



# GREAT POND MOUNTAIN CONSERVATION TRUST

## Financial Practices

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Adopted: May 13, 2013

Revised: \_\_\_\_\_

Due for Review: May 2014

See Also: Financial and Asset Management Policy

Gift Acceptance Policy

### Land Trust Standards and Practices

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

### Introduction

**Purpose of Policy:** The purpose of these Practices is to document the methods and actions taken to implement the Policies of the Great Pond Mountain Conservation Trust (GPMCT) Board of Directors (Board) concerning financial and asset management.

**Responsible Committee:** Finance Committee

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### Policy

#### I. Finance Committee Meetings

The Finance Committee (hereafter "FinCom") operates under a charter 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 FinCom.

The FinCom meets as needed, but not fewer than four times during the fiscal year.

#### II. Adoption and Revision of Practices

FinCom, in consultation with the Executive Director and accountant, prepares and recommends these financial management practices to document the processes of implementing the Policies of the Board. The FinCom reviews these Practices at least annually for consistency with Board Policies and the strategic plans of GPMCT. The FinCom shall approve and amend these practices as required.

#### III. Bookkeeping and Accounting

##### A. Tasks of Bookkeeper and Accountant

GPMCT engages a bookkeeper and certified public account on a contract-for-services basis. The FinCom selects the bookkeeper and the certified public accountant. The Executive Director and Treasurer supervise the bookkeeper and work collaboratively with the accountant. The Bookkeeper

provides the Executive Director and Treasurer with financial reports and consults as required with the accountant.

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

- Net Asset Statement (Balance Sheet)
- Surplus and Deficit Statement – with Prior Year Comparison
- Surplus and Deficit Statement – Actual Vs. Budget
- Detail of All Transactions of the Month

These reports will be provided to the Treasurer prior to the bi-monthly meeting of the Board and if possible of the Finance Committee.

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

#### **B. Financial Reports to the FinCom and the Board**

The FinCom reviews reports of the bookkeeper at its regular meetings. Two reports from the bookkeeper (the Net Asset and Surplus and Deficit Statement – Comparison with Previous Year) if available, are attached to the minutes of the FinCom meetings, and thereafter provided to the Board at their meetings. The Treasurer and Executive Director respond to Board inquiries concerning the financial matters of GPMCT.

#### **IV. Annual Budget and Workplans**

The Executive Director, with the assistance of other staff and Committee Chairpersons, prepares a draft operating budget for administration, programs and fundraising. By March 1, each Major Committee shall submit to the Executive Director a work plan for the next fiscal year describing the goals of the Committee with estimated costs for personnel, programs and capital expenditures. Major Committees in their respective work plans should identify potential sources and amounts of potential funding from grants, potential matching donations and significant potential donors.

Committee work plans and budgets shall categorize items as “Required” versus “Discretionary.”

The Committee Chairs and the Executive Director shall present their work plans and draft budgets to FinCom and Development Committee at a joint meeting in March.

The Development Committee reviews and approves goals for income items and controls solicitation of donors identified in work plans. Operating income must exceed operating disbursements, or specific account transfers must be identified in the budget to balance it. The Finance Committee reviews and the work plans and expenses.

The FinCom recommends the final draft of the budget to the Board for its consideration and approval by the May Board meeting.

Because it is usually not feasible to predict the timing of reaching acquisition agreements with landowners or the timing of achieving fundraising goals to meet the anticipated costs of acquiring new conservation lands, capital campaign budgets are usually not prepared annually. 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.

## **V. 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 GPMCT's accountant. Concurrently, the agreement for engagement for services by the accountant is reviewed and approved by the Treasurer.

Full audits 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 accountant prepares a financial review for the fiscal year. See Financial Policy Section 1.4

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

Every year the accountant prepares the Internal Revenue Service's Form 990. The Board reviews it and takes responsibility for its accuracy and the Treasurer or another appropriate officer signs it prior to submission. A copy is stored in the financial records filing cabinet. A Form 990 in redacted version is made available on the GPMCT website.

## **VI. Banking and Investment Management**

The FinCom oversees all banking and investment relationships of the Land Trust. The President, Vice – President, Treasurer or Executive Director, with the advice of the FinCom and Board authorization, establishes such accounts, including a line of credit, if available, 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.

