



GREAT POND MOUNTAIN CONSERVATION TRUST

Financial and Asset Management Policies

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Due for Review: _____

See Also: _____

Land Trust Standards and Practices

This policy complies with the LTA Standard 6, Practices A – I.

Introduction

Purpose of Policy: As a public charity and an organization responsible for monitoring, management, and defense of its conservation lands in perpetuity, Great Pond Mountain Conservation Trust (GPMCT) will manage its finances and assets in a responsible and fully accountable manner. To that end, it is the policy of GPMCT to maintain complete, accurate, and credible documentation of its financial management activities using Generally Accepted Accounting Principles.

Responsible Committee: Finance and Investment Committee

Policy

I. Fiscal Year

The fiscal year of GPMCT is June 1 through May 31.

II. Annual Budget

The Executive Director, working with the major GPMCT Committees, will prepare a draft annual operating budget for initial consideration by the Finance Committee at its February meeting. The annual operating budget will be balanced, though such balance may be obtained through transfers of surplus funds as appropriate. The Finance Committee will recommend an annual operating budget to the Board for adoption at its April meeting.

The annual operating budget will be supplemented by a separate budget for any capital campaigns if the capital gifts income and capital disbursements can be reasonably accurately projected as to amount and schedule.

III. Board Review of Financial Statements

The Treasurer, acting through the Finance Committee and with the assistance of the Executive Director and Bookkeeper, will provide monthly, quarterly and annual reports concerning the financial condition of GPMCT to the Board.

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

A full audit of GPMCTS financial statements including review of internal systems of handling finances and books will be performed by a certified public accountant for fiscal years when total annual revenue (not including donated land or conservation easements) exceeds \$500,000, 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 certified public accountant prepares a financial review for the fiscal year. The Board shall review and take responsibility for the Form 990 and shall authorize an appropriate Board member or officer to sign the Form 990 as required by IRS Rules and Regulations, as amended from time to time.

V. Operating Reserve Policy

GPMCT shall strive to accumulate a minimum of six (6) months operating expenses from unrestricted surplus as an operating reserve. The operating reserve shall be segregated in an interest-bearing account. The operating reserve shall not be used to make up for income shortfalls unless there is a plan in place to replenish the reserve funds. The operating reserve balance shall have priority when allocating the unrestricted surplus. The operating reserve may be used for unanticipated increases in budgeted costs, to address cash flow timing issues as the result of delayed grant payments or seasonal cash flow deficits and for unexpected events that imperil the day-to-day operations of GPMCT such as computer failure. The Finance Committee shall review all requests to draw down the operating reserve. The Finance Committee, after consultation with the Development Committee, shall make a recommendation to the Executive Committee (to be ratified by the Board) that will include the replenishment plan and specific actions to be taken to replace the reserve amount drawn down within six (6) months.

A. Fundraising Shortfall Policy:

In the event that fundraising for a fiscal year is insufficient to cover administrative, program, and fundraising budgeted expense, the Finance Committee, in consultation with the Development Committee, shall review the budget and make recommendations to the Board regarding implementing reductions in budgeted expenses and/or establishing and accessing a Line of Credit.

B. Fundraising Surplus Policy

In the event that unrestricted funds in a given fiscal year are raised in excess of administrative, program and fundraising actual expenses, the surplus shall first be allocated to the operating reserve until fully funded. Any remaining surplus shall be allocated as determined by the Board among the GPMCT General Endowment (described in Section VII), the Stewardship Reserve (described in Section VIII), the GPMCT Conservation Lands Stewardship and Legal Defense Fund (described in Section IX), and the GPMCT Acquisition Fund (described in Section X).

VI. Management of Institutional Funds

The President, Vice-President, Treasurer or Executive Director, acting with the advice of the Finance Committee and approval by the Board, are authorized to establish accounts with brokerage firms or other financial institutions for the purpose of receiving and selling gift securities and managing the institutional funds of GPMCT. The Finance Committee of GPMCT will oversee the operations of such accounts and will semi-annually report to the Board on the performance of management of GPMCT's institutional funds including recommendations for changes in investment policies to be considered for adoption by the Board. "Institutional fund" means a fund held by an institution exclusively for charitable purposes.

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.

A. In managing and investing an institutional fund, GPMCT:

1. May incur only costs that are appropriate and reasonable in relation to the assets, the purposes of the institution and the skills available to the institution; and
2. Shall make a reasonable effort to verify facts relevant to the management and investment of the fund.

