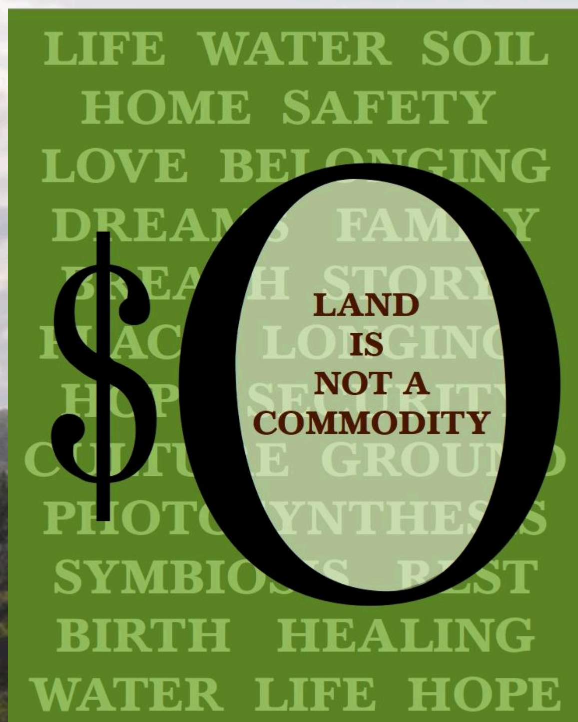
Land in Common

community land trust

building a collective land base for just and resilient futures in Wabanakik/Maine

www.landincommon.org

Financial Management Principles & Practices



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Purpose

The purpose of this document is to create clear understandings and agreements regarding the ways that Land in Common – its Leadership Council, Board, staff, volunteers, and members – manages our organization's finances. It is intended to guide our work to ensure that we are following generally accepted nonprofit accounting practices; that our community's assets are safeguarded and managed wisely, with accuracy and transparency; and that we are in compliance with the guidelines of grantors, donors, and government agencies.

All of Land in Common's staff, Board members, and volunteers who have a role in managing the organization's finances are expected to commit to the principles and practices described here, and to participate actively in changing them if and when they no longer serve our goals or our values.

These commitments will be reviewed annually and revised as needed by Land in Common's Finances Working Group.

Core Principles

In addition to, and informed by, our organizational values, we affirm the following principles regarding our finance practices:

- We understand that the money we hold and use is not simply a neutral "resource." It has been generated by the sweat and toil of working people – including many who have been enslaved or violently coerced; by the theft of land and livelihood from Indigenous peoples; and by the exploitation and abuse of the Earth and its living communities. This labor and wealth has been transformed into money and appropriated by the small minority of those who claim and enforce their role as "owners."

- We also recognize that the vast majority of our funds come from donors and foundations who are actively working to take responsibility for these realities and to heal this harm, and we are committed to supporting and encouraging this work in our relations with financial supporters.

- In light of the above understandings we define our "fiduciary responsibility" in a very specific way, and we take it seriously: to use our organization's money in ways that are directly accountable to communities most impacted by structural oppressions; in ways that actively challenge these oppressions and work toward their abolition; and in ways that support the work of collective liberation and healing.

- We are committed to honesty and transparency in all of our financial activities. Our books are open to all members and supporters upon request, and we seek to actively inform our active membership about the organization's financial status and use of financial resources.

Basic Accounting Information

Fiscal Year. Land in Common's fiscal year begins on January 1st and ends on December 31st.

Accounting method. We use cash-based accounting, which recognizes revenue when money is received and expenses when money is paid out.

Accounting Ledger and Chart of Accounts

Land in Common uses Quickbooks Online to track and manage our financial activities. Our current account allows for 5 people, plus an accountant, to have unique login credentials. The following people have this access:

- Treasurer
- Bookkeeper
- Two Co-coordinators (staff or contractors)
- One additional member of the Finances Working Group

We agree that these login credentials will not be shared beyond these individuals without specific, case-by-case permission from the Finances Working Group.

Within Quickbooks, we have designated a Chart of Accounts specific to our operational needs. The Chart of Accounts is structured so that financial statements can be shown by expense type (what we have spent money on) as well as by functional classification (program work, fundraising, administration, etc). A designated member of the Finances Working Group is responsible for maintaining the Chart of Accounts and revising as necessary.

All input and balancing of our Quickbooks account is the responsibility of the Bookkeeper or another person designated by the Finances Working Group, with final oversight by the Treasurer. The Treasurer should review the general ledger on a periodic basis for any unusual transactions.

