

Utah Open Lands Accounting and Financial Management Policies

I. Purpose of the Accounting and Financial Management Policies

This document includes fiscal policies established by the Board and management.

These policies will be updated periodically to reflect changes and clarifications in accounting and financial management policies. Management will establish appropriate procedures to be certain that these policies are understood and implemented fully.

II. Summary of Significant Accounting Policies

A. Basis of Presentation

Except when noted, Utah Open Lands follows Generally Accepted Accounting Principles (GAAP) for nonprofit organizations, including compliance with Statements of the Financial Accounting Standards Board and codified in FASB ASC 958.

For presentation of financial statements, net assets and changes therein, are classified and reported as:

- **Unrestricted net assets:** assets that have no restrictions and can be used in any manner by the organization, as they are not subject to donor-imposed stipulations. (Eg. general operations; Portraits; annual appeal, etc.)
- **Temporarily restricted net assets:** assets that have a time or purpose restrictions. Assets with a time restriction must be used during the period the donor has restricted them for, and assets with a purpose restriction must be used for the purpose specified by the donor. (Eg: Armstrong appeal; Stewardship Grant;, etc.). Once the restrictions are met the funds are released from their restriction.
- **Permanently restricted net assets:** assets that must be indefinitely retained by the organization, per restrictions set by the donor. These include assets such as endowments and real estate. The organization can invest the endowment and receive the interest, but cannot spend the principle with the exception that it can be used to legally defend an easement and will need to be reimbursed. (Eg. Permanent Stewardship (which also includes Legal Defense)

Expenses are recorded as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expiration of temporary restrictions on net assets is reported as net assets released from restrictions.

B. Accrual Accounting

Utah Open Lands utilizes the accrual basis of accounting in which revenues are recorded in the period in which they are earned and expenses are recorded in the period in which they are incurred regardless of when cash is received or disbursed.

C. Cash and Cash Equivalents

For purposes of the statement of cash flows, Utah Open Lands considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents.

D. Investments

Utah Open Lands has an Investment Policy, last approved September 2019, which includes guidance to our portfolio managers, Albion Financial. Investments consist of marketable securities and are carried at current market value. Net appreciation in the fair value of investments, which consists of realized gains or losses and the unrealized appreciation (decrease) of those investments, is shown in the statement of activities. Interest income is accrued as earned and reported net of investment advisory fees. Security transactions are recorded on a trade date basis.

E. UPMIFA

The Board of Directors of Utah Open Lands has interpreted Utah's enacted Uniform Management of Institutional Funds Act (the Act) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Utah Open Lands classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Utah Open Lands in a manner consistent with the standard of prudence prescribed by the Act. Details of the Board's interpretation of the Act and policies regarding the management of the endowment and other investments are included in Utah Open Lands' Investment Policy.

F. Furniture and Equipment

Acquisitions of furniture and equipment in excess of \$5000 are capitalized. Property and equipment purchased are recorded at cost. Donated assets are reflected as contributions at their estimated values on the date received.

Depreciation of furniture and equipment is calculated using the straight-line method over the estimated useful lives of the assets, which range from 3 to 5 years.

G. Fee Simple Land and Property

Conservation property owned by Utah Open Lands is reported at cost when purchased and at fair market value on the date received when acquired by gift. No depreciation is recorded on conservation property.

H. Conservation Easements

Conservation easements each represent a legal interest in land owned by another person or entity. The easements grant Utah Open Lands the right to use, control, and/or protect the land for conservation purposes. Because of the unique nature of these assets, the impracticality of obtaining consistent and reliable estimates of the values ascribed to these interests, and consistent with the practices followed by many environmental land trusts, Utah Open Lands does not record easements as assets.

I. Income Tax Status

Utah Open Lands is a nonprofit corporation incorporated in the state of Utah. Utah Open Lands is exempt from income tax under section 501 (c) (3) of the Internal Revenue Code. No provision for income taxes is made to the financial statements as Utah Open Lands has no activities subject to unrelated business income tax. Utah Open Lands is not a private foundation.

