

Financial Management of Land Trusts

Introductions

- *Dan Giannelli, Vice President of Finance and Operations - Wildlands Conservancy*
- *Norma Calhoun, President Land Conservancy of Adams County*
- *David D'Antonio, Vice President of Finance and Administration – Natural Lands Trust*



Financial Management of Land Trusts

Course Overview:

- *Why are Sound Financial Practices Necessary?*
- *Budgets and Projections*
- *Financial Reporting*
- *Financial Governance*
- *Independent Audit*
- *Annual IRS Return (Form 990)*



Financial Management of Land Trusts

Course Overview:

So why sound financial practices are necessary?

- *A Tool to help manage an organization:*
 - *Measure profitability (sustainability)*
 - *Provide metrics for determining success*
 - *Identify and correct inefficiencies*
 - *Complete external reporting (Financial Audits, Tax Returns, Annual Reports)*



Financial Management of Land Trusts

Course Overview:

So why sound financial practices are necessary?

....continued

Public Perception / Reputation:

- *Guidestar*
- *Charity Navigator*
- *IRS Form 990*



Financial Management of Land Trusts

Course Overview:

So why sound financial practices are necessary
....continued

- *Donor restrictions/requirements:*
 - *Ensure that donor intentions are upheld*
 - *Apply fund to the correct expenditures*
 - *Are matching requirements being met*



Financial Management of Land Trusts

Course Overview:

So why sound financial practices are necessary
....continued

- ❑ *Provide Data for Grant Requests/Reporting:*
 - *Need for Consistent, Timely and Accurate data*
 - *Wide array of data requested*
 - *Meet all State and Federal requirements*
 - ✓ *Single and Project specific audits*



BUDGETING PROCESS



Clearly Define Roles

- Board/Committees
- CEO/ED
- Vice Presidents (Leadership Team)
- Department Heads
- Staff



Timing

- Set Deadlines/Layout Schedule
- Strategic Planning Alignment
- Departmental Work Plans



Building the Budget

- Budgeting Techniques
 - Revenue Projections
 - Phase Budget/Cash Flow
 - Review Restricted Cash Balances
 - Determine Other Fundraising Needs
 - Consider Restricted Fund Needs
 - Estimate Costs



Building the Budget

- Budgeting Techniques (Cont.)
 - Calculate Endowment Distributions
 - Restricted/Unrestricted
 - Are Distributions %'s Sustainable



Building the Budget

- Budgeting Techniques (cont.)
 - Evaluate Expenses (Historical Data)
 - Salary and Benefit Costs
 - Admin Costs
 - Direct Fundraising
 - Depreciation
 - Project Specific Costs
 - Document Estimates/Assumptions



Building the Budget

- Assign Roles and Responsibilities
 - Involve As Many People As Possible



MONITORING AND REPORTING



Process for regular reporting

- Generate the Reports
- Review the Reports



General Reporting

- Overview of GAAP
- Accounting for Internal Reporting
- Monthly Actual vs. Budget Reports
- Project Reporting/Use of Restricted Funding



General Reporting

- Management Reporting
 - Utilize Dashboard Reports
 - Offer Variance Explanations
- Policy for Reporting Deviations
- Document Changes to Approved Budget



Contingency Planning

- Identify Soft Spots in the Budget
- Stress Test with Various Scenarios
- Develop a Plan B



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Financial Governance:

- Financial Planning Oversight
(Purpose: to help carry on the business of the organization in an orderly and efficient manner)
- Organizational Policies and Procedures:
 - Corporate by-laws
 - Assignment of authority and responsibility
 - Budget Approval and Reporting Policies
 - Audit oversight
 - Board and Finance Committee responsibilities
 - Banking/Investment authority



Financial Management of Land Trusts

Financial Governance:

- Financial Planning Oversight
(Purpose: to help carry on the business of the organization in an orderly and efficient manner)
- Organizational Policies and Procedures:
 - Administrative Oversight (items referenced on IRS Form 990)
 - Conflict of Interest
 - Whistle Blower
 - Document Retention
 - Etc.



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Financial Governance...continued:

- Financial Controls- Policies and Practices:
(Purpose: to safeguard assets and ensure reporting accuracy)
 - Cash Receipts and Disbursements
 - Accounts Receivable
 - Reconciliation Procedures
 - Payroll Procedures
- Documentation
- Segregation of duties



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Financial Governance...continued:

- **Investment Oversight**
 - Investment Policy Statement (IPS)
 - Allocation Procedures (Donor Restrictions)
 - Spending Policies
 - Cash Management Policy
 - Policy to govern the use of Reserve Funds



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Financial Governance...continued:

- **Final Thoughts:**

- Document Everything!!!
- Start a binder
- Keep them simple and don't re-create the wheel.
- Review your policies once a year



INDEPENDENT AUDIT



Key Elements

- Examination of Financial Statements
- Performed by a Certified Public Accountant
- Generally Accepted Auditing Standards (GAAS)



Key Elements

- Purpose: Form Objective Opinion
 - Reliability of Financial Information
 - Material Misstatement
- Procedures
 - Tests of Transactions
 - Independent Evidence



Key Elements

- Audit Report
- Goal: Clean Opinion



Key Elements

- Provides Assurance
 - Directors
 - Donors
 - Funding Partners
 - Regulators
 - PA Bureau of Charitable Organizations
 - Federal Agencies



Auditor Selection

- Certified Public Accountant
- Independent
- Licensed in State
- Capacity
 - Quality
 - Timeliness



Auditor Selection

- Experience with Nonprofit Organizations
- Specialized Accounting and Auditing Experience
 - Land trusts
 - Federal Grants—A-133 Audit
- Other Services



Auditor Selection

- Pricing
- References



Management Letter

- Written by Auditor
- Addressed to the Directors
- Reliability
 - Fiscal Systems
 - Accounting Data
- Solutions to Problems
- Opportunities for Improvement



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IRS Form 990:

- Form 990:
 - Expense and Revenue Summary
 - Emphasis on Mission and Program Descriptions
 - Governance and compliance section
 - Statement of Functional Expenses
 - Balance Sheet



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IRS Form 990...continued:

- Important Schedules:
 - Schedule – A
 - Public Support Test – How calculated and what does it mean?
 - Schedule – D
 - Conservation Easement Section
 - Monitoring Expenses
 - Number of Modifications
 - Monitoring Policy



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IRS Form 990...continued:

- Important Schedules:
 - Schedule – M
 - Non-Cash Contributions
 - Schedule – O
 - Supplemental Information
 - Policy Descriptions
 - Opportunity to explain any anomalies



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Other Filings:

- State Fund Raising Schedules
- 990T:



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Recap:

- *Why are Sound Financial Practices Necessary?*
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Questions??

