



# Policies & Practices of the Board of Directors

*As amended to January 22, 2026*

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## **Section 1. Adoption and Annual Review (Reserved)**

**NOTE:** RRCT's bylaws include several provisions that overlap with policy which are relevant as this policy document is reviewed.

**NOTE:** RRCT's board maintains Stewardship Key Principles and Stewardship Standard Practices guidance documents published at RRCT.org/stewardship. These guidance documents in turn inform board-level adoption of parcel-specific management plans.

**Section 2. Land Trust Service Region:** The Royal River Conservation Trust works in the communities that comprise the Royal River watershed. RRCT's Bylaws further characterize the region, consistent with this section.

## **Section 3. Land Trust Alliance Standards and Practices**

*Adopted on August 2, 2005; Amended on February 28, 2012; amended on November 14, 2017*

WHEREAS, the Board and Staff of the Royal River Conservation Trust has reviewed Land Trust Standards and Practices ("the Standards"), first published by the Land Trust Alliance in 1989, and with the most recent revision effective February 3, 2017; and,

WHEREAS, the Royal River Conservation Trust agrees that the Standards are the ethical and technical guidelines for the responsible operation of a land trust;

NOW, THEREFORE, BE IT RESOLVED THAT the Board of Directors of the Royal River Conservation Trust hereby adopts and commits to implementing the Standards as guidelines for the organization's operations.

**NOTE:** RRCT's board has noted certain LTA guidelines that RRCT does not immediately intend to adopt as policy, especially where the cost of compliance outweighs perceived value or cost-efficacy. Especially, RRCT has not yet sought formal external financial review but instead employs an independent CPA assigned to work to IRS standards.

## **Section 4. Mission & Strategic Planning**

*Adopted as amended May 22, 2012; revised May 10, 2016.*

**Mission:** The Royal River Conservation Trust conserves the natural, recreational, scenic, agricultural, and historic resources of the Royal River region for all residents and visitors.

**Vision:** The Royal River Conservation Trust envisions ecologically healthy lands and waters that support recreational and commercial activities for all of us forever.

### **Guiding Principles:**

I. DIG DEEP. We conserve land in the Maine communities that comprise the Royal River watershed. We envision the Royal River's communities woven together with accessible rivers, streams and

corridors of conservation land. Protection of working farms supports local farmers, provides locally grown food, and maintains Maine's rich agricultural heritage. Protection of varied landscapes supports diverse wildlife, clean water, and resilient ecology.

**II. EXEMPLARY STEWARDSHIP.** The watershed's conserved lands should have exemplary management, accessibility, and promotion.

**III. ROYAL RIVER EXPLORATIONS:** Connected waterfronts, preserves, and forests provide a growing population with places to explore, learn, and nourish the soul.

**IV. HEALTHY AQUATIC ECOSYSTEMS:** We work to protect, improve and restore the water resources of the Royal River watershed and Casco Bay. Healthy aquatic ecosystems will be more resilient in the face of global climate change and will be better able to meet the ever-growing demand by humans for clean water, food, jobs, and recreation.

**V. STRATEGIC ORGANIZATIONAL ALIGNMENT:** We work closely with private landowners and municipalities to accomplish shared goals. We are strategically and operationally aligned with other land trusts and conservation groups that also work in the twelve communities of the Royal River watershed.

**VI. STRENGTH AND CREDIBILITY:** We are a regional non-profit land trust supported by a growing membership of all ages and backgrounds. We are an organization of professional staff and volunteers, guided by the national land trust community's highest standards and best practices.

**NOTE:** RRCT's Board adopted a strategic plan with pillars (goals) and objectives for 2020-2025. RRCT's 2022 Conservation Plan imperatives are informed by the strategic plan.

## **Section 5. Record Keeping (RESERVED)**

**NOTE:** See Section 11.6. Land Transaction Recordkeeping

## **Section 6. Fulfilling the Board of Director's Obligations (RESERVED)**

## **Section 7. Conflict of Interest**

*Adopted March 13, 2007; Amended September 13, 2016.*

**Preamble:** Royal River Conservation Trust's (RRCT's) effectiveness is especially dependent upon its credibility. It is essential to maintain our reputation for objectivity and fairness. At the same time, it is predictable that individual board members, as landowners and community members, may be potential participants in RRCT programs or serve on municipal boards. Therefore, it is appropriate for RRCT to adopt specific policies and rules to address real or apparent conflicts of interest. RRCT's bylaws also include a prohibition against private gain and against compensation of directors.

**Definitions:** A conflict of interest exists whenever an insider has a material financial interest in a transaction or project under consideration by the RRCT board of directors. Insiders are defined as board and staff members, substantial contributors, parties related to the above, those who have an ability to influence decisions of the organization and those with access to information not available to the general public. The IRS generally considers "insiders" or disqualified persons under IRC §4598 to be persons who, at any time during the five-year period ending on the date of the transaction in question, were *in a position to exercise substantial influence over the affairs of the organization.*

"Insiders" generally include: *board members, key staff, substantial contributors* [see IRC §507(d)(2)], *parties related to the above and 35-percent controlled entities*. While these are strict definitions within the tax code, land trusts are advised to take an even more proactive approach to the potential damage that conflicts of interest may cause an organization and also include in the definition of "insiders" *all staff members and those with access to information not available to the general public* (such as certain volunteers). Related parties is defined by the IRS to include spouse, brothers and sisters, spouses of brothers and sisters, ancestors, children, grandchildren, great-grandchildren and spouses of children, grandchildren and great-grandchildren.

**Director's Obligations:** Each member of the board of directors has the following responsibilities and obligations:

- (1) To disclose to the board the existence of any real or apparent conflict of interest.
- (2) To abstain from discussing any issue involved in a conflict of interest, unless requested by the board, or a committee thereof, to give information on the issue.
- (3) To recuse himself or herself from board or committee discussions on any such project or transactions involving a conflict of interest, unless requested by the board or committee to give information on the issue.
- (4) To abstain from voting on any such issue.
- (5) If so requested by the board, to take a temporary leave of absence from the board of directors, until the matter, giving rise to the conflict of interest has been resolved.

**Board's Obligations:** If a transaction or project of RRCT involves a conflict of interest, whether real or apparent, by a member of the board of directors or staff, the board shall do the following:

- (1) Approve of such project or transaction only if the board makes specific findings that
  - (A) the transaction or project
    - (i) is fair and benefits RRCT and its objectives; and
    - (ii) is approved with full knowledge of the economic benefit to the director involved in the conflict of interest; and
  - (B) that the affected director has not participated in the vote approving the transaction or project and was in fact absent both during the discussion of the transaction or project, and at the time the board voted thereon.

All such approvals shall be reflected and detailed in meeting minutes.

- (2) If the board determines that the nature and magnitude of the conflict of interest warrants the same, the board shall request that the affected director take a leave of absence from the board of directors in writing.

## **Section 8. Fundraising**

### ***Section 8.1 Mailing List Policy***

*Adopted on July 15, 2003; Amended February 28, 2012*

It is the policy of the Board of Directors of the RRCT not to share its mailing list without express approval of the Board of Directors.

## **Section 8.2 Naming Recognition Policy**

*Adopted on September 23, 2024.*

This section addresses two primary types of naming recognition: recognition bestowed by Royal River Conversation Trust in honor of or in memory of an individual or individuals and recognition of the generosity of individuals and organizations that make gifts in support of the Trust's mission. These two types of naming may apply to properties, facilities, or other assets.

### ***8.2.a: Memorial and Honorary Naming Recognition***

*Memorial Naming Recognition:* RRCT does not name property or facilities in memory of individuals. From time to time, RRCT will receive and consider requests to memorialize an individual or individuals in association with one of its properties. These requests are reviewed on a case-by-case basis by RRCT management to determine suitability, viability, and sustainability. Factors to be considered by management include:

- The relationship of the person proposed for memorialization with the land and/or RRCT;
- The memorial's alignment with the property management plan;
- The physical configuration of the memorial, its utility, and its placement at the property;
- The memorial's advancement of the Trust's mission and goals; and
- The costs associated with the memorial's creation, installation, maintenance, and replacement.

Upon management's recommendation, provisional approval of memorial naming recognition is granted or withheld by RRCT's Stewardship or Land Transactions Committee with final approval granted or withheld by RRCT's Board of Directors. (RRCT stewardship files and parcel-specific management plans contain RRCT's memorial naming recognition inventory.)

*Honorary Naming Recognition:* RRCT does not name property or facilities in honor of individuals. In rare instances, RRCT will receive and consider requests to honor a non-donor individual or individuals in association with one of its properties. These requests are reviewed on a case-by-case basis by RRCT management. Most often, if approved, non-donor honorary naming recognition will take the form of a modest plaque displayed in an appropriate location within the boundaries of a property.

Upon management's recommendation, provisional approval of non-donor naming recognition is granted or withheld by RRCT's Stewardship or Land Transactions Committee with final approval granted or withheld by RRCT's Board of Directors.

**NOTE: RRCT maintains a private honorary naming recognition inventory in its RRCT Board policy files**

### ***8.2.b: Charitable Gift Naming Recognition***

*Named Endowed Funds:* Endowed funds established for unrestricted or restricted purposes may be named in honor of donors (or in honor or in memory of individuals as designated by donors) who make contributions which meet or exceed defined thresholds.

- Named undesignated endowed fund: \$25,000
- Named designated endowed fund: \$50,000

Donors may suggest names for endowment funds. RRCT reserves the right to decline names that are deemed inappropriate or problematic. The policy of named endowed funds is covered by separate gift acceptance policies.

*Named Properties and Facilities:* RRCT does not name property or facilities in recognition of charitable gifts, including gifts of land, made by donors. Exceptions may be considered by management with provisional approval granted or withheld by RRCT's Stewardship Committee with final approval granted or withheld by RRCT's Board of Directors.

### ***8.2.c: Mechanics Associated with Naming Recognition***

*Naming Recognition Intent:* Naming recognition is intended to reflect honor on both the individual(s) and the Trust. Proposed naming recognition that might bring embarrassment or disrepute to Royal River Conservation Trust, as judged solely by RRCT, will not be approved.

*Naming Recognition Documentation:* Public naming recognition documentation influences and informs the user experience of RRCT properties. The Trust will develop plaque templates and messaging guidelines, consistent with RRCT's brand identity and messaging, for use in publicly acknowledging individuals. The Trust also will maintain documentation in its internal files of all existing naming recognition.

*Withdrawal of Naming Recognition:* In instances in which Royal River Conservation Trust's mission, reputation, or image might be compromised by association with an individual or individuals who have received naming recognition from the Trust, RRCT may withdraw recognition from individuals who have been memorialized, honored, or recognized with a named property, facility, or endowment. Recognition may be withdrawn only after (A) a request for removal has been brought forward, (B) RRCT has undertaken a thorough review of the request, (C), the executive director has recommended to the Trust's Board of Directors that recognition be withdrawn, and (D) the Board of Directors has voted to withdraw recognition.

*Exceptions:* Exceptions to these naming recognition policies may be considered by the RRCT Board of Directors upon recommendation by the executive director.

### ***Section 8.3: Gift Acceptance Policy***

Adopted January 23, 2024

#### **8.3.1: Gift Acceptance Policy PURPOSE AND PRINCIPLES**

- A. Purpose of the Gift Acceptance Policy – This document defines the policies adopted by the Royal River Conservation Trust Board of Directors to ensure that gifts are appropriately solicited, accepted, deployed, and stewarded. Its purpose is to protect the interests of the Trust and its donors (and prospective donors) by clarifying the types of gifts that are and are not acceptable to the Trust and the conditions under which gifts may be solicited and accepted.

B. Principles – Royal River Conservation Trust's fundraising activities are guided by the following principles:

1. Gifts must be beneficial to the Trust – RRCT shall not seek nor accept gifts that provide insufficient financial benefit to the Trust, might reasonably harm the reputation or assets of the Trust, violate Trust policies, or are prohibited by law. Gifts and gift commitments solicited and accepted by RRCT shall be:
  - a. Authorized: All fund-raising efforts conducted in the name of Royal River Conservation Trust shall have the approval of the executive director and Board of Directors of the Trust. Responsibility for executing fundraising strategies is usually delegated to the development director, within the provisions of approved gift acceptance policies.
  - b. Mission-related: Royal River Conservation Trust staff and volunteers shall solicit and accept gifts in support of RRCT's mission.
  - c. Minimally restricted (whenever possible): The most useful gifts are those with fewest restrictions. When working with donors on gift agreements, solicitors will first seek unrestricted gifts. In instances in which donors wish to direct their gifts, solicitors will strongly encourage the use of preferences, rather than restrictions, to ensure flexibility to the Trust in the future. Solicitors will strive in every instance to include an "alternative use" clause that will provide the Trust with further flexibility.
  - d. Well-documented: Gift pledges must be documented in writing with wording that makes it clear that the pledge commitment is binding and payable within five or fewer years. Verbal pledges will not be recorded as commitments.
  - e. Aligned with the Trust's independence of operations: Although the Trust may wish to consult with donors regarding the administration of some gifts, RRCT will not accept gifts that compromise its ability to execute its mission in unencumbered ways. Gifts which may not meet this criterion will be reviewed by the Board of Directors before any commitment is made to a prospective donor.
2. Donors are respected and fully informed – RRCT fundraisers, both staff and volunteer, will:
  - a. Adhere to established ethical standards: Royal River Conservation Trust makes every effort to ensure that gifts to the Trust are in alignment with the best interests of the donor and RRCT. Representatives of the Trust are expected to comply with RRCT policies including but not necessarily limited to this policy and the Trust's full *Policies & Practices of the Board of Directors* into which this policy is incorporated. Representatives of the Trust also are expected to abide by relevant laws and regulations as well as appropriate ethical codes and donor bills of rights developed by relevant professional organizations such as the Association of Fundraising Professionals (AFP), the Association of Professional Researchers for Advancement (APRA), the Partnership for Philanthropic Planning (PPP), and others. Although RRCT staff and volunteers may provide assistance and advice about gifts to prospective donors, they will always communicate clearly – and ensure that constituents understand – that

ultimate responsibility regarding appraisals, tax implications, and legal and estate planning issues belongs to the donor.

- b. Communicate clearly regarding gift use: Donors will be clearly informed about the intended use of their gifts. RRCT staff and volunteers will represent the expected use and impact of proposed gifts accurately while striving to maintain flexibility in the Trust's commitment to donors so that assets can be used effectively by RRCT over time.
- c. Provide full disclosure of details associated with life income agreements: Prospective donors of life income agreements will be provided, in advance, with essential disclosure statements and information about the Trust's investment practices and performance. RRCT staff and volunteers also will encourage donors to consult with their spouse/partner and their financial advisor, will make it clear that they represent the Trust and its interests, and that they are not offering tax or investment advice.
- d. Document donor preferences: Donors may occasionally make gifts or pledges to RRCT while reserving the right to identify their preference for the purpose or use of the gift at a later time. Staff will work closely with donors to ensure that donor preferences or restrictions are secured in writing within a reasonable period of time.
- e. Comply with IRS regulations: Donors shall be informed that RRCT accepts and processes gifts in accordance with IRS regulations.

3. Gifts are stewarded in appropriate and cost-effective ways – RRCT will:

- a. Ensure prudent fiduciary management of gifts: The Trust shall exercise its fiduciary duties in processing, administering, managing, and liquidating gifts. Where possible, the standard of the prudent investor will be applied for deferred gifts and those not subject to immediate liquidation.
- b. Create asset management plans for illiquid assets: Prior to acceptance of any illiquid asset, such as real estate that will not be held for conservation, the Trust shall create an asset management plan that identifies the best strategy for managing the property on an interim or continuing basis or for maintaining, marketing, and liquidating or transferring the asset. The asset management plan will be reviewed annually and updated as needed.
- c. Steward donor gifts: The Trust will honor donor generosity by periodically updating donors on the impact of gifts, where appropriate, as outlined in RRCT's *Gift Recording, Acknowledgement, and Stewardship Guidelines*.

**8.3.II Gift Acceptance Policy RESPONSIBILITIES:** The Board of Directors, executive director, and development director are responsible for setting and executing policy related to the acceptance of gifts to the Trust.

A. Board of Directors: The Trust's fundraising priorities are established by the Board of Directors in consultation with RRCT's executive director. The development director may advise both the board and the executive director regarding the viability of raising funds for certain specific initiatives. The board is responsible for reviewing this Gift Acceptance Policy periodically and acting upon recommendations brought forward by staff or board committees such as the Engagement and Fundraising Committee. The board ensures that appropriate policies

governing gift acceptance are in place and that these policies are being effectively implemented.