Management and investment decisions about an individual asset must be made not in isolation but rather in the context of the institutional fund's portfolio of investments as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the fund and to GPMCT.

Diversification: GPMCT shall diversify the investments of an institutional fund unless the GPMCT reasonably determines that, because of special circumstances, the purposes of the fund are better served without diversification.

Within a reasonable time after receiving property, GPMCT shall make and carry out decisions concerning the retention or disposition of the property or to rebalance a portfolio, in order to bring the institutional fund into compliance with the purposes, terms and distribution requirements of GPMCT as necessary to meet other circumstances of the GPMCT and the requirements Title 13 MRSA Sec 5100 et seq.

A person who has special skills or expertise, or is selected in reliance upon the person's representation that the person has special skills or expertise, has a duty to use those skills or that expertise in managing and investing institutional funds.

GPMCT shall track the historic dollar value of its institutional funds. For purposes of this paragraph, "historic dollar value" means the aggregate value in dollars of:

1. Each endowment fund at the time it became an endowment fund;
2. Each subsequent donation to the fund at the time the donation is made; and
3. Each accumulation made pursuant to a direction in the applicable gift instrument at the time the accumulation is added to the fund.

B. Types of Investments

The Finance Committee shall act as an Investment Committee, until such time as an Investment Committee is constituted, and will evaluate the types of investments that are held by GPMCT with care to assure that such investments provide a reasonable, prudent balance between risk and return.

C. Investment Management Criteria

Except as otherwise provided by a gift instrument, the following rules apply:

1. Institutional Funds: In accordance with Title 13 M.R.S.A. Sec. 5101 et seq. as from time to time amended, GPMCT shall consider the following criteria when managing and investing its institutional funds:
 - a) General economic conditions;
 - b) The possible effect of inflation or deflation;

- c) The expected tax consequences, if any, of investment decisions or strategies;
 - d) The role that each investment or course of action plays within the overall investment portfolio of the fund;
 - e) The expected total return from income and the appreciation of investments;
 - f) Other resources of the institution;
 - g) The needs of the institution and the fund to make distributions and to preserve capital; and
 - h) An asset's special relationship or special value, if any, to the charitable purposes of GPMCT.
2. Endowment Fund: "Endowment fund" means an institutional fund or part thereof that, under the terms of a gift instrument, is not wholly expendable by GPMCT on a current basis. "Endowment fund" does not include assets that GPMCT designates as an endowment fund for its own use.
3. Managing an Endowment Fund: In accordance with Title 13 M.R.S.A Sec. 5101 et seq. as from time to time amended, GPMCT shall consider the following factors, if relevant, when managing an "endowment fund":

Subject to the intent of a donor expressed in the gift instrument, GPMCT may appropriate for expenditure or accumulate so much of an endowment fund as GPMCT determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established. Unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by GPMCT. In making a determination to appropriate or accumulate, GPMCT shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and shall consider, if relevant, the following factors:

- a) The duration and preservation of the endowment fund;
- b) The purposes of the institution and the endowment fund;
- c) General economic conditions;
- d) The possible effect of inflation or deflation;
- e) The expected total return from income and the appreciation of investments;
- f) Other resources of GPMCT;
- g) The investment policy and
- h) The spending policy of the GPMCT

VII. Management of the GPMCT General Endowment

GPMCT has perpetual obligations for the protection of the preserves and conservation easements that it holds, a responsibility that is most effectively assured by a professionally managed and securely funded operating program. The operating program of GPMCT is conducted with the objective of providing a well-integrated and comprehensive set of activities necessary to operate a strong and sustained land conservation program, including general administration, stewardship, fundraising, outreach, and acquisition functions. The purpose of the GPMCT General Endowment, hereinafter referred to as "the General Endowment," is to provide a source of operating program funds that is secure and available on a sustained basis over time. The following govern the management and use of the Endowment, subject to third party donor restrictions as applicable:

A. Encumbrance of Principal

The principal of the General Endowment will not be encumbered or otherwise placed at risk by being used as collateral or security for any loan or other transaction.

