committee has; facilitated the completion of the 2017 audit, reviewed the monthly CCT and financial statements and have continued to meet monthly.

- **Objectives for the next 3 months:** Maintain the financial integrity of the TREE Fund by monitoring the monthly financial statements and implementation of the Strategic plan items. Complete review of all TREE Fund insurance policies to ensure adequate risk protection.

Next Meeting Date: May 15, 2018