### **A. General Banking Accounts**

Bangor Savings Bank is GPMCT's general purpose bank for checking and savings accounts. Specific bank accounts are established to hold funds designated for specific purposes: GPMCT General Operations checking account; To The Summit Campaign Checking account; GPMCT Long Term Funds savings account; Wildlands Forestry savings account; Operating Reserve savings account; Legal Defense and Easement Stewardship account; and Acquisition Savings Account. The description of each account is detailed below.

#### **1) Description of Restricted Funds**

- a. Permanently Restricted
  - i. General Endowment
- b. Temporarily Restricted - Grants Received, restricted donations
  - ii. Legal Defense and Easement Stewardship Fund
  - iii. Wildlands Forestry Fund
- c. Board Designated Funds
  - i. Wildlands Stewardship Reserve
  - ii. Operating Reserve/Tax/Ins Escrow
  - iii. Wildlands Contingency Fund

## 2) Accounts

- a. BSB GPMCT General Operations Checking Account – For day-to-day operations and holding funds that are unrestricted and temporarily restricted. Initial holding account for permanently restricted funds.
- b. BSB To the Summit Campaign Checking Account – To handle revenue and expense for To the Summit Campaign.
- c. BSB Savings Accounts

- i. Operating Reserve/Internal Real Estate Tax/Insurance Escrow

This account is used for surplus unrestricted funds and as an internal monthly escrow for Real Estate Taxes and Insurance. Surplus unrestricted funds are determined after financial statements for fiscal year received from accountant. There is a financial policy in place governing withdrawals of operating surplus.

This account is also used to park temporarily restricted funds such as grant money and also board-designated funds such as Wildlands Stewardship Reserve funds until investment decisions about WSR funds are made.

- ii. Legal Defense and Easement Stewardship Account – This temporarily restricted account is set up to receive funds for stewardship, defense and monitoring of easements. There is a policy in place for guidance on the calculation of what the donation should be.
    - iii. Wildlands Forestry Account – This temporarily restricted account is used for forestry practices in the Wildlands. EQUIP and other grant funds related to forestry are deposited into this account.
    - iv. GPMCT Long-Term Funds Account – This account is used to hold small donations for either the General Endowment (3<sup>rd</sup> party restricted) or Wildlands Stewardship Reserve quasi-endowment (board restricted) until they are transferred to Investment account.
    - v. The Acquisition Account has yet to be opened.

- d. TD Ameritrade Account – This investment account pools the General Endowment Funds and a portion of Wildlands Stewardship Reserve Funds for investment purposes. Additional funds for Legal Defense, Easement Stewardship may be added to this pooled investment account and accounted for.

The Wildlands Stewardship Reserve is a quasi-endowment (i.e. Board designated). These funds were a portion of the excess funds generated out of the Campaign to acquire the Wildlands. As of May 31, 2008, the total excess funds were approximately \$152,764. The Board designated approximately \$100,000 plus campaign pledges yet to be received of \$2,000 and any additional donations to be handled as an endowment and to maintain historic dollar value for at least three years.

- d. Maine Community Foundation Baker Fund – This is a donor-advised fund that is not an asset of GPMCT, but from which GPMCT receives temporarily restricted donations to underwrite a portion of the salary of the Wildlands Steward.

### **B. Credit Card Accounts**

Should GPMCT acquire a business credit card, the credit limit shall not exceed \$1,000. Authorized users of the credit card shall retain the charge receipts to be provided to the Executive Director,

who shall code the expenditures in accordance with the Chart of Accounts and provide to the Bookkeeper for entering into the financial records.

### **C. Petty Cash**

No more than \$100 shall be maintained in the petty cash box. Cash received from special events shall be processed and deposited into the appropriate account within 36 hours after the special event. Expenditures from petty cash shall be accounted for by written receipt placed in cash box describing the expenditure.

