

Ins and Outs of Restricted Gifts



April 19, 2021

Amanda Branson, Northwest Connecticut Land Conservancy

Rick Newton, Connecticut Land Conservation Council

Anne Westerman, Flanders Nature Center & Land Trust

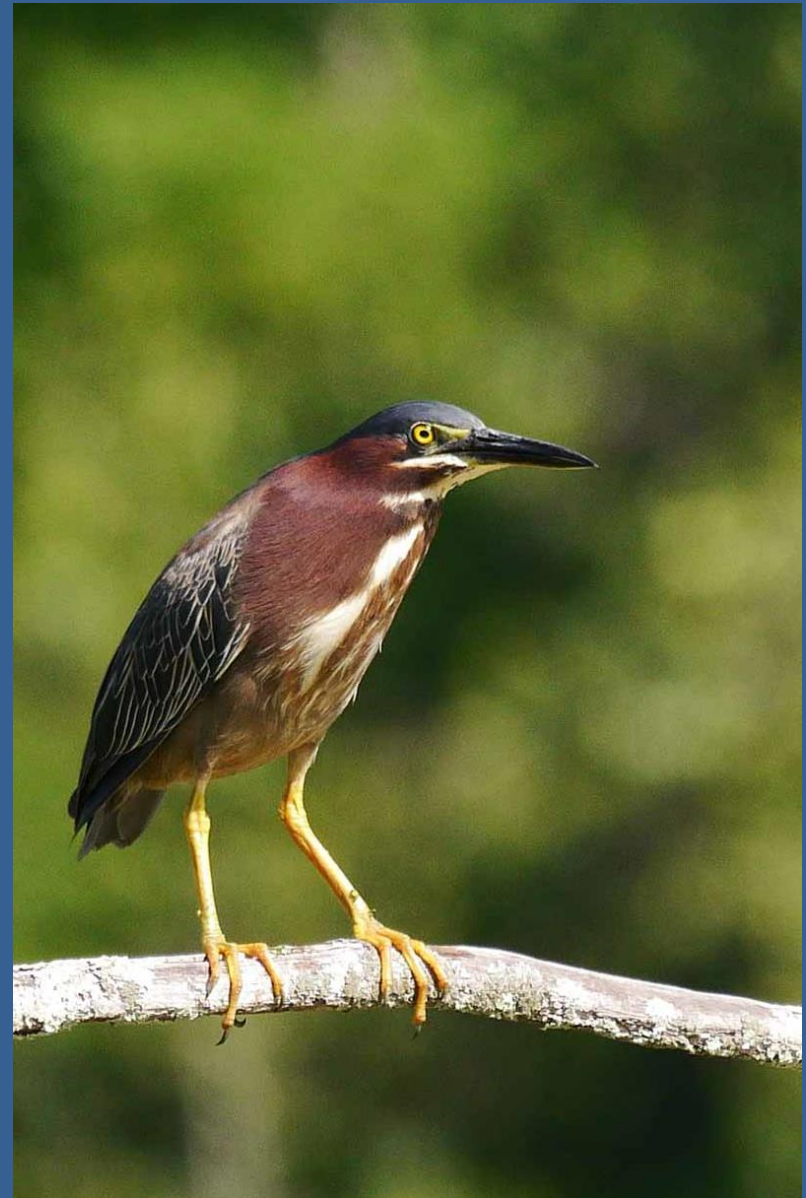


Workshop Goal

To share the experience of three accredited land trusts in negotiating and documenting restrictions, business systems and accounting practices, high level discussion of endowments.

Agenda

- **Welcome and Presenter Introductions**
- **Defined Terms - Anne**
- **Overview of Accounting and Accreditation - Rick**
- **Major Gift Policy, Donor Forms, Other Policy Matters - Anne**
- **Restricted Asset Tracking Systems, Spending Rules, Endowments – Amanda**
- **Your Questions**



Amanda Branson

Current: Director of Operations & Finance, Northwest Connecticut Land Conservancy

Former: Executive Director, Naromi Land Trust (Sherman, CT)

Northwest Connecticut Land Conservancy

- 7 full-time employees, 1 year-round part-time employee, plus seasonal/project based temporary employees.
- Regional land trust in Litchfield and northern Fairfield Counties
- Established in 1965
- 12,500+ acres protected– 282 Fee/6,318 acres, 215 CEs/6,254 acres, 21 public preserves, 40 working farms
- Operating budget for 2021: \$1.2 MM
- **Many restricted gifts and grants**

Rick Newton

Current: Treasurer – Connecticut Land Conservation Council

Avalonia committees: Development, Stewardship, Stonington Town Committee

Former: Board of Directors, Treasurer, Vice-President – Avalonia Land Conservancy, Inc

Avalonia Land Conservancy

- One full time and one part-time employees –director of development and programs and office assistant
- Regional land trust in New London County along with two islands in Long Island Sound (one in NY and one mostly in RI).
- Established in 1968
- Approximately 110 parcels / easements 4,451 acres
- Operating budget for 2021: \$192,000
- **Many, many restricted gifts and grants**

Anne Westerman

Current: Board of Directors – Flanders Nature Center & Land Trust, Inc.

