

Trustees Meeting, Virginia Beach Virginia
Friday, October 29, 2010 – 8:30 AM

Chris Rehmann, President – Presiding

Call to order: the meeting was called to order by President Chris Rehmann at 8:30 AM at the Cavalier Hotel in Virginia Beach, Virginia.

Proof of due notice: Secretary Karen McBride confirmed that due notice of meeting appeared in the August issue of *Orchids*.

Roll Call: Secretary Karen McBride called the roll.

Officers Present: Chris Rehmann, Norman Fang, Sandra Svoboda, Peter Furniss, Karen McBride, Carlos Fighetti, Don Ghiz

Officers Excused: Lowell Jacks

Trustees Present: Howard Bronstein, Tim Brooks, Fred Clarke, Tom Etheridge, Mario Ferrusi, Aileen Garrison, Bob Henley, Carol Holdren, Alan Koch, Fred Missbach, Nancy Mountford, June Simpson, Ben Singer, Taylor Slaughter, Frank Smith, and Linda Wilhelm

Trustees Excused: Deane Hall

Staff Present: Ron McHatton and Susan Wayman

Visitors: President Rehmann recognized visitors and Committee Chairs Barbara Noe - Membership; Dr. Tom Sheehan, the President's mentor; David Horak - Conservation, John Ingram - Library and Archives; Maribeth Clarke and Marion Sheehan of Special Funding, Frank Slaughter and Ted Kellogg from the Information Management Committee; Steve Beckendorf –Conservation; Greg Allikas – Publications; Carol Zoltowski- Research; Harry Gallis – Judging; and Jeff Bradley from the Development Committee.

Declaration of quorum: President Chris Rehmann declared a quorum

Approval of minutes

- a. Minutes of the Oklahoma City meetings

**Upon a motion duly made and seconded, the Trustees
VOTED to approve the minutes of the April 30, 2010
Trustees Meeting as corrected.**

**Upon a motion duly made and seconded, the Trustees
VOTED to approve the minutes of the May 1, 2010
Annual Meeting.**

**Upon a motion duly made and seconded, the Trustees
VOTED to approve the minutes of the May 1, 2010
Trustees Reorganizational Meeting**

- b. Minutes of the September 27, 2010 teleconference meeting of the Board

**Upon a motion duly made and seconded, the Trustees
VOTED to approve the minutes of the
September 27, 2010 Trustees Meeting
by teleconference as corrected.**

President's message –

Chris Rehmann

This has been an interesting five and one-half months in the history of the American Orchid Society. A number of events have been taking shape that will fundamentally change our Society. Let me review some of those events.

2010-2011 Budget:

One of those fundamental changes was the adoption of a budget for the 2010-2011 fiscal year. While still lacking money for depreciation on the building, the budget as presented balanced the cash flow. Revenues are still the critical factor stymieing the Society from not only undertaking desired projects but stopping needed reforms. Cash flow is critical.

Building Sale:

The major outcome of the budget discussions was the decision to sell the headquarters building. While the Trustees were saddened by the decision, the impact of falling membership revenues and the rising overhead costs made the decision inevitable.

Building Appraisal:

Work is underway to complete an appraisal for the headquarters building. Hopefully, the appraisal will be completed by the time of this meeting for Trustee review. A meeting was held with Commissioner Burt Aaronson (*Palm Beach County*), Ron McHatton, Gregory Kino, (*attorney for the Society*), and myself. The purpose of the meeting was to discuss the decision of the Board of Trustees to sell the headquarters building. We also met to discuss the possibility that the County may wish to purchase the building. Mr. Aaronson was responsible in working with the Society to bring the AOS from South Olive Avenue in West Palm Beach to our present location. The discussion was enlightening since Commissioner Aaronson gave his view of why the Society was not successful. He also stated that the County is not interested in purchasing the property because of current budget issues. He further offered assistance through the Convention of

Visitors Bureau for advertising if an event was planned at our site. We are planning to take advantage of that offer.