- B. Land Transactions Committee: The committee oversees, evaluates, and makes recommendations to the Board of Directors regarding potential gifts of real estate intended for land conservation pursuant to additional board-adopted policies and RRCT bylaws regarding investment properties and disposition of real estate.
- C. Gift Acceptance Committee: The Gift Acceptance Committee is designed to facilitate the acceptance of a broad range of gifts while ensuring that gifts conform to this Gift Acceptance Policy. With the exception of gifts of real estate intended for land conservation, the Gift Acceptance Committee is charged with evaluating all gifts that are funded with assets other than cash or liquid marketable securities, that have restrictions not aligned with institutional priorities, that may not provide sufficient financial benefit to the Trust, or that may place its reputation at risk. Deferred gifts, other than bequests without unusual restrictions and gift annuities funded with liquid assets, shall be reviewed by the Gift Acceptance Committee.
  1. The committee will:
    - a. Develop strategies for maximizing the benefit of the gift to the Trust and to the donor;
    - b. Evaluate and minimize the risks of accepting a gift, particularly of real estate intended for investment purposes, strategic purposes, or liquidation;
    - c. Determine whether bequests, other than cash and liquid marketable securities without unusual restrictions, should be accepted;
    - d. Determine the suitability of the structure for the gift (outright, retained life estate, charitable remainder trust, gift annuity, bargain sale transaction, etc.);
    - e. Determine the advisability of accepting gifts with unusual restrictions;
    - f. Ensure that the liquidity of the proposed gift asset aligns with the intended use of the gift;
    - g. Evaluate the asset management plan for illiquid assets and determine whether the proposed gift may be suitable as a potential investment for the Trust;
    - h. With the exception of gifts of real estate intended for land conservation, engage the Board of Directors regarding gifts of real estate that:
      - i. Involve a limited partnership interest or other indirect ownership interest in real estate;
      - ii. May be held for some period due to unfavorable market conditions, a minority interest, illiquidity, or other reasons;
      - iii. Require a complex structure for acceptance;
      - iv. Are encumbered by a mortgage;
      - v. May present UBTI (Unrelated Business Taxable Income) or other taxation issues for the Trust;
      - vi. Have reputational or public relations implications for the Trust; and/or
      - vii. Possess other risks associated that the Gift Acceptance Committee considers significant.
    - i. Engage the Board of Directors regarding any gift of an operating business;

- j. Consult with the Board of Directors, prior to acceptance, when proposed gifts involve:
    - i. Unusual magnitude or complexity; and/or
    - ii. Particularly sensitive relationships with the donor(s).
  - k. Report to the Board on all committee decisions.
  - l. Recommend changes, as appropriate, to this Gift Acceptance Policy for approval by the Board of Directors.
2. The Gift Acceptance Committee shall consist of the following members:
  - a. Executive director;
  - b. Chair, Engagement and Fundraising Committee;
  - c. Vice President, Board of Directors;
  - d. Development director (who also will serve as committee administrator and facilitator); and
  - e. Others as needed as appointed by the President, Board of Directors, at their sole discretion.
3. The Gift Acceptance Committee shall seek and consider the advice of legal counsel, or other consultants and subject matter experts, in matters relating to acceptance of gifts when appropriate. Review by counsel is recommended for:
  - a. Transfers of closely held stock and other ownership interests that are subject to restrictions or buy-sell agreements;
  - b. Documents naming Royal River Conservation Trust as trustee;
  - c. Gifts involving contracts, such as bargain sales or other documents requiring the Trust to assume an obligation;
  - d. Transactions with potential conflict of interest that may invoke IRS sanctions; and
  - e. Other instances in which use of counsel is deemed appropriate by the Gift Acceptance Committee.

D. Executive Director – As the principal executive officer of the Trust, the executive director is responsible for ensuring compliance with the Gift Acceptance Policy.

1. The executive director has delegated to the development director the acceptance of liquid assets funding outright gifts, gift annuities, or bequests without unusual restrictions. All other assets and gifts shall be reviewed by the Gift Acceptance Committee.
2. The executive director is responsible for reviewing any information provided by the development director and supplementing any recommendation with appropriate due diligence procedures to the extent necessary to provide the Gift Acceptance Committee or the Board of Directors with adequate information to make an informed decision regarding gift acceptance. Such due diligence may include, but is not necessarily limited to, environmental assessments, marketability studies, cost and risk assessment, and legal and ethical considerations. For gifts, such as real estate, that might be held for some period by the Trust, either as an investment or because liquidation cannot take place immediately, an asset management plan shall be presented to the Gift Acceptance Committee as part of the initial due diligence.

3. The executive director is delegated the responsibility of managing and liquidating illiquid gifts as well as administering and ultimately liquidating deferred gifts to the Trust. The administration, management, and disposition of the asset shall conform to the asset management plan.
4. The executive director is authorized to sign trust, gift annuity, and other estate closure documents on behalf of the Trust.

E. Development Director – The development director bears primary responsibility for developing fundraising plans and for translating fundraising priorities into specific gift opportunities, though these activities are conducted in the context of broad consultation with the executive director and the Board of Directors. In addition, the development director is responsible for:

1. Identifying, cultivating, and soliciting donors whether they are individuals or organizations;
2. Properly acknowledging all the Trust's benefactors and building and maintaining strong relationships with them;
3. Explaining the benefits and limitations of various gift opportunities available to donors including outright gifts, deferred (split interest) arrangements, estate gifts and other gift vehicles;
4. Ensuring that the use restrictions and structures of gifts align with RRCT's policies and applicable laws;
5. Ensuring that gift agreements are properly documented;
6. Gathering data from donors and providing analysis of offered assets to allow the Trust to make an informed recommendation regarding the acceptability of any proposed gift;
7. Accepting approved forms of liquid assets that are funding outright gifts that do not require Gift Acceptance Committee approval;
8. Accepting gift annuities and bequests that do not require Gift Acceptance Committee approval;
9. Engaging Trust legal counsel as appropriate with the drafting and execution of estate gifts and deferred gift agreements;
10. Providing the executive director with completed trust, gift annuity and estate-related documents for review and execution;
11. Ensuring compliance with applicable state law regarding the content of Trust gift annuity contracts; and
12. Administrating and facilitating the work of the Gift Acceptance Committee.

**8.3.III: Gift Acceptance Policy: FORMS OF GIFTS.** Many types of assets may be donated to the Trust. Conditions for acceptance vary in accordance with asset types and gift vehicles.

A. Outright Gifts

1. Liquid and readily marketable assets are acceptable as outright gifts without minimums if in U.S. dollars:

- a. Cash; checks; electronic transfers; credit card, PayPal, Apple Pay, and Google Pay gifts; ACH transfers; and payroll deductions;
  - b. Common stocks, bonds, mutual funds, or other securities that can be readily converted to cash; and
  - c. Paid-up life insurance policies, eligible for immediate liquidation.
2. The Gift Acceptance Committee will evaluate other liquid and readily marketable assets, (including foreign currency and digital currency) and will consider the costs, benefits, and risks associated with their acceptance. The committee may establish minimum thresholds.

**B. Pledges**

1. Form of pledge
  - a. Written pledges, signed and dated by the donor, are required before a commitment can be officially recorded by the Trust or counted in any fund-raising totals.
  - b. Whenever possible, written pledges will include the payment schedule, the purpose of the gift, wording which makes the commitment binding (including testamentary language), the name of any new endowed fund, and any preferences/restrictions.
2. Pledge thresholds
  - a. Current use pledges
    - i. Single-year pledges designated for the Royal River Conservation Trust Annual Fund, restricted operating purposes, or special conservation projects have no minimum threshold.
    - ii. Multi-year pledges designated for the Royal River Conservation Trust Annual Fund, restricted operating purposes, or special conservation projects must meet a threshold of \$2,500.
  - b. Endowment pledges
    - i. Single-year pledges designated for general unrestricted endowment have no minimum threshold.
    - ii. Multi-year pledges
      - A. Multi-year pledges for general unrestricted endowment must meet a threshold of \$2,500.
      - B. Multi-year pledges to create new named endowment funds must meet a threshold of \$25,000 (for undesignated endowments) or \$50,000 (for donor designated endowments). See V.E.2 below.
    - c. Facilities pledges must meet a threshold of \$25,000.
    - d. Exceptions: Exceptions to pledge thresholds must be approved by the development director.
  3. Acceptable assets and timeframe for pledge payments
    - a. Pledges may be honored with any of the assets acceptable for outright gifts, with the same constraints and review requirements.

- b. Single-year pledges will be paid by 31 December of the year they are made while multi-year pledges will be paid within five years of the date of the execution of the pledge agreement. (Exceptions to pledge period maximums are approved by the development director in consultation with the executive director.)

C. Deferred gifts

- 1. Bequests
  - a. Bequests in the form of cash or liquid marketable securities may be accepted by the development director provided restrictions are not unusual. All other bequests shall be evaluated by the Gift Acceptance Committee. In all cases, estate closure documents shall be executed by the executive director.
  - b. The development director is responsible for overseeing anticipated RRCT bequests as they move through probate.
  - c. Bequests of real property or illiquid assets or those with unusual restrictions must be evaluated by the Gift Acceptance Committee using the guidelines specified in the outright gifts section above. It may be in the Trust's best interest to disclaim some bequests or ask the estate to sell them before distribution.
  - d. The Trust requires a verifiable statement of assets prior to accepting any residuary or percentage-based distributions from terminating trusts and estates.
  - e. The development director will encourage prospective donors to discuss in advance any potential designation of Trust staff as executors and will recommend, in cases where this role is to the Trust's benefit, that potential executors be designated by title rather than name. Donors should understand that these responsibilities may be delegated to an appropriate staff person or legal representative of the Trust.
- 2. Charitable split-interest trusts
  - a. Common types of charitable trusts
    - i. Charitable Lead Trust (CLT): Provides RRCT with an income stream for a fixed period of years.
      - A. Charitable lead unitrust: Provides RRCT with variable income during the trust term.
      - B. Charitable lead annuity trust: Provides RRCT with fixed income during the trust term.
    - ii. Charitable Remainder Trust (CRT): Provides RRCT with assets upon the termination of the trust.
      - A. Charitable remainder unitrust: Provides the donor or donor designees with variable income during the trust term.
      - B. Charitable remainder annuity trust: Provides the donor or donor designees with fixed income during the trust term.
  - b. Acceptance of charitable trusts

- i. RRCT accepts and counts as gifts CLTs and CRTs which are irrevocable and in which it has an irrevocable distribution (CLT) or remainder (CRT) interest.
- ii. The executive director is authorized to sign trust documents on behalf of RRCT and shall decide in consultation with the development director whether RRCT is willing to serve as trustee for those trusts not requiring Gift Acceptance Committee review.

c. Requirements for RRCT to serve as trustee (either initial or successor)

- i. The Gift Acceptance Committee must review and approve proposed trusts for which RRCT will serve as trustee prior to acceptance of the trusteeship.
- ii. RRCT may serve as trustee of CLTs and CRTs when such trusts meet IRS requirements and other applicable conditions, including but not necessarily limited to the use of acceptable assets to fund the trust, a minimum remainder interest of 50%, and an acceptable payout rate and actuarial horizon or term relative to the assets gifted into the trusts.
- iii. Prior to acceptance of any successor trusteeship, the Gift Acceptance Committee must confirm that the trust meets the requirements for RRCT to serve as trustee. As a condition of acceptance, the prior trustee shall provide full indemnification for acts or omissions occurring during their trusteeship.

d. Trust thresholds

- i. Charitable lead trusts may be established at a minimum funding level of \$100,000.
- ii. Charitable remainder trusts may be established at a minimum funding level of:
  - A. \$50,000, provided they meet the following criteria:
    1. The payout rate is 5%;
    2. There are no more than two income beneficiaries, neither of whom is below the age of 60 or the term of the trust is limited to 20 years; and
    3. RRCT has an irrevocable gift interest of 50% of the remainder.
  - B. \$100,000, provided they meet the following criteria:
    1. The payout rate is 5 to 6%; and
    2. No income beneficiaries are below the age of 50 or the term of the trust is limited to 20 years;
- iii. The present value of the Trust's remainder interest should be 25% or more of the original gift value but not less than \$25,000, demonstrating strong charitable intent.

Note: Exceptions to these minimum requirements may be made by the Gift Acceptance Committee in instances in which other considerations suggest that such a trust would be beneficial to RRCT.

- e. Any restrictions regarding use of the remainder interest shall fall within the RRCT's normal restrictions.
- f. Trust documents for CLTs and CRTs may be drafted by either the donor's attorney (in which case RRCT's legal counsel must review them before signing) or by RRCT's own legal counsel. If RRCT's legal counsel drafts the documents, the development director must advise donors to have the documents reviewed by their own legal and tax counsel and sign a statement acknowledging receipt of this advice. RRCT will cover its own legal costs if its legal counsel drafts or reviews the trust document.
- g. All assets acceptable as outright gifts may be considered for funding of a split-interest trust, provided they conform to IRS and any other statutory requirements.
- h. Additions to existing trusts of cash or marketable securities may be made at any time in instances permitted by the trust vehicle. Additions of other assets may require approval by the Gift Acceptance Committee.
- i. RRCT, when serving as trustee, manages and administers trusts under the following guidelines:
  - i. RRCT may use investment counsel for guidance in investing trust assets. The actuarial horizon, the liquidity requirements, beneficiary payout, and tax considerations will be evaluated in determining the asset allocation for the trust.
  - ii. RRCT may administer trusts in-house or may engage the services of a third-party administrator. At the request of donor trustees, RRCT may administer trusts for which it is remainderman and named successor trustee. In such cases, written agreements for services shall include appropriate indemnification for RRCT.
  - iii. Individual trusts shall bear the cost of administration and management of the trust. Trust documents shall allow for fees and expenses to be charged to trust income or principal.
  - iv. RRCT accepts trusts funded with real property or other illiquid assets for CRTs and CLTs when such gifts are approved by the Gift Acceptance Committee. Donors of such assets must be informed that the trust will bear any costs of owning, maintaining, and/or converting the trust assets to cash (e.g., taxes, repairs, assessments, insurance, maintenance, selling expenses, and other expenses which may be customary or dictated by local or state law). RRCT may not be compelled to make capital improvements or otherwise invest resources in the property unless exceptions are approved by the Gift Acceptance Committee.
  - v. The income beneficiaries and charitable remaindermen of any trust managed by RRCT shall receive an annual accounting of the trust and other reports as may be required by law.
  - vi. If RRCT is not the sole remainder beneficiary, the Trust must obtain a written agreement with other remaindermen, before accepting trusteeship, regarding RRCT's investment practices and indemnifying RRCT against legal action for its management of the trust. Exceptions to this requirement for indemnification may be made by the Gift

Acceptance Committee where other considerations suggest that such a trust would be beneficial to RRCT.

- a. A memorandum of understanding shall be prepared in conjunction with each CLT or CRT, specifying the donor's preference for the use of the trust's remainder funds released when the trust terminates. If the donor has no restricted purpose, the memorandum shall so state.
3. Charitable Gift Annuities (CGA)
  - a. Contract between the Trust and a donor whereby a donor makes a gift/payment to RRCT and receives fixed periodic payments during his/her/their lifetime (and, potentially, the lifetime of a spouse) as defined in the contract.
    - i. Periodic payments may be made quarterly or annually as specified by the donor. (The Trust will not issue monthly gift annuity payments.)
  - b. CGAs funded with cash or marketable securities and given without restriction or restricted to land acquisition or stewardship may be accepted by the development director and shall be executed by the executive director. The Gift Acceptance Committee must review and approve proposed CGAs funded with any other assets or given with restrictions.
  - c. CGAs, either deferred or current, must meet the following requirements to be accepted by the Trust.
    - i. RRCT offers CGAs at the annuity rate suggested by the American Council on Gift Annuities (ACGA) at the time the gift is funded. If the Trust proposes a lower rate than the ACGA rate, the donor will be informed of the ACGA rate in writing.
    - ii. In alignment with IRS regulations, there may be no more than two annuitants.
    - iii. A memorandum of understanding shall be prepared in conjunction with each CGA issued, specifying the donor's preference for the use of the funds released when the contract terminates. If the donor has no restricted purpose, the memorandum shall so state.
    - iv. Charitable gift annuities must have a minimum funding level of \$10,000. The Gift Acceptance Committee may consider an exception if it is not the donor's first CGA with the Trust or it is determined beneficial to the Trust. CGAs funded with less liquid assets may require a higher minimum, as determined by the Gift Acceptance Committee.
  - d. All assets acceptable as outright gifts may be considered for funding of a charitable gift annuity, provided they conform to IRS and any other statutory requirements.
4. Retained life estate
  - a. With the exception of gifts of real estate intended for land conservation, the Gift Acceptance Committee shall evaluate any proposed gift of real property with retained life estate in alignment with the following guidelines:
    - i. The property has an estimated value in excess of \$250,000.
    - ii. The property is highly marketable or of strategic importance either with regard to property access or investment.