Financial Management Roles

The following is a list of Land in Common members and staff who have fiscal and accounting responsibilities:

General Membership
- Reviews and approves the final annual budget
- Reviews and approves ground lease fee calculations
- Reviews and approves land transfers

Board of Directors
- Reviews and approves the proposed annual budget
- Reviews quarterly (and as-requested) financial statements and information
- Reviews and approves major changes to Land in Common's financial agreements
- Reviews and approves all contracts over $5,000
- Reviews and approves any changes to the budget greater than 25% of the budget total
- Reviews and approves all debts incurred by the organization
- Recommends land transfer proposals to the membership
- Reviews and approves 990 filings
- Determines whether and when the organization should have an audit and approves the auditor at the recommendation of the Finances Working Group.
- Elects the Treasurer, and designates one additional Board member to serve on the Finances Working Group.

Treasurer (elected by Board of Directors)
- Participates as a member of the Finances Working Group
- Reviews and approves all financial reports, including cash flow projections
- Reviews and approves the annual budget before it goes to the Board
- Reviews and approves all non-budgeted expenditures over $500 and under $3,000.
- Oversees end-of-year reconciliation, comparing actual bank balances with accounting records to ensure accuracy

Finance Coordinator (member of Staff Collective)

- Reviews and approves all financial reports including cash flow projections
- Sees that an appropriate budget is developed annually
- Reviews and approves all non-budgeted expenditures over $100 and under $500 paid by the Money Mover
- Reviews and approves all grant submissions
- Reviews and approves all reimbursements and fund requests
- Approves inter-account bank transfers
- Manages Accounts Receivable
- Opens all bank statements, reviews for any irregularities, and reviews completed monthly bank reconciliations
- Reviews all incoming and outgoing invoices
- Initiates donor thank you letter acknowledgements
- When necessary, takes on specific roles as Payer/Depositor when requested by Money Mover (for budgeted expense) or Treasurer (for non- budgeted expense) on a case-by-case basis
- Facilitates accountability to these financial policies
- NOTE: If there are more than two staff, the Finance Coordinator loses check signing/paying ability for accountability's sake. The Money Mover may request that the other Staff member occasionally writes checks/deposits on a case-by-case basis when necessary.

Bookkeeper (may be contracted out or may be same person as Finance Coordinator)

- Overall responsibility for data entry into accounting system and integrity of accounting system data
- Processes invoices
- Processes payroll
- Maintains general ledger (Quickbooks)
- Prepares monthly and year-end financial reports
- Reconciles all bank accounts

Money Mover (a staff member, but cannot be the same person as Bookkeeper)

- Writes, signs and sends checks
- Is on-site signatory for all bank accounts
- Reviews and approves all contracts under $5,000
- Makes electronic payments
- Sends documentation of all payments (not already recorded electronically) to Bookkeeper

- Makes bank deposits
- Manages the petty cash fund

Finances Working Group (includes, at minimum, Treasurer and Finance Coordinator)

- Reviews monthly (and all other) financial reports, including budget to actuals
- Reviews and manages cash flow
- Reviews and approves all non-budgeted expenditures over $3,000
- Assists Finance Coordinator with the development of annual and program budgets
- Reviews and approves 990 filings, before sending the the Board for final approval
- Reviews, revises, and maintains this document

Accountant (CPA)

- Files annual 990 to the IRS
- Assists with entering complex transactions in Quickbooks, such as land acquisitions

Processes for Managing Income

Bank deposits of checks or cash

All checks and cash will be deposited into Land in Common's bank account. After receiving funds, the Money Mover stores undeposited checks and cash in a secure location (for no longer than two weeks), and then deposits them to the bank (either in person or through online banking for checks). Checks deposited through online banking should have the account and date of deposit written on them, and be held on to in a secure location for 60 days after depositing, and then be destroyed.

The Money Mover must inform the Bookkeeper of the amount received, the date, the donor, any restrictions placed on the funds, and any other relevant details about where the money is coming from and why it's being given. If the money comes in in the form of a check, they take a picture and upload it to a google drive folder that the Bookkeeper has access to.

Donation acknowledgements

The IRS requires formal acknowledgement letters for any donations greater than $250. We use our CRM to generate these letters in early January. The letters, along with a thank you card, are sent out by mail, before the IRS deadline of January 31st, to everyone who made a donation in the previous year.

Processing Online Donations

Donations through our website come in through our Stripe account. The Bookkeeper ensures all online transactions are tracked in QuickBooks.

Accounts receivable (money owed)

Invoices should be accounted for by the Bookkeeper in Quickbooks as they are prepared (with a debit to the account receivable and a credit to our revenue. When the cash is received, the receivable is reduced and cash is increased on the books.

Processes for Managing Expenses

Approval for Staff Collective Members to Spend Money

The following chart describes our processes for members of the Staff Collective to get approval (when necessary) to spend money. Approval happens by email, and any email should cc' the email address money_requests@landincommon.org, so that all emails are stored in one inbox. The money mover has access to and manages this email account.