Relocation Committee:

Members: Tim Brooks, Don Ghiz, Alan Koch, Jeff Bradley,
Frank Smith, Ron McHatton, Chris Rehmann

The Committee members have been investigating potential locations for the relocation of the Society services. Each member has been suggesting locations as well as investigating their suitability. The members have been assigned the following botanical gardens as one potential type location:

Tim Brooks: Chicago Botanic Gardens

Alan Koch: The Huntington Library, Art Collection & Botanical Gardens

Jeff Bradley: Longwood Gardens

Don Ghiz: Missouri Botanical Gardens

Frank Smith/Chris Rehmann: Fairchild Gardens

This list does not exclude further suggestions of potential locations. Ron McHatton has been investigating rental facilities either for a temporary or permanent location. Dr. McHatton has determined that a minimum area of 3,000 square feet could house the current staff and maintain the membership services being conducted by the Society when we are required to relocate our operations. The Trustees need to provide some direction as to what type of facility would best suit the needs of the Society when we are required to relocate our operations.

Conservation:

Our Conservation Committee and Development Committee are working together to fund an orchid conservation project. I want to congratulate David Horak and his Committee members for their efforts to return our Society to the core value projects such as conservation.

AQ Plus Replacement:

Our technology expert, Mitch Vogler, will be conducting a demonstration of the prototype of the replacement for AQ Plus. You will also see the prototype of the web site replacement. Both projects, when tested, will solve certain problems for the Society. The process will be for the demonstration to be given on Friday afternoon. Since we will have a lot to do, I would request that you make notes as to any changes you wish. Mitch Vogler has created an excellent framework. He has given us flexibility to add, change and "tweak" these programs. We will need volunteers to populate the programs with data. Any suggestions as to volunteers to assist Ron, Howard, Greg, Ted and Mitch to transition to this new platform will be helpful. As an example, I would like comments about having areas on the web site for our education, conservation and research Committees. It would be my intent to provide this area for the Committee Chairs to have the ability to communicate with our members. Remember the worst idea is the one that you *leave* in your mind. We have a chance to change our Society.... Get involved.

Report of the Chief Operating Officer –

Ron McHatton

Based on the first quarter financial performance and estimates for the month of October 2010, it appears that our budget forecast at the end of July is holding reasonably well. This is both good and bad news; good because we appear to have a workable, predictive budget and bad because we are tracking so closely to our forecast.

Pete's report to you included a caution with regard to reading the monthly financial statements that I would like to reiterate and further strengthen. At the beginning of the fiscal year, I started the practice of reporting at month-end the actual spendable cash on hand as it more accurately reflects the operational health of the organization. Financial reports unfortunately, by their nature, lump all forms of income, spendable and restricted, as revenue and report deferred revenue (membership and AQ Plus) as if it actually existed as spendable cash and that can appear quite misleading if we aren't careful. As an example, from the month-end September financial statement the Membership Dues and Subscriptions (line 12) reports \$65,358 in revenue against a budget of \$58,925. However, ONLY \$44,156 of that was realized as spendable CASH received during the period; the remainder being withdrawn from cash reserves as "deferred revenue." As a result, the first quarter financials indicate a net profit of some \$44K (nearly a \$44K loss were it not for unrestricted donations received during the period). In actual fact, our first quarter loss in spendable cash was roughly \$80K against a forecast cash loss of about \$102,000. Taken as a whole, revenue from operations (membership, admissions, AQ Plus, awards, advertising and merchandise sales) ended the first quarter down about \$1,200 from the same period a year ago and is tracking very close to budget as well. As Pete pointed out in his report, the difference between the forecast cash loss and the actual cash loss for the period is essentially the "extra" \$18K raised in Chris' appeal.

