

TREE FUND MEMORANDUM

Date: November 27, 2018

To: TREE Fund Board of Trustees

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

Re: Report for December 10-11, 2018 Trustee Meetings at Bartlett Labs

INTRODUCTION:

With a relatively short span of time since our September 20, 2018 teleconference, my report for our Annual Meeting is brief, supplementing information contained in the chairs' reports from each of our committees. As always, please hold this report close, as it contains confidential personnel information, along with discussion of other business sensitive matters.

GOVERNANCE/EXECUTIVE:

- I am grateful for the confidence expressed in my work through the CEO Evaluation process this year, and for the generous bonus and salary increase you approved for me in 2019. I am also most appreciative of your flexibility in accommodating my personal situation in a way that allows me to continue serving our organization without continuing periods of sustained separation from my family. Thank you all for that.

AUDIT/FINANCE:

- As noted in my report for our September teleconference, 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 we discovered that Sassetti had not filed it. We have since filed both the 2016 and 2017 reports, but have received notice from the IRS of a \$9,525 penalty for late filing of the 2016 report. We are appealing the penalty at this point, but I am holding Sassetti responsible if we do have to pay. I do not intend to sign the 2019 audit engagement letter with them until I know the outcome of this matter, and whether they will cover the cost of the fine. I have been very happy with their audit department, but their tax department has not been up to snuff in terms of filings, even before this very significant miss.
- On an accrual basis for 2018, we had budgeted ~\$460,000 bottom line net income for the year, and I project we will finish at about ~\$425,000. Our cash position is good as we go into 2019, and we have successfully come through what we knew was going to be a tough year in terms of stacked up grants payable in 2018. Pending November and December returns, we are just shy of our Strategic Plan goal for the endowment (\$4.75M at CCT, with another \$250K pledged). The underruns are due in large part to unanticipated delays in our Tree and Soil Research Fund campaign, which I am stretching out from two years to five years in the 2019 budget to reflect cooler-than-expected initial responses from the Landscape Architecture community at large; Jim Urban pulled together a group of industry leaders who met six times this year to help us better brand and market the fund in 2019 and beyond, so I believe we are in good shape going forward with a less aggressive timeline.

- While you may recall that we did not budget salary increases in 2018, I have provided bonuses or increased hourly rates where staff performance has merited such recognition, as I committed to you at our December 2017 meeting that I would do. Maggie Harthoorn has been working on a part-time remote basis since October as an Event Associate, and she has accepted an offer to come work in the Naperville office full time beginning on February 1, 2019. We will reorganize a bit internally to reflect this new hire and to reallocate activities among the staff team. Maggie will actually be the first trained and (soon to be) certified arborist we have employed on staff, so I see her being of great value to the organization in events management and “friendraising,” communications and outreach (taking some of the travel burden from me), grant management, and donor cultivation and stewardship.
- I have provided the Audit/Finance Committee with my proposed 2019 Budget, and we have had our first teleconference to discuss it. We will be meeting online again on November 29 to review any final changes, and then I will provide a summary budget with highlights to the full Board via the Trustee Portal in advance on Monday, December 3. Secretary/Treasurer Henning and I will present the budget at our December 10 meeting with a resolution for your approval, should you be prepared and inclined to vote it at that time.

RESEARCH AND EDUCATION:

- Dr. Hudler and his research committee will be bringing two Kimmel International Grants, one John Z. Duling Grant, and one Utility Arborist Association (UAA) Sponsored Grant forward for your consideration and approval. The UAA Sponsored Grant (~\$50,000) uses funds that were raised but not endowed during the Utility Arborist Research Fund (UARF) campaign, supplemented by a new payment from UAA. We also are working with Sonoma State to extend the IVM project there for an additional two-to-three years using other temporarily restricted funds provided by PG&E during the UARF campaign, so I expect to have a recommendation to you on that before our May meeting. Because the UAA and PG&E grants are being paid out of funds already in our normal operating account without endowment backing, I am reducing the 2019 Hyland Johns Grant from \$50,000 back to \$25,000 for one year only to better balance our cash flow with new awards.
- We have a good, cross-sectional group of Trustees and Researchers committed for the December 12 Research Workshop at Bartlett Labs, after our Board and Liaison Meetings in Charlotte. Attendees will receive a copy of the “TREE Fund Research Outputs, Outcomes and Impacts” report prepared as a Trustee Directed Grant by Drs Andrew Koeser and Rich Hauer. Our key goals for this meeting will be to come out with tight, specific language for each grant line, for each year, from 2019 to 2021 (or longer, if possible), and to discuss how to roll out and leverage the Koeser-Hauer report to maximum benefit for TREE Fund in the years ahead (e.g. Send to donors? Post on website? Use in endowment appeals?). We have already posted our Spring 2019 RFPs for grants on the website with notes that each will be updated in December 2018/January 2019 with specific areas of inquiry for each grant line.

DEVELOPMENT/LIAISON:

- We are already deep into the planning process for the 2019 Tour des Trees. We will formally announce the route (a circular five-day Tour beginning and ending in Nashville, Tennessee with three nights spent in Tennessee and three in Kentucky) on January 15, 2019 with rider registration opening on February 1, 2019.

- We are also deep into our 2019 Partnership Appeal and the 2018 Year-End Operating Appeal. I will provide a real-time update at our meeting and, as always, appreciate any ideas or leads you may have, as well as your own support of the campaign by calling or contacting your networks, or helping with specific asks.
- We will be using the Liaison Meeting in Charlotte to continue focusing on the ways in which our Liaisons can become champions and communicators for us within their organizations, rather than just focusing on small event fundraising. Overall, this transition has been a favorable one, with many Chapters just budgeting their support for us now rather than raising it via labor intensive events, but it still remains a work in progress, with some further along than others. We also would like to see liaisons more active and engaged in the communications function, serving as conduits for news and opportunities, so Karen Lindell is working on a chapter by chapter review to see where we can more efficiently and effectively integrate our websites, publications, etc.

COMMUNICATIONS:

- The Communications Committee remains active and engaged, with a focus on improving our social media performance in recent months on both Facebook (Karen Lindell administers that account) and Twitter (I administer this one). We have a Strategic Plan deliverable to update our website in December; this will slip until January/February 2019 as I don't want to do anything in the middle of our year-end appeals that will confuse donors and/or cause any outages to our website at a crucial online donation period. We changed our web host this fall, and our new provider gives us better opportunities to improve the look and function of the website, moving to a cleaner, more modern interface and style.

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