B. Annual Withdrawal of Funds

Annually during the budget process, the Board shall determine whether or not to withdraw any funds from the General Endowment, and if so, the amount to be withdrawn and whether the withdrawal amount is to be paid in a lump sum or quarterly. The Board shall consider the factors enumerated in VI.C.3 if relevant and any additional board designated restrictions in force. In no case will the annual withdrawal exceed five percent (5%) of the value of the Endowment calculated as the average of the market value of the Endowment during the previous 12 quarters from Board draw determination date, except for the first and second year of the Endowment. In the first year of the Endowment the amount to be withdrawn, if any, shall not exceed five percent (5%) of the value of the Endowment on the draw determination date. In the second year of the Endowment the amount to be withdrawn, if any, shall not exceed five percent (5%) of the value of the Endowment calculated as the average of the market value for the first and second year.

Withdrawal of funds from the General Endowment, shall be used exclusively for operating program expenses of the organization, including equipment necessary for program activities, and shall not be used for stewardship/defense of conservation easements, capital improvements or acquisition of conservation land or conservation easements.

C. Distribution of the Endowment

In the event of dissolution or reorganization of GPMCT, the General Endowment, subject to any donor restrictions, will be transferred to the successor organization or a similar organization located and operating in Maine, to be used as a program endowment that will be subject to substantially the same restrictions imposed by this policy.

VIII. Management of the GPMCT Wildlands Stewardship Reserve

GPMCT has perpetual obligations for the protection, stewardship and continuing ownership of the "Wildlands" Preserve, a responsibility that is most effectively assured by a professionally managed and securely funded Wildlands operating program. The Wildlands operating program of GPMCT is conducted to with the objective to provide a well-integrated and comprehensive set of activities necessary to operate a strong and sustained Wildlands land conservation program, including general administration, stewardship, fundraising and outreach functions. The purpose of the GPMCT Wildlands Stewardship Reserve hereinafter referred to as "Wildlands Reserve" is to provide a source of operating program funds that is secure and available on a sustained basis over time. The following shall govern the management and use of the Wildlands Stewardship Endowment, a board designated quasi-endowment.

A. Encumbrance of Principal

The principal of the Wildlands Reserve will not be encumbered or otherwise placed at risk by being used as collateral or security for any loan or other transaction.

B. Annual Withdrawal of Funds

Annually during the budget process, the Board shall determine whether or not to withdraw any funds from the Wildlands Reserve, and if so, the amount to be withdrawn and whether the withdrawal amount is to be paid in a lump sum or quarterly. In no case will the annual withdrawal exceed five percent (5%) of the value of the Wildlands Reserve calculated as the average of the market value of the Wildlands Reserve during the previous 12 quarters from Board draw determination date, except for the first and second year of the Reserve. In the first year of the Wildlands Reserve the amount to be withdrawn, if any, shall not exceed five percent (5%) of the value of the Wildlands Reserve on the draw determination date. In the second year of the Wildlands Reserve the amount to be withdrawn, if any, shall not exceed five percent (5%) of the value of the Wildlands Reserve calculated as the average of the market value for the first and second year.

Withdrawal of funds from the Wildlands Reserve shall be used exclusively for operating program expenses of the Wildlands, including equipment necessary for program activities, and shall not be used for the acquisition of conservation land or easements

IX. Funds Related to Stewardship and Defense of Conservation Lands

Conservation Easements are defined as set forth in Maine Revised Statutes Title 33 Section 476 subparagraph 1, to wit: Conservation Easement means a non-possessory interest of a holder in real property imposing limitations or affirmative obligations the purposes of which include retaining or protecting natural, scenic or open space values of real property; assuring its availability for agricultural, forest, recreational or open space use; protecting natural resources; or maintaining or enhancing air or water quality of real property.

“Preserves” are defined as properties for which GPMCT holds full title (fee simple ownership).

When GPMCT acquires conservation easements and/or preserves (together to be referred to as “conservation lands”), it accepts the responsibility to monitor, defend, and manage the conservation lands in perpetuity. In order to meet this responsibility GPMCT must seek to obtain adequate financial resources to provide for legal defense of conservation lands and to provide a secure source of income from investment of funds that helps to support professional stewardship of these conservation lands. In order to provide such financial resources, GPMCT will seek contributions to be allocated to the GPMCT Conservation Lands Stewardship and Legal Defense Fund (hereinafter the "Fund"). The following describes how such funds are obtained and managed.

