

## Countdown to 2020: Tips and Pointers for Land Trusts Preparing for First-Time Accreditation

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October 12, 2018




## Workshop Overview

- Introductions
- Overview of accreditation
  - Transition
  - Why accreditation
- First-time application process
- New/changed requirements
- Documentation challenges
- Start Your Plan
- Tools and Resources




## Land Trust Accreditation Commission

- Independent program of the Land Trust Alliance
- 19 diverse volunteer commissioners
- 7 staff




## Separate Roles



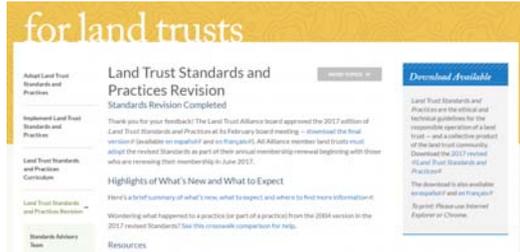

- Sets *Land Trust Standards and Practices* (last updated in 2017)
- Sets accreditation indicators
- Provides general training and educational materials
- Verifies implementation of *Land Trust Standards and Practices* (via indicator elements)
- Develops accreditation application, review process, and requirements, plus associated training
- Makes accreditation decisions



## Accredited Land Trusts

- 411 accredited organizations
- About 35 first-time applicants in process
- Accredited land trusts hold more than 78% of conservation land held by land trusts



for land trusts

Land Trust Standards and Practices Revision Standards Revision Completed

Thank you for your feedback! The Land Trust Alliance board approved the 2017 edition of Land Trust Standards and Practices at its February board meeting - download the final version of Standards and Practices and on Thursday, all Alliance member land trusts must adjust the revised Standards as part of their annual membership renewal beginning with those who are renewing their membership in June 2017.

Highlights of What's New and What to Expect

Here's a brief summary of what's new, what to expect and where to find more information.

Wondering what happened to a practice (or part of a practice) from the 2004 version to the 2017 revised Standards? See this crosswalk comparison for help.

Resources

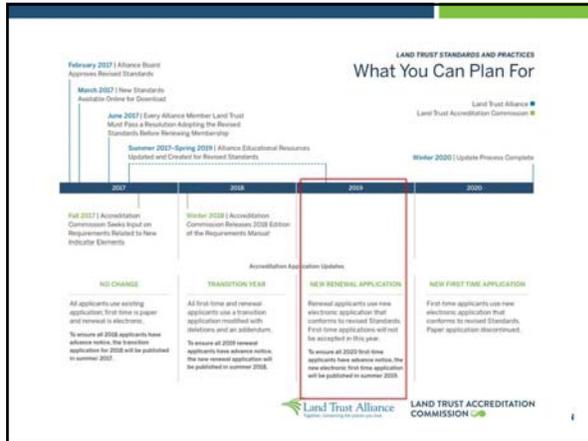
Download Available

Land Trust Standards and Practices are the ethical and technical guidelines for the responsible operation of a land trust - and a defining product of the land trust community. Download the 2017 revised "Land Trust Standards and Practices".

The download is also available in Spanish and in Chinese!

Spanish: Please use Internet Explorer or Chrome.





### 2019 Current Status

**NEW RENEWAL APPLICATION**

Renewal applicants use new electronic application that conforms to revised Standards. First-time applications will not be accepted in this year.

To ensure all 2020 first-time applicants have advance notice, the new electronic first-time application will be published in summer 2019.

**Requirements Manual finalized and in use by applicants**  
Download: [www.landtrustaccreditation.org/2018rm](http://www.landtrustaccreditation.org/2018rm)  
Webinar: [www.landtrustaccreditation.org/webinar](http://www.landtrustaccreditation.org/webinar)  
Rally Session B02

**New electronic renewal application available and used by renewal groups in 2019 onward; reference copy available**

**New electronic first-time application used in 2020 onward; reference copy published summer 2019**

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### Accreditation Impact

- ❖ Fifteen years ago the land trust community was **ill prepared** to live up to the promise of perpetuity and was **under legislative and regulatory threat**.
  - The Alliance created the Accreditation Commission as a **solution** and offered accredited preparation services to its members.
- ❖ Today, **accredited land trusts far outpace those not yet accredited**.
  - They have significantly bigger budgets, more staff and volunteers and
  - **8 times more money invested to steward and defend their conservation lands** than their peers of similar size – they also **save 3 times more land**.