Flanders committees: Van Vleck Farm & Nature Sanctuary, Land Acquisition, Violations, Development, Finance, LEARN (Adult & family programming)

Former: Board President – Flanders Nature Center & Land Trust, Inc.

Flanders Nature Center & Land Trust

- 4 full-time employees – Executive Director, Director of Finance, and two Education professionals. 4 part-time employees to cover Land Management, Development, Marketing/Volunteers, and Education; plus seasonal education staff
- Regional land trust in New Haven and Litchfield Counties, based in Woodbury
- Established in 1963
- Approximately 60 parcels / easements = 2,400 acres
- Operating budget for 2021: \$690,000 (only 20% related to land trust)
Land trust stewardship is ALL VOLUNTEER
- **Many restricted gifts and grants**



As a Board Member, we look at Budget v.
Actual on a regular basis => Operating
funds

Also responsible for other Balance Sheet Assets:

- Protected Lands, buildings, and equipment
- Funds invested to support our mission, and the lands we have protected
- Funds entrusted to us to deliver our mission (e.g. scholarships, grants)

Are they restricted??

DEFINED TERMS

Restrictions –determined by the donor when they make a gift, restricted to use for a certain purpose or period of time.

Board Designated - Within Unrestricted, the Board has the ability to DESIGNATE funds to support its mission. From an accounting point of view, it is not an actual restriction (because it can be reversed), but the land trust is fulfilling its fiduciary obligation to financially support its mission.

Cash Method of Accounting / Accrual Method

Board accountability:

- Financial Reports*
- Audit vs. Review by CPA vs. Compilation
- IRS Form 990 – basis of our non-profit status

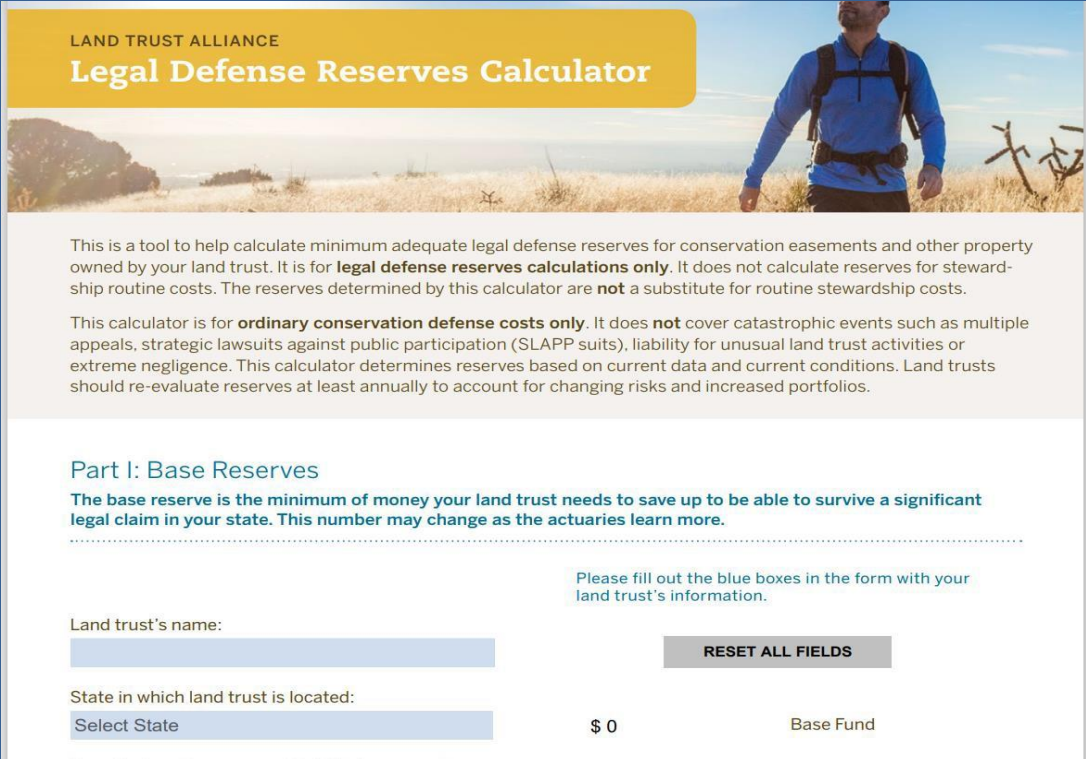
Endowment -Donors give funds or other assets to be maintained in perpetuity as investments for the benefit of the organization. These donations may not be spent, but generally the earnings from these gifts are unrestricted.

DEFINED TERMS

LTA Accreditation Requirements Manual

Terrafirma Calculator – determines the amount that a land trust should be holding in reserve for legal defense in case of issues with a neighbor (fee) or a landowner (easement).

<https://learningcenter.lta.org> <https://terrafirma.org/calculator/start>



The screenshot shows the 'Legal Defense Reserves Calculator' interface. At the top, there's a yellow banner with the text 'LAND TRUST ALLIANCE Legal Defense Reserves Calculator'. Below this is a background image of a person hiking in a field. The main text explains that the tool calculates minimum adequate legal defense reserves for conservation easements and other property owned by a land trust. It specifies that the calculator is for 'ordinary conservation defense costs only' and does not cover catastrophic events. Below this, 'Part I: Base Reserves' is highlighted, followed by a definition of the base reserve. The form includes input fields for 'Land trust's name:', 'State in which land trust is located:', and a 'Base Fund' amount, which is currently set to '\$ 0'. A 'RESET ALL FIELDS' button is also present.