If you are…	And you want to…	You need to…
Financial Coordinator[1]	Pay a budgeted expense of any size	Request approval from Money Mover
	Pay a non-budgeted expense under $500	Request approval from Money Mover
	Pay a non-budgeted expense over $500 and under $3,000	Request approval from Treasurer
	Pay a non-budgeted expense over $3,000	Request approval from Finance Working Group
Money Mover	Pay a budgeted expense	No approval needed; document expense in appropriate place
	Pay a non-budgeted expense under $100	No approval needed; document expense in appropriate place

[1] See Financial Management Roles about changes to this role when more than 2 staff members are hired.

	Pay a non-budgeted expense over $100 and under $500	Request approval from Finance Coordinator
	Pay a non-budgeted expense over $500 and under $3,000	Request approval from Treasurer
	Pay a non-budgeted expense over $3,000	Request approval from Finance Working Group
Other Staff Collective member(s)	Pay a budgeted expense of any size	Request approval from Money Mover
	Pay a non-budgeted expense under $500	Request approval from Money Mover
	Pay a non-budgeted expense over $500 and under $3,000	Request approval from Treasurer
	Pay a non-budgeted expense over $3,000	Request approval from Finance Working Group

Bills

Upon receiving any bills, requests for reimbursement, notifications about stipends due, and before January and June when Community Finance Loan Payments are due, the Finance Coordinator should notify the Money Mover, and share a copy of the bill with them. The Money Mover pays the bill. The Finance Coordinator keeps a record of all bills either in Dropbox (if digital) or in an LC filing cabinet (if physical).

Issuing payments

We try our best to pay people in the format they prefer, including checks, cash, Paypal or ACH. The Money Mover writes, signs, and sends checks, or sends other forms of payment within the timeframe specified by the bill or invoice (but no later than two weeks from the date of receipt). In the future when we have more staff, we will split the check writing and check signing roles. At the time of writing a check or making a payment, the Money Mover uploads pictures of all check carbon copies or any other records to a google drive folder shared with the Bookkeeper, or informs the Bookkeeper of any cash spent. The Bookkeeper records the payment in Quickbooks, and files all supporting materials.

If a check is filled out incorrectly, the Money Mover should inform the Bookkeeper so that they can record this in Quickbooks. The Money Mover should then rip up the check. If a check is lost in the mail, the Money Mover should also inform the Bookkeeper so that they may record it in Quickbooks. Before issuing and mailing a new check, the Money Mover should inform the recipient and ask them not to cash the check if it does eventually get mailed. For checks greater than $100, the Money Mover should ask the bank to void lost checks.

Automatic bill pay

Whenever possible, we will set up automatic bill pay from our CU bank account, to lessen the load for staff.

Reimbursing for expenses

We reimburse staff and Board members any pre-approved organization expenses they pay for personally. We also reimburse staff for mileage, and offer a home office reimbursement up to $1,000 per year for work-related expenses detailed in the Staff Collective Handbook. To request a reimbursement, Board and staff must fill out and send the Reimbursement Form, with attached receipts to the Finance Coordinator and Bookkeeper (cc'ing money_requests@landincommon.org) within 3 months of incurring the expense. The Finance Coordinator then passes on a request for payment to the Money Mover, who issues a check or other payment within two weeks of receiving the request. If the Money Mover needs reimbursements, they send a request to the Finance Coordinator for approval prior to making a payment.

While reimbursement is preferable to cash advances from a financial controls perspective, reimbursement assumes a level of class privilege of staff and Board members, as it requires some access to savings or credit. For this reason, staff and Board members can request cash advances from the Finance Coordinator (cc'ing money_requests@landincommon.org), (who passes this onto the Money Mover once approved) for any budgeted expenses, mileage, or home office stipend. Cash advances should be requested no more than a month before the anticipated expense, and checks/cash are due on receipt of the request. Once the purchase is made, receipts should be sent to the Finance Coordinator and Bookkeeper.

Petty cash

No more than $100 of petty cash should be on hand, and this money should be kept in a secure place and managed by the Money Mover. Staff and Board may use this money for small expenses (such as postage). Checks will not be cashed through the petty cash fund. Anyone who uses petty cash should fill out a petty cash voucher with the following info: date, amount of cash taken, name of the person who took the cash and who dispensed the cash, the type of expense to be charged.

The Money Mover informs the Finance Coordinator and Bookkeeper when they withdraw more petty cash, and the Bookkeeper notes the withdrawal in QuickBooks. The Money Mover must request permission from the Treasurer if they need to withdraw more than $500 in petty cash in any given year.

