

If your land trust is considering applying for first-time accreditation, now is the best time to start planning. In our "Be Prepared" series, we're exploring how land trusts can ensure they are eligible to apply and have strategies to show they are meeting the requirements. In this fifth edition we're delving into understanding what level of evaluation (audit, review, or compilation) of the financial statements is needed.



Need a refresher on what resources all land trusts considering accreditation should have on hand? Read and review:

- [Is my Land Trust Ready to Apply for First-Time Accreditation](#)
- [Part I, Be Prepared: Review Your Policies](#)
- [Part II, Be Prepared: The Importance of Annual Monitoring and Inspections](#)
- [Part III, Be Prepared: Recordkeeping](#)
- [Part IV, Be Prepared: Don't Forget the Date](#)

We commonly refer to requirements from the Commission's *Requirements Manual* and *Land Trust Standards and Practices* published by the Alliance. Remember, accreditation uses indicator elements from the Standards as the basis for the requirements. It's helpful to have a copy of the [Requirements Manual](#) handy and to log into your [Alliance Resource Center](#) account before clicking the links below.

Understanding your land trust's financial health is a cornerstone for a strong organization and an annual financial evaluation is key to this understanding. An annual financial evaluation is also critical for board oversight, by ensuring board members have the necessary information to meet their fiduciary obligations.

Levels of Financial Evaluations

There are different levels of financial evaluations:

- Audits
- Reviews
- Compilations

The 2023 *Requirements Manual* included important updates to the thresholds for which level is required when.

FINANCE

I.1 Audited, reviewed, or compiled financial statements obtained annually at the following level based on total annual support and revenue²; include footnotes and disclosures; and show net assets without donor restrictions, with board-designation, and with donor restrictions.

(²Excludes value of donated properties/conservation easements but includes moneys from grants, from special fundraising, and for the purchase of land and/or conservation easements.)

- >\$1,000,000: Audit by independent CPA Threshold applies to fiscal years ending 12/31/2022 and beyond; for earlier fiscal years, audit expected at the level listed in the applicable *Requirements Manual* for that year
- \$250,000 - \$1,000,000: Review by independent CPA
- <\$250,000: Compilation by CPA; if not using a CPA, the compilation must be prepared by an independent qualified accountant Threshold applies to fiscal years ending 12/31/2020 and beyond; for earlier fiscal years, review or audit expected when support and revenue exceeded \$100,000

UPDATED

To learn more about the indicator element that this requirement is based on, please review on the Resource Center:

- [Practice Element 6C](#)
- Take the course, [Learn Practice Element 6c1: Obtain an Annual Financial Audit, Review or Compilation](#)

What first-time applicants need to know

If your land trust is applying for first-time accreditation, it is important to know that the Commission must be able to verify that the land trust has obtained an external evaluation that meets the requirements for at least the most recently completed fiscal year of the time of application. The accreditation application (attachment F1) requests the audited, reviewed, or compiled financial statements, including footnotes and disclosures, for the last three fiscal years.

- If your land trust does not have an evaluation for the past three years, it can provide the balance sheet and statement of activities for each missing year. Having a series of financial statements or reports is necessary to evaluate how your land trust meets the financial health requirements.
- If your land trust is in the process of completing an audit, review or compilation for the most recent fiscal year, a statement describing when the evaluation will be complete is required.

For example, if a land trust applies for first-time accreditation in 2024, the Commission will need to see an audit, review, or compilation for fiscal year 2023 that meets the requirements. *(If the financial evaluation for 2023 is not yet complete at the time of application, then your land trust can show it met the requirements with documentation for fiscal year 2022.)* If the land trust only has internal financial reports or did not meet the requirements, an external evaluation at the required level must be completed **before** the Commission can award accreditation.

A land trust can strengthen its application by showing a clear pattern of compliance with obtaining the required external financial evaluation on an annual basis. Once accredited, a land trust must obtain audited, reviewed, or compiled financial statements annually at the level specified in the *Requirements Manual*.

Special note: If your land trust expended more than \$750,000 in federal dollars and was required to obtain a "Single Audit," you will be asked to provide the Schedule of Findings as part of attachment F1.