LAND TRUST ALLIANCE
Legal Defense Reserves Calculator

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.

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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:

Base Fund

RESET ALL FIELDS

Financial Reports

Balance Sheet

Statement of Financial Position in Financial Statements

Profit & Loss Statement

Income Statement or Statement of Activities in Financial Statements

Budget vs Actual

Balance Sheet



Perpetual Restrictions

- Easements donated and purchased
- Donor Restricted Funds (“Endowment”)

Restrictions as to Purpose or Time

- Donor Restricted Funds to use for purpose until spent
- Grants

Board Designated

Unrestricted

- Operating Funds



Who makes the rules?

FASB – Financial Accounting Standards Board determines what are U. S. Generally Accepted Accounting Principles (GAAP).

SFAS – Statement of Financial Accounting Standards (nonprofits are governed by numbers 95, 116, 117 & 124).

ASU – Accounting Standard Updates to existing rules (2014-09 / 2016-14 / 2018-08).

Accountants and auditors review financial records to determine conformity to GAAP. Auditors must qualify financial statements that don't follow GAAP.

Land Trust Alliance Standards and Practices generally require GAAP to be followed but permit other than GAAP treatment if an expert determines it is needed.

Land Trust Alliance Accreditation Commission has requirements to get accredited.

CT Attorney General's office is a resource and decides on certain issues regarding restricted gifts.

Keep detailed records!!!

Finance

Learn more about this group

Indicator Elements – Compiled Guidance for Finance Indicator Elements

- | | |
|--|--|
| 2C1(a). File a complete and accurate annual information return (Form 990 or equivalent) with the Internal Revenue Service | 6A4. Build and maintain sufficient operating reserves to sustain operations |
| 3A2. The board provides oversight of the land trust's finances and operations by: (a) Reviewing and approving an annual budget, (b) Working to ensure that sufficient financial resources are available, (c) Receiving and reviewing financial reports and statements in a form and with a frequency appropriate for the scale of the land trust's financial activity, (d) Reviewing the externally prepared financial audit, review or compilation | 6A5. Build and maintain dedicated or restricted funds sufficient to cover the long-term costs of stewarding and defending the land trust's land and conservation easements; (a) If funds are insufficient, adopt a plan to secure these funds and a policy committing the funds to this purpose |
| 5B2. Provide timely written acknowledgment of all gifts, including land and conservation easements, in keeping with IRS charitable contribution substantiation requirements | 6C1. Obtain an annual financial audit, review or compilation by an independent certified public accountant or a qualified accounting professional, in a manner appropriate for the scale of the land trust |
| 5B3. Maintain financial and other systems to document and comply with any donor restrictions on gifts | 6D1. Establish written internal controls and accounting procedures, including segregation of duties, in a form appropriate for the scale of the land trust, to prevent the misuse or loss of funds |
| 5A2. Develop and implement a strategy to address any deficit-spending trends | 6E2. 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 |
| 6A3. Assess the nature and variability of revenue and seek to diversify funding sources | |

II. Board Oversight ^{3A2}

1. Board approves annual budget.
2. Board reviews annual audit, review or compilation.
3. Board reviews financial reports periodically through the year that include the following:
 - a. Net assets without donor restriction, with board-designation, and with donor restriction
 - b. Actual year-to-date revenue and expenses as compared to budget with a level of detail about revenue with restrictions appropriate to the scale of the land trust's financial activity
4. Board works to ensure sufficient financial resources are available.

III. Gift Acknowledgement and Donor Restrictions ^{5B2, 5B3}

1. **Gift acknowledgement letter for any gift? Greater than \$250 provided contemporaneous to the gift.**
(²Cash, land, or conservation easements, even if donor indicates deduction may not be taken.)
2. **Gift acknowledgement letters include the following:**
 - a. Detailed gift description
 - b. Statement that no goods or services were provided and/or a good faith estimate of the value of any goods and services provided
3. **Donor-restricted moneys are appropriately classified, tracked, and used; financial records show the following:**
 - a. Gifts/grants solicited using the term "endowment" or solicited for other specific purposes are donor restricted in accordance with the donor/grantor materials
 - b. The receipt and use of funds are in accordance with donor/grantor restrictions

I. Financial Records and Financial Health ^{2C1(a), 3A2(b), 6A2, 6A3, 6A4, 6C1}

1. **Annual audited, reviewed or compiled financial statements, obtained at the following level based on total annual support and revenue[?], include footnotes and disclosures and show net assets without donor restrictions, with board-designation, and with donor restrictions.**

([?]Excludes value of donated properties/easements but includes moneys from grants, from special fundraising, and for the purchase of land and easements.)