- iii. The property is located within a geographic area conducive to inspection by the Trust.
- iv. The life tenant or a third party has demonstrated the ability to assume full responsibility for all utilities, maintenance, insurance costs, property taxes and other property holding costs.
- v. A written plan, agreed to by the donor, has been created for the steps to take should the donor need or wish to vacate the property.

b. Property with strategic significance will be given priority for acceptance.

5. Life Insurance

- a. Whole life policies are eligible for consideration as gifts.
  - i. The insurance company issuing the policy must have a rating of A or better.
  - ii. RRCT must be named the owner and beneficiary of the policy.
- b. New policies
  - i. It is the responsibility of the donor to provide the necessary gifts for premium payments before the premium is due.
  - ii. If the gift to cover a premium payment is not received by the deadline set by the insurance company for the premium to be paid, the policy will be cashed-out and net proceeds received will be used in accordance with donor preferences and RRCT policy.
  - iii. Annual premiums will be receipted similarly to outright gifts.
  - iv. RRCT will make no commitments of resources associated with insurance policies until the Trust has received the death benefit or cashed-out the policy.
- c. Existing policies not fully funded
  - i. All processes that apply to new policies apply to existing policies that are not fully funded.
- d. Fully funded policies
  - i. Funded policies will be treated as outright gifts.
  - ii. The Gift Acceptance Committee will make a determination regarding whether to hold the policy to maturity or surrender the policy for cash value.
- e. Term life policies are not eligible for consideration as gifts.

D. Real Estate

1. The Land Transactions Committee bears responsibility for reviewing potential gifts of real estate intended for conservation. The Gift Acceptance Committee bears responsibility for reviewing potential gifts of real estate not suitable for land conservation including, most often, those for investment or liquidation.
2. Acceptance of a wide range of gifts of real estate supports the Trust's mission and strategic plan by:
  - a. Adding to RRCT's total conserved acreage within or adjacent to the Royal River watershed;
  - b. Providing the Trust with a potentially attractive asset for investment or a strategically located property;

- c. Enabling donors to make larger gifts than they may have envisioned by providing them with potential tax benefits, particularly relief from tax on substantial capital gains;
- d. Providing donors with a tax-effective means of monetizing real estate through the use of deferred gift vehicles; and
- e. Providing donors with a means of monetizing real estate when real estate markets are relatively illiquid.

3. RRCT recognizes that gifts of real estate involve risks greater than those associated with gifts of more liquid assets. Risks associated with the acceptance of real estate include:

- a. *Illiquidity risk.* Real estate is not a liquid asset. The ability to market and sell a real estate asset is impacted by market conditions and property-specific characteristics.
- b. *Liability risk.* Environmental liability, nuisance risks or other liabilities exist that are specific to real estate.
- c. *Management & operational risk.* Real estate involves ongoing management and may require capital and the ability to hold through periods of negative cash flows in order to maximize returns.
- d. *Reputational risk.* Tenant profiles, local neighborhood issues, and development trends may impact the reputation of the Trust.
- e. *Donor satisfaction.* The nature and complexity of real estate may lead to donor dissatisfaction regarding transfer execution, asset management, and subsequent disposition.

4. Real estate includes improved and unimproved land, residences, condominiums, apartment buildings, rental property, commercial property, farms, and timberland, whether held outright or through a partnership or corporate structure and whether comprised of a full or divided interest.

- a. All prospective gifts of real estate shall be reviewed to ensure the gift meets Trust and donor objectives.
- b. Outright gifts of real estate will be accepted only after approval of the Land Transactions Committee (land intended for conservation) or the Gift Acceptance Committee (land not intended for conservation) and the Board of Directors.
- c. Prior to the acceptance of a gift of real estate for non-conservation purposes, the Gift Acceptance Committee shall:
  - i. Complete due diligence to include, at a minimum:
    - A. Marketability review;
    - B. Property appraisal or broker's market assessment;
    - C. Title review;
    - D. Environmental assessment;
    - E. Property inspection; and
    - F. Review for strategic and/or reputation issues.
  - ii. Identify a source of funds to cover the holding costs of owning a property (including property management, maintenance, utilities, insurance, capital repairs, and leasing fees) if the property is likely not

to be sold because of market conditions, its investment potential, or for any other reason.

- iii. Not accept gifts of real estate having environmental liability that cannot be remediated on a cost-effective basis or cannot be determined with reasonable certainty.
- iv. Obtain title insurance for all gifts of real estate.
- d. All real estate for non-conservation purposes shall be conveyed with a deed in a form acceptable to the Trust.
- e. The Trust retains the right to sell all gifts of real estate for non-conservation purposes in accordance with RRCT bylaw-required processes for the designation and disposition of real estate.
- f. The Gift Acceptance Committee and Board of Directors may approve exceptions to these requirements for real estate not suitable for conservation if it is deemed that the exceptions would be in the best interest of the Trust.

E. Illiquid or less liquid assets other than real estate

- 1. Assets that may fund outright gifts once approved by the Gift Acceptance Committee and/or Board of Directors include:
  - a. Common stock, mutual funds, bonds, or other securities that cannot be readily converted to cash;
  - b. Promissory notes;
  - c. Assignment of promissory notes;
  - d. Intellectual property including patents, royalties, trademarks, and copyrights;
  - e. Professional practices (medical or legal);
  - f. Partnership interests;
  - g. Restricted stock;
  - h. Stock in closely held or private corporations;
  - i. Mineral rights;
  - j. Commercial annuities; and
  - k. Tangible personal property, such as vehicles, collectibles, and art. (Gifts of tangible personal property which the Trust intends to sell must have a minimum estimated value of \$5,000.)

**8.3.IV: Gift Acceptance Policy: GIFT VALUATION AND REPORTING.** Gifts will be valued and reported in accordance with the Trust's Gift Reporting Guidelines (which appear as Appendix B), as approved by the executive director, development director, and Board of Directors. All financial recordkeeping will be coordinated between the development director and the executive director.

**8.3.VI: Gift Acceptance Policy: GIFT RESTRICTIONS.** RRCT does not accept gifts with restrictions that violate its policies, values, or standards, or with restrictions that are so narrow as to compromise the usefulness of the gift. In cases where the suitability of a restricted gift is not clear, the Gift Acceptance Committee will evaluate the proposed restriction.

- A. Clarification of donor intent: When there is no indication of the donor's intended designation of the gift, the development director will contact the donor to clarify and document their intentions.
- B. Unacceptable restrictions: When a donor makes an unsolicited outright gift for an intended use that is not acceptable to the Trust, the development director will contact the donor to negotiate an acceptable use of the gift. If a mutually agreeable use for the gift cannot be determined, the gift will be returned.
- C. Restricted bequests: Bequests with donor-imposed restrictions that fall outside of the Trust's areas of fundraising focus will be reviewed by the Gift Acceptance Committee to determine suitability.
- D. Unusual restrictions: Prospective donors will sometimes suggest restricted endowment gifts for purposes that have not been previously identified as fund-raising priorities by the Trust. The costs and benefits of such gifts to RRCT must be carefully weighed before these gifts are accepted. Generally, responsibility for this analysis and for approval of such gifts will be assigned to the development director who will consult with the executive director and staff member in whose area of responsibility administration of the gift would fall. Such gifts must be authorized by the Gift Acceptance Committee. The criteria used in deciding the suitability of such gifts will typically include:
  - 1. The Trust's ability to administer the gift without additional or redirected staffing or other expense that would render the gift a net cost to, or redirection of, RRCT;
  - 2. The compatibility of the gift's purpose with RRCT's mission and values; and
  - 3. The gift's potential to enhance RRCT's ability to serve its constituents and improve the overall quality of the Trust.

E. Endowment funds:

- 1. Thresholds for endowment funds:
  - a. Existing endowment funds
    - i. Stewardship Reserve Fund: no minimum
    - ii. General endowment: no minimum
  - b. New donor-named endowment funds
    - vii. Without donor restriction: \$25,000
    - viii. That provide support to existing initiatives without restriction: \$25,000
    - ix. With donor-specified preferences (approved by the Gift Acceptance Committee): \$50,000
- 2. Endowment funding mechanisms
  - a. New endowment funds may be established with outright gifts of cash, marketable securities, and other liquid assets. Pledges are payable over a maximum five-year period.
  - b. New endowment funds may be established by bequest or deferred gift. In these instances, the minimum amount required to establish the endowment

will be based upon the minimum amount required to establish an endowment through a current gift (as specified by the Gift Acceptance Policy) at the time the memorandum of understanding, will, or deferred gift document is executed, adjusted for the life expectancy of the donor(s). The adjustment will be calculated using appropriate actuarial data and IRS discount rate.

- c. The failure of a donor to complete a pledge to bring an endowment to the minimum level required for a specific purpose may result in the funds that have been donated being added to one of the following: RRCT's general endowment, Stewardship Reserve Fund, or to an expendable fund restricted for the specific purpose designated by the donor.

3. Distributions from endowment funds below funding threshold
  - a. Endowment funds that are established based on pledges will not be activated until the total of pledge payments has reached the minimum specified endowment threshold (which may or may not be the same as the amount of the original pledge).
  - b. As endowments based on pledges are being funded, investment earnings from pledge payments that have been made to the Trust will be reinvested and added to the endowment principal.
  - c. Investment earnings, however, will not take the place of pledge payments when determining whether an endowment has met threshold.
  - d. Endowment funds ("underwater funds") which have dropped below the original gift value due to market losses will be managed in alignment with the Uniform Prudent Management of Institutional Funds Act (UPMIFA).
4. Named endowment funds
  - a. Endowment fund names will be agreed-upon by both the donor and the Trust.
  - b. Names of endowment funds may be changed by written request of the donor(s) and the agreement of the Trust.
5. Redesignation of endowment funds
  - a. Donor-specified designations of existing endowment funds may be changed by mutual agreement between the donor and the Trust.
  - b. The development director generally represents RRCT in endowment redesignation discussions and will confer with the executive director.
  - c. The redesignation of existing endowment funds may require review by the Gift Acceptance Committee and/or the Board of Directors if the proposed change in use is not aligned with institutional priorities, does not provide sufficient financial benefit to the Trust, or places its reputation at risk.
  - d. Changes must be documented in writing, signed, and dated by the donor and, on behalf of the Trust, by the executive director.

## **Section 9. FINANCIAL AND ASSET MANAGEMENT**

*Adopted October 21, 2003; Amended February 28, 2012; Repealed and replaced April 16, 2013;  
Amended September 13, 2016; Amended July 17, 2018; Amended October 21, 2025*

### ***Section 9.1 GENERAL PURPOSE and SCOPE***

The overall purpose of this Financial and Asset Management policy is to ensure that there is a clear understanding of the objectives and operation of the various categories of reserves on the part of the Board, the Finance Committee and our donors, both present and future. These policies are established outlining the objectives and goals of various reserves and funds in order that:

- a. There be a clear understanding on the part of the Board of the investment objectives and policies of the reserves to minimize the chance of the Board being surprised by losses or gains that should be expected to occur during various stages of a market cycle.
- b. Investment management decisions be made in accordance with this policy.
- c. The Directors have a meaningful basis for the evaluation of management of the reserves and funds.
- d. Donors be provided with consistent confidence on the intended use of their funds and the operations of the organization.

The investment and management of the various reserves is for the purpose of providing a stable financial environment within which RRCT can conduct its programs and objectives governed by its bylaws and other policies and practices.

### ***Section 9.2 DEFINITION OF DUTIES AND PROCEDURES***

The following procedures shall be followed to ensure the investment policy statement remains consistent with the mission of RRCT and accurately reflects current financial conditions and current thinking in the field of investment management for non-profit organizations. The Board of Directors or its designated committee, currently the Finance and Investment Committee (FIC), shall review this investment policy annually and propose any recommended changes.

The Finance and Investment Committee is chaired by the RRCT Treasurer (who is a member of RRCT's Board of Directors) and is populated by no fewer than 5 and no more than 9 members. The membership of the committee must include at least 3 members of the RRCT Board of Directors. The committee is supported by RRCT's executive director. The Finance and Investment Committee supports the full RRCT Board's responsibility to oversee the organization's financial operations. The Finance and Investment Committee shall make recommendations to the Executive Committee regarding:

Investments of RRCT funds in various investment vehicles The Treasurer and Executive Director shall each be separately authorized to initiate the investments as directed by the Executive Committee and one of them shall regularly report on the performance of the funds to the full Board. Specific procedures for investments and reporting shall be as defined within the policies for each type of funds as outlined below. Management of all or some of the various types of funds may be supported by the retention of an Investment Manager if recommended by the Finance and Investment Committee and approved by the Executive Committee.

### ***Section 9.3 INVESTMENT MANAGEMENT***

Royal River Conservation Trust may retain the help of investment professionals to implement this investment policy.

#### ***Section 9.4 UNRESTRICTED AND RESTRICTED OPERATING CASH FUNDS***

##### ***Section 9.4.a: Purpose***

The Executive Director and Finance and Investment Committee shall assess RRCT's liquidity needs on a quarterly basis. This will involve reviewing cash flows, cash balances and funds necessary to run the organization considering historical fundraising patterns. A recommendation to the full Board will be made about solutions to address any concerning trends including but not limited to risks that RRCT's may have future challenges satisfying its obligations.

The purpose of the **unrestricted operating cash** is to provide three months of resources to meet the day-to-day financial obligations of RRCT in a timely manner. The unrestricted operating cash account is replenished on a monthly basis.

The purpose of the **cash reserve** is to provide a cushion against seasonal fluctuations in the RRCT's sources of revenue and to support the organization if there was a sustained reduction in fundraising or grant awards. The cash reserve replenishes the unrestricted operating cash account.

The balance of the **unrestricted operating cash + cash reserve** on January first of each year should be not less than seventy-five percent of the current year's operating budget.

The purpose of the **restricted operating cash** is to hold funds temporarily restricted by Grantor designated for land acquisition, stewardship or project-based expenditures. Note - some of these funds can be expended at any time and some of these funds have a defined timeline.

##### ***Section 9.4b: Cash Investment Objectives***

1. Preservation of Capital
2. Liquidity
3. To optimize yield within the investment constraints

Purpose	Time Horizon	Certainty of Need
Unrestricted operating cash	3 months	Highly certain
Cash Reserve	4 months +	Varies over time
Restricted operating cash	Varied	Highly certain

##### ***Section 9.4c: Investment Guidelines***

1. Interest bearing FDIC insured bank accounts
2. Money market funds
3. FDIC insured Certificates of Deposit of up to maximum term of 6 months

#### **Section 9.4d: Use of Funds**

Unrestricted and restricted cash funds may be used at the Executive Director's discretion in accordance with approved budgets, and program goals, which may change from time to time, as well as all reasonable day-to-day demands of operations.

#### **Section 9.4e: Reporting**

The Executive Director or his designee shall prepare the following reports for presentation to the Board of Directors along with regular financial reporting:

1. Schedule of Investment and Account Balances
2. Earnings year to date

### **Section 9.5: ENDOWMENT FUND**

#### **Section 9.5a: Purpose**

The Royal River Conservation Trust endowment provides for the Trust's long-term financial viability while generating annual revenue in support of RRCT's mission.

The RRCT endowment is comprised of true endowment and quasi-endowment funds. The true endowment represents a legally binding agreement between a donor and RRCT whereby a donor's gift is invested in perpetuity and distributions generated by the gift (comprised of interest, dividends, and capital gains) are used to support the RRCT's mission as stipulated by a memorandum of understanding. The quasi endowment was established by Board designation of operating surpluses and historically has been treated as endowment, but it is not subject to donor restrictions nor legal prohibitions against spending.

#### **Section 9.5b: Investment Objectives**

The investment objectives of the Endowment Funds are:

- Long-term growth of capital with an emphasis on total return (capital appreciation and dividend and interest income)
- Emphasis on achieving rates of return equal to or in excess of the rate of inflation combined with annual distributions as defined, below, by the Board of Directors spending policy

#### **Section 9.5c: Time Horizon**

Given the nature of stewardship commitments for perpetuity, the Endowment has an indefinite, long-term time horizon.