On the positive side, we have had very good response and interest in our upcoming November show. We've added a wider range of vendors including supplies and artwork and a collaborative arrangement with Hospice by the Sea to feature the works from a major artist they use for significant fundraisers. In return, Hospice by the Sea will promote show to their extensive network. It should go a long way to bringing people in. Plans are underway for our winter Wine & Jazz events and we have lined up a cooking school to provide food for at least one of the events with the possibility of covering all four. This year, we have a \$15K Palm Beach Cultural Council grant that will be used to underwrite advertising for the events which should help to make them profitable.

The relocation task force is working on its assignment and toward that end, Chris has had discussions with Longwood Gardens and Chris and I met with representatives of the Fairchild Tropical Gardens. Both of these organizations appear to be quite interested in having us and you will hear more of this as the task force works through its assignment. We have engaged a Real Estate Appraiser and a land-use attorney and Chris, the land-use attorney and I have met with Palm Beach County Commissioner Aaronson to determine what, if any interest, the County might have in our property. Unfortunately, the County is not in a position at this time to entertain acquisition of the property however, Commissioner Aaronson is willing to help us interface with the Palm Beach Tourism

Board, local neighborhood groups and the Morikami to improve our visibility with regard to our events this winter season. This should also help improve our fiscal-year cash flow.

As authorized by the Board in July, I have opened a dialog with Sun Trust with regard to an operational, preferably not collateralized, loan. Sun Trust is considering our application however, not surprisingly, they are waiting until our audit is finalized to complete the application package. Assuming the audit is finalized here at this meeting I should be able to get this back on track within the week. Also, there are at least two investor/developers who have now expressed more than cursory interest in the property once we have an appraisal to work with. The intent of one group, connected to the developers of the old JEM nursery up the street, would be to construct a high-end assisted living facility on the property salvaging as much of the existing structure and grounds as possible and the other would propose the construction of a school for children with disabilities; also intent on salvaging as much of the existing grounds as possible. Both of these represent uses that the County would have significant legal issues turning down.

We are continuing to cut costs where ever we can. We have successfully managed to negotiate a \$1,000 per month reduction in the cost to produce the magazine (slightly over \$10% of the printing/binding cost) without any concession with regard to quality. In fact, Allen Press is willing to produce the magazine in perfect binding with a heavier cover while at the same time honoring the cost reduction. One potential source of significant cost reduction involves renewal notices. At present up to four renewal notices are sent to each expiring member. This is out-sourced to Tribune Direct at significant cost to us (approximately \$16,000-\$20,000 and possibly more since it's very difficult to extract postal costs under our current system). We have negotiated with Allen Press to produce a renewal envelope similar to those used by many organizations for fundraising appeals which can be either inserted in the magazine or blown into the polybag along with the magazine. The potential savings is dramatic. These renewal envelopes cost, produced in bulk, about \$0.10 each and Allen Press will blow them in at no cost. I strongly suggest the trustees approve such a renewal scheme to begin as soon as possible.

Following COO McHatton's description of a new method for sending renewal notices,

Upon a motion duly made and seconded, the Trustees VOTED to authorize the COO to contract with Allen Press to print and distribute renewal notices with the addition of a notice of future automatic renewals.

Upon a motion duly made and seconded, the Trustees VOTED to accept the COO's report.

Committee Reports – Note to committee chairs: Submit a written or electronic copy of report from yesterday's committee meetings. Present here only those items that require action by the trustees. ONLY JC personnel and those action

items with critical timelines will be acted upon at this meeting. Other action items presented will be acted upon at a subsequent teleconference of the board.

WOC Trust Report – Peter Furniss

See attached report

**Upon a motion duly made and seconded, the Trustees
VOTED to accept this report.**

Treasurer’s Report

Pete Furniss

You were sent the draft audit performed by **PURVIS GRAY & COMPANY** on October 15th. The AOS is extremely fortunate to have such an outstanding group of people do the work for us. Ron Whitesides - audit partner - and Marie Dennis – senior accountant on the audit - have worked on our audits for several years. Barbara Boyd, who assisted Marie, has been there at least 2 years. It is very important to have continuity since there is little, if any, learning curve and they are able to carry out the audit in less time than when new staff are involved. The detail that auditors go to now is astounding. With all the financial turmoil of the past several years, accounting firms have found it necessary to perform more and more work and go into more detail than ever before.