Financial Reports

The Bookkeeper, or another person designated by the Finances Working Group, will prepare a regular bundle of financial reports for the organization. These reports will include:

- Statement of financial position (balance sheet)
- Statement of activities (profit & loss statement)
- Budget versus actual for the organization and for any programs for which there is an established budget
- Cash flow projection
- Any other requested reports

These will be prepared and distributed on the following schedule:

- Monthly, to the Finances Working Group.
- Quarterly, to the Board of Directors, and Staff Collective.
- Annually, to the whole organizational membership.
- As additionally requested or required by lenders, donors, or government agencies.

Fiscal Year Closing

At the fiscal year end, the Finance Coordinator will review all balance sheet accounts, including verification of the following balances:

- cash accounts match the bank reconciliations
- fixed assets accounts reflect all purchases
- accounts receivable and payable accounts match outstanding amounts due and owed.

The income and expense accounts review will include:

- reconciliation of amounts received and expended
- verification that any payroll expenses match the payroll reports, including federal and state payroll tax filings.

At the fiscal year end, the Treasurer will review all bank statements and check Quickbooks balances against bank statements.

Once the final monthly and fiscal year-end financial statements are run, reviewed, and approved by the Finance Coordinator and Treasurer, no more entries or adjustments will be made into that month or year's ledgers. The Finance Coordinator and Treasurer make a copy of the End of Year Finance Checklist, initial and sign the document, and store a copy of it in that year's Accounting and Budgeting folder in google drive.

At the end of the fiscal year, an outside CPA will prepare the annual Return for Organization Exempt from Income Tax (IRS Form 990). The return will be presented to the Finances Working Group for review and approval, and then the Board for final approval. The Finance Coordinator or CPA will then file the return with the Internal Revenue Service by the annual deadline.

All other appropriate government filings including those required by the state tax board and attorney general's office will be completed and filed with the appropriate agency.

Annual Budgets and Participatory Budgeting Process

Land in Common is committed to an annual participatory budgeting process to ensure that all members are able to shape the organization's priorities and financial trajectories. On every fifth year (starting in 2026), this process will also include revision of the Ground Lease Fee formula.

WHEN	WHAT	WHO
August	**Preparing for Budgeting.**	Finance Coordinator & Finances Working Group
September	**Budget Proposal Drafting**. First draft of next year's budget drafted, based on review of previous year and	Staff Collective & Finances Working

	strategic planning input from Board, staff, and collaborators. This draft is generally made by staff and then brought to the FWG for revision and approval before going to the Board.	Group
October board meeting	**Board Revision & Approval of Budget Proposal**. First draft budget goes before the Board for revision and approval before going to membership. A few iterations, moving back and forth between the FWG and the Board, may be necessary before final approval of the proposal.	Board of Directors
October 17	**Membership Review & Amendment**. Budget proposal goes out by email to all members for review. Members have 14 days to ask questions and submit amendment proposals to the Finances Working Group (via a staff contact).	Membership
November 1	**Budget Revision**. Based on member input, a new budget draft is generated by the FWG. Some checking in with the Board may be necessary during this phase to ensure that there are no big surprises during the next Board approval phase.	Finances Working Group
November board meeting	**Board Approval of Revision**. Board revises (as needed) and approves final budget proposal that will go before the membership.	Board of Directors
December 1	**Membership Final Review**. Final budget proposal goes out to membership for review 14 days prior to Annual General Meeting.	Membership
Mid-December	**Final Budget Revision & Approval**. Final budget is approved (with possibility of amendments at the AGM) by membership.	Membership (at AGM)
Early January	**Sharing of New Budget with Membership.** The final approved version of the budget will be sent out to all members within 30 days after the AGM.	Membership

Revising the budget: For changes to the budget of less than $3000, no formal revision process is required. For changes greater than $3000 to any line item in the budget (but less than 25% of the budget total), approval is needed from the Finance Working Group (see the chart, Approval for Staff Collective Members to Spend Money).

For changes to the budget that are more than 25% of the total Budget, the Budget may be revised using the following process: Finances Working Group will make a proposed Revised Budget and present it to the Board of Directors for approval. The Board of Directors will develop and approve a final Budget Revision.

Financial Reserves

It is crucial that Land in Common have the ability to weather unforeseen financial challenges that might arise in relation to one of its land parcels or for the organization as a whole. To that end, we will maintain certain reserve funds. Some of these are general organizational reserves, and some are connected to the parcels of land that we hold.