#### **Section 9.5d: Investment Guidelines**

##### **Allowable Investments**

The endowment will be invested in publicly traded equity and fixed income securities, mutual funds that hold publicly traded equity and fixed income securities, and cash equivalents. To ensure proper

diversification, the equity portfolio will include large, medium, and small cap domestic and international holdings while the fixed income portfolio will include domestic and international investment grade holdings of various lengths of maturity as well as U.S. Government Treasury instruments. Cash equivalents may include CDs, money market funds, and other highly liquid, low-risk holdings.

RRCT will be particularly vigilant in monitoring investment costs to maximize endowment growth over the long term.

#### **Asset Allocation**

The overall endowment portfolio will be reviewed quarterly and rebalanced as needed.

	Target	Target range
U.S. and International Equities	65%	60-70%
U.S. and International Fixed Income	35%	30-40%
Cash and Equivalents <sup>1</sup>	00%	0-5%

<sup>1</sup>Cash 01 January must meet or exceed annual distribution requirement.

#### **Section 9.5e: Maturity**

There are no maturity guidelines for the Endowment Fund, other than ensuring that the cash component is available annually to release for its intended purpose.

#### **Section 9.5f: Spending Policy**

Annual endowment distributions in support of RRCT's current operations will total 4.0 percent of a rolling four-year average on the value of the endowment as measured 31 December each year.

- True Endowment
  - Endowment distributions from the true endowment will be added to the operating budget on 01 January each year unless the true endowment funds are underwater (value on 31 December less than original gift value.)
  - Distributions from new endowment funds will not be made until the second 31 December following the establishment of the fund. (This practice will permit new endowments to grow prior to generating distributions and will lessen the possibility of the endowments falling below their original gift value.)
- Quasi endowment
  - The RRCT Board of Directors may elect to suspend all or a portion of the annual distributions from quasi-endowment funds.

### **Section 9.5g: Reporting**

Endowment Funds will be evaluated at least semi-annually on a total return basis. The evaluation will be based on the stated investment goals. Comparisons will show results for the year to date. The report will be prepared by the Executive Director or his/her/their designee and will be presented to the Board of Directors at least semi-annually.

## **9.6: POLICY ON THE RECEIPT, OWNERSHIP, SALE AND TRANSFER OF FINANCIAL INSTRUMENTS**

From time to time, RRCT may receive, by charitable gift, by bequest, financial instruments, such as securities or mutual funds. Donations of corporate securities, bonds, mutual funds or other financial instruments shall be sold upon receipt, and the proceeds of sale transferred to true endowment with the appropriate designation to fulfill the donor's intent. Exceptions to this approach (such as a non-designated use of a restricted gift from a donor) must be approved by the Executive Committee following review by the Investment Committee.

## **9.7: CONFLICT OF INTEREST ON FINANCIAL MATTERS**

Note that RRCT Policies & Procedures Section 7, Conflict of Interest, prevents any Director from materially financially benefiting from any investment or budget decision of the board, without exceptional disclosure, recusal, and other safeguards as prescribed by that policy.

## **9.8. FINANCIAL MANAGEMENT POLICY**

The following items are board-adopted policy and procedure for financial management of the organization:

### ***9.8.a: Executive Committee Authority to Conduct Business***

Consistent with Article X. 1 of the Bylaws, the Executive Committee shall have the authority to conduct any financial business of the organization that cannot reasonably wait for a regular board meeting, except that the Executive Committee shall publish to the Board its minutes for ratification.

### ***9.8.b: Check Signing, Bank Transactions, Debts, Withdrawal of Reserves***

- The Executive Director may sign any check or conduct any transaction that is consistent with a budget, a board vote, or an authorization by the Executive Committee.
- Expenses greater than \$1,000 that are not within budget parameters shall have the express consent of the Treasurer such as by an email.
- The Executive Director may transfer funds between accounts provided that the transfers are consistent with minutes and recommendations of the Finance Committee and parameters assigned to any account.
- The President, Vice President, Secretaries and Treasurers shall each have signature authority as possible on all bank accounts or other accounts. The organization's above outlined offices with signature authority shall not generally be authorized to use this authority unless there is a

vacancy or incapacity of the Executive Director position, or unless double authority is required on a particular account. Upon vacancy or incapacity, the full Board shall be notified in advance of exercise of signature authority by one of the officers.

- The organization shall not assume any debts or comparable financial transactions without express resolution by the Board of Directors.
- The organization shall not make withdrawals from or leverage any of the various Stewardship Reserve Funds – beyond adopted policy on annual withdrawals – without express resolution by the Board of Directors.
- The Executive Director has signature authority for RRCT funding from and RRCT program activities with the United States Department of Agriculture (USDA) Farm Service Agency and the USDA Natural Resources Conservation Service (NRCS).

## **Section 10. Administrative & Human Resources**

*Adopted February 28, 2012, amended (Health Insurance Plan update) September 24, 2013. Amended September 13, 2016. Amended April 30, 2019. Amended February 4, 2020. Amended January 11, 2022. Amended January 2024.*

### ***Section 10.1: Hiring and Termination***

- a. The Royal River Conservation Trust (the Trust, or RRCT) provides equal opportunity to all employees on the basis of individual qualification without regard to race, sex, religion, color, age, national origin, disability, sexual orientation, or other protected factor and does not discriminate in the recruitment, hiring, compensation, promotion, transfer, benefits or any other condition of employment.
- b. The Executive Committee will appoint a Search Committee of at least two people to assist the Executive Director to hire employees, or, in the case of the hiring of the Executive Director, the Executive Committee will appoint a Search Committee of at least three Directors. The Board must approve the hiring of the Executive Director. The Executive Director and Executive Committee will jointly make the decision on hiring other employees, provided compensation and benefits are within adopted budget and policy parameters. Nothing in this section shall be construed to give the Board or the Executive Committee a role – other than budget authority – in the engagement of independent subcontractors, seasonal employees or interns with no expectation of employment beyond 90 days, or employees working ten hours or less per week.
- c. Employees and Board members of the Royal River Conservation Trust cannot be closely related family members such as parents, children, spouses, siblings, in-laws or first cousins. Family members of the Board and contractors who are family members of employees or the Board can be hired on a temporary basis with the approval of the Executive Committee.
- d. Royal River Conservation Trust maintains an employment-at-will policy. Just as employees are free to end their employment with the Trust at any time for any reason, the Trust is free to end

the employment relationship with any employee at any time. Any verbal statements made by any employee or Board member of the Trust to the contrary are void. An employment contract may be made only in writing and must be authorized and signed by the President of the Board.

- e. The Executive Committee must approve the termination or acceptance of resignation of all employees, including the Executive Director. The Executive Director may place an employee on paid or unpaid leave pending approval of termination by the Executive Committee.

## ***Section 10.2: Benefits***

**10.2.a.** The general office hours of the Trust are 8 AM to 5 PM, Monday through Friday.

**10.2.b.** The Royal River Conservation Trust employee benefits include:

- i. Paid Leave: Holidays; Paid Time Off; Bereavement leave
- ii. Contributions to a Health Insurance Plan
- iii. Professional development
- iv. Family medical leave
- v. Leave of absence
- vi. Jury duty
- vii. Retirement savings plan

The Trust does not provide the following benefits: Employee Assistance Program; Life Insurance; Disability Insurance. The Trust reserves the right to change the Benefits at any time.

**10.2.c. Eligibility for Benefits.** The Board of Directors determines the benefits levels for various levels of employees. Employees working 30 hours or more per week are considered full-time and thus eligible for full-time benefits, except that calculated days or hours of Paid Time Off and Holidays shall be pro-rated accordingly notwithstanding any language below.

**10.2.d. Holidays.** Holidays are days off with pay. The Trust has 15 paid holidays. The Trust offices will be closed on the following days or their commonly observed work holiday if the holiday falls on a weekend, and the Executive Director may close the office and grant time off with pay infrequently for periods such as the afternoon on the eve of a holiday:

New Year's Day  
Martin Luther King Day  
Presidents' Day  
Memorial Day  
Juneteenth  
Independence Day  
Labor Day  
Indigenous Peoples Day  
Veterans' Day  
Thanksgiving Day  
Friday following Thanksgiving  
Christmas Day + four additional days near or surrounding Christmas Day designated by the Executive Director.

Irrespective of holiday status, the Executive Director may assign employees responsibility for remote phone and email responsiveness (end-of-year charitable donation issues, unique neighborhood trail issues) during Holidays and Paid Time Off during the weeks of Christmas and New Year's Eve, or at any other time. Generally, the Executive Director shall ensure that one employee or assigned board member should always be accessible by phone 365 days per year.

If an employee works on a holiday the employee may take an alternate day off in lieu of the holiday worked. Paid Holiday time cannot be carried over to another year.

10.2.e. Paid Time Off: The Trust offers Paid Time Off ("PTO") for its eligible employees. The Board can change the PTO policy at any time. All PTO is earned at a rate of 1/12<sup>th</sup> of the calendar year allotment per month. However, PTO may be taken earlier in the calendar year before it is fully earned, with approval of the Executive Committee. Employees must confer with the Executive Director or Board President about their planned PTO. Up to ten (10) PTO days not taken in a calendar year can be carried over only until April 30<sup>th</sup> of the next calendar year. PTO earned and/or carried over that is not used is forfeited.

Full-time employees receive the following PTO per calendar year:

- Calendar year of hire: earn 1.66 day per month including month of first work day. In the calendar year of hire, vacation can be taken only as earned.
- First four full calendar years: 20 days
- Subsequent calendar years: 25 days

Employees should track PTO on a standardized form. Upon termination of employment, employees will be paid for any earned but unused PTO. The Trust retains the right to charge employees for used but unearned PTO upon termination of employment.

Part time employees will receive no PTO.

PTO includes the concept of Get Well days. If you are not feeling well enough to come into the office or if you are contagious, please stay home. Out of courtesy, you should let the Executive Director or Board President know that you will not be in the office due to illness

10.2.f. Bereavement Leave: The Trust offers paid leave in the event of the death of an immediate family member or life partner. Full time employees are allotted up to five paid days off per event for bereavement leave. Need for bereavement leave for eligible part-time employees will vary on a case by case basis, and is therefore at the discretion of the supervisor.

10.2.g. Contributions to a Health Insurance Plan: The Trust contributes to health insurance for employees. The employee and the Trust work together to find a plan that provides good coverage yet is economical for both the employee and the Trust. Given the dynamic nature of the health insurance market, the Trust reserves the right to modify the programs offered, the provider, and to adjust its employee premium payment policy in response to market changes and the financial situation of the Trust. The Trust will contribute or compensate as an opt-out payment up to \$7000 per calendar year, but no more than plan rates or the employee's out-of-pocket cost for the employee's

health insurance only plus taxes. Health insurance reimbursement – if any -- for part time employees will be determined by the Trust.

For out-of-pocket costs for employee health insurance, the RRCT employee may be required to provide to the RRCT Treasurer or Executive Director proof or assurance that medical insurance is in force for the employee and that premiums for the period involved have been paid by the employee.

To maintain health plan participation requirements, as a condition of employment, RRCT may require that employees either participate in RRCT's health care plan, or show proof that the employee has health insurance coverage from another source.

**10.2.h. Professional Development:** As part of the Trust's staff development and performance review process, the Trust encourages all employees to take responsibility for their professional development. In the event that any employee has a specific professional development interest (e.g., course, workshop, seminar, conference, etc.) that is directly relevant to their work at the Trust, the Trust encourages the employee to submit a brief proposal for Trust support to the Executive Director or the President of the Board. Such a proposal should include a summary of the professional development activity, its relevance to the employee's current and/or future service to the Trust, the cost and the proposed Trust contribution. The Trust will consider such proposals on a case-by-case basis based on their relevance to the Trust and the Trust's current financial capacity.

**10.2.i. Family Medical Leave:** During the first twelve (12) months of employment, employees must use earned Vacation and PTO for a serious health condition of the employee or for the serious health condition of the employee's child, parent or spouse or the birth of the employee's child or the adoption of a child 16 years or younger or the donation of an employee's organ for a human organ transplant. Additional time required must be approved by the Executive Committee of the Trust and is unpaid leave up to a maximum total leave time of 10 weeks. Trust employees who have worked for twelve (12) consecutive months for the Trust may be eligible for up to 10 consecutive work weeks of unpaid leave during a two-year period for the conditions described in the preceding sentences. The Trust will continue to pay the health insurance premium costs that would be paid if the employee were working. Should a medical leave exceed 10 weeks in length, the portion in excess of 10 weeks will be considered a "Leave of Absence" for which separate policies exist. Employees considering leave under this provision should confirm the terms of the leave with the Board President.

**10.2.j. Leave of Absence:** A leave of absence is defined as an excused absence due to personal, professional development or administrative reasons. This provision includes all non-family medical leave absences. Employees may request a leave of absence without pay up to a maximum of 12 weeks. Granting requests for a leave of absence without pay is at the discretion of the Executive Committee, with notice to the Board for any leave beyond five days in one year, after consideration and determination of the following:

The Executive Director may approve for subordinates up to 40 hours of unpaid leave in a calendar year with no involvement of the Executive Committee.

The Executive Committee may or may not guarantee an employee's return to their prior position, at the Executive Committee's sole discretion. If a leave of absence is granted, the employee must first utilize all accrued paid time available to him/her including PTO. All accruals cease when a staff member moves to an unpaid status. Employees granted a leave of absence for personal, professional development or administrative reasons will receive a continuation of their health care benefits to the

end of the month in which the leave commenced. Thereafter, an employee on leave may elect to continue health care and other benefits, as permitted by law, regulation and/or benefit provider policy, by paying the full cost of the benefits, including the share ordinarily paid by the Trust. This Leave of Absence policy applies to full-time and eligible part-time employees.

**10.2.k. Jury Duty:** The Trust will provide a leave of absence for mandatory jury duty in the State of Maine. Employees will be compensated for the difference between juror's pay and their Trust pay for up to twenty days of jury duty. In return for such compensation, the Trust expects that the employee will work with their supervisor to cover the responsibilities and tasks of their position to the greatest extent possible. Compensation is available to full-time and eligible part-time employees.

**10.2.l. Retirement savings plan:** The Trust has established a SIMPLE IRA retirement plan for employees. The plan allows each employee to set up a SIMPLE Individual Retirement Account (IRA) (not a Roth) at the financial institution of the employee's choice. Employees can elect to make wage reduction contributions as a percentage of wages (up to ceilings established by the IRS) and the Trust will match up to 3% of the employee's wages per year. Employees must elect to contribute within windows established by RRCT.

#### **10.2.m. Benefit Payments & Adjustments upon Termination of Employment**

When an employee leaves the Trust, PTO earned in a partial employment year is calculated. Unused earned PTO is paid to the employee in their final paycheck. Used but unearned PTO may be charged to the employee at the Trust's discretion. Any payments to the employee are contingent upon the employee leaving in a professional manner: returning all keys; returning any work materials or computer equipment from home; making no changes to Trust computer systems such as email, contact lists, financial records, donor records systems, passwords, etc.; taking no written material, equipment or systems that belong to the Trust from Trust offices; etc. The employee must work with the Trust on a plan for the transition to the replacement employee.

Health Insurance: The Trust's responsibility for paying any part of health insurance premiums ends upon termination of employment.

Other: Other benefits will terminate upon termination of employment except as required by law.

**10.2.n. Compensation:** The Board has sole discretion to determine the wages of all employees. The Board will review the performance of the Executive Director annually and determine any changes to compensation based on Executive Director performance and the financial situation of the Trust. The Executive Director will review the performance of employees and recommend compensation changes to the Board. The Board must approve all compensation changes. Employees shall ensure that their work hours are limited in a manner such that they are not eligible for overtime wages; overtime work hours are not authorized without the express written authorization of both the Executive Director and the Treasurer.

### ***Section 10.3: Employee and Board Behaviors***

**10.3.a: Harassment/Discrimination:** It is the Trust's policy to provide a work environment free from all forms of discrimination, including sexual harassment. No employee or Board member should be

subjected to unsolicited or unwelcome sexual overtures or conduct, either physical or verbal. Nor should they be required to work in an environment in which there is obscene or crude behavior or conversation related to sexual matters. Any threat or insinuation that a refusal to submit to sexual advances will adversely affect employment, wages, or the conditions of employment is strictly prohibited. In addition, employees and Board members shall not engage in conduct of a sexual nature, either physical or verbal, which is unwelcome, personally offensive, intimidating, or hostile. Any employee or Board member who thinks he or she has been the subject of sexual harassment should report the event immediately to the Board President. All such information shall be held in strict confidence, and will only be disclosed on a need-to-know basis in order to investigate and resolve the situation. If an investigation establishes that sexual harassment has occurred, the offending employee will be disciplined up to and including termination.