I have not received any questions about the details of the audit so it would appear that we can focus on the six deficiencies listed on pages 17-19 (19-21 in the pdf file) when we meet in Virginia Beach.

Ron McHatton has found an anomaly in note 12 which is on page 16 of the audit (18 in the pdf file). The note indicates that the AOS is to replenish \$650,000 of borrowed funds by June 30, 2012. These are borrowings from the Mary McQuerry bequest. The auditors have an unsigned letter from Jim Jordan to Steve Wyand (an executor for Mary’s estate) dated 3 February 2009 thanking him for permission to “access the restricted funds”. It goes on to say that the “Board approved accessing Mary’s gift up to \$250,000 with a payback plan that will be completed in three years.” The auditors assumed the letter indicated that any funds borrowed would be repaid in the three year window even though it is not clearly stated as such. That is why the \$650,000 was listed in note 13 of the June 30, 2009, audit on page 13 (15 in the pdf file). We did not question it last year so the auditors had no reason to change it for this year’s numbers.

When any discussion concerning the audit has been completed, the Board needs to **approve the audit of June 30, 2010.**

ACTION

Ron e-mailed the results for our first fiscal quarter on October 18th. The first thing most folks do is “look at the bottom line”. If you do, you will probably be pleasantly surprised that we show an income of \$44,636. Please do not allow yourself to dwell on this since the operational results show a loss of **\$42,422**. This is bad enough but it would be **\$88,478** except for the unrestricted contributions we received. These unrestricted contributions were the second

largest revenue item, behind only membership and represent over 11% of our revenue. They were \$17,568 above budget, due mostly, I imagine, to Chris' plea for unrestricted contributions.

While the financial health of the AOS is precarious, we are better off than many other organizations whose life blood rests upon publications. While the AOS has a public facility with a retail store and an awards system that provides revenues through awards and AQ plus, it is **Orchids** that is the attraction for most of the members.

It doesn't seem to matter how good a magazine is, the past couple of years have seen the demise of many that have been around as long as the AOS. Our circulation continues to dwindle as the membership numbers decline. Ron has cut costs in every area of the organization yet there seems to be no way that current operational revenue can continue to support the costs involved with running the AOS in its present state.

The audit of 6/30/2008 showed the AOS with unrestricted net assets of \$4,560,022. Basically this is what the AOS has other than restricted funds and collections. By 6/30/2009 the unrestricted net assets had declined to \$3,368,176. As of 6/30/2010 they were \$3,036,101. Taking into account our operational loss in the first quarter, they are now below \$3,000,000! If you consider that the fair market value of the building and grounds and other fixed assets are worth less than book value, the number decreases even more. Our fixed assets are on the books for \$4,434,450 of which the building and grounds is \$4,360,678. If we were to sell the building for \$3,000,000, we'd have unrestricted net assets of well less than \$2,000,000. Meanwhile we are depleting them on a day by day basis.

Ron has spotlighted the cash flow problems every time he distributes the monthly financials. The Board made some decisions when we met in Boca Raton this summer that were meant to ameliorate that situation. However, for reasons Ron has explained, some of the cost cutting ideas have not been followed. There have been no major changes in the cash flow projections since the meeting that would make me think that we will not "run out of money" before the end of the fiscal year.

I realize that most of the Board considers me to be a lot like "Chicken Little" since I've been harping on the deteriorating financial condition of the AOS for years. Believe me, I wish I were more optimistic. The idea of the AOS partnering with an existing public facility seems, by far, to be the best idea we can follow. To date we have been unable to staunch the membership decline. "Status quo" is not a viable option.

