Connecticut Land Conservation Council
Land Trust Board Boot Camp

Board Boot Camp Session 5
Financial Management
12 Standards
1-7 common to all non-profits
8-12 specific to land conservation

Financial Management is Standard 6
...and a little bit of Standards 3, 5, 11 and 12
It is the board’s **fiduciary duty** to provide financial oversight:

- Set an annual budget
- Ensure sufficient financial resources are available
- Get regular financial reports including Balance Sheet and Statement of Activities, including which funds are UR, UR/BD, DR
- Review annual audit/independent financial review
- Adopt written policies/procedures for investment & management of financial assets

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**Review - Standard 3: Board Accountability**
Standard 6: Financial Oversight

A. Fiscal Health

1. Develop *and approve* (at board meeting) an annual budget that reflects the land trust’s annual programs and activities

   Notes:
   
   3-legged stool - income and expense budget must accommodate activities within the annual workplan.

   Fiscal year - Calendar? July-June? October-September? Timing of cash flows, grant cycles, significant events, drain on staff time

   “Checks” on the budget: board must vote on expenses in excess of budget; quarterly or mid-year reviews. Regular reports can include Comparisons to Prior Year, Budget. Budget modification may be warranted.

   Software - Quickbooks - any others?

2. Develop and implement a strategy to address any deficit-spending trends

3. Assess the nature and variability of revenue and seek to diversify funding sources; do not overly rely on one funding source
Standard 6: Financial Oversight

A. Fiscal Health (cont’d)

4. Build and maintain sufficient operating reserves (unrestricted assets to cover 3 months’ operating expenses)

5. Build and maintain dedicated/restricted funds sufficient to cover long-term (aka FOREVER) costs of stewarding and defending the land trust’s land and conservation easements

…. & If funds are insufficient, plan to raise them

What’s sufficient for defense (claims like easement enforcement cases, violations, trespass, title disputes)?

- Legal Defense Calculator - actuarial data, maintained by Terrafirma
- Analysis specific to your organization - is the easement large/small, has reserved rights or not, landowner is original donor or successor, bordered by properties with high or low risk of encroachment...is the fee property large/small, is there high/low risk of trespass/vandalism, is there a survey/property boundaries well marked?

What’s sufficient for ongoing Monitoring and Management

- Annual monitoring costs ($3500/easement on reserve, some reasonable amount for monitoring fee properties)
- Managing for public use, habitat - do you have to? Want to?
This is a tool to help calculate minimum adequate legal defense reserves for conservation easements and other property owned by your land trust. It is for legal defense reserves calculations only. It does not calculate reserves for stewardship routine costs. The reserves determined by this calculator are not a substitute for routine stewardship costs.

This calculator is for ordinary conservation defense costs only. It does not cover catastrophic events such as multiple appeals, strategic lawsuits against public participation (SLAPP suits), liability for unusual land trust activities or extreme negligence. This calculator determines reserves based on current data and current conditions. Land trusts should re-evaluate reserves at least annually to account for changing risks and increased portfolios.

Part I: Base Reserves

The base reserve is the minimum of money your land trust needs to save up to be able to survive a significant legal claim in your state. This number may change as the actuaries learn more.

Please fill out the blue boxes in the form with your land trust's information.

Land trust’s name:

State in which land trust is located:
Select State

$ 0 Base Fund
1. Keep financial records in accordance with Generally Accepted Accounting Principles (GAAP) or Other Comprehensive Basis of Accounting (OCBOA)

2. Accrual not Cash Basis
Re: Financial Records...

Detour back into Std 5: Fundraising

- Donor accountability - accurate representation in solicitations, accuracy in acknowledging, booking, and ultimately spending donor-restricted funds

- Thank you letters with necessary details for substantiating charitable deductions for gifts $250 and up: Date of donation, cash amount (for non-cash, a description of what was donated), whether anything provided in exchange (goods and services”), organization’s name, sometimes TIN

  Note: when goods/services are provided, when donor receives a benefit at an event, when donation comes from a DAF, or foundation …