**10.3.b: Personal Telephone Calls and Computer Use (Email and Internet).** RRCT's computing and communication resources are the property of RRCT. They are to be used for the official business of RRCT. Employees should not have an expectation of privacy in anything they create, store, send, or receive on the computer or telephone systems. It is recognized that some personal business may need to be conducted on RRCT equipment. This should be kept to a minimum and, again, there should be no expectation of privacy. No long-distance telephone calls resulting in extra charges may be made. The use of RRCT equipment for excessive personal communications or shopping, pornography, or criminal activities is prohibited and will result in disciplinary action up to and including termination.

**10.3.c: Illegal Substances and Intoxicants.** The use of, possession of, distribution of, or working under the influence of illegal substances, alcohol, drugs, or other intoxicants (including operating a motor vehicle on RRCT business), is strictly prohibited in RRCT offices, on RRCT properties and while conducting RRCT business. The Executive Committee may provide exceptions related to alcohol for special occasions or special events. A standing exception is established for the annual holiday potluck and annual celebratory fundraising events, and fundraising house parties or other fundraising events located where the host provides insurance guarantees or insurance is otherwise secured to the satisfaction of the Executive Director. Violation of this policy will result in disciplinary action up to and including termination.

**10.3.d: Whistleblower Protection Policy:** RRCT requires directors, officers and employees to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. Employees and representatives of RRCT practice honesty and integrity in fulfilling responsibilities and comply with all applicable laws and regulations. This Whistleblower Policy is intended to encourage and enable employees and others to raise serious concerns internally so that RRCT can address and correct inappropriate conduct and actions. It is the responsibility of all board members, officers, employees and volunteers to report concerns about violations of RRCT's code of ethics or suspected violations of law or regulations that govern RRCT's operations. It is contrary to the values of RRCT for anyone to retaliate against any board member, officer, employee or volunteer who in good faith reports an ethics violation, or a suspected violation of law, such as a complaint of discrimination, or suspected fraud, or suspected violation of any regulation governing the operations of RRCT. An employee who retaliates against someone who has reported a violation in good faith is subject to discipline up to and including termination of employment. RRCT has an open-door policy and suggests that employees share their questions, concerns, suggestions or complaints with their supervisor. If you are not comfortable speaking with your supervisor or you are not satisfied with your supervisor's response, you are encouraged to speak with any Board member. Supervisors and managers are required to report complaints or

concerns about suspected ethical and legal violations in writing to the Board President, who has the responsibility to investigate all reported complaints. The Board President is responsible for ensuring that all complaints about unethical or illegal conduct are investigated and resolved. All parties will report all complaints and their resolution to the full Board. Anyone filing a written complaint concerning a violation or suspected violation must be acting in good faith and have reasonable grounds for believing the information disclosed indicates a violation. Any allegations that prove not to be substantiated and which prove to have been made maliciously or knowingly to be false will be viewed as a serious disciplinary offense. Violations or suspected violations may be submitted on a confidential basis by the complainant. Reports of violations or suspected violations will be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation. The recipient of a complaint will notify the person who submitted a complaint and acknowledge receipt of the reported violation or suspected violation. All reports will be promptly investigated and appropriate corrective action will be taken if warranted by the investigation.

## **Section 10. 4: Board Policies**

**10.4.a. Board Meetings on Human Resource Issues:** Each Board Meeting will include an Executive Session to discuss Human Resource issues and performance of employees. If there are no issues to discuss, such a session may be cancelled.

**10.4.b. Board Personnel Committee:** The Executive Committee is the personnel and human resources committee of the organization.

## **Section 10.5: Travel Expense Reimbursement**

**10.5.a. Policy for Employee Travel Expense Reimbursement:** Employees shall submit a form with receipts no less frequently than monthly for approval to the Executive Director summarizing their travel expenses to be reimbursed. The Executive Director shall submit the form to the Treasurer.

**Automobile:** Employees shall use their own automobile for travel for RRCT business unless the use of a rental car is approved by the President or Treasurer. RRCT business does not include commuting from home to the normal place of work at RRCT. Employees will be reimbursed at the current IRS reimbursement rate for use of their personal automobile for RRCT business. (In 2020, the IRS rate is 57.5 cents per mile). Employees are encouraged to carpool with others to share and minimize travel expense.

**Meals:** RRCT will reimburse employees for any meals during travel on RRCT business when total travel time is more than four hours away from the RRCT office. Employees shall use good judgment in selecting meals that are economical but healthy. Employees may pay for, and be reimbursed for, others' meals if the meals constitute a business meeting and/or it is in the best interest of RRCT to host the meals. Employees must submit receipts to the Treasurer for meals to be reimbursed.

**Hotel:** RRCT will reimburse employees for hotel stays that are required to complete RRCT business. Room and taxes only. Employees shall use good judgment in selecting hotels that are economical but safe and comfortable. Employees must submit receipts to the Treasurer for hotel stays to be reimbursed.

**Commercial transportation:** RRCT will reimburse employees for economy class air, train, bus or taxi service only on trips required to complete RRCT business. Use of commercial transportation requires prior approval of the President or Treasurer.

**10.5.b. Policy for Board of Directors Travel Reimbursement:** In general, Board members are expected to pay their own expenses for travel on RRCT business. This includes mileage, parking, tolls, meals, hotel and commercial transportation (air, train, bus, cab). Mileage, parking and tolls for charitable purposes generally are deductible expenses for income tax purposes. Board members will not be reimbursed for travel expense to Board and Committee meetings. For extraordinary travel expense both the President and Treasurer must approve reimbursement. An example would be RRCT business requiring air travel, hotel and meals for a distant conference or significant meeting.

## Section 11. Protection of Conservation Lands

*NOTE: This section of policies is drafted in accordance with the 2017 Land Trust Alliance Standards and Practices and 2021 Accreditation Requirements.*

### Section 11.1: Respecting Landowners

*Adopted October 25, 2022.*

**11.1.a. Respect to Privacy:** RRCT respects landowner privacy and discretion. All individuals involved with a transaction are expected to keep the transaction confidential, unless permission is given by the landowner. Early in a project, RRCT will ask the landowner(s) if the project can be discussed publicly before closing. If desired, RRCT will keep a transaction confidential until closing by only involving staff, Board, committee members, and other individuals such as appraisers or surveyors that are relevant to project decision-making and support. After project closing, RRCT should be aware whether the landowner wishes to have their name publicly associated with the transaction.

**11.1.b. Respect to Independent Representation:** Early in a project and before a landowner signs any legal document to initiate a project, RRCT will in writing urge the landowner to hire their own professional advisors (which may include an attorney, appraiser, financial professional, and others) to represent the landowner's interest in the land transaction. Legal representation of RRCT and landowner correspondence must be attentive to (a) landowner mental capacity and competence (b) state and/or federal law on representation of elderly dependents or caregivers (c) Medicaid.

**11.1.c Respect to Landowner Values:** Within the framework of RRCT's mission and project selection criteria, RRCT will make reasonable efforts to understand and incorporate important landowner values that are compatible with RRCT's goals for a land transaction project. RRCT should understand that sometimes landowner and RRCT values will be incompatible and the potential project is better considered for a future time or not at all. Values that are often main discussion points are project configurations, public access, hunting, and vegetation management, among others. The range and type of RRCT desired conservation values will vary based on a project's location and surrounding context.

### Section 11.2: Due Diligence

*Adopted October 25, 2022.*

Definitions:

- i. Impermissible private benefit - more than an "incidental" benefit is provided to a non-insider (i.e., landowner)
- ii. Private inurement – occurs when a RRCT insider derives a benefit from the land trust without giving something equal in return Professional development
- iii. RRCT insider – Board member, staff member, substantial contributors, parties related to board members, staff, substantial contributors, influencers of RRCT decision-making (i.e., committee members), and volunteers, consultants, contractors, etc. with information not available to the general public
- iv. Transaction – fee-simple, conservation easement, trail easement, life estate, first right of refusal, etc.

**11.2.a. Project Selection Criteria:** Any land transaction project RRCT undertakes must be consistent with RRCT project-selection criteria, as most-recently amended, or have documented justification for atypical RRCT interest in the project.

RRCT's project selection criteria are written and reflect RRCT's priorities and goals, which are reflected through RRCT's Strategic Plan, Conservation Plan, local municipal plans, and regional or statewide initiatives and plans. Project selection criteria guide the minimum standard for a project to be in accord with RRCT's mission and conservation priorities. The project selection criteria need only be applied to transactions that involve RRCT acquiring a conservation interest through purchase or donation of fee-simple land or a conservation easement.

The project selection criteria are represented by a project criteria checklist. This checklist should be supported by a site visit to inspect the parcel(s) under consideration. It is strongly preferred that at least one RRCT staff member and one other staff member, committee, or Board member conduct a site visit prior to voting on a project. Notes from this site-visit should be recorded in the project selection checklist or elsewhere. Larger parcels may warrant partial inspection via aerial or satellite imagery and it is preferred for two site visits to account for different seasons and/or weather conditions. The checklist score must meet the minimum standard of the project selection criteria. If it does not meet that threshold, the project should be abandoned or have documented justification for atypical RRCT interest.

**11.2.b. Landowner Commitment:** Before the Land Transactions Committee authorizes a project, RRCT staff can spend staff time on cursory due diligence, drafting of terms, and threshold title review. After authorization, RRCT staff can conduct and delegate all necessary due diligence, including but not limited to survey, appraisals, environmental assessments, and more, depending on the particular project, RRCT land transaction policies, and external funding requirements.

Before more time consuming and expensive due diligence occurs, RRCT should receive commitment from the landowner to participate in a transaction. It is strongly preferred to have a landowner's commitment memorialized in writing. Without landowner commitment, RRCT should proceed with caution on directing funds and staff capacity towards a project. Any binding agreement shall be expressly approved by the Board, or shall be expressly conditioned upon later Board approval.

**11.2.c. RRCT Legal Representation:** Every land transaction shall involve RRCT legal counsel through an attorney versed in land conservation and real estate transactions in Maine. The Executive Director has the authority to engage counsel on real estate issues related to land transactions prior to Land Transaction Committee authorization of a project. Neither Board members nor staff, who might be attorneys, shall act as legal counsel.

**11.2.d. Investigating Title:** Whenever RRCT intends to protect a property through ownership or conservation easement, RRCT or a partner in the transaction must investigate title via a professional title company or attorney licensed in the state of Maine.

Title investigation can be documented through title commitment, title report, title opinion, or abstract (chain of title) and the investigation shall be updated within 30 days of closing. The investigation should clearly indicate ownership and encumbrances such as mortgages, severed mineral rights, severed water rights, tax liens or judgments, easements, use agreements, covenants, or other restrictions or information of importance.

The title investigation is reviewed by RRCT staff and RRCT legal counsel to ensure title exceptions are accurate and if conservation and public benefit goals can still be accomplished with the documented exceptions. Depending on the project, certain exceptions will not affect the project. Some title exceptions may threaten significantly threaten conservation values or risk an extinguishment of the easement. In this scenario, the exceptions must be properly addressed. Some of these exceptions may be severed mineral rights, easements, timber rights, water rights, leases, loans, mortgages, unpaid property taxes, or other liens.

If severed mineral rights exist, RRCT or the landowner shall conduct a risk assessment and/or leverage a mineral remoteness report, reunite the mineral rights to the property, or create a surface use agreement. If the landowner investigates the likelihood of a third-party exercising severed mineral rights, RRCT legal counsel must review. The landowner must prove that any severed mineral rights are "so remote as to be negligible" if they wish to receive charitable tax benefits for a donation, or funds from some other sources.

For fee simple land or purchasing a conservation easement, all loans, mortgages, and liens must be released or discharged. Donated conservation easements must either have the mortgage released or the mortgage must be subordinated.

Title insurance is recommended for fee-simple land and can be considered for conservation easements. For donated fee simple land, title insurance amount can be calculated from the most recent property assessed valuation or a landowner appraisal (if conducted for tax benefits). If RRCT receives land or a conservation easement from another conservation entity, RRCT should receive a copy of the previous title investigation and either have an attorney or title company update it within 30 days of closing and if necessary, conduct a risk assessment to articulate how potential risks are addressed.

**NOTE: TerraFirma is a form of title insurance most valuable for conservation easements. RRCT does not yet purchase TerraFirma.**

**11.2.e. Appraisals:** To justify a purchase price of a fee-simple or conservation easement transaction, RRCT shall commission or review an independent appraisal of the property. A letter of opinion can constitute an independent appraisal when:

- i. The property has very low economic value
- ii. The purchase price is significantly below market value (i.e. bargain sale is significantly below market value) or
- iii. An appraisal cannot be conducted before a public auction

In the scenarios where a letter of opinion is sufficient, RRCT shall obtain the letter from a qualified real estate professional. A letter of opinion is a short-written estimate of the property's value. A letter of opinion shall never suffice for a transaction with a RRCT-insider.

When a project requires an independent appraisal, a Uniform Standards of Professional Appraisal Practice (USPAP) restricted use appraisal or area-wide report from an appraiser with extensive real estate experience is sufficient, unless the project or project funding sources warrant a full USPAP appraisal report. Appraisals can be commissioned to either substantiate an agreed upon purchase price or determine a purchase price. There are several acceptable methods to satisfy RRCT's appraisal requirement. These include:

- i. RRCT commissions an appraisal
- ii. A public agency or non-profit partner commissions an appraisal
- iii. RRCT commissions a review appraisal if a landowner has already commissioned an appraisal
- iv. A landowner commissions an appraisal with RRCT listed as an intended user and RRCT reviews and approves the initial drafted appraisal

Should a bargain sale or donation occur, and a landowner wishes to receive tax benefits, the landowner must commission their own appraisal to substantiate the donated value of the transaction – please see Policy 11.5 - Landowner Tax Deductions. A complete donation of land or conservation easement does not require RRCT to obtain an independent appraisal or a letter of opinion for its use.

**11.2.e.1. Paying Above Appraised Value: Limited and Unusual:**

In limited and unusual circumstances, the Land Transactions Committee and subsequently the Board can authorize paying above appraised value, only if paying above appraised value does not create private inurement or impermissible private benefit, and the purchase price is justified.

To pay any amount above appraised value, RRCT must still have an appraisal, which may be in the form of a letter of opinion where suitable. RRCT must always have clear and detailed documentation of the property's conservation values, the property's importance and/or extraordinary relationship to RRCT, the public benefit provided, and the risk of conferring impermissible private benefit.

RRCT must utilize and document at least two of the below:

- i. Failure of RRCT to acquire the property at appraised or lower value
- ii. Deliberation of Committee and Board to pay above appraised value because of the property's attributes while documenting risk of conferring impermissible private benefit
- iii. Appraisals by those capable of quantifying the premium price
- iv. Market evidence of trends supporting the high value or special market factors not included in the appraisal
- v. Expert opinions of biologists or other experts, with such opinions limited to their area of expertise
- vi. Written legal analysis of the risk of conferring impermissible private benefit

As the purchase price increases further away from the appraised value, RRCT should strengthen its claim justifying the purchase price by the inclusion of more of the above documentation and in greater detail. Certain funders will not support RRCT's projects if RRCT chooses to pay above appraised value.

**11.2.f. Investigating Pass-through Entities:** RRCT should be attentive when a transaction feels too orchestrated or good to be true. Transactions with LLCs and corporate entities, especially those with short-term ownership history, require some level of threshold RRCT awareness of ownership and motivation.

When a donation or bargain sale land transaction involves a pass-through entity of unrelated parties, RRCT shall follow the most current protocol of the Land Trust Alliance Tax Shelter Advisory. RRCT must confirm the identities of all the members while investigating title. If it cannot confirm all

parties that make up the entity, RRCT will request the information from the potential donor and if the donor refuses to comply, RRCT will decline to proceed with the transaction.

Should the transaction proceed, RRCT will require a copy of the entity's appraisal prior to closing. RRCT will decline to proceed with the transaction if the following apply:

- i. The appraisal indicates an increase in value of more than 2.5 times the basis in the property within 36 months of the pass-through entity's acquisition of the property
- ii. The value of the donation is \$1 million or greater
- iii. The transaction terms do not satisfy other guidance created by the Land Trust Alliance Tax Shelter Advisory

**11.2.g. Survey:** A good property description and properly located boundary markers for every project is essential. RRCT staff, title investigation, and RRCT legal counsel shall provide best judgment for any additional surveying required to obtain a clear legal description of the property boundaries. In particular, conservation easements will need accurate descriptions of any special use areas or zones within an easement so that the areas can easily be identified on the ground by a landowner or during easement monitoring. Tax maps are notoriously inaccurate and unreliable as a substitute for informed review of survey or legal descriptions. The Board should expressly address survey standards in any decision to acquire property; waiving professional survey is not unusual but the Board should be aware of such a recommendation and vote in its support.