A. GPMCT Conservation Lands Stewardship and Legal Defense Fund (“Fund”)

The purpose of the Conservation Lands Stewardship and Legal Defense Fund is to provide readily available financial resources that can be expended for the costs incurred in the defense and professional stewardship of conservation lands. The Fund shall be managed to accumulate and maintain a sum of money adequate for this purpose, as described in the **Conservation Easement Stewardship Funds Policy** and the **Policy on Estimating Cost of Fee Land Stewardship**.

1. Source of Deposits to the Conservation Lands Stewardship and Legal Defense Fund

A deposit to the Fund will be made for every conservation land. Sources of deposits to the Fund are described in the Conservation Easement Stewardship Funds Policy and the Policy on Estimating Cost of Fee Land Stewardship.

2. Minimum Balance of the Conservation Lands Stewardship and Legal Defense Fund

Because a withdrawal from the Fund may be necessary on short notice, at least 30% of the Fund will be invested in interest bearing cash equivalents. If expenditures are made from the Fund that cause the Fund to fall below the minimum balance (defined as an amount equal to the total of all deposits for conservation easements, preserves, Terrafirma Insurance \$5,000 deductible, and \$50,000 for legal defense made to the Fund), the Board will promptly allocate money from other sources or commence a campaign to raise money to replenish the Fund.

3. Withdrawals from the Conservation Lands Stewardship and Legal Defense Fund

Money may be withdrawn from the Fund to pay for expenses specifically incurred by GPMCT for defense and professional stewardship of a conservation easement or preserve.

B. Stewardship Funds and the Endowment

An essential complement to the Conservation Lands Stewardship and Defense Fund is a securely funded, professionally managed operating program that includes an effective stewardship program. The viability and stability of the operating program can be partially provided by the secure and sustained source of funding in the Endowment, managed as described in VII. Management of the GPMCT General Endowment.

X. GPMCT Acquisition Fund

The purpose of the GPMCT Acquisition Fund is to acquire preserves and/or conservation easements that further the mission of GPMCT.

A. Source of Deposits to the GPMCT Acquisition Fund

Deposits to the GPMCT Acquisition Fund shall be made from surplus described in V.B. Fundraising Surplus Policy and from donations designated for the fund.

B. Withdrawals from the GPMCT Acquisition Fund

Withdrawals may be made to facilitate the acquisition of preserves and/or conservation easements that further the mission of GPMCT. Withdrawals may be made in order to facilitate the acquisition of Preserves and/or Conservation Easements that further the mission of GPMCT, provided that the withdrawals are to be expended on acquisitions previously reviewed and approved by the Board in accordance with the GPMCT policies and procedures

XI. Transfer of Assets

GPMCT might wish to transfer assets to other parties. This policy applies to two categories of assets: *real property* which includes but is not limited to assets related to land such as fee simple interests, conservation easements, rights-of-way and other similar easements, options, or purchase and sale agreements; and *tangible personal property* which includes but is not limited to equipment, furniture, or vehicles. This policy does not apply to cash, securities, promotional or resale items nor does it apply to mortgaging of real property or the pledging of GPMCT assets to secure the payment of a debt or obligation. The purpose of this policy is to ensure that the assets covered by the policy are transferred solely with full Board consideration and approval and in compliance with GPMCT policies, specifically Policy regarding to Conflicts of Interest.

In the event that the Board has approved transfer of any asset by sale, the asset will be advertised to the general public for sale. The only exceptions to advertisement to the general public are if:

1. the transaction concerns transfer of conservation land or conservation easement to another organization or governmental agency that is qualified to own or hold land conservation interests;
2. the transaction concerns transfer of land to another organization or government agency to provide substantial public benefits for uses of the land other than conservation, and if the recipient of the land has the capacity and capability to provide that public benefit (for example, land for affordable housing);
3. if the asset has a market value less than \$1,000.

Thirty (30) days after the date of advertisement to the public, members of the Board or staff may make an offer to purchase the asset. Approval of the sale by the Board, excluding the involvement and vote of any member of the Board or staff who is a potential purchaser of the asset, will be based on the best interests of GPMCT.

If GPMCT transfers assets which GPMCT received as a donation and for which GPMCT signed the donor's IRS Form 8283 "Noncash Charitable Contributions," and if the transfer occurs within two years of the date of the receipt of the donation, then GPMCT must file IRS Form 8282 "Donee Information Return" with the IRS and forward a copy to the donor at his or her last known address.