### **D. Credit/Debit Card Transactions**

Should GPMCT accept credit/debit cards for purposes of donations or purchase of merchandise, due care should be exercised to protect the account information of the cardholder. Credit card receipts should be filed daily and be kept in a locking file cabinet

### **E. Investment Accounts**

Funds for investment are held at a self-directed TD Ameritrade Investment Account. When Bangor Saving 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 GPMCT is obligated to apply all funds to their designated use, the GPMCT FinCom will carefully manage investment funds in a pooled investment account at TD Ameritrade. The Treasurer will provide accountability for the principal, earnings and fees allocated among the respective designated funds and communicate any changes in allocation percentages among the designated funds to the bookkeeper to assure accurate financial reporting. The Treasurer provides reports at least quarterly that present the status of the accounts, and also reports on investment performance and account activity.

### **F. Investment Management Guidelines**

The FinCom sets guidelines for the management and asset allocation of the investments consistent with the Financial and Asset Management Policy.

- The amount of funds in TD Ameritrade for which immediate or fluctuating use of the funds is not anticipated, such as General Endowment funds and Wildlands Stewardship Reserve funds, Legal Defense and Easement Stewardship Funds will be invested predominantly in stock, stock mutual funds, fixed income funds and Exchange Trade Funds (ETFS).
- The amount of funds in Bangor Savings Bank accounts for which we anticipate near-term or fluctuating use of the funds (General Operations checking account, Wildlands Contingency Fund, Wildlands Forestry Fund, Operating Reserve, and Acquisition Account) will be invested in predominantly in cash, cash equivalents, and short-term bonds.
- The FinCom, with the assistance of the Executive Director, advises the third party financial advisor, if any, of anticipated needs to withdraw funds from the accounts when feasible.

## **VII. Withdrawals from the GPMCT General Endowment and Quasi-Endowment**

The FinCom makes a recommendation to the Board concerning whether or not to withdraw funds from the GPMCT General Endowment and/or Wildlands Stewardship Reserve, a Board-designated quasi-endowment, at the Board meeting in March of each year. Such recommendations are based on third-party restrictions in conjunction with the Board spending policy then in effect. In no case will the annual withdrawal exceed five percent (5%) of the value of the Endowment and/or Wildlands Stewardship Reserve calculated as the average of the market value of the Endowment during the previous 12 quarters from Board draw determination date.

The current draw determination date is March 1 of each year and the current spending policy is 2.5%

### **VIII. Transfers Among Accounts**

In the event 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 a six month operating reserve is established. Any remaining surplus shall be allocated among GPMCT's remaining accounts as determined by the Board. See Financial and Asset Management Policy.

### **IX. Insurance Policies**

GPMCT obtains its primary insurance through the Acadia Insurance Company and Mt. Vernon Insurance Company. The following insurance coverages are obtained through this program: general liability, blanket accident, property, and directors and officers errors and omissions. The FinCom will review the insurance policies carried by GPMCT 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 Acadia Insurance. The Executive Director provides the Company with updated information concerning GPMCT employees.

### **X. Disbursements**

#### **A. Disbursement Processing and Bookkeeping**

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

- The Executive Director classifies disbursement items appropriately under the Chart of Accounts of the GPMCT financial records and marks the bill, invoice, etc. with the classification and with the bank account from which the disbursement is to be paid.
- The Treasurer shall review and approve all disbursement items. The bookkeeper shall provide the Treasurer with the list on monthly disbursements for approval.
- The Bookkeeper prepares payment checks for the disbursement items, marks the bills, invoices, etc. with the date paid and check number, mails or distributes the checks and enters the information into the financial records. At the end of the month copies of the check register, deposit slips, check voucher stubs (to be attached to paid invoices), and invoices are filed in disbursement files in the financial records filing cabinet.
- The Treasurer shall monitor the accounts of GPMCT via online access at least monthly to review expenditures, transfers and deposits.
- The Treasurer or Bookkeeper shall maintain a monthly account of the cash balances of each bank and investment account, track the breakdown of designated and restricted funds held in each account and prepare a monthly report to the Board.
- The Treasurer or Bookkeeper shall maintain an account of the Historic Dollar Value (HDV) of the General Endowment and Board Designated quasi- endowments for which HDV is to be maintained per Board Policy.
- To determine the valuation to which the annual spending policy percentage is to be applied, the Treasurer or Bookkeeper shall maintain an account of the quarterly fair market value of the permanent endowment and board designated quasi-endowments. The quarters shall be based on GPMCT fiscal year.
- On-Line Access to Investment and Bank Accounts and Quickbooks – the Treasurer, Bookkeeper, Accountant and Executive Director shall be provided On-line Access by the

Executive Director to the extent required for their prescribed duties to the Investment Accounts, Bangor Savings Bank Accounts and Quickbooks Cloud Account of GPMCT.

