



**Audit/Finance Committee Report**  
**Prepared by: Ray Henning, Chair**  
**Date Submitted: April 22, 2019**

**Meetings:**

**Date:** November 29, 2018

**Participants:** Ray Henning, Treasurer; Jacques Brunswick; Will Nutter; Tom Wolf; J. Eric Smith

**Topics and actions:** Committee went into executive session at 12:07pm to review budget update and vote on proposed 2019 budget. Executive Session adjourned at 12:38pm and meeting continued in open session. During Executive Session, the Committee unanimously voted to forward the following budget resolution to the Trustees for their vote at the December 10, 2019 annual meeting of the corporation:

**2019 BUDGET RESOLUTION**

*The Finance and Audit Committee unanimously recommends the Board of Trustees' approval of the attached 2019 summary budget containing the following key financial elements, presented on an accrual basis:*

- *Total revenues of \$1,377,000; which includes \$160,000 in earnings transferred from Chicago Community Trust (CCT) and \$280,000 in time or donor restricted funds, unavailable for operating expenditures in 2019;*
- *Total expenses of \$1,165,500; which includes \$487,500 in new grant awards, of which \$267,500 will be payable in 2019, atop \$169,000 in prior year grants payable in the budget year;*
- *A net positive income of \$211,500; cash flow will be evaluated regularly throughout the year, and subject to satisfactory operating reserves and in compliance with donor intentions, these funds will be transferred to CCT before year-end to applicable endowments.*

Reviewed the September 2018 CCT statement and October 2018 financial statements. Per Strategic Plan directive, Committee reviewed the Chicago Community Trust Growth Pool Overview. Committee agreed that returns from CCT investments were reasonable and that no action was required this year to change any allocations or investment policies.

President and CEO Smith will prepare a five-year forecast for the January Audit and Finance Committee Meeting, based on the Board's anticipated approval of the 2019 budget.

It was noted that David McMaster and Rick Joyce have resigned from the Audit and Finance Committee.

**Date:** December, 2018

**Topics and actions:** No meeting was held due to the closeness of the December Board meeting. Financial Reports were sent to all committee members for review.

**Date:** January 16, 2019

**Participants:** Ray Henning, Treasurer; Jacques Brunswick; Tom Wolf; J. Eric Smith

**Topics and actions:** Reviewed the November 2018 CCT statement and preliminary December 2018 financial statements. Audit work week is February 4. The two Jack Kimmel Grants are included on the December reports. The John Duling and UAA Sponsored Grant contracts were not returned until January and will be included on January financials. Hall Fund is a priority to complete in 2019. Grants Payable: Dr. Fini's Research Fellowship will be re-contracted with his move from Florence to Milan. Dr. Pavao-Zuckerman's Research Fellowship project is behind schedule and will be pushed out to 2019/2020. Sonoma State project is also behind schedule; expect refund and restructured agreement.

The Five-Year Forecast is in progress; awaiting Executive and Governance Committee guidance on Strategic Plan directives, salary benchmarking and endowment goal.

**Date:** February 26, 2019

**Participants:** Ray Henning, Treasurer; Jacques Brunswick; Eric Smith

**Topics and actions:** Reviewed the January 2019 financials. Chicago Community Trust Statement was not included pending auditor reconciliation.

The Five-Year Forecast is in progress; awaiting Executive and Governance Committee guidance and Board direction on Strategic Plan directives, salary benchmarking and endowment goals.

Audit fieldwork has been completed. Will have draft by March Committee meeting. Audit and Finance Committee will review and approve on behalf of the Board.

Will request Board approval at May meeting to review alternative to Chicago Community Trust as an investment vehicle.

**Date:** March 26, 2019

**Participants:** Ray Henning, Treasurer; Jacques Brunswick; Terry McGonegle, Will Nutter; Eric Smith; Isabella Poludniak, Sassetti LLC

**Topics and actions:** Ms Poludniak presented the results of the independent audit of TREE Fund's fiscal year 2018 financials. Sassetti LLC's opinion was that our financial statements present fairly, in all material respects, the financial position of TREE Fund at December 2017 and 2018, and that changes in net assets and cash flows for the years then ended are presented in accordance with generally accepted accounting principles. Ms Poludniak noted that the statements fully incorporate FASB ASU 2016-14 ("Presentation of Financial Statement for Not-For-Profit Entities") guidance on the presentation of assets under donor restriction vs assets without donor restrictions, disclosures related to underwater endowment funds, functional expense allocations, liquidity and availability of resources, and other relatively minor changes to increase the usefulness of the financial statements. She further advised that TREE Fund will need to incorporate FASB ASUs 2018-08 ("Contributions Received and Contributions Made" and 2016-02 ("Leases")) in next year's audit. The SAS 114 Letter to those entrusted with governance identified no material concerns, and offered recommendations related to posting of grant awards made on the cusp of the fiscal year and on reconciliation of development and accounting databases. The Committee will review and consider the draft audit documents and vote to accept them on behalf of the Board of Trustees at their April meeting. Sassetti LLC is working to produce the required tax documents, which will be presented for the Committee's and the Trustees' comment in time for them to be filed in advance of our May 1, 2019 charitable registration submissions for a variety of states.

Reviewed the January 2019 CCT statement and the February 2019 financials, noting that any variances between budget and actual were early-year timing matters, with no foreseen material changes evident in the year as a whole.

The Five-Year Forecast is in progress; awaiting Executive and Governance Committee guidance and Board direction on Strategic Plan directives, salary benchmarking and endowment goals.

President and CEO Smith noted that with Chicago Community Trust's first biannual payment having been received, he will be drafting correspondence to CCT advising of our concerns about Fund performance and payout calculations, and will be requesting a Board resolution at the May meeting to identify a parallel investment manager for new endowment funds, and to request that some funds (most likely the underfunded endowment pools) be transferred back from CCT to seed the new account.

**Date:** April 23, 2019

**Participants:** Ray Henning, Treasurer, Jacques Brunswick, Will Nutter, Tom Wolf, J. Eric Smith, Isabella Poludniak and Jeff Schroeder from Sassetti LLC

**Topics and actions:** Committee voted to approve the 2018 Audit which will be presented at the May 6 Trustee meeting. President and CEO Smith reviewed the March financials noting a strong first quarter. Endowment bounced back up from December 2018.

- **Objectives for the next 3 months:** Maintain the financial integrity of the TREE Fund by monitoring the monthly financial statements and implementation of the following Strategic plan items: Conduct thorough evaluation of endowment pools to ensure endowment building campaign addresses any shortfalls or needed consolidations; Present audit results to board of Trustees; Complete review of all TREE Fund insurance policies to ensure adequate risk protection.

**Next Meeting Date:** May 21, 2019