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### Accreditation Impact

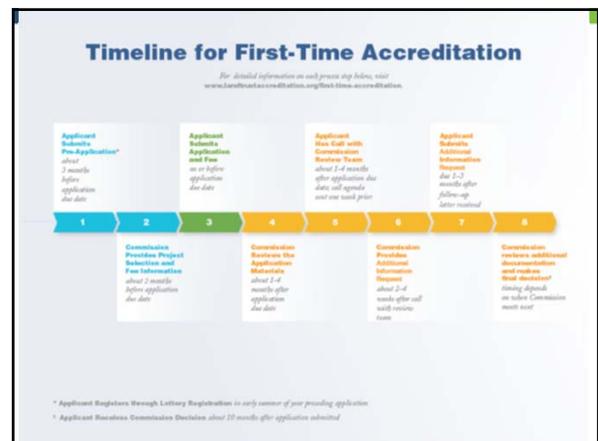
- ❖ Accreditation was a **strong motivator for change** in land trusts; **87%** of accredited land trusts responded that **accreditation moderately or substantially motivated** them to make organizational improvements.
- ❖ **Public confidence in land trusts increased** as a result; **85%** of public agencies and foundations say accreditation increases their confidence in land trusts and **83%** of landowners feel the same way.
- ❖ **These positive impacts can grow** as more land trusts join the program.

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## D01: Transformation through Land Trust Accreditation

SATURDAY 10:30-Noon

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## Application Review

- Review team (staff and commissioners) evaluates compliance with indicator elements by considering:
  - Pre-application/Application
  - Supporting documents
  - Project documentation
  - Public notice/comments
  - Research



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## Applicant Conference Call

- Detailed agenda sent in advance
- Clarification/more information
- Lasts about 2 hours



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## Additional Information Request

- Follow-up letter with document requests or corrective action



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## Commission's Review Approach

- Consistency
- Fair but flexible
- All must demonstrate compliance
- No one-size-fits all
- Recognize diversity



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## Decision by Full Commission

- **Accredit**
  - Awarded for 5-year term
  - Expectations for Improvement
- **Table**
- **Not Accredit**



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## Questions on the Application Process?



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## 2017 Standards → 2018 Requirements

LAND TRUST  
Standards and  
Practices

Introducing the 2018 Requirements Manual and revised Accreditation Requirements

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Accreditation  
Requirements Manual

March 2018

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### 2018 Requirements Manual An In-Depth Look at Changes to the Requirements

**Executive Summary**  
The Accreditation Manual helps land trusts understand how the Land Trust Accreditation Commission works and how land trusts meet the Standards and Practice Standards and helps land trusts be successful in the accreditation process. The 2018 Accreditation Manual aligns the requirements with the 2017 Standards and the new indicator elements.

The 2018 Manual uses a new format for the requirements to make it easier for land trusts to complete the documentation needed for the accreditation application and to reduce redundancy. The 2018 Manual organizes the requirements in four groups: Governance, Finance, Transactions and Stewardship. The introduction section of the Manual includes information and detailed information on the format and use of the Manual.

However, there are some changes to be aware of:

- There are new requirements tied to the new indicator elements to help land trusts address areas where risks may be high.
- Some of the existing requirements have been modified to respond to land trust feedback and to incorporate new information.
- Low risk or redundant concepts were dropped to keep the accreditation program cost-effective for land trusts.

**What's New?**  
Changes to requirements to address land trust feedback that were the top or high risk indicators.  
Page 10

**What's Different?**  
Changes to requirements that were the top or high risk indicators.  
Page 11

**What's Dropped?**  
Concepts that were the top or high risk indicators.  
Page 12

This document is a companion to the 2018 Accreditation Manual and provides more in-depth information on each of the above changes. Please contact the Commission at [info@landtrustaccreditation.org](mailto:info@landtrustaccreditation.org) or call 800-394-3943 if you need the additional information.

**NEW AREAS ADDED**

- Requirements added related to: Governance
- Strategy, goals
- Board development process
- Financial health
- Change
- Visual inspection as part of project due diligence
- Priority spending needs
- Protecting land from or abuse
- Stewardship
- Documentation of change to land subject to conservation easement or conservation easement
- Stewardship results

**AD. BONUS**

2018 Requirements Manual: Requirements related to: Stewardship

2017 Requirements Manual: Where moved or if dropped: Dropped – no longer an indicator element

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## 2018 Requirements Framework: Key Concepts

1. Indicator Elements in Four Groups
2. Documents for Each Group
3. Requirements for Each Group
4. Two Categories of Requirements
  - **Bold**
    - Proactive Verification
    - Hard Stop!
  - **Not Bold**
    - Red Flags
    - Next Step Depends on Risk

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## Requirements: Risk-Based

**Bold Example**

**New board members trained.**  
*Documentation of training new board members will be verified for every applicant.*

**Non-bold Example**

Land trust generally operates in accordance with its bylaws.  
*Red flag: look at risk in the context of the entire application.*

- *Low risk: Bylaws require 9-15 board members; land trust has 8 board members; board operates effectively. No questions.*
- *High risk: Bylaws require a 9-15 member board; land trust has 4 board members; board appears to be controlled by one member. Questions.*

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Governance

Finance

Transactions

Stewardship

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## New Finance Requirements: Records & Financial Health

- **Operating surplus exists at the end of last fiscal year [statement from board officer explains reason for deficit]**
- **Operating reserves at the end of last fiscal year sufficiently cover three months of operating expenses [board evaluation of operating reserve needs and a feasible plan to address the needs]**
- Concentrated or sole source of funding not overly relied on
- Debt or lease payments can generally be met.

