



An independent program of the Land Trust Alliance

## Summary of Changes to the 2023 *Requirements Manual*

### Overview

The *Requirements Manual* (Manual) helps land trusts understand how the Land Trust Accreditation Commission verifies that a land trust meets *Land Trust Standards and Practices* (Standards). The Manual also helps land trusts be successful in the accreditation process. The Commission looks at the requirements annually to evaluate if updates are needed.

When deciding whether to revise or add requirements, the Commission considers consistency with the Standards and professional sources; equity among land trusts; feasibility of implementation and verification; and the level of risk to land trusts and the land trust community. The goal is to have clear requirements informed by land trust community feedback that are the basis for fair and consistent decisions.

Land trust community feedback is gathered by having commissioners who represent accredited land trusts, receiving comments from land trusts throughout the year, and having public comment periods. An open call for comments was held in May 2022 and a request for comments on specific changes was held in Fall 2022. The Commission appreciates the forty responses that were received in response to this second comment period. These comments helped improve and inform the final requirements.

- This document is a companion to the full *Requirements Manual* and provides more in-depth information on the changes.
- A version showing revisions to the requirements is also available on the [Commission website](#).
- Have additional questions?  
Please contact Valerie Roof at the Commission:  
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### What is Different?

Most requirements have not changed. Some have been modified slightly to improve consistency and clarity and respond to land trust feedback. Below is a summary of the four major changes along with an explanation of what changed, why the change was made, and what feedback was collected from land trusts.

Applicants will not see any major changes in the application or documentation required for accreditation, but minor changes to the accreditation management system will be made to reflect the updates to the requirements.

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## Explore by Requirement

### FINANCE

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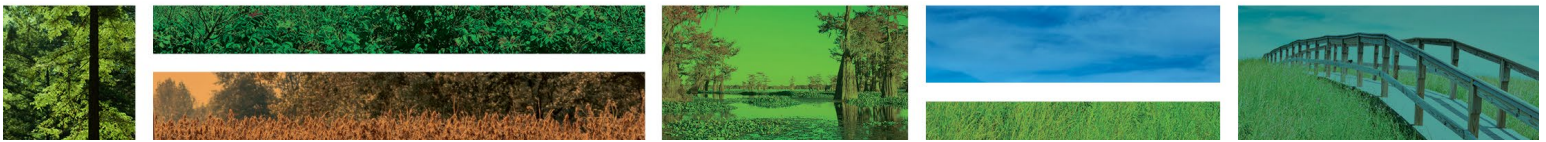
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# FINANCE

## I.1 Audited, reviewed, or compiled financial statements obtained annually at the following level based on total annual support and revenue<sup>2</sup>; include footnotes and disclosures; and show net assets without donor restrictions, with board-designation, and with donor restrictions.

(<sup>2</sup>Excludes 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



### WHY IS IT IMPORTANT?

- An annual financial evaluation ensures a land trust’s board has reliable financial information to fulfill its financial oversight responsibilities.
- The Manual establishes requirements land trusts across the nation must meet in order to operate a fair and credible program regardless of where a land trust is located. The requirements are based on an analysis of the thresholds set by a majority of states as well as standards set by other nonprofit charity evaluators.

### WHAT CHANGED?

- The threshold for when an audit is required has been raised from \$750,000 to \$1,000,000 for fiscal years ending 12/31/2022 and beyond. For earlier fiscal years, audits are expected at the level listed in the Manual in effect for that year.
- Land trusts are encouraged to review state law to ensure compliance and make changes as needed to any related organizational policies.

### WHY THE CHANGE?

- The Commission heard from several land trusts asking that the threshold for an audit be evaluated. In response, the Commission reviewed other industry standards, including the Wise Giving Alliance’s Standards for Charitable Accountability, and various state law requirements and found that raising the threshold to \$1,000,000 was consistent with these.
- The current application includes the documents needed to demonstrate compliance; no new documents in the application will be requested.

### WHAT DID LAND TRUSTS SAY?

- Most respondents supported this change.





# FINANCE

## II.3 Board reviews financial reports periodically through the year that include the following:

### a. Net assets<sup>7</sup> without donor restrictions, with board-designation, and with donor

**restrictions** (Net assets are the difference between total assets and total liabilities on the balance sheet. Report must list each of the three categories of net assets that applies to the land trust.)

### b. Statement of expenses and revenue that shows the following:

#### i. Actual year-to-date operating revenue<sup>7</sup> and total expenses as compared to budget.

(Excludes grants and contributions restricted by donors for specific purposes, other sources of funds that are not intended for use in operations, and grants and contributions not yet released from donor restrictions. Report should include operating revenue when restrictions are released on grants and contributions. Grants for land and conservation easement acquisition should be reported in (ii).)