Charles Schwab does not offer any method to keep either authorized agent from transferring or withdrawing funds or writing checks. It is important, from an internal control standpoint, to have someone other than the authorized agent approve any check, withdrawal, or transfer of funds, stocks, bonds, or other investments out of the AOS accounts. Here is what Marie Dennis had to say, "**For the investments, I would suggest that there be a second approval of the invoice or request for transfer, and not having the person who is the signor on the account prepare the investment reconciliation, or have the ability to access the accounts or get to the stock.**"

Accordingly, I believe the Board should approve the procedure that any check written, withdrawal, or transfer of any asset out of the AOS accounts at Charles Schwab by either authorized agent must have a second approval by either the Treasurer or Assistant Treasurer of the Society. Such approval must be in writing. E-mail is sufficient evidence.

ACTION

You have also received the documents detailing “redomestication” of the AOS. We need to take this up during the meeting.

All of us owe a lot to Ron McHatton. If there has been a week that he has not spent 80-100 or more hours on AOS business, I’d be totally surprised. I am guilty of calling upon him time after time and I know that numerous others do too. How in the world he can keep so many balls in the air is beyond me. Ron, thank you on my behalf as well as that of the AOS.

**Upon a motion duly made and seconded, the Trustees
VOTED to approve audit presented to the Board.**

Following Pete Furniss’s explanation of the auditing requirement that we need to satisfy,

**Upon a motion duly made and seconded, the Trustees
VOTED to approve a procedure that any check written, withdrawal, or transfer of any asset out of the AOS accounts at Charles Schwab by either authorized agent of the Society must have a second approval by either the Treasurer or Assistant Treasurer of the Society. Such approval must be in writing. E-mail is sufficient evidence.**

The COO will scan current accession report and distribute it to Trustees with a recommendation for a minimum amount for items to have to be on the capitalized

Treasurer Pete Furniss called for Jeff Bradley to report on the McLellan and Guggenheim donations:

McLellan’s \$100,000 donation

Jeff Bradley

Mrs. McLellan has agreed to release money from restricted funds only to defray the cost of the magazine (no salaries or utilities) or to fund cost of our handling the awards.

Guggenheim donation

Jeff Bradley

Guggenheim will conserve the Reichenbachia paintings for us. John Ingram will find the paperwork.

**Upon a motion duly made and seconded, the Trustees
VOTED to approve accept Pete’s report.**

Development Committee –

Norman Fang

No written report

Judging Committee –

Harry Gallis, MD

**Upon a motion duly made and seconded, the Trustees
VOTED to accept personnel changes recommended
by the Judging Committee.**

**Upon a motion duly made and seconded, the Trustees
VOTED to approve WW Wilson's elevation to Judge Emeritus.**

**Upon a motion duly made and seconded, the Trustees
VOTED to approve the center chairs submitted by the Judging Committee.**

**Upon a motion duly made and seconded, the Trustees
VOTED to approve the nominees for the annual awards.**

**Upon a motion duly made and seconded, the Trustees
VOTED to approve the handbook change
regarding quorum and voting on personnel.**

See attached report.

**Upon a motion duly made and seconded, the Trustees
VOTED to accept this report.**

Governance Committee –

Taylor Slaughter

No report

Research Committee –

Carol Zoltowski

Carol described two projects that the committee recommended:

- (1) A \$6,400 grant for Assessment of Orchid Endemism in NW Vietnam with Special Attention to Paphiopedilum, Principal Investigator: Leonid V. Averyanov.
- (2) A \$27,000 Furniss Fellowship over a three year period.

She went on to state that the Furniss Foundation would provide the funding for both projects.

**Upon a motion duly made and seconded, the Trustees
VOTED to approve these grants.**

See attached report.

**Upon a motion duly made and seconded, the Trustees
VOTED to accept this report.**

Conservation Committee –

David Horak

**Upon a motion duly made and seconded, the Trustees
VOTED to accept this report.**

No report.