J. Donated Materials and Services

In-kind contributions of equipment and other materials are recorded where there is an objective basis upon which to value these contributions and where the contributions are an integral part of the Utah Open Lands' activities. When conservation property or a conservation easement is purchased at a bargain sale, that is, when the purchase price is below the appraised value, an in-kind contribution is recorded for the difference between the purchase price and the appraised value.

Utah Open Lands reports as revenue the fair value of contributed services received where the services require specialized skills, are provided by individuals possessing these skills, and represent services that would have been purchased had they not been donated. Utah Open Lands regularly receives contributed services from a variety of volunteers who assist Utah Open Lands in its programs and events. The value of such services is not recognized Utah Open Lands financial statements, except for donated legal services, and records of these contributed services are maintained outside the accounting system and donors are acknowledged.

K. Contributions of Long-Lived Assets

Contributions of equipment and other long-lived assets without donor-imposed stipulations concerning the use of such assets are reported as unrestricted revenues. Contributions of cash or other assets to be used to acquire equipment or other long-lived assets with such donor stipulations are reported as temporarily restricted revenue. The restrictions are considered to be released at the time of acquisition of such long-lived assets.

L. Grants and Contributions Receivable

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period Utah Open Lands is notified of the commitment. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

M. Restricted and Unrestricted Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions restricted for long-term stewardship of conservation properties are generally not property-specific and are recognized at the time stewardship expenses are incurred.

N. Service Revenues

Service revenues are recognized at the time services are provided and the revenues are earned. Funds received in advance of providing services are recorded as deferred revenue until the services are provided.

O. Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts

of revenues and expenses during the reporting period. Actual results could differ from those estimates.

P. Cost Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Utah Open Lands prepares an annual cost allocation plan to document the basis or bases upon which it will allocate shared costs which cannot be directly attributed to specific cost centers. In general, Utah Open Lands utilizes %'s of Full Time Equivalent (FTE) positions as the basis for its allocations. Utah Open Lands utilizes the methods described in its annual cost allocation plan for both budgetary and accounting allocations.

III. Financial Management Policies

A. Bank Accounts

The Executive Director has the authorization required to open or close any bank accounts and to grant or remove authority for disbursement or transfer from any bank account. Utah Open Lands places funds in interest bearing accounts whenever practical and permissible by funding source agreements.

Separate bank accounts are not required for each restricted funding source. Complete records of restricted contributions received, releases from restrictions, and the resulting balance of temporarily restricted net assets associated with each restricted gift are maintained in the accounting system.

B. Line of Credit/Borrowing

The Board of Directors must approve the opening of any line of credit or the borrowing of any funds. The Board must authorize specific individuals to draw on the line of credit during times of short-term cash flow difficulties. All borrowing shall be authorized by board motion, recorded accurately in the corporate minutes. The use of any line of credit or the borrowing of any funds shall be reported to the board in writing.

C. General Ledger

Utah Open Lands maintains a complete double-entry General Ledger reflecting the complete chart of accounts and segregating costs by function and by restricted funding source requirements.

D. Internal Controls

Management is responsible for designing and maintaining a comprehensive system of internal controls based upon the framework described in the Committee of Sponsoring Organizations (COSO) Internal Control – Integrated Framework. The Board shall discuss the strengths and weaknesses of the internal controls in its annual meeting with the independent accounting and financial advisors.

E. Financial Statements

At the end of each quarter, the board receives a Balance Sheet and Profit and Loss vs. budget, a Statement of Cash Flows, and reports on the revenues and expenses associated with the functional cost centers. Financial statements are completed prior to the end of the month following the month for which the statements are prepared. The financial statements facilitate identification of restricted and unrestricted funds and comparison of actual revenues and expenses to budget.

F. Audit

The board selects an independent CPA to conduct an annual audit of all funds of Utah Open Lands. The auditor may be asked to present the results of the audit to the board or a designated board committee.

G. Budget

The Board of Directors adopts a comprehensive organization-wide budget for each fiscal year. The budget reflects all anticipated revenues from all sources and all anticipated expenses. Board adoption of the budget constitutes authorization for staff to incur budgeted expenses.