

Coastal Mountains Land Trust

Financial Management Practices

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1. Purpose

The purpose of these Practices is to document the methods and actions taken to implement the Policies of the Board of Directors (hereinafter the "Board") concerning financial and asset management.

2. Finance and Investment Committee Meetings

The Finance and Investment Committee (hereafter "FinComm") operates under a job description approved by the Board. In summary, its duties are to oversee the management of finances and investments and to keep the Board informed of issues pertaining to its responsibilities in these matters. The Treasurer is the chair of the FinComm.

The FinComm meets on a regular schedule, usually once per month.

3. Adoption and Revision of Practices

Staff prepare these financial management practices to document the processes of implementing the Policies of the Board. The FinComm reviews these Practices for consistency with Board Policies and the strategic plans of the Land Trust.

4. Bookkeeping and Accounting

4.1 Tasks of Bookkeeper

The Land Trust engages a bookkeeper and certified public accountant on a contract-for-services basis. The FinComm selects the bookkeeper and the certified public accountant. The Executive Director supervises the bookkeeper and provides the Treasurer with copies of all reports from the bookkeeper.

As soon as feasible after the end of each month, the bookkeeper provides the Executive Director with the following reports:

- Balance Sheet
- Profit and Loss Statement--Comparison with Previous Year
- Profit and Loss Statement--Actual versus Budget
- Detail of All Transactions of the Month

These reports will be provided to the Treasurer prior to the monthly meeting of the FinComm.

The bookkeeper will also provide year-end reports necessary for audits or financial review and preparation of IRS Form 990.

4.2 Financial Reports to the FinComm and the Board

The FinComm reviews reports of the bookkeeper at its regular meetings. Two reports from the bookkeeper (the Balance Sheet and Profit and Loss Statement-- Comparison with Previous Year) are attached to the minutes of the FinComm meetings, and thereafter provided to the Board at their meetings. The Treasurer and Executive Director respond to Board inquiries concerning the financial matters of the Land Trust.

5. Annual Budget

The Executive Director, with the assistance of other staff, prepares a draft operating budget for presentation to the FinComm at its February meeting. Prior to review by the FinComm, the Development Committee reviews and approves goals for income items. Operating income must exceed operating disbursements, or specific account transfers must be identified in the budget to balance it. The FinComm recommends the final draft of the budget to the Board for its consideration and approval at the March Board meeting.

Because it is usually infeasible to predict the timing of reaching acquisition agreements with land owners or the timing of achieving fundraising goals to meet the anticipated costs of acquiring new conservation lands, capital campaign budgets are usually not prepared. However, the Development Committee does prepare and approve a draft capital campaign plan for each such campaign, including goals for the schedule and amount of funds to be raised. These plans are presented to the Board for its consideration and approval prior to launching a new capital campaign.

6. Audits, Financial Reviews, and Preparation of IRS Form 990

As soon as feasible after the conclusion of each fiscal year, the Executive Director, bookkeeper, and other staff assemble the financial information to be provided to the Land Trust's accountant. Concurrently, the agreement for engagement for services by the accountant is reviewed and approved by the Treasurer.

Full audits are performed during fiscal years of higher than typical financial activity, such as major capital campaigns, or when anticipated to be necessary due to the award of government grants or other sources of support that require full audits. When such activities are not occurring, the accountant prepares a financial review for the fiscal year, and full audits are conducted every fourth year.

Copies of audits and financial reviews are provided to the full Board as soon as available. The originals are stored in the financial records filing cabinet.

Every year the accountant prepares the Internal Revenue Service's Form 990. The Treasurer reviews it and signs it prior to submission. A copy is stored in the financial records filing cabinet.

7. Banking and Investment Management

The FinComm oversees all banking and investment relationships of the Land Trust. The Treasurer, with the advice of the FinComm, establishes such accounts with financial and investment institutions. The Executive Director assists the Treasurer in obtaining information concerning these accounts and other matters necessary for conducting the relationship.

The Treasurer reports to the Board on all matters concerning investments at least semi-annually.

7.1 General Banking Accounts

Camden National Bank is the Land Trust's general purposes bank for checking accounts and savings accounts. Specific bank accounts are established to hold funds designated for specific purposes: Operating Checking Account, Special Projects Checking Account, and Acquisition Savings Account.

7.2 Investment Accounts

Funds for investment are held at Alliance Bernstein L. P. When Camden National Bank account balances accumulate an excess of funds relative to near-term need, these funds will be transferred to the investment account. Those transfers are conducted by the Treasurer and Executive Director.