General Organizational Reserves

FUND	DESCRIPTION	AMOUNT
Legal Fund	A pool of money dedicated to paying legal fees associated with land acquisition, land protection, and any actions that may be brought against Land in Common during the course of our work.	$10,000 minimum
Operational Buffer		6 months of operating costs

Land Stewardship Reserve Fund

A Land Stewardship Reserve Fund ensures that we are capable of responding to changing relationships with the various parcels of land we hold, and with our land stewards. This reserve amount is distinct from the annual stewardship & management budget associated with each parcel, which covers ongoing expenses such as insurance, taxes, staff costs, maintenance, etc. When a portion of the fund is used, it should be replenished as soon as possible (and in no longer than by the end of the next fiscal year). The Stewardship Fund is calculated using the following elements:

Legal defense	$20,000
Emergency buffer	$20,000
Tax buffer	An amount equal to the total annual property taxes owed for all combined Land in Common parcels. This number should be adjusted every 5 years. The initial annual amount (calculated in 2024) is: $21,051
Loan buffer	An amount equal to 6 months of loan payments on any debt associated with the land and/or infrastructure (rounded up). $7,000 for six months, as of 2024.

Record Keeping

Financial Records will be kept in accordance with our Record Keeping Policy.

The following financial records should be kept in our electronic filing system:

- Tax documents
- Bank Statements
- Receipts
- Reimbursement forms
- Grant award letters
- Grant applications: PDF
- IRS letters for receipt of donations

Recording transactions

The Bookkeeper records all relevant transactions in Quickbooks. They are responsible for entering transactions regularly so that books are up to date for the reports to the Board, members, and lenders.

Bank Statements

The Finances Coordinator opens and manages bank statements. The Bookkeeper reconciles transactions in QuickBooks. At the end of each quarter, the Treasurer reviews all bank statements and checks them against QuickBook balances. At the end of the year, the Treasurer signs the End of Year Finance Checklist, verifying that they have checked the bank statements against QuickBooks balances, and that all numbers match .

Accountability & Security

<u>Cash and Checks:</u>
Checkbooks and any cash on hand should be kept in secure locations. The locations of all checkbooks and blank checks should be known by all members of the Finances Working Group. No check should be signed in advance of completing the rest of the check (i.e., no signed blank checks). Checks should be kept by no more than two people. Should any checks go missing, this should be reported to the relevant credit union and to the Finances Working Group immediately. Checks that are lost in the mail or are filled out incorrectly should be recorded in Quickbooks in the SUSPENSE account.

<u>Passwords</u>
Passwords for online banking, QuickBooks, grant portals, etc. should be stored and shared in a secure Password Manager app or site, LastPass, and should not be written down or shared in any other digital or non-digital places. All staff collective members have access to this site, and no one else. The Password Manager Platform allows us to choose one master password, which should be committed to memory by each user (not written anywhere on paper or digitally). This master password is changed once per year. All other passwords should be generated by the Password Manager Software. Each account must have its own unique password (no passwords should be reused). Passwords should be generated by the Password Manager, and be as complex as the site will allow/within reason.

General Banking Practices

All cash accounts (except petty cash) owned by Land in Common will be held in cooperative (member-owned) financial institutions which are insured by the FDIC. No bank account will carry a balance over the FDIC insured amount.

We will keep a buffer in our checking account at least equal to the average month's operating expenses, to ensure we don't overdraw or have a check bounce.

The Treasurer and Money Mover are the signatories on Land in Common's bank accounts.

Payroll

Payroll Administration and Process

Payroll is administered via Gusto by the Finance Coordinator. We don't use timesheets because we pay salaries. We don't use accrued leave – the Staff collective members can take their 30 days of vacation and 30 days of health leave at any point during the year in accordance with the policies laid out in the Staff Collective Handbook. PDF copies of each payroll are stored in our electric filing system. All other policies around payroll are covered in our Staff Collective Handbook.

Purchasing (Procurement)

We are committed to advancing solidarity economies, and actively participating in an equitable redistribution of financial resources. When feasible, we will prioritize buying from worker-owned cooperatives, BIPOC-owned businesses, queer-owned businesses, and local businesses and individuals. We will try our best to support sustainable and chemical free agriculture when purchasing food or farming supplies. We will try to meet our technology needs through open source, when possible. We will use our organizational resources wisely, and get quotes for larger purchases.

We will actively avoid purchasing from corporations that exploit the labor of incarcerated people. We will do our best to avoid buying goods from corporations that exploit workers or the land. We will not invest in the stock market.

Seeking to minimize waste, we commit to purchasing goods that are made to last (when we can afford to), taking good care of the items we have, trying our best to fix things instead of throwing them away, and reusing and repurposing goods.

As a general rule, we avoid purchasing any land or buildings being sold at more than 2% above appraised value, to avoid contributing to gentrification. We recognize that there may be parcels of land that hold exceptional significance that are being sold at above market value, and if this is the case, the Staff Collective will bring a land purchase proposal to the Leadership Council for approval.

Contracting Authority

All contracts must be reviewed and approved by the Finances Working Group. Both the Treasurer and the Finances Coordinator are authorized to sign contracts on behalf of Land in Common.