**11.2.h. Environmental Assessment:** It is recommended that every land transaction have an environmental assessment. At minimum, each land transaction should have a staff site inspection and a commissioned 3rd party professional records search. If deemed necessary, RRCT will commission a Phase I environmental assessment and if problems are identified, RRCT will conduct Phase II environmental work or reject the transaction.

Environmental assessment is a term applying to assessment of risk of chemical and other hazards (natural resources assessments are addressed by other due diligence).

**11.2.i. Project Costs & Stewardship Needs:** RRCT Lands Committee shall maintain a stewardship expense checklist to inform board decision-making at early project stages and how it will finance the land transaction.

**11.2.j. Additional Due Diligence:** Due diligence in addition to those outlined in RRCT policy may be required for external grant applications related to particular land transactions, or particular state or local requirements such as permitting or zoning determining what is permissible.

### **11.3. Reviewing & Approving Transactions:**

*Adopted October 25, 2022.*

**11.3.a. Initial Project Authorization – Land Transactions Committee:** The Board of Directors delegates the authority to the Land Transactions Committee to provide initial authorization for land transaction projects. In order for the Land Transactions Committee to grant initial authorization to proceed with a project, RRCT staff must conduct a preliminary screening of the parcel(s) (including the project selection checklist) and present the project to the Land Transactions Committee.

The Committee shall grant initial authorization to projects that provide conservation value and public benefit and have a realistic likelihood of occurring because of RRCT's organizational and financial capacity to acquire and steward the property. The majority of members at a meeting must vote in the affirmative for a project to continue.

*Individuals on the Committee with a conflict of interest should disclose, abstain, and/or recuse themselves. Conflicts of interest must be recorded in meeting minutes. More information about conflicts of interest can be found in Section 7 of this document, RRCT's Policies & Practices of the Board of Directors.*

**11.3.b. Final Project Authorization – Board of Directors:** The Board of Directors votes on the final authorization of all land transaction projects, including purchases, donations, transfers, sales, exchanges, and amendments. The materials provided should address:

- i. Terms of agreement with the other party
- ii. How the project aligns with RRCT's project selection criteria
- iii. Initial plans or necessities of stewardship and management
- iv. Human and financial resources required to complete the transaction
- v. Risks or key issues that warrant discussion.

Board voting procedures follow RRCT by-laws.

**11.3.c. Significant Project Changes:** If during landowner negotiations there are significant changes to the project's size, restrictions, or rights reserved, RRCT staff must receive re-authorization by the Land Transactions Committee and/or Board. Less significant changes should only follow express consultation between RRCT staff and a board-level project champion such as the chair of the Land Transactions Committee. Board motions and committee motions should be drafted to anticipate tolerable levels of staff-level negotiation and change.

**11.4. Recording Deeds & Baseline Reporting:**

*Adopted October 25, 2022.*

**11.3.a. Conservation Easement Deeds:** Every conservation easement shall be recorded in the Cumberland or Androscoggin Registry of Deeds and will be tailored to the specific conservation values of the property. Especially for conservation easements that arose from a charitable donation, if a landowner retains significant permitted rights the deed should include the requirement to receive holder approval for exercising said permitted rights, not significantly impair protected conservation values if permitted rights are exercised, and contain specific language so that broad language does not negate restrictions within the easement. The deed should also reference the baseline report and provide the ability for RRCT to enter the property to monitor, enforce, and take action to protect the conservation easement.

The location of any restricted areas or permitted right areas of a conservation easement must have their locations clearly described in the deed so that the areas are easily determined on the ground by RRCT or the landowner. This encompasses sensitive areas of protection, special use areas, and building areas such as homesteads and farmsteads.

All donated or bargain sale conservation easements should be inspected to ensure that the deed contains all requirements of the IRC and Treasury Regulations for federal income tax benefits. More

details regarding tax considerations are found in Section 11.5 of RRCT Land Transaction policies, "Landowner Tax Deductions." All conservation easements shall include required state and federal clauses.

**11.4.b. Baseline Reports:** RRCT-acquired fee-simple land does not require a baseline report, but baseline conditions are reported in an interim management plan created within 12 months of acquisition.

All RRCT conservation easements require a baseline report and shall be completed prior to closing. If winter conditions preclude the completion of the baseline report, then a partial baseline report should be completed at closing with an estimated completion for the remainder of the report. The full report must be completed within one year of closing.

Each baseline report represents a specific point in time. The report contains:

- i. Protected conservation values in the recorded conservation easement, depicted through a write-up, photographs, and maps
- ii. Documentation of relevant conservation value and natural resource conditions that will help RRCT monitor and enforce the easement for subsequent years. The initial conditions also help subsequent landowners better understand the conservation values protected by the conservation easement
- iii. Date of completed report with signature of landowner and RRCT

RRCT easements without a baseline report require a current conditions report. This report provides the same information as the baseline report, except it documents the current conditions, not those at or prior to closing, and does not require a landowner signature, although a landowner signature is encouraged. A routine annual monitoring report is not sufficient.

**11.4.c. Registry Recordings:** Fee-simple deeds and conservation easement deeds shall be recorded with the Cumberland or Androscoggin Registry within one week after the last signature is collected. Options, purchase agreements, memorandums of such, and surveys, should also be filed with the county registry.

**11.5. Landowner Tax Deductions:**

*Adopted October 25, 2022.*

**11.5.a. Written Communications & RRCT Review:** RRCT has an ethical responsibility to review the reported valuation of gifts it receives and to avoid acknowledging gifts that are inaccurately described. RRCT shall not knowingly participate in transactions where it has significant concerns about a tax deduction.

If a land or conservation easement donation or bargain sale is being considered by a landowner, early in the project, RRCT must share in writing that:

- i. This letter presents information and not legal advice.
- ii. RRCT makes no representation or warranty whatsoever regarding the tax treatment of any transaction. The landowner should seek qualified tax and legal counsel.

- iii. RRCT does not participate in transactions where the value of the gift is inflated to obtain a tax advantage.
- iv. The project must meet the requirements of IRC §170 and accompanying Treasury Department regulations to receive federal tax benefits. See Section 5.e of this document for more detail regarding conservation easements.
- v. IRS Form 8283 must be completed by the donor and signed by RRCT in order to receive certain tax benefits.
- vi. RRCT reserves the right to review the donor's appraisal, as the receiver of the documented gift. RRCT reserves the right to withhold signing Form 8283 if the Form or the appraisal inaccurately describes the project, if key sections of Form 8283 are not completed, or if there are substantial concerns about the landowner's appraisal.
- vii. If the gift of land or conservation easement is greater than \$5,000, the landowner must receive an independent qualified appraisal (separate from any RRCT appraisal) governed by IRS standards and rules which include appraisal date, appraisal content, appraiser, qualifications, and more.
- viii. If there are substantial concerns about the landowner's appraisal, RRCT may not sign Form 8283. Additionally, RRCT may document its concerns and confer with the Board and landowner, seek an independent substantiation of value, withdraw from the transaction, or continue with the transaction if additional due diligence resolves RRCT's substantial concerns.

Within the written communication, RRCT shall request that the prospective donor or their advisor acknowledge receipt and understanding of the written communication.

**11.5.b. Gift Acknowledgment:** Irrespective of IRS 8283, RRCT's Executive Director will acknowledge true land transaction gifts via a letter to the donor for tax filing, describing the nature and extent of the gift. The letter should acknowledge that the gift was in exchange for neither goods nor services, and should list any qualified aspects of the gift.

**11.5.c. Approving IRS Form 8283:** RRCT's Executive Director is authorized to sign IRS Form 8283 and will confer with other staff, committees, and Board members as necessary.

**11.5.d. Stewardship Donations:** RRCT shall acknowledge as a charitable gift, any gift of stewardship funds by the donor of a land transaction. This donation is considered separate from the associated land donation and is not a requirement for landowners to donate real estate interests to RRCT. RRCT should practice best judgment on a landowner's ability to consider a request of a stewardship contribution.

**11.5.e. Potential Tax-Deductions for Conservation Easements:** Conservation easements tend to be more complex than fee-simple transactions. They are also less familiar to most landowners and their advisors and receive more scrutiny by the IRS. Therefore, RRCT must conduct an additional review of conservation easements where a federal income tax deduction will likely be claimed.

IRC §170 and Treasury Regulations §1.170A-14 requirements must be met for a landowner to claim federal income tax benefits. In order to meet these requirements, RRCT must review the conservation easement and ensure the easement is:

- i. A qualified real property interest (i.e., a conservation easement)
- ii. Granted exclusively for one or more conservation purpose:

- a. Recreation or education of the public
- b. Protection of natural habitat, wildlife, plants, ecosystems
- c. Preservation of open space for scenic enjoyment or supporting a policy with significant public benefit
- d. Preservation of a certified historic structure or a historically important land area within a historic district or adjacent to properties within the National Register of Historic Places
- iii. Granted does not participate in transactions where the value of the gift is inflated to obtain a tax advantage.
- iv. Aligned with §1.170A-14 by including specific provisions within the conservation easement deed

If the conservation value is attributed to open space, a significant public benefit must be provided. Examples of such benefits can be found in U.S.C. §1.170A-14(d)(4)(iv).

All surface mining must be prohibited in the easement deed to receive federal income tax benefits. If there are pre-existing severed mineral rights, analysis must determine that the probability of extraction or removal is so remote as to be negligible. A landowner must secure a report proving the threat of excavation or removal is so remote as to be negligible.

**11.5.f. Pass-through Entities:** RRCT shall refuse to sign IRS Form 8283 if it does not meet the standards of the Land Trust Alliance Tax Shelter Advisory. Please see Policy 11.2 - Due Diligence - for more detail.

**11.5.g. RRCT Fee Simple Property Tax Exemption:** State law provides nonprofit organizations the opportunity to not pay property taxes under certain circumstances. After RRCT acquires a property and within the first month of acquisition, RRCT should submit a request to the applicable Town or City for property tax exemption status. This specific policy should be revisited as RRCT's ownership in fee-simple land increases across each local municipality. Alternatives to exempt property tax status are paying the property tax or payments in lieu of taxes.

**11.6. Land Transaction Recordkeeping:**  
Adopted October 25, 2022.

**11.6.a. Supplement to RRCT Records Policy:** This policy is explicit only towards land transaction recordkeeping. This transaction recordkeeping policy should follow and adhere to Section 5 of this document.

**11.6.b. Records Definition:** Records are documents, letters, memoranda, reports, notes, maps, GIS data, photographs, and include informal materials, such as handwritten notes, as well as formal documents, such as executed contracts, recorded deeds and conservation easements. Records include paper documents and electronic files such as e-mails and database files. All such records are the property of RRCT and not staff or Board members.

**11.6.c. Active Projects:** Active (potential or guaranteed but not-yet closed) projects are stored in RRCT's electronic filing system (cloud-based OneDrive as of 2022). All active project files are confidential unless landowner agrees to disseminate information or information is required for grant applications or other specific uses such as conservation planning or RRCT decision-making.

**11.6.d. Inactive Projects:** Inactive (not completed or paused) project records are maintained at staff discretion in RRCT's electronic filing system for future staff and Board members to be aware of.

**11.6.e. Completed Projects – Stewardship Collaboration:** The Lands Committee should participate in knowledge and information transfer with the Stewardship Committee and adhere to RRCT's Stewardship Key Principles.

**11.6.f. Completed Projects – Essential Records:** When a project is completed, RRCT shall ensure all legal agreements are filed with the Cumberland or Androscoggin Registry of Deeds.

Every land transaction project has records essential to the defense of its conservation values. The originals of these records must be permanently retained, easily accessible, and safe from harm (e.g. theft, data loss, fire, water damage, etc.) so that RRCT's conservation interests can be successfully protected for perpetuity.

The essential records that require original version storage are:  
**Acquisition**

- i. Evidence of RRCT project approval process, including final votes and the name of any dissenters, abstainers, or those with a conflict of interest
- ii. Legal agreements, deeds, conservation easements, amendments, including final purchase price
- iii. Critical correspondence, including: project goals, tax and legal matters, landowner intent, agreements, reserved rights
- iv. Baseline reports (or current conditions report if baseline absent)
- v. Title insurance, commitment, or proof of investigation along with relevant title clean-up. Proof of update within 30 days of closing
- vi. Surveys (including GIS shapefiles)
- vii. Appraisals intended for RRCT and/or the landowner. If letter of opinion used, justification for foregoing USPAP appraisal
- viii. Written communication from RRCT to landowner regarding tax deduction information
- ix. IRS Form 8283 and gift acknowledgment letter
- x. Environmental assessments
- xi. Investigation of pass-through entity, if applicable

**Stewardship**

- i. Fee Simple management plans
- ii. Fee Simple inspection reports
- iii. Conservation easement monitoring reports
- iv. Contracts and leases for long term management activities
- v. Conservation easement stewardship records, including substantive notices, approvals, denials, interpretations, exercise of significant permitted rights
- vi. Correspondence related to enforcement, violations, encroachment, etc.

**Transfer, Sale, or Extinguishment of Conservation Interests**

- i. Any important records recording the transfer, sale, or extinguishment of a RRCT conservation interest

**NOTE:** Saving all records for eternity is not best practice. Some records become irrelevant or merely confusing following the expiration of any audit periods, of the expiration of any foreseeable dispute. Our current impression is that land trust accreditation requires too much retention for indefinite periods. RRCT should at a later date review evolving best practices, and consider a purge of unnecessary old files.

#### 11.6.g. Storage of Essential Records – Originals & Backups:

**NOTE:** Exact steps may change based on RRCT testing to find optimal workflow.

The original versions of essential land transaction records are permanently retained by the land trust. These original versions may originate in paper or electronic form. If originating from paper form, the original version must be scanned and stored as a PDF.

All original versions (paper-converted and electronic) shall be stored on an external RRCT hard drive. This hard drive remains off-site at a secure location where it is protected from daily use and secure from fire, floods, and other foreseeable hazards.

Within 30 days of closing, RRCT staff shall move all original versions to the external hard drive. Every 3 months, RRCT will audit the external hard drive and add any essential records that have been created in the previous 3 months.

Since essential records related to stewardship are created with more frequency and less predictability, RRCT will house essential records in a separate folder from daily working files within the land trust's cloud file storage system (OneDrive as of 2022). Before or at the 3-month audit mark, RRCT will add these essential records to the external hard drive.

Twice a year, it is recommended essential records are backed up onto a second external hard drive, which is stored at a separate location than the primary external hard drive. All paper deeds and title insurance are stored as further backups at RRCT's attorney office or in fireproof storage.

Because RRCT's due diligence and recordkeeping standards have evolved over time, older projects may be missing essential records, signatures on essential records, or original versions of essential records.

#### 11.6.h. Storage of Essential Records – Working Files:

**NOTE:** Exact steps may change based on RRCT testing to find optimal workflow.

RRCT's daily operations shall make use of a cloud file storage system (OneDrive as of 2022). RRCT's cloud storage shall provide RRCT staff and other pertinent parties access to records for daily land trust operations. These records include copies of essential land transaction records. Several examples of non-essential land transaction records are due diligence checklists, stewardship checklists, project scoring and site visits, and certain fundraising contracts.

Noted in policy above, a separate folder from day-to-day operations shall be located in RRCT's cloud file storage system where essential land transaction records are added as they are created or received. RRCT's 3-month essential record audit shall add these new essential records to RRCT's primary hard drive.

RRCT's cloud file storage system shall retain file backups for a 30-day period.