Because donations are received for specific uses and the Land Trust is obligated to apply all funds to their designated use, Alliance Bernstein manages investment funds in four separate accounts (Operating, Acquisition, Stewardship, and Endowment) to provide accountability for the principal, earnings, and fees related to each specific account. Alliance Bernstein provides monthly reports that present the status of the accounts, and also reports on investment performance and account activity. The account manager(s) attend a meeting of the FinComm semiannually to review management performance.

7.3 Investment Management Guidelines

The FinComm sets guidelines for the management of the investments to be consistent with Policy.

- The amount of funds in Alliance Bernstein accounts for which immediate or fluctuating use of the funds is not anticipated, Endowment Account and Stewardship Account (which holds the Conservation Lands Defense Funds), is invested predominantly in stock.
- The amount of funds in Alliance Bernstein accounts for which we anticipate near-term or fluctuating use of the funds (Operating Account and Acquisition Account) are invested in predominantly in cash, cash equivalents, and short-term bonds.

- The FinComm, with the assistance of the Executive Director, advise Alliance Bernstein of anticipated needs to withdraw funds from the accounts when feasible.

8. Withdrawals from the Land Trust Endowment

The FinComm makes a recommendation to the Board concerning whether or not to withdraw funds from the Land Trust Endowment at the Board Meeting in March of each year. Such recommendations are based on Board Policies.

9. Transfers from Conservation Lands Defense Fund to the Land Trust Endowment

The FinComm makes a recommendation to the Board concerning transfer of funds from the Conservation Lands Defense Fund to the Land Trust Endowment at the Board Meeting in March of each year. Such recommendations are based on Board Policies.

10. Transfer of Assets

The FinComm makes a recommendation to the Board concerning any transfer of an asset greater than \$10,000 in value, except that transfers of real estate to a second qualified conservation organization or agency will be considered and recommended to the Board by the Land Preservation Committee. Such recommendations are based on Board Policies.

11. Insurance Policies

The Land Trust obtains its primary insurance through the Conserve-a-Nation Program underwritten by The Chubb Group of Insurance Companies, a program recommended by the Land Trust Alliance. The following insurance coverages are obtained through this program: general liability, umbrella liability, property, and directors and officers. The FinComm will review the insurance policies carried by the Land Trust and report to the Board on their sufficiency at the Board Meeting in March of each year. The Board approves any significant change in insurance coverage.

In addition, Workers' Compensation Insurance is obtained from Maine Employers' Mutual Insurance Company. The Executive Director and Membership and Administrative Coordinator provide the Company with updated information concerning Land Trust employees.

The Land Trust is also required to participate in the State of Maine Unemployment Compensation program. The Land Trust has elected the option of being a "Direct Reimbursing Employer" instead of paying insurance premium fees. As such, we are required to place a security (a Certificate of Deposit) with the State of Maine Department of Labor with a face value equal to or greater than the projected unemployment compensation liability. A \$5,000 CD from Camden National Bank is held by the Department to fulfill this security. The Executive Director reports to the Department annually as to the sufficiency of this security. Files concerning this matter are maintained in the financial records filing cabinet.

12. Disbursements

12.1 Disbursement Processing and Bookkeeping

When bills, invoices, or other calls for disbursements are received, the following process is implemented:

- a) The Membership and Administrative Coordinator classifies disbursement items appropriately under the Chart of Accounts of the Land Trust financial records and marks the bill, invoice, etc. with the classification and with the bank account from which the disbursement is to be paid.
- b) The Executive Director reviews and approves all disbursement items.
- c) The bookkeeper prepares payment checks for the disbursement items, marks the bills, invoices, etc. with the date paid and check number, and enters the disbursement item into the financial records.
- d) The Membership and Administrative Coordinator mails or otherwise distributes payment checks and files the receipts in disbursement files in the financial records filing cabinet.

12.2 Required Signatures

Disbursements of funds may be made under the following signature or credit card charge process:

- amounts up to \$3,000: Executive Director;
- amounts above \$3,000: any combination two signatures by the Executive Director and/or officers of the Board; or
- amounts above \$5,000 also require Board approval.

13. Income

13.1 Income Processing and Bookkeeping

When income is received the following process is implemented:

- a) All checks are endorsed by the Membership and Administrative Coordinator with a "For Deposit Only" stamp indicating the account into which the funds will be deposited.
- b) The Membership and Administrative Coordinator enters the income item onto a paper list of all income items that shows the date, name, check number, amount, which account the item was deposited in, and the fundraising campaign the funds are dedicated to (if applicable).
- c) The Membership and Administrative Coordinator prepares bank deposit slips for the income items and photocopies all checks with the bank deposit slip. Each income item is marked with the appropriate classification under the Chart of Accounts and the fundraising tracking system, the Giftmaker Pro Database. These check and deposit slip photocopies are provided to the Executive Director for his/her review, and then to the bookkeeper. After the deposit is made, the deposit receipt is stored in the bank account file in the financial records filing cabinet.
- d) The bookkeeper enters the income items into the financial records.

