

TREE FUND MEMORANDUM

Date: September 6, 2018

To: TREE Fund Board of Trustees

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

Re: Report for September 20, 2018 Trustee Teleconference

INTRODUCTION:

With a relatively light agenda for our September 20, 2018 teleconference, I have no major new initiatives or requests requiring Trustee action, so my report to you this month is relatively brief, supplementing information contained in the Chair's reports from each of our committees.

GOVERNANCE/EXECUTIVE:

- I have provided my annual self-assessment to the Governance/Executive Committee as part of my annual evaluation under the Strategic Plan. I look forward to discussing the outcomes of this review with the Committee when the Trustees complete the process.

AUDIT/FINANCE:

- We are in the process of closing out August books, including most everything associated with the Tour des Trees and TREE Fund After Hours as I prepare this memorandum. We will have the August reports ready for Audit/Finance Committee by Friday, September 14, and will provide them to the Trustees at that time as well.
- Our annual engagement letters with Sassetti LLC, our independent financial auditors, clearly define the reports that they are to file on our behalf, including the annual IRS Form 5500, *Annual Return/Report of Employee Benefit Plan*. In June this year, we received notice from the IRS that they had not received our 2016 IRS Form 5500, and upon investigation discovered that Sassetti had not filed it. We have since filed both the 2016 and 2017 reports, but there is some probability for the IRS to apply penalties or interest on the 2016 one. We are holding Sassetti responsible on this piece, and I will update you if any liability occurs here.
- As part of our cash management plan this year, as donor restricted gifts come in for the endowment, we have been transferring funds from the formerly-unrestricted pool already at Chicago Community Trust (CCT), rather than from our operating bank account. We began this process late in 2017, and I have kept our Auditors and the Audit/Finance Committee aware as we move forward with cleaning up this last relic of our inaccurately documented relationship with CCT. Based on receipts this month, I expect that we will draw the last of this available unallocated funding down in September (this month), and will begin making transfers to CCT again in the fourth quarter. The Audit/Finance Committee has a strategic plan deliverable later this year to evaluate our cash reserve policies and positions, so it is good timing to have this piece cleaned up now.

COMMUNICATIONS:

- Karen Lindell is continuing to provide our communications support on a part-time basis effective September 1, 2018. We have a six-month commitment under this arrangement, and will evaluate whether it is effective for both sides in March 2019. I am evaluating how to fill Karen's other roles (primarily related to the Tour des Trees), including options to contract this work, and options to rearrange tasks within the current office staff to support a new full-time position. I am modeling these as part of early preparation for the 2019 budget, but do not expect to (or need) to make any final decisions until October.

RESEARCH AND EDUCATION:

- We placed the ~\$111,000 contract with Penn State Altoona in early July to fund the State Game Lands 33 ("Bramble and Byrnes") work for another year, hopefully laying the groundwork for a largescale, long-term project with Asplundh, Corteva, PECO and First Energy to keep this historic site running well into the future. We are also awaiting a proposal from Sonoma State to extend our sponsored grant work there by two years with funds already in hand from PG&E, and we have been in conversation with UAA about a sponsored grant to ECI using funds that have been on our books for several years that were raised in parallel with UARF, but not endowed. It will be good to have these temporarily restricted pools cleaned up before the end of 2018, when the new fiscal rules on how temporary vs permanent restrictions are recorded will be implemented as part of the year's audit.
- Wright Tree Service had made a ten-year pledge to complete the John Wright Memorial Fund, but have elected to pay that balance (~\$56,000) this month instead, so that scholarship will go live at a \$5,000 per year level in 2019. ISA's Board of Trustees has also committed to providing the balance of funds needed to top off the John White Memorial Fund, with a commitment on our part that the \$5,000 generated by this Fund will be used to supplement the \$25,000 generated by the Skiera Fund Building Bridges Initiative in 2019. With several new grant lines coming online in 2019 and beyond, I propose that we rebalance the mix between spring and fall grantmaking cycles as follows, and will ask for a motion to this effect on our teleconference so that we may update our websites and calendars:
 - **Spring:** All scholarships, Ohio Education, Hyland Johns, Utility Arborist Research Fund
 - **Fall:** Duling, Kimmel, Skiera/White Building Bridges, Safe Arborist Technique Fund, Barborinas Fund (every other year)
- We have extended the invitations to our December 12 "Research Work Shop" to be held on the day after our Trustee and Liaison meetings at the Bartlett Labs in Charlotte, North Carolina. We had more interest in the December 12 meeting than we had slots available, so I apologize to those who wished to attend but were not invited; I did not want to over-extend the hospitality being offered to us by Bartlett, and had already given them numbers back when we first conceptualized this event. Our key goal for this meeting should be to come out with tight, specific language for each grant line, for each year, from 2019 to 2021 (or longer, if possible), to get the most meaningful, specific grant applications possible, rather than a cross-section of proposals that are difficult to evaluate against each other due to their broadness across multiple research and academic disciplines. I will work with Board Chairman Geist and Committee Chairman Hudler over the next couple of months to get the agenda and structure of the meeting down to maximize the time we have together in Charlotte with researchers.

DEVELOPMENT/LIAISON:

- The Tour des Trees rider and team fundraising component was successful this year, though we are off a bit on corporate partners, and we had a higher than planned number of gifts restricted to endowment pools, which does not help defray current year research payments. Costs for the Tour will be dramatically less than last year, and hopefully some less than budgeted. We'll have complete numbers when we finish the August financials. From a community engagement and safety standpoint, I think this year's Tour was exemplary.
- We have already announced the shorter Tour dates for 2019 in accordance with my plan that you approved at our May meeting, and feedback thus far has been positive from current and past-year riders. We intend to announce the full 2019 route in December this year.
- TREE Fund After Hours was highly successful from a "friendraising" standpoint with over 550 in attendance, but the auction component had problems again, and was not strong from a financial standpoint. We had unfortunate concerns raised at a high level regarding the outcomes of the Golden Ticket sales, and I will not continue that program after this year in response to that, since we do not want to create or propagate a "the fix is in" feeling around that raffle (the issue had to do with the drawn winner not be present at the event, though we knew who he was and what he wanted). I believe that the auction has probably run its course at this point, and may not be a viable component of a large "friendraising" event anymore, especially if I can find a partner that is willing to defray the expenses without us having to solicit and sell auction items. ISA Executive Director Caitlyn Pollihan and I have already had conversations about how we might collaborate on this event in 2019 in new ways.
- We will be launching our 2019 Partnership Appeal and the 2018 Year-End Operating Appeal in October. There is a joint Development, Liaison and Communications Committee meeting on October 4 to brainstorm and develop the list for corporate and individual donors; we need new blood, as always, most especially on the operating side with Davey shifting their annual funding from operating to endowment in 2019. I appreciate any ideas or leads you may have.
- We continue to work with the liaisons on moving Chapters from the "chapter challenge" retail approach to fundraising, and into a "partnership" model. The transition continues to go well, though I would like to use the December 11 meeting with the Liaisons to really stress the ways that they can be champions for us in their home chapters beyond just fundraising, e.g. promoting webinars, using websites effectively, etc.

CONCLUSION:

As always, please let me know if you have any questions, concerns or comments on anything in this report. I remain grateful for your wise counsel and support.

All best,



J. Eric Smith, President and Chief Executive Officer