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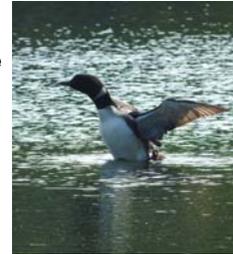
## New Finance Requirements: Board Oversight & Donor Restrictions

- Board approval of annual budget
- Board review of periodic financial reports that include:
  - Unrestricted, board-designated and restricted net assets
  - Actual unrestricted and restricted revenue and expenses for the reporting period as compared to budget
- Documentation of the business process system it follows when a) soliciting and accepting restricted gifts/grants b) determining restrictions on gifts/grants c) documenting donor restrictions and d) tracking receipt of and expenditures from restricted gifts/grants to comply with donor restrictions

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## New Finance Requirements: Internal Controls and Insurance

- Written internal controls or accounting procedures
- Have general liability insurance that covers significant risks
- Board [or delegated entity] evaluates insurance needs at least every five years:
  - Directors and officers liability insurance
  - Property insurance
  - Insurance required by law



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## Changed Requirements for Audit, Review, Compilation

Total Annual Support/Revenue without the value of donated conservation fee properties or conservation easements	Minimum Level of Evaluation
< \$100,000	Annual compilation by an independent certified public accountant (CPA) or independent qualified accountant
\$100,000-\$500,000	Annual financial review by an independent CPA
> \$500,000	Annual audit by an independent CPA

2016

2018

### Financial Records and Financial Health <sup>64A, 64B, 64C, 64D, 64E, 64F, 64G, 64H, 64I, 64J, 64K, 64L, 64M, 64N, 64O, 64P, 64Q, 64R, 64S, 64T, 64U, 64V, 64W, 64X, 64Y, 64Z</sup>

- Annual audited, reviewed or compiled financial statements, obtained at the following level based on total annual support and revenue<sup>64C</sup>, include footnotes and disclosures and show unrestricted, board-designated and restricted net assets. <sup>64D</sup> Disclose 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
  - \$100,000 - \$750,000: Review by independent CPA
  - <\$100,000: Compilation by CPA; if not using a CPA, the compilation must be prepared by an independent qualified accountant

## Defense Fund Requirements

<sup>64S</sup> (Applicants in 2017 and beyond)

Number of Conservation Easements and Conservation Fee Properties	At first-time application	At renewal application and thereafter
1-10	Either: a) Amount generated by the Calculator, or b) \$3,000 per conservation easement and a plan and commitment to reach the amount generated by the Calculator by the time of renewal.	Either: a) Amount generated by the Calculator, or b) \$50,000 and a plan and commitment to reach the amount generated by the Calculator by the time of next renewal.
More than 10	Either: a) Amount generated by the Calculator, or b) \$50,000 for first 10 conservation easements, plus a minimum of \$1,500 for each additional conservation easement and a plan and commitment to reach the amount generated by the Calculator for conservation easements and fee properties by the time of next application.	

2016

2018

### Stewardship and Defense Funding <sup>64S</sup>

- Has amount specified by the Legal Defense Reserves Calculator in board-designated or restricted defense funding<sup>64S</sup>; if an applicant does not have the full amount, it has at least half of the required funds, and a feasible plan with specific funding targets and timelines exists so that the land trust will have the full amount before its next renewal.



### Part 1: Easement Reserves

The base reserve is the minimum of money your land trust needs to set up to be able to survive a significant high water or your state. This number may change in the future based on:

Please fill out the base reserve in the form on your own.

Land Trust's name:

State in which land trust is located:

Does the trust have general liability insurance?  \$0

How long has the trust been issuing annual reports to the public?  \$0

How long has the trust been issuing annual reports to the public?  \$0

Does the trust have Directors and Officers (D&O) insurance?  \$0

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## New Transaction Requirements

Form <b>8283</b> Noncash Charitable Contributions Department of the Treasury Internal Revenue Service	Attach to your tax return if you claimed a total deduction of over \$500 for all contributed property. Information about Form 8283 and its separate instructions is at <a href="http://www.irs.gov/form8283">www.irs.gov/form8283</a> . (Must be shown on your income tax return.)	OMB No. 1545-0046 Attachment Requirement No. 155 Identifying number
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- Evaluate the Form 8283 and landowner's appraisal and document the following:

- Did not knowingly participate in potentially fraudulent or abusive transactions
- Involved legal counsel as appropriate, especially in potentially fraudulent or abusive transactions
- Took appropriate action to resolve substantial concerns with the appraisal, appraised value or other terms of the transaction Signed the Form 8283 only when a gift was received

- Follow the then current Land Trust Alliance Tax Shelter Advisory

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## Documentation Challenges

Documenting review and approval of transactions

For each project selected you will be asked to provide:

- Evidence of the review of the project by the full board and/or by a committee
- Material provided to the board (or other decision maker) before final approval
- Minutes of the board meeting when the project was approved or other record of final decision

- How do you document review of projects?
- Do you keep a record of what was sent to the board and when?

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## Documentation Challenges

Documenting that mortgages, liens and other encumbrances were addressed

**Encumbrances or severed mineral rights shown in the title investigation are appropriately addressed so they will not result in extinguishment of the conservation easement or significantly undermine the conservation values**

- Situation A: Title investigation indicated coal, natural gas and other mineral rights have been severed fee project
- Situation B: \$500,000 mortgage showing on title commitment showing on easement project

- Could these potentially result in the extinguishment of the conservation easement or significantly undermine the conservation values?
- How would you address the potential encumbrances?
- What documentation would you provide?

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## Documentation Challenges

Documenting title was updated at closing

**Title investigation is updated by title company or attorney generally within 30 days of closing**

- What documentation would you provide?



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## Use the Requirements Manual

Conflict of interest policy:

- Applies to all insiders ✓
  - Board members
  - Staff members (if the organization has staff)
  - Substantial contributors
  - Parties related to board members, staff (if the organization has staff), and substantial contributors
  - Those who have an ability to influence decisions of the organization (such as committee members)
  - Those with access to information not available to the general public (such as volunteers, contractors, consultants, advisory board members, etc.)
- Addresses how conflicts are identified, and avoided or managed.

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## Gathering Information

- Conflicts of interest (financial and land/easement)
- Single audit (if > \$750,000 in federal funds)
- Purchase appraisals (most recent)
- Above appraised value purchases (most recent)
- Forms 8283 and landowners' appraisals
- Conservation easement violations
- Fee ownership challenges
- Conservation easement amendments
- Conservation easement extinguishments

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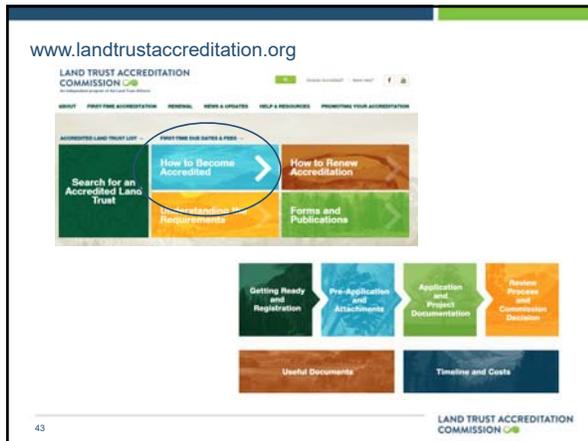
## Accreditation Tools

- *Applicant Handbook*
- *Requirements Manual*



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## Other Tools

<p>Alliance</p> <ul style="list-style-type: none"> <li>The Learning Center</li> <li>Standards and Practices background narratives</li> <li>Training, conferences, online learning and webinars</li> <li>Staff</li> </ul>	<p>Commission</p> <ul style="list-style-type: none"> <li>Enews</li> <li>Factsheets/Policies</li> <li>Application Materials</li> <li>Webinars</li> <li>Tutorials</li> <li>Sample Statements</li> <li>Template Policies and Accreditation Tips</li> <li>Staff</li> </ul>
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## Narratives for Practice Elements

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STANDARD 12 CONSERVATION ELEMENT STEWARDSHIP

B. Baseline Documentation Report

Prepare the report only for existing and have it signed by the Commission and filed in a public filing.

In an open high mountain watershed, present the Commission with 100 baseline documentation reports for the watershed and baseline data to support the accreditation application. The Commission will review the reports and data and provide feedback on the reports and data. The Commission will also provide feedback on the reports and data.

1. Land Trust Name: [Name]

2. Land Trust Address: [Address]

3. Land Trust Phone: [Phone]

4. Land Trust Email: [Email]

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Baseline Documentation Report

1. Land Trust Name: [Name]

2. Land Trust Address: [Address]

3. Land Trust Phone: [Phone]

4. Land Trust Email: [Email]

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## Are You Ready?

- Is our land trust committed?
- Is our land trust eligible?
- Does (or will) our land trust meet the pre-application requirements?
- Will our land trust be ready to complete the accreditation application?
- Is this the right time?



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