#### ii. Schedule of restricted gifts/grants activity showing donor-restricted money received and released during the reporting period (if any), with level of detail appropriate to the scale of the land trust's financial activities



### WHY IS IT IMPORTANT?

- Detailed financial reports help board members meet their fiduciary obligations. Reports allow a board to track the land trust's current performance against the budget and help it understand if a portion of the revenue for the reporting period is not available to cover general operating expenses because it is restricted for land or easement acquisitions or for other purposes. A board can then determine if the land trust is raising enough money to cover operating expenses.

### WHY THE CHANGE?

- Since the related requirements were first published in 2018, a number of land trusts have needed to take action to improve the contents of the financial reports presented to the board. The changes in the 2023 Manual are intended to make the requirements clearer so land trusts can better meet the requirements and accounting standards.
- The current application includes the documents needed to demonstrate compliance; no new documents in the application will be requested.

### WHAT CHANGED?

- The requirement related to the balance sheet (or statement of financial position) in part (a) was clarified with a definition of net assets. [\[See Fig. 1\]](#)
- The requirement related to the budget-to-actual report in part (b) was clarified to be consistent with accounting standards that the financial statements should not co-mingle restricted revenue and other non-operating revenue with unrestricted (operating) revenue. [\[See Fig. 2\]](#)
- Separating restricted funds on the financial reports does not mean that separate financial accounts are required for restricted money versus those without donor restrictions. Rather, land trusts must track receipt and use of donor restricted assets separately and report them accordingly.

### WHAT DID LAND TRUSTS SAY?

- Most respondents supported this change but noted that not all land trusts, especially smaller organizations, receive and/or release restricted grants/gifts. With the phrase "if any," the requirement signals that this information is needed when restricted grants/gifts are received and released from restriction.
- Three-fourths of the respondents noted that the requirement change would not necessitate that they change their current reports.

• Examples of financial reports can be found on the following page of this document as well as on the [Alliance Resource Center](#).



# Sample Financial Reports

Fig. 1

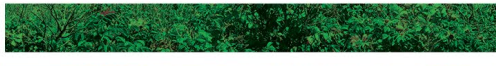
| Sample Land Trust<br>Balance Sheet (Statement of Financial Condition)<br>as of September 30, 2021 |                     |
|---------------------------------------------------------------------------------------------------|---------------------|
|                                                                                                   | 30-Sep-21           |
| <b>ASSETS</b>                                                                                     |                     |
| Bank Accounts                                                                                     |                     |
| Checking                                                                                          | \$ 20,658           |
| Savings                                                                                           | 49,618              |
| Money Market                                                                                      | 150,801             |
| Investments                                                                                       | 597,383             |
| Sub-total                                                                                         | 221,077             |
| Accounts Receivable                                                                               | 33,440              |
| Prepaid Expenses                                                                                  | 6,309               |
| Fixed Assets                                                                                      |                     |
| Furniture & Equipment                                                                             | 853                 |
| Land                                                                                              | 1,756,414           |
| Sub-total                                                                                         | 1,757,267           |
| <b>TOTAL ASSETS</b>                                                                               | <b>\$ 2,615,476</b> |
| <b>LIABILITIES &amp; NET ASSETS</b>                                                               |                     |
| Liabilities                                                                                       |                     |
| Accounts Payable                                                                                  | 940                 |
| Notes Payable                                                                                     | 3,667               |
| <b>TOTAL LIABILITIES</b>                                                                          | <b>4,607</b>        |
| Net Assets                                                                                        |                     |
| Without donor restrictions                                                                        | 1,826,551           |
| Board designated                                                                                  | 200,000             |
| Total Net Assets without donor restrictions                                                       | 2,026,551           |
| Net Assets with donor restrictions (perpetual)                                                    | 584,318             |
| <b>TOTAL NET ASSETS</b>                                                                           | <b>2,610,869</b>    |
| <b>TOTAL LIABILITIES &amp; NET ASSETS</b>                                                         | <b>\$ 2,615,476</b> |

See Finance Requirement [II.3.a](#)

Fig. 2 See Finance Requirement [II.3.b.i](#)