Insurance

Land in Common will maintain the following insurance policies:

Policy	Minimum amount covered
General liability	$2,000,000
Worker's compensation	$500,000

We are not required to have Directors and Officers Insurance. However, we will consider whether this makes sense at any given time based on budgeting, costs of policy, and recommendations from trusted sources.

Investment Principles & Practices

Land in Common views traditional investment--using money to make more money--as being deeply problematic for the following reasons:

- Using money to make more money is a key engine of inequality. It rewards those with money, maintains and grows their privilege, and is often connected to activities that exploit those who do not have money.

- Related to this, the source of the "return on investment" is often ethically questionable. Where does the extra value come from? Does it come from usury (interest), which is often a way of making money from those who don't have it, but need it? Does it come from activities that generate profit by paying low wages, enforcing harsh work conditions, or undermining workplace organizing efforts? Does it come from activities that exploit the Earth without paying the true costs of this exploitation? How likely is it that financial investments via most mainstream (even "sustainable") institutions are generating a return without causing harm? We are deeply skeptical.

- We do what our money does. We cannot separate our organization's public activities--what we say to the world that we do--from the activities that our money makes possible. If we have money invested in exploitation of workers, then Land in Common would need to include "exploiting workers" as part of its list of organizational activities. If we have money invested in fossil fuels, then we would need to include "contributing to climate destabilization" in our annual report. We want to be honest about what we do, and we want our actual impacts in the world to match with our values as much as possible.

- Financial investments are unstable and do not generate long-term security in the world we now inhabit.

To summarize, we do not believe that using our money to make more money is likely to advance our values and our mission at their most fundamental levels, and it *is* likely to contribute toward harms that we aspire to challenge and undo.

Direct Impact as a Priority

In general, we prioritize using our resources to create immediate, tangible, and durable land and community relationships here in Wabanaki Territory. Land, relationships of trust and care, skills, infrastructure and tools are the most impactful investments we can make. We don't place much trust in structures that save or invest money for the long-term, especially given the future we're living into. "Return on Investment," for us, is not measured by how much money we make by mobilizing the money we have, but rather by how much liberatory, life-sustaining capacity we help to build in our communities.

Non-Extractive Investment

We do also believe that there are ways to mobilize surplus money that can contribute to the work of collective liberation and the regeneration of just land relationships. These involve sharing surplus with others to help start or grow community-based, solidarity-oriented efforts, but without profiting from this work. We support the practice of "non-extractive investment," as practiced by (among others) members of the Seed Commons finance network. As Cooperative Buffalo defines it: "Non-extraction is defined simply as the returns to the lender not ever exceeding the wealth created by the borrower using the capital. This is often colloquially said as 'a borrower will never be worse off than before working with us.'"

To the extent that Land in Common generates a monetary surplus large enough to merit some kind of investment (i.e., long-term savings that doesn't need to be immediately available), we will consider placing this money into non-extractive financing institutions. In choosing specific investment pathways, we will prioritize working with financial programs that directly support:

- the decommodification of land and housing, with a focus on land justice and community control of housing and infrastructure.
- Indigenous sovereignty and the flourishing of BIPOC communities.
- building solidarity economy institutions that bring control of the means of livelihood into the hands of workers (of all kinds, paid and unpaid), communities, and radical social movements
- practices and relations of regeneration and reciprocity with the land and with more-than-human living beings and communities

In no circumstances will we make money by extracting it from those who have less. The distinction is crucial here between a *non-extractive interest payment*, based on the rate of inflation and/or on the re-sharing of surplus by a successful project, and *usury*, which functions as an upward "tax" from the poorer to the wealthier.

When we receive donations of securities or other conventional investment instruments, we will sell them immediately and move this money into non-extractive relationships.

Debt

<u>Values & Principles</u>

In capitalist culture, lending money is often a strategy for extraction and accumulation. Those who have money lend it to those who don't, placing power-laden conditions on its use and charging interest (which used to be called "usury") for the time it is on loan. This is a major source of profit for already-wealthy people: making money from other peoples' needs. Land in Common approaches questions of lending and debt with this context in mind. Because of our commitments to justice and collective liberation, we seek to minimize our support for and participation in systems of lending and borrowing that move money from those who have less to those who have more. What does this mean in practice? First and foremost that we minimize the amount of interest that we pay, and that we work to ensure that any interest payments made are going to nonprofit institutions that prioritize work for equity and justice.