13.2 Pledges

The Land Trust receives multi-year pledges of financial support from some donors. These pledges are processed as follows:

- a) No pledge is officially recorded until a written, signed pledge card or letter is received from the donor.
- b) Once received, the Membership and Administrative Coordinator enters the pledge into the Giftmaker Pro Database and on a pledge tracking spreadsheet for the appropriate fundraising campaign. The spreadsheet shows the donor's name, date pledge received, total pledge amount, schedule of payments to be made, payments made, balance outstanding, and expected schedule of payments.
- c) The spreadsheet is provided to the bookkeeper each month for entry of pledges into the financial records. Each pledge is entered at its face value.
- d) At the end of the fiscal year, the final version of the pledge spreadsheet is provided to the Land Trust's accountant for determining the present value of the pledges for final booking in the year's financial records.
- e) Donations that are restricted to specific purposes by the donor are expended for that designated purpose, and remain restricted until fully expended. However, investment earnings on these donations are not restricted and may be spent for other purposes if the Board decides to do so.

14. Intra-Bank Transfers of Funds

On the last business day of each month the Executive Director transfers funds between bank accounts if payments for expenses have been drawn from a bank account for purposes not related to that account (e.g., a surveyor is paid with an Operating Checking Account check for services related to a land acquisition, then Acquisition Savings Account transfers funds to reimburse the checking account), or if funds have been deposited in an account for purposes not related to that account (e.g., credit card donations to land acquisition campaigns are received in the Operating Checking Account, and are transferred to the Acquisition Savings Account). The Executive Director provides a written memo with information about such transfers to the bookkeeper and the Treasurer.

15. Valuation of Preserves

The Executive Director or other staff drafts a Declaration of Trust or other second layer of protection document for each Preserve. The document is reviewed by the Land Preservation Committee and recommended to the Board for approval. Following Board approval, the Executive Director calculates an adjusted financial value for the Preserve as follows:

the State of Maine Open Space Property Tax Classification formula is applied to the value of the property at the time of acquisition (the value to be established, in order of preference, by first the appraised value, or second, by the purchase price if full market value, or third, the assessed value of the property as set by the Town if no appraisal was done and the property was donated or purchased at less than full market value), thereby reducing financial value of the permanently protected, publicly accessible Preserve to 5% of its value at the time of acquisition.

This revised value is provided to the bookkeeper for adjustment of the Land Trust's financial records to this new value.

16. Application for Exemption from Property Tax

16.1 Preserves

Maine Statutes and adjudicated Case Law have established that conservation land that provides a broad and important set of public benefits is exempt from property taxation. Preserves of the Land Trust provide such public benefits, so the Land Trust applies for property tax exemption for all of its Preserves.

The Executive Director or Conservation Project Manager completes such applications during the first year of ownership of the Preserve by the Land Trust, and submits such applications to the particular Town prior to April 1 of that year.

16.2 Land Trust Office Building and Property

The Land Trust office building and property, located at 101 Mt. Battie Street in Camden, has been declared exempt from property taxation by the Town. Because the property includes a building that is occupied for the business purposes and activities of the Land Trust, the Board has determined that a contribution, based on the proportion of Town costs for services other than those concerning education, will be made annually to the Town.

17. Annual Reports and Filings to the State of Maine

17.1 Nonprofit Corporation Registration

The Executive Director prepares and files the annual renewal of the Nonprofit Corporation Registration form prior to June 1. No signature is necessary.

17.2 Charitable Solicitations Registration

The Executive Director prepares the annual renewal form and report to the State of Maine Department of Professional and Financial Regulation in September. The Treasurer reviews the documents and signs them.

18. Management of Employee Benefits

The *Coastal Mountains Land Trust Personnel Handbook*, part of the Board Policies, describes a set of employee benefits. Those that require financial management (the health benefits and retirement benefits) are managed by the Membership and Administrative Coordinator with approval of the Executive Director for disbursements. Penobscot Pensions Services provides the independent management services required for a health benefit cafeteria plan. A. G. Edwards, Inc. provides brokerage services for the Simple IRA Plan that offers mutual funds from American Funds.