| Sample Land Trust<br>Budget Comparison - Revised<br>September 30, 2021 |                   |                       |                  |                          |
|------------------------------------------------------------------------|-------------------|-----------------------|------------------|--------------------------|
|                                                                        | This Month        | Year-to-Date<br>Total | Annual<br>Budget | YTD Percent<br>of Budget |
| <b>Operating revenue</b>                                               |                   |                       |                  |                          |
| Member contributions                                                   | \$ 6,500          | \$ 55,000             | \$ 60,000        | 92%                      |
| Grants - released from restriction                                     | 80,000            | 90,000                | 115,000          | 78%                      |
| Foundations                                                            | -                 | 5,000                 | 5,000            | 100%                     |
| Investment income                                                      | 560               | 3,910                 | 4,000            | 98%                      |
| Project fees                                                           | 4,000             | 15,000                | 20,000           | 75%                      |
| Stewardship - released from restriction                                | 3,750             | 11,250                | 15,000           | 75%                      |
| <b>Total support and revenue</b>                                       | <b>94,810</b>     | <b>180,160</b>        | <b>219,000</b>   | <b>82%</b>               |
| <b>Expenses</b>                                                        |                   |                       |                  |                          |
| Salaries and wages                                                     | 85,792            | 127,653               | 150,000          | 85%                      |
| Payroll taxes                                                          | 1,298             | 19,125                | 22,500           | 85%                      |
| Office supplies                                                        | 514               | 1,300                 | 1,200            | 108%                     |
| Travel                                                                 | 892               | 5,000                 | 6,500            | 77%                      |
| Professional services                                                  | 6,000             | 13,000                | 15,000           | 87%                      |
| Insurance                                                              | 3,574             | 6,481                 | 16,500           | 39%                      |
| <b>Total expenses</b>                                                  | <b>98,070</b>     | <b>172,559</b>        | <b>211,700</b>   | <b>82%</b>               |
| <b>Operating surplus (deficit)</b>                                     | <b>\$ (3,260)</b> | <b>\$ 7,601</b>       | <b>\$ 7,300</b>  |                          |
| <b>Other income, gains, and losses</b>                                 |                   |                       |                  |                          |
| Grants - restricted                                                    | 110,000           | 112,675               |                  |                          |
| Releases from restriction (grants)                                     | (80,000)          | (90,000)              |                  |                          |
| Stewardship contributions - restricted                                 | 10,000            | 15,000                |                  |                          |
| Releases from restriction (stewardship)                                | (3,750)           | (11,250)              |                  |                          |
| <b>Change in net assets</b>                                            | <b>\$ 32,990</b>  | <b>\$ 34,026</b>      |                  |                          |

See Finance Requirement [II.3b.ii](#)



# TRANSACTIONS

## 1.9 Land trust addresses substantial concerns<sup>2</sup> with the appraisal or appraised value before the purchase.

(<sup>2</sup>If the property interest appraised does not reflect the actual interest being purchased, the appraisal does not consider restrictions or conditions placed on the property by the seller, or if there are significant questions about the conditions or assumptions in the appraisal.)



### WHY IS IT IMPORTANT?

- A land trust must be able to justify its expenditures and ensure its purchases are not conferring impermissible private benefit or private inurement, which could impact its charitable status, and not unduly influencing the real estate market. If there are substantial concerns with the appraisal, then the land trust could end up paying more than fair market value for the property.
- The new requirement is consistent with guidance for practice element 9H1 that “evaluating the appraisal report before purchasing land or a conservation easement is critical” and also describes specific items to consider, such as checking to make sure the appraisal correctly describes the interest being acquired and any restrictions or conditions placed by the seller.
- The requirement was added to increase awareness about the Commission’s past and current expectations for accredited land trusts.

### HOW WILL IT BE IMPLEMENTED?

- Reviewers will consider the information currently provided in the application. If necessary, land trusts may be asked to explain or provide supplemental documents during the accreditation process. Documentation of addressing substantial concerns could include correspondence with the appraiser, memo to file, disclosure in the project materials sent to the board before project approval, etc.

### WHAT DID LAND TRUSTS SAY?

- Most of the respondents indicated support for the new requirement with many noting that they currently evaluate purchase appraisals as part of their due diligence.
- To respond to the feedback, the final requirement includes updated language to be clearer about the outcome a land trust is expected to meet.



## STEWARDSHIP

### **I.6 If using aerial or remote methods to monitor conservation easements or inspect conservation properties, on-the-ground visit occurs at least once every five years** Starting in 2024 for conservation properties

.....  
**UPDATED**  
.....

#### WHAT CHANGED?

- As the availability and quality of satellite imagery increases, the requirement regarding on-the-ground monitoring has been revised to clarify it also applies to the use of remote methods, in addition to aerial ones, as well as applying to conservation properties.

#### WHAT DID LAND TRUSTS SAY?

- Most of the respondents supported this change, with many noting that this is their current practice and others suggesting it may be difficult for small land trusts. Phasing in the requirement will give land trusts of all sizes time to revise their practices and templates.

#### HOW WILL IT BE IMPLEMENTED?

- To give land trusts time to implement the change, this requirement will be phased in and start in 2024 for conservation properties. If a land trust needs to change its practice and begin on-the-ground visits for its conservation properties, it should be prepared to show at least one on-the-ground visit between the period of 2024-2028.
- The current application includes the documents needed to demonstrate compliance; no new documents in the application will be requested.
- The Commission recognizes there may be isolated instances where it is not possible to conduct an on-the-ground visit due to the property being inaccessible or hazardous to access. Land trusts are encouraged to explain these instances as they would other isolated and rare instances of noncompliance (see p.9 of the Manual).