- When possible, we prioritize loan sources in the following order:
  - 1. **Community financing**, especially via low-interest loans (0-5%) that are not secured by an interest in land. If a community financing strategy appears to be heading toward higher interest rates (comparable to those offered by institutional options), we may decide to pursue one or more of the pathways below.
  - 2. **Community development financial institutions**, particularly those whose primary purpose is to support cooperatives and low-income communities. Examples of these include Cooperative Fund of the Northeast and Genesis Community Loan Fund. Loans from justice-oriented foundations may also be included in this category.
  - 3. **Credit unions** (member-owned, cooperative nonprofit financial institutions), particularly those with strong commitments to equitable finance in low-income communities or neighborhoods.
  - 4. **Mutual banks**, which are member owned (like credit unions) and for-profit (unlike credit unions). Maine Community Bank is an example.
  - 5. **Local or regional capitalist banks**. Bangor Savings Bank is an example.
  - 6. **Non-local capitalist banks and other mega financial institutions.** These are finance sources of last resort and it is unlikely that we would pursue them except in extraordinary circumstances and after serious deliberation and soul-searching.
- When possible, we avoid using the land that we hold as collateral for loans. This is not always viable, but we strive toward this approach so that the land remains effectively decommodified and is not jeopardized by dynamics of debt (non)repayment. For the most part, land is only made collateral in the following cases:
  - Situations in which collateralizing land is required for its acquisition (i.e., there are no other pathways to put the land into the commons)

  - Situations in which our financial back-up plans for loan repayment are very strong (i.e., there are at least two financially strong entities in line for loan repayment–a land steward entity and Land in Common–and both entities have generated financial reports and multi-year projections demonstrating this financial strength)

<u>When do we take on debt?</u>

We are very cautious about taking on debt, and do not do so without careful consideration of the individual situation and how it fits into the bigger picture of our organizational values and goals and our current and projected financial position. Generally, we take on debt only when all of the following conditions are met:

- The debt is for commoning of new land (i.e., bringing new land into Land in Common for long-term protection and decommodification).

- One of the following situations is true:

  - The ground lease will be held by an individual from a community that is targeted by white supremacy, colonialism, capitalism, or other structures of oppression, or by an organization that includes such individuals in its leadership in a non-token way; whose uses of the land will further the work of collective liberation in our wider communities; and this individual or organization is able to reliably commit to ongoing payments (as part of regular ground lease payments) that fully cover the cost of debt service. Reliable commitment means providing a complete financial picture of the organization, including a 3 year financial projection.

  - The ground lease will be held by an individual from a community that is targeted by white supremacy, colonialism, capitalism, or other structures of oppression, or by an organization that includes such individuals in its leadership in a non-token way, and whose uses of the land will further the work of collective liberation in our wider communities, and rather than this individual/organization paying the full costs of property-related debt, Land in Common has developed a strong plan–including planning for contingencies–by which to generate stable, ongoing revenue to pay off the debt. This may include committed alliances with other individuals or organizations, and may include some payment from those stewarding the land.

    - The ground lease will be held by a nonprofit, resident-owned housing cooperative (formal cooperative, LLC, L3C), or a worker-owned cooperative (formal cooperative, LLC, L3C) whose uses of the land will further the work of collective liberation and resilience-building in our wider communities. In deciding to take on debt with such projects when they are not led by BIPOC communities, we will be very careful that such debt will not significantly compromise our ability to support BIPOC land access.

    - The loan will be used to buy out an existing mortgage held by current land stewards who are committed to continuing their inhabitation of and care for the land as Resident Members of Land in Common; to leading the work of securing community financed loans from their family, friends, and wider community; and to paying off the new debt in full, over time, as part of their regular ground lease payments.

- After taking on this new debt, our organizational **debt-to-asset ratio** would be 0.5 or less, meaning that we comfortably have more total assets than liabilities (total liabilities/total assets = debt-to-asset ratio).[2]

- After taking on this new debt, our projected **debt service coverage ratio (DSCR)** for the following 3 years would be 1.1 or greater. This is the ratio between our net operating income (annual revenue - core operating expenses) and our annual debt service (how much we owe, in total, to lenders each year). It demonstrates our ability to pay for our debt annually.

- A New Debt Proposal has been made and has been approved by our Board and our CPA. This Proposal must include:

    - A detailed overview of the project (participants, goals, alignment with Land in Common's values and mission, logistics of implementation)
    - A complete picture of project costs and financing
    - A 3 year organizational financial projection that includes ongoing project costs, including debt service

[2] Because we are committed to holding land in trust, this ratio is not primarily for our internal use but rather for potential future lenders and donors who want to see a strong overall debt-to-asset ratio. 0.5 (50%) is considered excellent by many sources, including charitynavigator.com, which rates U.S. nonprofits. Internally, we recognize that turning most of our assets (land) into money is the very last thing we'd ever want to do. Therefore other measures described below are better *internal* indicators.

- A Ground Lease Default Contingency Plan, describing how LC would effectively handle this debt if land stewards were to cease their ground lease fee payments
- A description of how this project's financing plan will meet the criteria described above, including calculations for the two ratios and (if applicable) a plan for Land in Common's revenue generation related to ongoing loan repayments.