- >\$750,000: Audit by independent CPA
- \$250,000 - \$750,000: Review by independent CPA
- <\$250,000: Compilation by CPA; if not using a CPA, the compilation must be prepared by an independent qualified accountant Threshold applies to fiscal years ending 12/31/2020 and beyond; for earlier fiscal years, review expected when support and revenue exceeded \$100,000

Note: State and Federal Requirements for audits differ from LTA:

- Federal: Expenses \$750,000+ in federal funds in any given year
- State: Gross revenue greater than \$500,000 must file audited financial statement prepared by independent CPA. (CGS 21a-190c(b)) [Gross revenue excludes grants or fees from government agencies or revenue from funds held in trust for the benefit of the organization.]
- Single State Audit: \$300,000+ in Connecticut Financial Assistance (Open Space Grants)

IRS (and LTA accreditation) requirement effective for fiscal years beginning January 1, 2018:

Prior: Had to distinguish three types of contributions: unrestricted, temporarily restricted and permanently restricted.

Now: There are only two categories – without donor restrictions and with donor restrictions.

LTA Accreditation Commission breaks these two categories down further:

Without donor restrictions:

Undesignated

Board Designated

With donor restrictions:

Restricted by time or purpose

Perpetual

Recommend have a gift acceptance policy that designates who can accept gifts and determine if restricted.

From: Webinar - Rules of the Road for Land Trusts – February 12, 2019

Accounting Standards Changes Impacting Land Trusts

Topic	Effective Calendar Year
Financial Statement Presentation	2018
Revenue from Contracts with Customers	2019
Contributions Received and Made	2019
Statement of Cash Flows	2019
Leases	2020

Use caution when researching for information on the internet including LTA's site as many sites or documents contain dated material.

CONNECTICUT LAND CONSERVATION COUNCIL, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

Balance sheet =
Statement of
Financial
Position

ASSETS:

Cash and cash equivalents	\$ 435,910
Prepaid expenses	<u>1,748</u>
Total assets	<u>\$ 437,658</u>

LIABILITIES:

Accounts payable and accrued expenses	<u>\$ 8,095</u>
Total liabilities	<u>8,095</u>

NET ASSETS:

Without donor restrictions	388,186
With donor restrictions	<u>41,377</u>
Total net assets	<u>429,563</u>

Total liabilities and net assets	<u>\$ 437,658</u>
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CONNECTICUT LAND CONSERVATION COUNCIL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:

Support and revenues:

Contributions	\$ 478,619
Program revenue	24,860
Interest	186
Total support and revenues	<u>503,665</u>

Net assets released from restrictions:

Satisfaction of purpose restrictions	17,112
Total revenues and other support	<u>520,777</u>

Expenses:

Program services	250,500
General and administrative	10,042
Fundraising	17,809
Total expenses	<u>278,351</u>

Change in net assets without donor restrictions	<u>242,427</u>
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CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:

Contributions	11,371
Satisfaction of purpose restrictions	<u>(17,112)</u>
Change in net assets with donor restrictions	<u>(5,741)</u>

Changes in net assets	236,686
Net assets at beginning of year	<u>192,877</u>
Net assets at end of year	<u>\$ 429,563</u>

Income Statement
Or Profit & Loss
Statement =
Statement of
Activities

Form required for LTA Accreditation:

Totals need to agree with (audited) financial statements

Due at time of pre-application (not application)

Schedule of Dedicated and Restricted Funds							
Please see the instructions tab for a description of the contents of each column.							
Organization Name:		Name					
Date of Data:		MM/DD/YY					
FUND NAME AND CATEGORY	FUND PURPOSE		DOLLAR VALUE AND TYPE(S) OF RESTRICTIONS				NOTES*
			WITHOUT DONOR RESTRICTIONS		WITH DONOR RESTRICTIONS		
			Undesignated	Board-designated	Restricted by Time or Purpose	Perpetual	
Operating Reserves							
Enter name of fund here	Description:		\$0	\$0	\$0	\$0	\$0
	Use(s) of Principal:						
	Use(s) of Interest/Dividends:						
Enter name of fund here	Description:		\$0	\$0	\$0	\$0	\$0
	Use(s) of Principal:						
	Use(s) of Interest/Dividends:						
Enter name of fund here	Description:		\$0	\$0	\$0	\$0	\$0
	Use(s) of Principal:						
	Use(s) of Interest/Dividends:						
Conservation Easement Stewardship							
Enter name of fund here	Description:		\$0	\$0	\$0	\$0	\$0
	Use(s) of Principal:						
	Use(s) of Interest/Dividends:						
Enter name of fund here	Description:		\$0	\$0	\$0	\$0	\$0
	Use(s) of Principal:						
	Use(s) of Interest/Dividends:						
Conservation Easement Defense							
Enter name of fund here	Description:		\$0	\$0	\$0	\$0	\$0
	Use(s) of Principal:						
	Use(s) of Interest/Dividends:						
Enter name of fund here	Description:		\$0	\$0	\$0	\$0	\$0
	Use(s) of Principal:						
	Use(s) of Interest/Dividends:						
Fee Land Management and Defense							
Enter name of fund here	Description:		\$0	\$0	\$0	\$0	\$0
	Use(s) of Principal:						
	Use(s) of Interest/Dividends:						
Enter name of fund here	Description:		\$0	\$0	\$0	\$0	\$0
	Use(s) of Principal:						
	Use(s) of Interest/Dividends:						
TOTAL			\$0	\$0	\$0	\$0	\$0

Example from LTA:

Data Entry Example: The ABC Land Trust Stewardship and Defense Fund

Below is an example of how the SDRF should be completed. The ABC Land Trust has a combined conservation easement stewardship and defense fund named ABC Stewardship and Defense Fund. The fund is comprised of many sources.

