

- Related to practice element [4A2](#) (to access this link, please login to your Land Trust Alliance The Learning Center account)

Your land trust may have received an expectation for improvement (EFI) related to managing conflicts of interest, specifically to how it documented the insider's role in the final vote.

Although it may have been worded slightly differently, the most common EFI is:

- **When engaging in transactions with insiders, record in meeting minutes or other records that conflicted parties are not present for the board's discussion (unless asked to provide information) and vote on matters for which they are conflicted.**

How can a land trust document that it addressed the above EFI?

The renewal application requests both a statement and documentation for how the land trust met each EFI.

Statement: Provide a written description of how the land trust addressed the EFI; including the number of instances your land trust had transactions with insiders (financial or related to land or conservation easements) over the term and how your land trust met the EFI for each.

Documentation: For one of the transactions listed in your statement, provide minutes or other documentation of the board's action (e.g., board resolution) and the status of the board member or insider during that discussion and decision. Please note that documentation the insider "abstained" or "recused" is not sufficient to meet the requirement as those terms can mean different things to different people. The documentation should show that the insider was not at the meeting or left the meeting during the discussion and vote.

Why is managing conflicts of interest important?

It is important to first know that the Standards specifically define insiders to include: board members, staff, substantial contributors, parties related to those three, along with those who have an ability to influence decisions of the organization (such as committee members) and those with access to information not available to the general public (such as certain volunteers, contractors, consultants, advisory board members).

There are several types of transactions a land trust might have with an insider.

- Contracting for direct services, such as legal, investment, printing, etc.
- Entering into or renewing rental agreements (both to and from insiders)
- Acquiring land or a conservation easement
- Enforcing or amending a conservation easement
- Accepting a loan
- Distributing marketable equipment

When a land trust engages in transactions with insiders there are legal and public perception issues. Internal Revenue Code (IRC) Section 501(c)(3) has prohibited transactions that confer excess financial benefit upon insiders, and there are penalties for not complying. In addition, managing the fairness of the process and the public perception of the decision are important considerations in maintaining the land trust's credibility. A critical step in addressing the legal and perception issues is ensuring there is documentation that the approval of the transaction was made by the board with the insider absent so that the decision can be made without the perceived or actual undue influence of the individual.

In addition to the indicator practice element, there is helpful information about managing conflicts of interest in practice elements [4A3](#) and [4B2](#) and more information about [private inurement in practice element 2C1\(b\)](#).

More information on EFIs

- [Main Page: Understanding EFIs](#)
- [EFI: Baseline Documentation Reports](#)
- [EFI: Title Investigation](#)

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