- If you accept a gift from a donor for a specific purpose, book and track it accordingly - not necessarily in separate accounts (but ok if you do), release from restriction in books once intended use completed
Re: Financial Records…
Detour back into Std 3: Board Accountability

Regular reports help the board fulfill its responsibility to exercise financial oversight

- To ensure adequate resources are available to carry out annual budgeted activities as well as position the organization for sustainability
- Balance Sheet clearly indicates to the board what portion of assets are unrestricted + available for use to support operations and newly-arising cash needs
One last detour back into

Std 3: Board Accountability

Adopt written policies/procedures for investment & management of financial assets

- Varies widely depending on organization, size of assets, and intended use of funds (CD, Market, Community Foundation)

Think about:

- Need for liquidity/Horizon of need
- Risk tolerance
What feels muddy?
Standard 6: Financial Oversight

C. External Financial Evaluation

Obtain an annual financial audit/review/compilation by an independent CPA or qualified accounting professional, appropriate for the scale of the land trust.

Accreditation Requirements are based on total annual support and revenue: >$750,000 - Audit; $100,000 - $750,000 - Review; <$100,000 - Compilation (excludes value of donated properties/easements)

Report includes footnotes & disclosures; shows unrestricted, board-designated and restricted net assets.

Treasurer, Finance Committee, President/Chair, Executive/Financial Director involved in assembling the documentation for and reviewing draft (perhaps bookkeeper too). Report, when ready, goes to board, which votes to accept report.

Note: Correspondence such as a Governance Letter explaining deficiencies identified in the audit should have a written response sufficient to document that the issue has been addressed.

IRS Form 990 (Governance Bucket, Std 2): Treasurer, FinComm, Pres/Ch, Exec staff review draft return. When ready, distributed to board and discussed. Board votes to authorize filing. 990 should reconcile with audit.

Record all of this in the minutes.
Standard 6: Financial Oversight

D. Written Internal Controls

1. Establish written internal controls and accounting procedures, including segregation of duties (appropriate for the scale of the land trust) to prevent the misuse or loss of funds

For small organizations, checks and balances as feasible for incoming and outgoing cash. Address risks of misuse (theft, fraud, misappropriation), loss or misstatement of funds (errors in reporting or presentation of financial statements)

- Income – one person retrieves mail, another opens it. Copies of checks kept with the deposit slip. Donations logged separately and reports reviewed by more than one person.

- Expenses – person who orders the work signs off on written invoice approving payment, a second person makes out the check. Payments over a certain amount require dual authorization/signature.

- Reconciliations – independently reconcile books/bank account, by more than one person (Treasurer, President/Chair, ED, Finance Committee Chair)

- Actual cash – systems for counting, securing, depositing

- Credit cards – guidelines for who has authority and for what kinds of amounts of purchases. Bill payment systems as above. No debit card.

Note: Regular Financial Reports to the board are another layer of internal control
Standard 6: Financial Oversight

E. Risk Management and Insurance

1. Routinely assess and manage risks so they do not jeopardize the land trust’s financial health and ability to carry out its mission and legal responsibilities

For accreditation, this should be documented as a review at least every 5 yrs by the board or delegated entity reporting to the board

2. Carry general liability, directors and officers liability, property, and other insurance, all as appropriate to the land trust’s risk exposure or as required by law

Other insurance that might be required: Workers’ compensation, unemployment insurance, paid Family/Medical Leave

Notes:

- Chubb-Alliance policies through the Land Trust Alliance. Sometimes local for D&O, etc.
- Terrafirma Conservation Defense insurance – for claims involving encroachment & trespass, violations of conservation easement restrictions, claims against title. Enroll all easements and/or all fee properties, per-property premium.
Pause
Top Five Takeaways for new Directors

1. Receive and review regular, understandable reports including information on assets and activities, to help understand whether the organization has the resources it needs to carry out its annual activities and sustain into the future (reserves)

2. Be responsible for honoring donors’ intentions and pay attention to donor-restricted funds

3. Receive and review annual external reports including an audit/review/compilation and IRS 990 filing

4. Ensure that internal financial controls are in place to address risks

5. Conduct periodic risk review and mitigate risks where possible including through appropriate insurance
Questions/comments

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Thanks!