- \$25,000 of the fund was secured from donations without donor restrictions, and the board and passed a resolution dedicating these funds.
- \$40,000 of the fund came from donors specifically for stewardship that are restricted by purpose and held by a community foundation.
- \$100,000 of the fund came from donors who placed permanent restrictions on the allowable uses of principal and interest.

FUND NAME AND CATEGORY	FUND PURPOSE		DOLLAR VALUE AND TYPE(S) OF RESTRICTIONS					NOTES*
			WITHOUT DONOR RESTRICTIONS		WITH DONOR RESTRICTIONS			
			Undesignated	Board-designated	Restricted by Time or Purpose	Perpetual	TOTAL	
Conservation Easement Stewardship								
ABC Stewardship and Defense Fund	Description:	To cover the cost of permanently stewarding and defending our easements	\$0	\$25,000	\$40,000	\$100,000	\$165,000	Community Foundation manages the \$40,000 portion that is restricted by purpose. This is a joint fund that covers both easement stewardship and defense.
	Use(s) of Principal:	Can only be accessed for legal defense, and then only if paid back						
	Use(s) of Interest/Dividends:	Used to cover annual stewardship expenses, income in excess of 4% put back into fund						

IRS 990 - Part X Lines 27 - 28 :

Form 990 (2019)

Page **11**

Part X Balance Sheet

Check if Schedule O contains a response or note to any line in this Part X ☐

		(A) Beginning of year	(B) End of year
26	Total liabilities. Add lines 17 through 25		26
Net Assets or Fund Balances	Organizations that follow FASB ASC 958, check here <input type="checkbox"/> and complete lines 27, 28, 32, and 33.		
	27 Net assets without donor restrictions		27
	28 Net assets with donor restrictions		28
	Organizations that do not follow FASB ASC 958, check here <input type="checkbox"/> and complete lines 29 through 33.		
	29 Capital stock or trust principal, or current funds		29
	30 Paid-in or capital surplus, or land, building, or equipment fund		30
	31 Retained earnings, endowment, accumulated income, or other funds		31
32 Total net assets or fund balances		32	
33 Total liabilities and net assets/fund balances		33	

Form **990** (2019)

Board Designated Net Assets:

- Must describe the amount and purpose of each category of Board Designated Net Assets
- It is a good idea to have a Board Policy regarding establishing and use
- Board designations are NOT restrictions
- Must be displayed on balance sheet as distinct component of Net Assets Without Donor Restrictions OR be disclosed in notes to financial statements

Revenue Recognition (eff. 2019 – there were multiple changes, most are beyond scope of this topic - consult your financial advisor or auditor). As it relates to restricted gifts:

- Conditional contributions are recognized when condition is met.
Example: Foundation grant agreement will provide \$100K for open space purchase if the land trust raises at least another \$400K from other sources for land acquisition.
- Foundation grant is conditional and cannot be recorded as income until the land trust raises the required match and closes on the property.

Cash Accounts:

Many non-profits establish separate bank accounts to keep track of restricted cash.

- There is no requirement to do so.
- Maintaining separate accounts is time consuming and prone to error.
- Use accounting system to track net assets through donor restrictions.

Unrestricted Cash Balance (an important number to know):

Petty Cash	\$30.00								
Money market fund	\$30,500.00								
Chelsea Checking	\$8,650.00								
Bank of America Checking	\$421,750.00								
Deposit pending from paypal	\$4,200.00								
Deposit pending from facebook	\$375.00								
Total funds available excluding endowment	\$465,505.00								
Donor Restricted for Acquisition:									
Foundation grant for property #1	\$28,000.00								
Foundation grant for property #2	\$20,000.00								
Foundation grant for property #3	\$600.00								
Foundation grant for property #4	\$20,000.00								
Foundation grant for property #5	\$275,000.00								
Aquisition fund (not tied to specific property)	\$7,000.00								
Donor Restricted for Acquisition:	\$350,600.00								
Donor Restricted for Stewardship:									
Garden Club grant - Hike and Seek (signs)	\$500.00								
Project # 2 grant - Hike and Seek	\$125.00								
Property #4 - stewardship	\$17,000.00								
Property #6 - stewardship	\$2,800.00								
Property #7 - stewardship	\$2,800.00								
Project #1 - wall repair - stewardship	\$370.00								
Garden Club grant - sign	\$191.00								
Bank foundation grant #1 for signs	\$430.00								
Bank foundation grant #2 for benches	\$750.00								
Bank foundation grant #3 for material	\$420.00								
Rotary club grant #1	\$1,250.00								
Rotary club grant #2	\$500.00								
Property specific #1	\$8.00								
Property specific #2	\$100.00								
Property specific #3	\$100.00								
Stewardship Fund (not tied to specfic property or cause)	\$5,100.00								
Donor Restricted for Stewardship:	\$32,444.00								
Available to pay bills:	\$82,461.00								
Invoices in process:	\$8,100.00								
Unrestricted cash balance	\$74,361.00								
Minimum required operating reserve (25% of operatiions budget)	\$26,000.00								