Publications Committee –

Greg Allikas

**Upon a motion duly made and seconded, the Trustees
VOTED to accept this report.**

See attached reports.

Education/Web Committee –

Sandra Svoboda

**Upon a motion duly made and seconded, the Trustees
VOTED to accept this report.**

See attached reports.

Library/Archives Committee –

John Ingram

**Upon a motion duly made and seconded, the Trustees
VOTED to accept this report.**

See attached report.

Affiliated Societies Committee –

Lynn Fuller

**Upon a motion duly made and seconded, the Trustees
VOTED to approve future meetings in
San Antonio, Texas – Fall 2011 – Alamo Orchid Society
Bloomington, Minnesota – Spring 2014 – April 23-27, 2014 –
Orchid Society of Minnesota (later changed to April 30-May 1, 2014)**

Portland, Oregon – Fall 2012 – Portland Orchid Society

See attached report.

**Upon a motion duly made and seconded, the Trustees
VOTED to accept this report.**

Membership Committee –

Barbara Noe

**Upon a motion duly made and seconded, the Trustees
VOTED to approve and adopt six proposed membership
levels with time of implementation to be determined by the COO.**

See attached report.

**Upon a motion duly made and seconded, the Trustees
VOTED to accept this report.**

Information Management Committee –

Ted Kellogg

See attached report.

**Upon a motion duly made and seconded, the Trustees
VOTED to accept this report.**

Unfinished Business

Bylaws

**Upon a motion duly made and seconded, the Trustees
VOTED to approve the proposed Bylaws**

New business

**Upon a motion duly made and seconded, the Trustees
VOTED to approve 547 new members who have joined the AOS
since April 30, 2010.**

Best Specimen Taiwan

– Norman Fang

**Upon a motion duly made and seconded, the Trustees
VOTED to provide a Best Specimen Trophy**

At the annual Taiwan show.

Executive Session

**Upon a motion duly made and seconded, the Trustees
VOTED to go into Executive Session.**

**Upon a motion duly made and seconded, the Trustees
VOTED to reconvene the public meeting to deal with action items that
had arisen from Executive Session**

**Upon a motion duly made and seconded, the Trustees
VOTED to welcome Eric Christiansen to the AOS and think he would be an
asset to the organization and to ask that a letter be sent to the two trustees
who abstained from the vote.**

**Upon a motion duly made and seconded, the Trustees
VOTED to assign the proceeds from this meeting's auction
to the general fund.**

Adjournment

**Upon a motion duly made and seconded, the Trustees
VOTED to adjourn the meeting at approximately 4:10 P.M.**

Respect fully submitted,

Karen McBride
Secretary

WORLD ORCHID CONFERENCE TRUST REPORT

AOS TRUSTEES MEETING, OCTOBER 29, 2010

Please make your plans to attend the 20th WOC in Singapore which is scheduled for the **13th to the 20th of November 2011**. The best way to keep abreast of what's happening is to periodically check the website, www.20woc.com.sg, which should have registration and hotel information before too long.

As mentioned in my report this spring, the conference hotel is the Marina Bay Sands Resort and Casino where the show and conference will be held. The banquet should prove to be a "not to be missed" event as it will be in the cool-dry conservatory in the Gardens by the Bay project adjacent to the Sands.

The Singapore WOC promises to be one of the most elaborate and well organized events. The hotel and the Gardens by the Bay are truly new "wonders of the world". In all my travels I have never been anywhere that I found more exciting and invigorating than Singapore. You will regret it if you do not attend.

Johan Hermans, Joyce Stewart, and Kiat Tan attended the Gauteng Conference and Show in September as a preparation for the 2014 WOC in the Pretoria/Johannesburg area. Johan's reported that they, "produced an excellent event and there is no reason why they would not be capable of producing a World Orchid Conference show and conference."

If you have any questions, please see me at the Virginia Beach meeting or e-mail me at sweetbayfarm@charter.net.

Respectfully submitted,

PETER R. FURNISS