## **11.7. Transfer, Amendment, Other Diminution of Holdings:**

*Adopted October 25, 2022*

Any transfer, amendment, disposition, or extinguishment of any RRCT conservation interest is highly unusual and requires specific review under RRCT bylaws, recorded deeds, federal law, and state law. RRCT's "trust" is to maintain its conservation interests in perpetuity, thus any change should come with the highest scrutiny. Simple grants of an easement across RRCT land, as an example, may trigger multiple legal conservation concerns. Legal analysis must involve the following:

- i. Review by counsel of deeds and surveys, for any relevant provision, especially funder or donor covenants.
- ii. Review of all internal files, for any sensitivities – even those not recorded in deeded language.
- iii. Review of the transaction under RRCT's bylaws, which require supermajority concurrence from RRCT's full membership following specific notice, for the broadest range of dispositions. RRCT's bylaws require exceptional process even for a transfer to another conservation entity.
- iv. Review of the transaction under RRCT's bylaws, which require heightened process even for disposition of designated "investment" properties.
- v. Strict review of all policy and law on conflict of interest.
- vi. Review of the transaction under the requirements of the Internal Revenue Code. No real estate may be transferred, exchanged, encumbered or in any other way alienated in such a manner that it fails to meet the requirements of the Internal Revenue Service Code of 1954, as amended, and the regulations issued thereunder for a corporation qualifying as an exempt organization under the provisions of Section 501(c)(3) of said Code and regulations as they now exist or may hereafter be amended. Especially, RRCT as a non-profit may not give property interests away, or give steep discounts, to a private entity, even if the private entity is sympathetic.
- vii. Review of the transaction under the requirements of IRS Form 8282 and its instructions.
- viii. Review of the transaction under the terms of Maine law, especially the Maine Conservation Easement Act, which might require express concurrence of the Maine Attorney General or judicial action.
- ix. Establish protections as necessary if transferring conservation land or conservation easements.

## **11.8. Partnerships:**

*Adopted October 25, 2022*

**11.8.a. Partnership Selection:** RRCT may partner with municipalities, conservation entities, or other community partners for a variety of reasons. RRCT often forms land transaction partnerships when multiple organizations are needed to complete a project, when another partner is better suited to lead the project, or when anticipated management needs necessitate bringing in a partner during the pre-acquisition of conservation interests.

**11.8.b. Clarifying Roles & Expectations:** Should a partnership be needed for a land transaction project, it is recommended to possess a written agreement (e.g. memorandum of understanding) between RRCT and its partner(s). This written agreement clarifies the goals of the project, the roles and responsibilities of each party, any legal and financial arrangements, and communication protocols, most notably for the landowner and public.

#### NOTES:

RRCT's Bylaws ARTICLE XII includes a provision requiring supermajority membership vote prior to a broad range of real estate transactions which might alienate conservation values. These notes in this policy document are the only record of these designations, other than the minutes of several board meetings. In addition to now-completed transactions that benefited from supermajority authorization:

- (None)

ARTICLE XII further provides that membership votes shall not be required for alienation of interests in unrestricted land held exclusively for investment purposes. In addition to now-completed disposition of properly designated investment parcels:

- By resolutions adopted September 13, 2016, and July 17, 2018, the RRCT Board of Directors designated three acquisitions (completed in 2017 and 2018, now all parts of RRCT's Intervale Preserve, formerly Shepard-Thompson, Chandler Brothers, and Rider-Opportunity Farm parcels) as land held exclusively for investment purposes. On July 30, 2019, those designations west of the CSX tracks were revoked by Resolve of the Board of Directors, due to the conservation expectations of the Selectmen as the Selectmen voted to donate more land west of the tracks to RRCT.
- By resolutions adopted September 24, 2019, the RRCT Board of Directors addressed two acquisitions intended for RRCT transfer to Maine DIFW abutting DIFW's Thurston Marsh off Woodman Road in New Gloucester.
- By resolution in 2023, the RRCT Board of Directors addressed a 2024 donation by a landowner on the Royal River in New Gloucester, which in 2024 was offered as intended by RRCT for transfer to Maine Woodland Owners land trust.

## Section 12. Stewardship

NOTE: RRCT's board also maintains Stewardship Key Principles and Stewardship Standard Practices guidance documents published at RRCT.org/stewardship. These guidance documents in turn inform board-level adoption of parcel-specific management plans.

### ***Section 12.1. Tobacco-Free Policy.***

*Adopted February 28, 2012.*

**Purpose:** The purpose of this policy is to protect, preserve, and promote the health, safety, welfare, and quality of life of the guests and employees of RRCT, and to reduce fire and litter risks on properties owned or managed by RRCT.

Policy: No person(s) shall use/partake of any form of tobacco on any RRCT preserve or RRCT conservation land. This policy does not apply to those lands on which RRCT holds a conservation easement but not fee ownership.

Notice & Enforcement:

- 1) RRCT has limited resources for enforcement, but may post prohibition notices on properties, in print material, or on websites. Prohibition notices – if any – shall be within the context of best practices for informational signage and should not unduly clutter kiosks or other signage installations.
- 2) For any person(s) who violate this policy, RRCT staff and board members and their appointed designees shall request that the person(s) cease their violating practice immediately in the form of a verbal warning. If the person(s) refuse to cease, designees authorized by the same authority may request that the person leave the designated area. The refusal of any person(s) to leave such an area as requested may be considered a trespass in accordance with State of Maine law.

## Section 12.2. Conservation Easement Violations

*Adopted February 20, 2024*

12.2.a Purpose:

RRCT has a legal responsibility to protect the conservation values of each conservation easement it holds. Violations of conservation easements are often the results of misinterpretation, forgetting, or ignoring a conservation easement's existence. RRCT is invested in strong long-term relationships with its landowners and this policy establishes a clear and consistent process for addressing potential, occurring, or occurred violations. In general, when a violation occurs, it is important to work with the landowner to find a resolution that upholds the conservation values being protected while maintaining a professional relationship with the landowner. Every easement and every violation is different, therefore different approaches and resolutions are often necessary. RRCT may seek legal representation at any point of the violation process.

12.2.b Definitions

- Potential violation – A possible violation, until it is confirmed by information gathering and the consensus of stewardship staff, the Executive Director, and the Stewardship Committee Chair and/or Board President.
- Technical issue – A procedural issue that has no impact or consequence upon the purpose or conservation values of the easement, such as failing to provide notice to the easement holder when required, until or unless there is a pattern of failure or intent of process.
- Temporary issue – an issue such as temporary storage or temporary use or temporary trash that might easily be remedied without undue formality.
- Minor violation – A violation with minor impact on the conservation easement's protected conservation values and purpose.

- Major violation - A violation may be considered major by evaluating ramifications to conservation easement program integrity; threats to protected conservation values; costs to the landowner; levels of public consternation; potential harm to the general public; and potential for legal action.
- Ambiguous violation – RRCT is uncertain whether a violation has occurred, or a landowner is challenging RRCT's stated position that a violation has occurred.

12.2.c Violation Prevention: To lessen the extent and frequency of violations, RRCT should maintain good landowner relations and:

- Annually, monitor all conservation easements.
- Annually, remind landowners to review their conservation easements.
- Communicate with new landowners when they obtain property protected by a RRCT conservation easement.

12.2.d Reporting Potential Violations: Potential violations can be discovered in several ways, including monitoring or visiting the property with the landowner present; monitoring or visiting the property without the landowner present; receiving word of a potential violation by a third-party; or receiving a landowner's intent to conduct an activity that potentially violates the easement.

If RRCT learns of a potential violation without the landowner present, RRCT should make an earnest effort to observe the potential violation at the property with the landowner present and gather pertinent landowner information. During initial observations of a potential violation, RRCT shall remain friendly, respectful, and not accuse the landowner of a violation.

After a site visit where the potential violation is observed and RRCT makes an earnest effort to observe the potential violation with the landowner present and/or gather pertinent landowner information, the potential violation must be documented as a memo and contain:

- Date of discovery and by whom, and narrative on any dialog in previous years.
- Description of the potential violation and its size, extent, and impact on the easement's conservation values.
- Reference to the conservation easement deed and review of baseline or current conditions report, previous monitoring documentation, or other correspondence.
- Whether the potential violation is a clear violation or whether there is uncertainty if a violation has occurred.
- Photos.
- GPS location and the accuracy of boundary information if applicable.
- Any information shared by landowner, if pertinent, including the purpose and cause of the violation.
- Analysis of any conflicts of interest.
- Any other parties, such as third-party holders or funders with project agreements, should be made aware if it is determined that there is a violation.
- Recommendations for resolving the violation.

This memo shall be shared and discussed with the Executive Director and Board President or Stewardship Committee Chair and determine whether a violation exists and if it is minor or major, and to determine whether legal engagement is warranted.

## 12.2.e Enforcement

### Non-Violations, technical issues, temporary issues:

- If a potential violation is deemed to not be a violation, to be a technical issue, or to likely be a temporary issue, RRCT staff will document its findings and depending on the scenario and landowner involvement to date, send a written notice to the landowner notifying them of RRCT's conclusion.

### Minor and Major Violations

- For minor violations - Recommendations for resolving a minor violation must be made by RRCT's staff. Agreement or disagreement must be documented by RRCT's Stewardship Committee Chair or Board President.
- For major violations - Recommendations for resolving a major violation must be made by RRCT's staff. Agreement or disagreement must be documented by the Stewardship Committee Chair or Board President. Those recommendations must then be approved or revised by the Stewardship Committee. In unique cases the Board of Directors must approve the recommendations, at the discretion of the Board President.
- RRCT staff will contact the landowner to inform them of the minor or major violation. This initial communication of the violation should be via phone or in-person if possible. After the initial communication or if RRCT cannot call or meet the landowner in-person after repeated effort, RRCT shall send a written communication to the landowner. This written communication shall outline the violation and RRCT's recommendation for resolution. Ideally, this written communication should contain a formal statement of issues previously discussed cordially with the landowner.
- For resolution, the landowner will undertake agreed upon steps to resolve the violation. Actions and timelines necessary to resolve a violation should consider the severity of the violation and cost to the landowner.
- Once sufficient steps have been taken to resolve the violation and RRCT has confirmed its completion by an on-site visit, RRCT staff will send written notice to the landowner confirming that the violation has been resolved and thanking the landowner for their continued partnership and commitment to proper stewardship.

### Ambiguous Violations

- If it remains ambiguous whether a violation has occurred after RRCT legal review, RRCT stewardship staff, the Executive Director, and the Stewardship Committee Chair and/or Board President will determine next steps. If it is a major potential violation, the Stewardship Committee must be involved. In unique cases at the discretion of the Board President, the Board of Directors can be involved.

- In the event the landowner disagrees with RRCT's analysis that a violation has occurred, RRCT stewardship staff, the Executive Director, and the Stewardship Committee Chair and/or Board President will determine next steps, including legal counsel and/or legal action.

**12.2.f Legal Action:** If the violation is ongoing or severe, the Board of Directors may pursue legal action as a first response. In other scenarios where RRCT and the landowner do not agree on resolution after the process contained herein, RRCT will consider legal approaches including, but not limited to, mediation, arbitration, or litigation. Any RRCT legal action requires authority from the Board of Directors.

#### **12.2.g Additional Notes and Guidance**

- When a violation is actively occurring, RRCT may request that the landowner pause their activity until a resolution is agreed upon.
- Known imminent violations are treated as potential violations and subsequently technical, minor, or major violations and should adhere to the standards and procedures of this policy.
- For technical and minor violations, RRCT possesses the ability to evaluate if "no action" is a suitable resolution.
- Amending a conservation easement is extremely rare and unique. Amendments may only be considered after all other resolutions have been evaluated and if an amendment: A) Meets requirements of law and RRCT policy; B) Resolves an ambiguous violation and produces a net beneficial or neutral effect on the protected conservation values; C) Provides a significant benefit to the protected conservation values of the conservation easement if it remedies a major violation; and D) Does not erode the integrity of RRCT or conservation easement program integrity.
- RRCT has no obligation to negotiate a conservation easement amendment.

**12.2.h Recordkeeping:** All records that are absolutely essential to the violation should be retained. These records may include reports, memos, communications, resolution plans, completion of resolution plans, and other pertinent information.

**12.2.i Compliance:** This policy and the standards and procedures contained herein are subject to the applicable conservation easement terms and all federal, state, and local law and regulations.

***NOTE: RRCT is not currently accredited and does not participate in the Land Trust Alliance's conservation defense program, Terra firma. Should RRCT participate in the future, all RRCT conservation easements would be covered in the event of a violation. Terra firma covers attorney's fees and expert fees for lawsuits and mediation for the enforcement and defense of conservation easements. It is critical that Terra firma receives timely notice of a potential claim – a placeholder claim should be submitted as soon as RRCT becomes aware of a potential violation, even if it seems easily resolved. In addition, Terra firma asks for quarterly status updates.***

### Practice A: "Criteria Checklist" of the Lands Committee

*Acknowledged by the board as a guideline, February 28, 2012. These guidelines may be subsequently amended by the Lands Committee, and updated in this comprehensive Policies & Practices document, without future Board votes.*

#### Royal River Conservation Trust Criteria Checklist

##### PROPERTY AND REVIEW INFORMATION

Property Name: \_\_\_\_\_ Date: \_\_\_\_\_

Primary Contact: \_\_\_\_\_ Reviewed by: \_\_\_\_\_

Property Description: \_\_\_\_\_  
\_\_\_\_\_ Map \_\_\_\_\_ Lot \_\_\_\_\_ Acreage \_\_\_\_\_

Lands Committee Approval: YES NO Board Decision: \_\_\_\_\_

##### PHASE I

RRCT CRITERIA	POINTS	TOTAL	NOTES
Large Undeveloped Area (select one)			
1. 10-19 acres	1		
1. 20-39 acres	2		
1. 40-99 acres	4		
<input type="checkbox"/> 100+ acres	5		
Connectivity to Protected Lands (select one)			
<input type="checkbox"/> Within ¼ mile of currently conserved land,	1		
<input type="checkbox"/> Abutting conserved land	3		
<input type="checkbox"/> Connecting parcel between 2 conserved properties	5		
Identified within RRCT's Conservation Plan			
<input type="checkbox"/> The property is within RRCT's focus areas as identified in the Conservation Plan.	5		
<input type="checkbox"/> The property is similar in character to focus areas identified in the plan but is not included itself.	4		
Natural Resource Values (select all that apply)			
<input type="checkbox"/> Protection of freshwater resource (pond, lake, stream)	4		
<input type="checkbox"/> Protection of groundwater resource/aquifer	3		
<input type="checkbox"/> Prime agricultural soils	4		

• Inland wading bird and/or waterfowl habitat	3			
• Protection of significant forests	1			
• Working farmland	3			
• Protection of wetlands and vernal pools	3			
• Edge habitat (fields/forest or upland/shoreline)	3			
• Coastal and marine resource	5			
Public Access values (select all that apply)				
• Continue/restore traditional low impact recreational uses by the community	5			
• Access for low impact recreational uses	4			
• Coastal Access	5			
Scenic values (select all that apply)				
• Open fields	3			
• High elevation vista	3			
• Scenic views	3			
• Historic view	3			
• And Visible from public road or water	3			
Historic/Cultural values (select all that apply)				
• Protection of a section of a village	1			
• Archeological feature	2			
• Historic building/place	2			
Total Score:				

Significant sand and gravel aquifers can be seen on Google Earth. Can reach a total of xx points; less than 10 points, consider not accepting (depending upon other factors, including public benefit & feasibility)

PUBLIC BENEFIT (IRS STANDARDS)

YES      NO      N/A

Provides public access to land or water for outdoor recreation and/or educational use			
Contains important natural features, including but not limited to: <ul style="list-style-type: none"> <li>• Exemplary natural communities identified by MNAP</li> <li>• Inland wading bird and/or waterfowl habitat</li> <li>• Significant wetlands</li> <li>• Wildlife habitat</li> </ul>			
Contains habitat for federally or state listed endangered species or species of concern (as noted on BWH maps)			
Provides natural scenic values and is visible from public lands, roads or water (preservation of open space)			
Is an active farm or has the potential (preservation of open space)			
Contains prime agricultural soils defined by NRCS			
Is a productive working forest or has the potential (preservation of open space)			

Protection contributes to the furtherance of a clearly delineated federal, state or local conservation plan or policy. (refer to Comprehensive Plan and Maine Statutes)			
Preserves a historically important land area or certified historic structure			

MNAP: Maine Natural Area Program. Significant: resources mapped on Beginning with Habitat maps. NRCS: Natural Resources Conservation Service. Preservation of open space: public benefit category under the IRS Code.