## **B. Required Signatures**

Disbursements of funds and credit card purchases may be made under the following signature

- Amounts up to \$1,000.00 - Executive Director;
- Amounts above \$1,000.00 - any combination of two signatures by the Executive Director and/or members/officers of the Board with signature authority;
- Amounts above \$10,000 require Board approval.

## **XI. Income**

### **A. Income Processing and Bookkeeping**

When income is received the following process is implemented:

- All checks are opened and endorsed by the Executive Director with a "For Deposit Only" stamp. All checks shall be deposited within 24 hours after they are fully processed. Undeposited checks should be placed in a locking filing cabinet until ready for deposit.
- The Executive Director, Development Coordinator or a trained volunteer enters the income into an electronic database (currently GiftWorks) of all income items that shows the date, name or source, check number, amount, and the "campaign" fund the funds are dedicated to, or the grant fund the funds are dedicated to (if applicable). For each income deposit, a report is generated from the database listing donor or grantor names or sources, gift dates, gift amounts, restrictions, "campaign" the funds are dedicated to, appeal, whether it's a memorial gift, donor address, and amount disbursed. Copies of these reports are provided monthly to the bookkeeper.
- The Executive Director, Development Coordinator or a trained volunteer prepares the bank deposit slips and photocopies or scans all the checks with the bank deposit slip. The Executive Director is responsible for making the bank deposits. After a deposit is made, the deposit receipt is attached to the check scans and deposit slip copies and database report for that deposit. One copy is given to the bookkeeper at the end of each month and an office copy is filed in the financial records filing cabinet.
- The bookkeeper enters the income items into the financial records.

### **B. Pledges**

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

- No pledge is officially recorded until a written, signed pledge card or letter is received from the donor.
- Once received, the Executive Director, Development Coordinator or trained volunteer enters the pledge into the donor 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.
- 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.

- At the end of the fiscal year, the final version of the pledge spreadsheet is provided to GPMCT's accountant for determining the present value of the pledges for final booking in the year's financial records.

### **C. Restricted income**

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 temporarily restricted until appropriated by the Board for expenditure per UPMIFA

## **XII. Intra-Bank Transfers of Funds**

On or before 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 a GPMCT General Operations 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 an e-mail memo with information about such transfers to the bookkeeper and the Treasurer.

## **XIII. Valuation of Preserves**

The Executive Director or other staff works with GPMCT's attorney to draft a Declaration of Trust or other second layer of protection document for each Preserve (if deemed necessary – see Land Transaction Policy). The document is reviewed by the Land Protection 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 Maine Tree Growth Property Tax Classification Formula or Open Space Formula, as applicable, 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 after the second layer of protection, 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..

This revised value is provided to the bookkeeper or accountant for adjustment of GPMCT's financial records to this new value.

## **XIV. Application for Exemption from Property Tax**

### **A. 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 GPMCT provide such public benefits, so GPMCT may apply for property tax exemption for all of its Preserves.

The Executive Director or Conservation Project Manager may complete such applications during the first year of ownership or thereafter of the Preserve by the GPMCT, and submit such applications to the particular Town prior to April 1 of any given year.



**XV. Annual Reports and Filings to the State of Maine**

**A. Nonprofit Corporation Annual Report**

GPMCT's Registered Agent (currently attorney Fred Stocking) works with the Executive Director to prepare and file the annual report to the Secretary of State prior to March 31..

**B. Charitable Organization License Renewal and AFAR**

The Executive Director or Treasurer prepares and files the annual Maine Charitable Organization License Renewal form and Annual Fundraising Activity Report with the Maine Department of Professional Licensing and Financial Regulation by November 30. The Executive Director or Treasurer prepares and files the annual charitable organization registration renewal forms for states other than Maine not later than October 15 of each year, if required by GPMCT policy. The Treasurer reviews the documents and signs them.

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**Adoption**

This policy was adopted by the Board of Directors of Great Pond Mountain Conservation Trust on the 13th day of May, 2013, at a duly constituted meeting at which a quorum was present.

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Signature of authorized officer

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Date