Detail from backup sheet

Garden Club		Donation	Expenses		
Grant received	10/16/18	\$1,100.00		For installation of signage at entrance	
Panner Graphics	3/18/19		\$460.00	Deposit	
Panner Graphics	5/8/19		\$449.00	Payment on delivery	
Total		\$1,100.00	\$909.00	\$191.00	

A note on releasing dormant restricted funds:

Per conversation with Assistant Attorney General Gary Hawes in February 2021: While state statute says a court must decide what to do with dormant restricted funds, the AG's office has some discretionary latitude as to whether to send a request to a court.

If the amount is relatively small and it is impossible or too difficult to track down all the donors, a letter with detailed history of the fundraising along with purpose intended for left over funds can be submitted to the AG's office.

In some cases, the AG can issue a "no contest" letter to the nonprofit stating they have no issue with releasing the funds.

Question: Can a donor get money back?

Probably not. Once a donor gives a charitable gift, he or she gives up all rights to the money.

Unless the donor has specifically retained power to enforce restrictions on the use of the gift, the donor generally has no right to do anything but watch and complain. Usually the state Attorney General is the only person who has standing to enforce the terms of the gift.

Investing:

Yes – a nonprofit can invest funds.

State law: CGS Sec. 45a-535b. Standard of conduct in managing and investing institutional funds.

(b) In addition to complying with the duty of loyalty imposed by law other than sections 45a-535 to 45a-535i, inclusive, each person responsible for managing and investing an institutional fund shall manage and invest the fund in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.

Remember – it is donor money that you are investing. Any restriction does not go away when it is invested.

It is a good idea to have an investment policy in place prior to investing donor funds.



Documenting Donor Restrictions

- If we run a capital campaign to raise endowment funds, then the solicitation materials should specify whether the funds will be permanently restricted, or not, so that any gift received during that campaign is clearly put in the correct category.
- If restrictions are not specified in writing by the donor, then we can try to determine if they intended restrictions – call them.
- However, if looking back in time, and the donor is not available to ask, then the Board makes a reasonable assumption and designates (not “restricts”) the funds appropriately.

Flanders Major Gift Policy

FLANDERS NATURE CENTER & LAND TRUST

DONATION FORM FOR MAJOR GIFTS of \$5,000 or MORE

If you wish to restrict the purpose for which your gift of \$5,000 or more may be used, please complete this form.

I/We give to Flanders Nature Center & Land Trust the following assets :

- ☐ Cash: _____
 - ☐ Check # _____
- ☐ Securities – stocks, bonds, mutual funds, etc. Please list below or provide separate sheet.
- ☐ Tangible Property – please describe below. *Flanders reserves the right for Board approval before acceptance of tangible property that does not fall within Flanders' needs. Tangible gifts receive in-kind recognition, but monetary valuation must be provided by the donor.*

The purpose of a cash or stock donation of \$5,000 or more is :

- ☐ Unrestricted
- ☐ To enhance Flanders' existing Invested Funds, existing Temporary Project Fund, or Operating Fund
Name of Fund into which donation will be placed: _____
Please review list of Funds attached and select one or more.
- ☐ To establish a Temporary Project Fund for a project or program to be completed within five years.
Purpose of Project Fund: _____

Flanders reserves the right to determine the usage of the restricted fund distributions within the scope of the defined purpose and to transfer any remaining balance after completion of the project or program to another similar project or to the Operating Fund. Board approval required to establish a new Temporary Project Fund.

For a donation of \$20,000 or more, Donors may establish their own individual Invested Fund

☐ Name of Fund: _____

for the purpose of:

☐ Enhancing an existing Invested Fund _____
Review current list of Flanders' Invested Funds

☐ OR Providing for the following: _____

The \$20,000 donation must be completed over a maximum of four years for an individual Invested Fund. If the donor does not complete the pledge within the four year period, Flanders has the right to eliminate the individual fund and transfer the assets to one of Flanders' other Invested Funds with a similar purpose. Donors may undertake fundraising efforts, subject to approval by the Board of Directors, to encourage donations to the new fund. Board approval required for to establish a new Invested Fund.

Individual Invested Funds may be either a.) permanent with a Board determined annual percentage payout for the selected purpose or b.) temporarily restricted with the Flanders' Board of Directors determining the annual drawdown from the fund for projects meeting the Fund's purpose.

- ☐ Permanent Fund
- ☐ Temporarily Restricted Fund

Signature of Donor or Authorized Representative Date

Signature of Donor or Authorized Representative Date

Special cases related to capital campaigns

- In your solicitation materials, leave an “escape clause” that says that if we raise more than the requested amount, any excess will be included in the temporary restricted portion of that fund.
- Pledges are only considered part of a capital amount raised if the pledge is unconditional.