At least two of the above public benefit tests must be met, or the Lands Committee should explain why RRCT should invest effort in a project that has limited public benefit.  
Explanation if needed:

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## PHASE II ASSESSMENT

FEASIBILITY (TO BE EVALUATED THROUGH THE COURSE OF THE PROJECT)	YES	NO	N/A
RRCT has the financial resources to accept the donation or complete the purchase of the conservation interest			
RRCT has estimated the stewardship costs and determined that the easement or deed can be monitored and managed in perpetuity without irreversible depletion of RRCT's financial or human resources			
The natural resources of the property have not been substantially degraded, or there is a feasible restoration plan			
Hazardous wastes have not been identified on the property and it is free of other waste, dangerous structures or other burdens or there is a plan to address these concerns			
The easement or deed is not encumbered by rights (including mineral, development or water) reserved by the grantor that diminish the property's conservation values, or inhibit RRCT's ability to protect or use the property.			
The property has legal access. (access for RRCT to monitor the property-not the same as public access)			
The property can be protected by RRCT with reasonable effort in relation to the property's conservation value. <ul style="list-style-type: none"> <li>• There are no significant defects or problems in the title</li> <li>• There are no property encroachments or boundary disputes</li> <li>• Well-defined and prominent features mark the boundary; or either the landowner or the land trust can cover the cost of survey and/or boundary agreement</li> </ul>			
Protection by RRCT is the most effective way to achieve conservation and there is no other more qualified conservation organization available to better conserve this land			
There are positive community-based implications with accepting this easement or deed, such as: <ul style="list-style-type: none"> <li>• Is supported by a substantial number of residents in the community</li> <li>• The public benefit is clearly evident to the community (such as a scenic view is readily visible or accessible to the public)</li> <li>• Has educational value to the community</li> <li>• Its protection is consistent with traditional land use</li> <li>• Is supported in the Town Comprehensive Plan</li> <li>• Forming and using Partnerships with other entities to enhance RRCT effectiveness</li> </ul>			

<p>There are no legal, ethical or public image problems associated with the acceptance of this property.</p> <ul style="list-style-type: none"> <li>• No conflict of interest on the RRCT Board of Directors or others directly associated with the organization</li> <li>• Does not jeopardize IRS 501(c)(3) status</li> <li>• Does not impose a negative economic impact on the community that outweighs its public benefit</li> <li>• Is not part of a controversial or inappropriate land development proposal</li> </ul>			
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If any of the feasibility criteria are no, the Lands Committee should explain specific measures to be taken that will make acceptance of the project feasible. Explanation if needed:

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#### THE BOARD'S DISCRETIONARY ROLE:

All the preceding notwithstanding, the Board of Directors retains discretion over acquisition or disposition and will evaluate each project and proposal on its own merits after careful investigation of the property, its resources, and its public benefit.

#### APPENDIX A – DEFINITIONS

**Liquid Assets:** Assets which can be quickly and easily converted to cash or traded on the public market. Marketable securities are examples of liquid assets.

**Illiquid Assets:** Securities, closely held stock, partnership agreements, real property or other properties not currently traded on the open market, including pre-IPO stock that might one day be publicly traded or that might be eventually acquired by another company via a merger. Such assets are often volatile and difficult to value and/or convert to cash.

**Bargain Sale:** The sale of property to a charitable organization at a price below fair market value. If the property has appreciated in value, the donor's basis is allocated between the portion of property sold and the portion of property donated. The donor pays tax on any gain on the portion of property sold and deducts the remaining portion as a charitable contribution, subject to charitable contribution rules.

**Charitable Gift Annuity:** An irrevocable contract between a charitable organization such as Royal River Conservation Trust and one or two individual(s). In return for a transfer of cash, marketable securities, or other assets, RRCT agrees to pay a fixed amount of money at regular intervals to the income beneficiary(ies) for the life of the beneficiary(ies) (who may or may not be the donor). Gift annuities are general obligations of the Trust. Assets donated for gift annuities become the property of the Trust as soon as the contract is signed and the assets are transferred. Annuity reserve funds, if applicable, are calculated, segregated, and invested in accordance with state laws. (Maine does not require a reserve.) There are three types of charitable gift annuities:

**Current (Immediate):** First payment is made within 12 months of the gift in accordance with the Trust's gift annuity payment policy and the timing of the gift.

**Deferred:** First payment is made at some point at least 12 months after the gift agreement is executed and the payment transfer occurs. This date is chosen by the donor.

**Flexible Deferred:** First payment timing is not determined at the time of the execution of the contract and transfer of assets. The annuitant may make the choice of an initial "target date" for the payments to start based on their retirement date or other considerations. Each annuitant determines on an annual basis whether or not they wish the payments to start that year.

**Charitable Remainder Trust:** An irrevocable trust designed to provide a charitable gift to RRCT while generating donor income and reducing donor taxes. The trust disperses payments to beneficiaries for their lifetimes or a fixed number of years and the remaining corpus of the trust is distributed to RRCT upon the trust's termination. There are several types of charitable remainder trusts:

**Standard Unitrust:** Beneficiary payment is equal to a fixed percentage of the trust's fair market value, determined annually.

**Net Income Unitrust:** Beneficiary payment is equal to the net income of the trust, excluding gains, capped by a stated payout percentage.

**Net Income Unitrust with make-up provision:** Beneficiary payment is equal to the net income of the trust, excluding gains, capped by a stated payout percentage and includes a "make up" provision which allows the trust to make up any past income deficiencies whenever the trust income exceeds the stipulated pay-out percentage.

**Flip Trust:** Such a trust is normally funded with assets that are or can be less liquid, such as real estate, and pays out income from the trust excluding gains, then is flipped to a regular charitable remainder unitrust upon the sale of the asset(s) at which time it begins to make payments equal to a fixed percentage of the trust's value, determined annually, in the next taxable year.

**Annuity Trust:** Beneficiary payment is equal to a fixed percentage of the trust's initial fair market value and is set for the trust term.

**Charitable Lead Trust:** An irrevocable trust designed to provide a series of charitable gifts to RRCT while reducing donor taxes. The trust disperses payments to RRCT for a fixed number of years and the remaining corpus of the trust is distributed to beneficiaries (often the donor's heirs) upon the trust's termination. There are two types of charitable lead trusts:

**Charitable Lead Unitrust:** RRCT receives a fixed percentage of the trust's fair market value, determined annually.

**Charitable Lead Annuity Trust:** RRCT receives a fixed dollar payment based upon a percentage of the trust's initial value.

**Deferred Gift:** A gift, often irrevocable, with qualifications that prevent its immediate use by RRCT for defined period of years or life expectancies. Examples include bequests, charitable remainder trusts, charitable lead trusts, life insurance policies, and residences with retained life estates. Charitable gift annuities may be considered deferred gifts depending upon state regulations and institutional policies.

**Legally Restricted Securities:** Legal restrictions may exist on stock that is publicly traded, as in the case where a security is subject to lock-up imposed by the SEC and cannot be sold for a period of days, weeks, or months.

**Marketable Securities:** Securities that are publicly traded and that can generally be converted into cash quickly and easily. Examples of marketable securities include publicly traded stock or mutual fund shares, Treasury bills, and other money market instruments. (Note: Caution may be warranted with regard to the acceptance of thinly-traded public securities.)

**Non-marketable Securities:** Securities that cannot be easily converted into cash or are not publicly traded. Examples of non-marketable securities include privately held stock, stock in closely held corporations, or shares of limited liability corporations (LLC).

**Retained Life Estate:** A retained life estate contract enables a donor to gift a personal residence and preserve the right to remain in the property for life.

**Real Property:** Land and any permanent fixtures on it, including buildings, trees, etc. Unimproved land, residences, condominiums, rental property, farms, and timberland are all types of real property.

**Tangible Personal Property:** Personal property that can be felt or touched. Examples include furniture, cars, jewelry, and artwork. However, cash and checking accounts are not tangible personal property.

**Testamentary Clause:** To ensure that a pledge is a binding commitment, it must be collectible from the estate of the donor. The following language serves that purpose:

*In order to ensure that this pledge is fulfilled, I promise to provide, by an effective testamentary disposition, for the payment of the balance of this pledge that remains unpaid at the time of my death. If for any reason this testamentary disposition is not made, or is not effective, the balance of this pledge shall be a debt due from me and payable by my estate at the time of my death."*

**Underwater Endowment:** When the fair market value of a true (donor-restricted) endowment fund drops below the historic gift value, the fund is considered "underwater." Such funds may distribute only current year investment income (such as interest and dividends) because there is no capital appreciation in the fund. Underwater endowments will be managed in alignment with the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

## APPENDIX B – GIFT REPORTING GUIDELINES

*These guidelines describe how Royal River Conservation Trust will report gifts for fundraising purposes and do not necessarily reflect generally accepted accounting principles that are the basis upon which the Trust's financial statements and other external financial reports are prepared and presented.*

### I. GENERAL GUIDELINES FOR MANAGEMENT AND REPORTING

#### A. Fundraising Period

1. The fundraising period is defined as a length of time during which current and deferred gift and documented pledge commitments are recorded toward fundraising goals defined by the Royal River Conservation Trust Board of Directors.
2. Fundraising periods are most often one year in duration, coinciding with the Trust's fiscal year (i.e. one calendar year). On occasion, fundraising periods may exceed a single year in instances in which project-based fundraising cannot be started and finished within the confines of a single year (either because the project is launched mid-year or requires more than 12 months to complete) and in instances in which the Trust is engaged in a comprehensive multi-year fundraising campaign.

#### B. Fundamental Principles of Fundraising Period Counting

1. Only gifts received and pledges committed in writing will be counted in reported fundraising totals.
2. The rules adopted herein will not be changed for any reason during the course of a fundraising period (except for extraordinary circumstances determined by the executive director and the Royal River Conservation Trust Board of Directors).
3. With the exception of certain multi-year commitments made to the Royal River Conservation Trust Annual Fund, gifts and pledges may be counted in only one fundraising period. Endowment, facilities, and restricted expendable pledge payments associated with pledges recorded and counted prior to the start of a fundraising period will not count toward period fundraising totals. In certain instances, as approved by the Engagement and Fundraising Committee, a limited number of commitments that are documented prior to the start of a fundraising period expressly in support of fundraising objectives associated with the period not yet begun may be counted (as so-called "reach back commitments") but then may not be counted toward prior period fundraising totals.
4. The value of any cancelled or unfulfilled pledges will be subtracted from fundraising totals when it is determined they will not be realized.
5. Life income or deferred gifts will be counted at face value for the purposes of recording progress toward goals. The Trust will also track and report life income and deferred gifts at discounted present value.

#### C. Gift Designations

1. Royal River Conservation Trust will count and credit all documented commitments (gifts, pledges, and pledge payments) toward fundraising period totals, including:

- a. All commitments for current use purposes including the Royal River Conservation Trust Annual Fund, designated expendable commitments, and restricted expendable commitments
- b. All commitments for endowment including irrevocable life income commitments and other irrevocable deferred commitments
- c. All commitments for facilities
- d. All gifts-in-kind
- e. All unrestricted and undesignated commitments

## II. REPORTING STANDARDS

### A. What to Report

- 1. The total of outright gifts and pledges received during a distinct fundraising period, reported at face value, and payable within the fundraising period or during the immediate period thereafter as documented in donors' letters of intent. Pledge payment periods may not exceed five years.
- 2. The total of irrevocable deferred (future) commitments, reported at face value, which will be received at an undetermined time in the future (i.e. life income plans).
- 3. The total of irrevocable deferred (future) commitments, discounted to present value, which will be received at an undetermined time in the future.

### B. When to Report Commitments

- 1. Outright gifts will be reported only when assets are irrevocably transferred to Royal River Conservation Trust. Irrevocable deferred gifts will be reported only when assets are transferred and an appropriate gift instrument is executed or, in cases where no assets are transferred, when a legally binding document is executed.
- 2. Pledges for current and deferred gifts will be reported upon the execution of a written letter of intent which documents the specific dollar amount of the commitment, the pledge payment period or schedule (not to exceed five years), and the designation of the commitment. Except in rare circumstances, endowment and facilities pledges will be considered legally binding (i.e. unconditional promises) through the inclusion of testamentary language. Oral pledges may not be recorded nor reported in fundraising totals. (If special circumstances warrant making an exception, the case will be reviewed by the RRCT Engagement and Fundraising Committee.)
- 3. Irrevocable bequest intentions will be reported upon the Trust's receipt of a completed and executed RRCT form that incorporates a written estimate of the commitment's current face value and a copy of the original trust document, will, or beneficiary designation form that explicitly names Royal River Conservation Trust as irrevocably included in the trust or estate.

## III. STANDARDS FOR REPORTING CERTAIN TYPES OF GIFTS AND PLEDGES

### A. All gifts and pledges must conform to Royal River Conservation Trust's Gift Acceptance Policy or, in the case of gifts or pledges that fall outside of the policy's guidelines, be deemed suitable for acceptance by the Gift Acceptance Committee and, when applicable, the appropriate RRCT standing committee and/or RRCT Board of Directors.

B. Once accepted, gifts will be recorded and credited to fundraising totals as follows:

1. Cash – Report at full value as of the date the gift is deemed to be complete according to standard practice and IRS guidelines.
2. Marketable Securities – Report at the mean average of the high and the low quoted selling prices (or the mean average of the bid and ask in the case of certain securities) on the day the gift is deemed to be complete. If the security was not traded on the date of the gift, the weighted mean average of the high and low (bid/ask) will be calculated and this value will be reported.
3. Closely Held Stock
  - a. Value exceeding \$10,000 – Report at the fair market value placed on the stock by a qualified independent appraiser as required by the IRS.
  - b. Value up to \$10,000 – Report at the per-share cash purchase price of the most recent transaction. (Often, a redemption of stock by the corporation.) If no recent transaction data is available, a qualified independent appraiser will determine the value. (Note: In instances of transactions of \$10,000 or less, an independent certified public accountant who maintains the books for a closely held corporation may be qualified to value the stock of that corporation.)
4. Real and Personal Property (land, art, rare books, etc.) – Report at full fair market value regardless of the value the donor may be able to declare as a charitable deduction.
5. Gifts-In-Kind (equipment, software, services, etc.) – Report at full fair market value except in instances in which a standard discount exists. In cases where discounting is standard practice, report the discounted value. Pledges for future in-kind gifts may be booked and counted toward fundraising period totals. The circumstances of each such commitment will be reviewed by the development director prior to any pledge being recorded.
6. Charitable Remainder Trusts and Charitable Gift Annuities – Report at both face value and discounted present value as stated in Section II.A. above.
7. Remainder Interest in a Residence or Farm (retained life estate) – Report at both the face value of the property as determined by a qualified appraisal and at the discounted present value of RRCT's remainder interest.
8. Charitable Lead Trusts
  - a. Duration of five or fewer years – Report the face value of the projected income stream or report distributions as cash gifts as they are received.
  - b. Duration in excess of five years – Report the face value and the discounted present value of the projected income stream.
9. Donor-Advised Fund Gifts – Report at full value as of the date the gift is deemed to be complete according to standard practice and IRS guidelines.
10. Trusts Administered by Others
  - a. Qualified charitable remainder trust – Report both the face value and the discounted present value of Puget Sound's interest (share) of the fair market value of the assets placed in trust.
  - b. Irrevocable trust held for benefit of RRCT – Report both the fair market value and the discounted present value of the trust assets (or

RRCT's portion of the assets). Distributions from the trust, if any, will not be counted as gifts but as income.

- c. Revocable trust which includes RRCT interest – Report trust distributions as gifts at full face value as they are received. Report trust principal, if/when received, as a gift at full face value.

11. Non-government Grants and Contracts – Report grant income from private, non-government sources at full face value. Exclude contract revenue. Judge the difference between a grant and a contract on the basis of the intent of the awarding source and the legal obligation incurred by RRCT in accepting the award.
  - a. A grant is bestowed voluntarily and without expectation of tangible compensation.
  - b. A contract defines an explicit quid pro quo relationship between the source and the Trust.
12. Pledge Commitments by Irrevocable Bequest Expectancy and Trust – With proper documentation, report at both face value and discounted present value.
13. Realized Testamentary Gifts and Matured Bequests Not Yet Received – With proper documentation from a decedent's attorney or executor, report pending estate gift distributions as pledges at 70 percent of their estimated value. Upon payment, record estate gift distributions as pledge payments until the initial pledge is paid in full and record subsequent distributions as outright gifts.
14. Life Insurance – Report the cash surrender value of fully-funded life insurance policies. Report premium payments as they are received as gifts for policies that are not fully-funded (for which the Trust is both owner and beneficiary).

C. The following types of funds will not be reported as gift commitments:

1. Legally unenforceable (revocable) gifts and pledges
2. Contributed services (that do not qualify as gifts-in-kind)
3. Discounts on purchases (not to be confused with "bargain sales" which are reported)
4. Earned income
5. Contract or advertising revenues
6. Government funds for any purpose
7. Investment earnings on gifts
8. Monies received as a result of an exclusive vendor relationship
9. Non-gift portions of quid pro quo transactions
10. Proceeds from the sale of merchandise (unless sold as part of a fundraising program and the charitable portion of the transaction is clearly identified)
11. Royalties from affinity agreements