A. Transfer of a Real Property Asset

Transfer of a Real Property Asset. A transfer of a real property asset shall be in accordance with the Land Transaction Policy, as amended 4/12/16.

B. Transfer of a Tangible Personal Property Asset

Tangible personal property assets that have a fair market value in excess of \$10,000 will only be transferred following evaluation of the specific proposed asset transfer by the Board, public notice and advertisement and an affirmative vote to transfer the asset by two-thirds of the entire membership of the Board. Tangible personal property assets that have a fair market value less than \$10,000 but greater than \$1,000 may be transferred by a majority vote of the Executive Committee. Tangible personal property assets that have a fair market value less of \$1,000 or less may be transferred by decision of the Executive Director.

All transactions that transfer a tangible personal property asset must produce a consideration to GPMCT that reasonably approximates or exceeds the fair market value of the specific asset. Prior to the vote by the Board, the Executive Director shall obtain and submit to the Board an estimate of the fair market value of the specific asset, dated within twelve months of the date of proposed transfer, from an independent professional appraiser of like tangible property assets. If the cost required to obtain a written estimate from an appraiser is an unreasonable percentage of the value of the tangible property asset, then the Executive Director may waive the requirement for a written estimate and instead obtain a less formal opinion of value, which will be documented in GPMCT's files. The requirement of fair market value consideration may be waived by the Board if the asset is transferred to another 501(c) non-profit organization.

Any transfer of a tangible personal property asset will be evidenced by a written bill-of-sale, transmittal letter, or similar documentation showing at minimum the name and address of the recipient of the asset, a description of the transferred asset, the date of the transaction, and the description and value of any consideration received by GPMCT.

XII. Risk Management Insurance

The Finance Committee, with the assistance of the Executive Director, will oversee all insurance policies of GPMCT to evaluate protection against potential risks to GPMCT, and report annually in March to the Board concerning adequacy of the coverages and any recommendations for change. The Board is responsible for ensuring that adequate insurance is carried by GPMCT.

The following insurance coverage will be obtained: general liability, blanket accident, property, and directors and officers errors and omissions.

Workers' Compensation Insurance and Unemployment Compensation Insurance will also be obtained as required by state law.

XIII. Safe Deposit Box

The President, Treasurer, and Executive Director each have authority to establish and access a safe deposit box at a local bank.

XIV. Signatures Required for Financial Disbursements

The Executive Director is authorized to sign checks and make charges on the organization credit card in amounts up to \$1,000.00. Checks in amounts over \$1,000.00 are to be signed by any two individuals from among the authorized signers, which include the Executive Director, President, Vice President, Treasurer, and Secretary.

XV. Intra-Bank Account Transfer Authority

The Executive Director or Treasurer has the authority to transfer funds among established Land Trust accounts, and will advise the Bookkeeper, Executive Director and Treasurer of such transfers.

XVI. Valuation of Preserves

To the extent consistent with generally acceptable accounting practices, the fair value of all properties owned in full title (preserves), with the intent to maintain the properties for conservation purposes in perpetuity, will be restated on GPMCT books on the basis of the fair value of the preserve after imposition of a second layer of protection as defined below. This policy does not apply to land that is not owned for conservation purposes and is expected to be sold (trade land). Prior to restating the fair value of a preserve, it will be protected by a "second layer of conservation protection," represented by a recorded Declaration of Trust, a recorded conservation easement held by another qualified conservation organization or governmental agency, or by feasibly enforceable deed.

XVII. Exemption of Preserve from Property Tax

GPMCT may seek exemption from property tax liability for all preserves owned by GPMCT and managed for conservation purposes. If the subject Town suffers substantial fiscal hardship due to loss of property taxes that otherwise would be due on the preserve, the Board may consider a financial contribution to the respective town in lieu of property tax payment. Such contributions may be based on the estimated costs for services that might be provided by the Town for the respective preserve and may be determined on an annual basis.

Documentation

All decisions and actions carried out under this policy will be documented in minutes of the Board and/or Finance Committee, as relevant, and as otherwise outlined in the policy.

Adoption

This policy was adopted by the Board of Directors of Great Pond Mountain Conservation Trust on the 13th day of April, 2009, and revised on December, 2010, and further revised on August 19, 2013, and April 12, each at a duly constituted meeting at which a quorum was present.

Signature of authorized officer

Date