Receiving and Tracking Restricted Gifts & Grants

- Clearly communicate receipt of any restricted funds to any and all appropriate parties in your organization (Treasurer, Bookkeeper, Executive Director, CPA, etc).
- Ensure you have clear documentation of the restricted gift that is sufficient to substantiate the funds for future management and audit purposes. If you don't, endeavor to get it!
- Follow process in Gift Acceptance Policy (if you have one).
- Consider setting up your Chart of Accounts in QuickBooks (or other financial software) to streamline tracking income and expenses.
- Follow internal controls to approve and code expenses.

Sample QB Report

Restricted Contributions

	Type	Date	Num	Name	Memo	Split	Amount
4500 · RESTRICTED CONTRIBUTIONS							
4501 · Stewardship Reserve Fund							
	General Journal	10/14/2020	10/20 - 03				4,000.00
	Invoice	12/15/2020	7623		Stewardship Reserve Fund	1150 · NETWORK FOR GOOD R	8,000.00
	Deposit	12/28/2020	2483		Stewardship Reserve Fund	1000 · WEBSTER BANK	4,500.00
	Deposit	12/28/2020	5846		Stewardship Reserve Fund	1000 · WEBSTER BANK	4,500.00
	Deposit	12/31/2020	1298		Stewardship Reserve Fund	1000 · WEBSTER BANK	5,000.00
	Deposit	12/31/2020	1179		Stewardship Reserve Fund	1000 · WEBSTER BANK	5,000.00
Total 4501 · Stewardship Reserve Fund							31,000.00
4580 · Other Restricted Contributions							
	Deposit	01/06/2020			Brookfield Preserve Stewardship	1000 · WEBSTER BANK	5,000.00
	Invoice	02/10/2020	7141		Contribution 4580 Other Restrict	1150 · NETWORK FOR GOOD R	50.00
	Invoice	03/10/2020	7152		Contribution 4580 Other Restrict	1150 · NETWORK FOR GOOD R	50.00
	Deposit	03/16/2020				1000 · WEBSTER BANK	1,500.00
	Invoice	04/10/2020	7180		Contribution 4580 Other Restrict	1150 · NETWORK FOR GOOD R	50.00
	Invoice	05/11/2020	7193		Contribution 4580 Other Restrict	1150 · NETWORK FOR GOOD R	50.00
	Deposit	07/13/2020	0096			1000 · WEBSTER BANK	500.00
	Deposit	12/22/2020	3736		Campbell Preserve and Nearby	1000 · WEBSTER BANK	3,000.00
	Deposit	12/28/2020	2480		Deposit	1000 · WEBSTER BANK	8,000.00
Total 4580 · Other Restricted Contributions							18,200.00

Sample QB Report

Grant Expenses

			Date	Num	Name	Memo	Amount
4800 · RESTRICTED GRANT EXPENSES							
4845 · CT Community Foundation							
4845-3 · Outside Serv and Fees							
			03/02/2020	1366	Apollo Mapping		2,500.00
			03/02/2020	1366	Apollo Mapping		2,500.00
							5,000.00
Total 4845-3 · Outside Serv and Fees							
4845-4 · Supplies							
			06/24/2020		HP .com	intern laptop CCF Grant inc. \$13.75shipping	1,113.74
			07/17/2020		Amazon.com		15.98
			07/24/2020		HP .com	refund for shipping	-14.60
			10/14/2020		HP .com	HP envy 17 laptop pc	999.68
							2,114.80
Total 4845-4 · Supplies							
4845-9 · Other Expenses							
			07/27/2020		Tech Soup		10.00
			07/27/2020		Tech Soup		11.00
Total 4845-9 · Other Expenses							
Total 4845 · CT Community Foundation							
7,135.80							

Year End Restricted Net Assets - Summary

	12/31/2019	2020	2020		12/31/2020
	Balance	Additions	Releases	Transfers	Balance
Stewardship Reserve	898,124.14	49,108.00	45,099.72		1,275,673.40
	4,817.81		76.35		4741.46
	6,631.75		995.00		5,636.75
	-	44,482.00			44,482.00
	-	200.00			200.00
	-	5,000.00			5,000.00
	1,480.00		1,550.01		(70.01)
	2,642.04	-	2,610.97		31.07
	-	10,000.00	300.00		9,700.00
	-	6,715.00			6,715.00
	-	5,000.00	5,000.00		-
	-	2,000.00	2,000.00		-
Connecticut Community Foundation	15,000.00	750.00	15,920.40		(170.40)
	50,000.00		46,600.00		3,400.00
	-	15,000.00	-		15,000.00
	-	3,000.00	-		3,000.00
	795.00	-			795.00
	-	200.00			200.00
Subtotal	979,490.74	141,455.00	120,152.45	-	1,374,334.27

Year End Restricted Net Asset - Detail

2020	Account	Description	Date	Grant Income	Grant Expenditures	Balance	
GRANT INCOME							
	Connecticut Community Foundation					15,000.00	12/31/2019
	Flanders Nature Center & Land Trust	4645 - CCF	intern program participation fee	7/20/2020	250.00		
	Lake Waramaug Task Force	4645 - CCF	intern program participation fee	7/20/2020	250.00		
	Goshen Land Trust	4645 - CCF	intern program participation fee	9/14/2020	250.00	15,750.00	
GRANT EXPENDITURES							
	Apollo Mapping	4845-3 - Outside Services		3/2/2020	2,500.00		
	Apollo Mapping	4845-3 - Outside Services		3/2/2020	2,500.00		
	HP.com	4845-4 - Supplies	intern laptop	6/24/2020	1,113.74		
	Amazon.com	4845-4 - Supplies		7/17/2020	15.98		
	HP.com	4845-4 - Supplies	refund for shipping	7/24/2020	(14.60)		
	HP.com	4845-4 - Supplies	envy 17 laptop pc	10/14/2020	999.68		
	Tech Soup	4845-9 - Other Expenses		7/27/2020	10.00		
	Tech Soup	4845-9 - Other Expenses		7/27/2020	11.00		
Intern Time							
		Wages			6,600.00		
		Social Security			409.20		
		Unemployment Tax			125.40		
Staff Time							
	Paul Elconin				750.00		
	Kate Losey				900.00		
			Spent down completely in 2020.		750.00	15,920.40	(170.40) Bal 12/31/20

Excerpt from Financial Management & Control Policy – Stewardship Reserve Fund (SRF)

The Corporation's Stewardship Reserve Fund Spending Rule allows for an annual distribution of between three and five percent of the average value of the assets of the Fund to defray the expenses of easement and fee land stewardship, enforcement/defense, and monitoring. This ratio is consistent with the dual goals of increasing the value of the Stewardship Reserve Fund over time and providing a predictable and reliable source of funds for the Corporation's easement monitoring operations.

Annual SRF Spending Rule Release

- The SRF is made up of donor restricted funds and Board designated funds. It accumulates earnings. The Spending Rule applies only to the donor designated dollars.
- Calculated by CPA based on Financial Management & Control Policy.
- Reviewed by Finance Committee. The Committee makes a formal recommendation to the Board to approve Spending Rule Release.
- The Board then approves the Spending Rule Release.
- The release represents a release from restriction, not necessarily an actual transfer of funds.
- Can be advisable to take this step even if unrestricted funds are not needed in a given year.

UPMIFA – The Uniform Prudent Management of Institutional Funds Act

- The Uniform Management of Institutional Funds Act (UMIFA) was a law which provided rules regarding how much of an endowment a charity could spend, for what purpose, and how the charity should invest the endowment funds.
- UMIFA was considered out of date regarding management, investment, and spending issues that resulted in underwater endowments (fair value of the fund at the reporting date is less than the original amount/amount required to be maintained by the donor).
- Updated to UPMIFA by National Conference of Commissioners on Uniform State Laws in 2006, adopted by CT General Assembly in 2007.

UPMIFA – The Uniform Prudent Management of Institutional Funds Act

- UPMIFA defines endowment as a fund that is not wholly expendable by the institution under the terms of the applicable gift instrument.
 - A gift instrument is a record in writing (includes email) under which the gift is given, but only if the donor and the charity were, or should have been, aware of its terms.
- A charity may invest its endowment subject to UPMIFA. UPMIFA says a Board must avoid speculation in making investment decisions.
- UPMIFA describes a standard of care for managing and investing an endowment that requires:
 - a charity to consider the purpose of the charity (mission) and the purpose(s) of the endowment fund.
 - The Board is required to act in good faith and with care of an ordinary prudent person.
 - The charity may only incur appropriate and reasonable costs.
 - The charity must consider:
 - General economic conditions,
 - Effects of inflation and deflation,
 - Tax consequences,
 - The role of each investment in the overall portfolio,
 - Expected total return from income and appreciation,
 - The charity's other resources, and
 - The needs of the charity and the fund to make distributions and preserve capital.

UPMIFA – The Uniform Prudent Management of Institutional Funds Act

- A charity is allowed to appropriate for expenditure so much of an endowment fund as the charity determines is prudent for the purposes for which the fund was established. The charity must consider:
 - The duration and preservation of the endowment fund,
 - The purposes of the charity and the fund,
 - General economic conditions,
 - Effects of inflation and deflation,
 - Expected total return from income and appreciation,
 - The charity's other resources, and
 - The charity's investment policy.
- A charity may release or modify a restriction if the donor consents in writing.
 - If a purpose or use restriction becomes unlawful, impracticable, impossible to achieve, or wasteful, a court may modify the restriction in a manner consistent with donor's intent.



Questions?

Resources

- **Schedule of Dedicated and Restricted Funds** ("SDRF"; submit as an Excel file)
Instructions | Video Tutorial

<http://www.landtrustaccreditation.org/renewal/useful-documents/materials>

STANDARD 6. FINANCIAL OVERSIGHT

B. Financial Records

Go to Learning Center on lta.org & look for "Standard 6"... though use with caution as portions may be out of date

LTA Webinars (past webinars are available for download):
Financial Management of Restricted Gifts – May 21, 2020



The Office of
Attorney General William Tong

<https://portal.ct.gov/AG/Charities/Helpful-Links>

It is illegal to "borrow" money from funds restricted by donors. Don't misspend restricted funds even if you intend to replace the monies. – *nonprofithub.org*



Nonprofit Accounting

for
Volunteers, Treasurers,
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Lisa London, CPA

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Thomas R. Ittelson