Paying off Debt with Donations

Land in Common sometimes receives restricted donations earmarked to help pay off debt associated with a land purchase. When this happens, we strive to utilize these funds in ways that are best for the financial future of Land in Common while also considering the needs and well-being of Land Stewards who may be paying off all or part of the debt with a portion of their Ground Lease payments. We cannot use donated funds to directly subsidize or cover the financing portion of a given Ground Lease payment, since this would transfer tax-deductible donations to a potentially non-exempt purpose. We can, however, in some cases, use donated funds to pay off a given loan in such a way that a Ground Lease payment is reduced due to our policy of adjusting such payments as loans are forgiven. In this case, the value of the loan forgiven would become Community Equity held by Land in Common. "Community Equity" is equity that remains with the land and/or buildings for the benefit of future stewards, rather than equity that can be realized by current stewards at a time of sale.

Here are our principles and protocols for utilizing restricted donations for debt reduction:

- Debt reduction payments will, to every extent possible, be used to pay off loans with relatively higher interest rates.

- If there are appropriate outstanding loans with remaining principal payments that match the donation, restricted loan reduction donations will be used to pay off these loans in their entirety. Ground Lease payments may be adjusted accordingly.

- In cases where it is not possible to pay off a loan entirely, but where the funds required to complete such payment are within the scope of a given Ground Lease payment amount, the financing portion of Ground Lease payments may be used to complete the payment. For example: If a loan has a remaining principal balance of $10,500 and a donor gives $10,000 to pay down the debt, the Land Steward's finance payment should be reduced from its previously calculated value to $500 to cover the remaining principal.

- If covering the remaining principal would require a payment from the Land Steward that is higher than their calculated Ground Lease payment, the Land Steward should be given the option (without obligation) to pay more. This is assuming that the increase is within a reasonable amount to ask. For example: Let's say a Land Steward pays $2,000 per year on $80,000 of debt. Someone donates $75,000 to pay down the debt, so there's $5,000 left. Land Steward should have the option, but not the obligation, to pay the whole $5,000 in that year to close out the debt.

- In cases where there are no loans that can be paid off entirely with a given donation, the donation will be used to pay down the principal and shorten the duration of the loan. We will generally not recalculate regular loan payment amounts, as this would require re-negotiating and signing a new Loan Agreement with the lender.

Gift Acceptance

Certain gifts of money, land, or other wealth may not be in alignment with Land in Common's values, or it may entail additional burdens on the organization that we are not able or willing to take on.

<u>Stolen land and stolen labor</u>
We occupy, steward, and allocate unceded Wabanaki land. Much of the money we receive in donations can directly be traced back to the labor stolen from enslaved people. Nearly all money we receive in donations comes directly from economic exploitation under capitalism.

We accept donations of money, aware of its origins, and with a deep sense of responsibility to transfer them to people most impacted by historical and present injustices. We accept donations of land, aware that it is stolen and that it is not a thing to be owned, and with a commitment to decommodifying it and creating lifetime land tenure for communities excluded from land ownership. When we receive donations of land, we always offer first to return the land to the Wabanaki Commission on Land and Stewardship or Bomazeen Land Trust (depending on location), and if our Wabanaki partners are able to accept this land, we return it. For land that cannot currently be accepted for return, we will make substantial payments to the Indigenous communities whose lands we occupy. We will cultivate relationships with Indigenous communities, and will continually take the lead from Indigenous communities on how we relate to the land we hold, including, and especially, returning land.

Donations that require too much work
We will not accept donations of infrastructure, vehicles, land, animals, or items that we believe will bring us less benefit than they will cost us (in money, labor, or time) to care for, deal with, or fix.

Donations that we do not need
We will do our best to find creative uses of in kind donations of time, knowledge, and specialized services. However, sometimes we may turn down in kind donations if we cannot see a clear way they relate to our work.

Strings-attached funding
We will not accept donations that come with an undue catch, such as requests to advertise on behalf of the donor, or requests to shift the direction of our work towards a focus not aligned with our mission.

Movement Capture
Well-meaning and even progressive funders can unintentionally dilute and redirect radical grassroots organizing, by pouring money towards more “charity-based” aspects of the work and starving out the solidarity based aspects of the work. We will stay alert to this possibility, will have honest conversations with our foundations and large funders if we see this happening, and commit to staying true to our mission even if it means losing a funder here and there. Whenever possible, we will seek funding for general operating support rather than programs.

Capital
We will immediately sell donations of securities upon receipt (see Investment Principles above). When we receive a donation of securities, we calculate the donation amount by averaging the high and low selling prices of each individual stock on the date of donation. Upon sale, the difference between sales price and donated value will be a realized gain or loss.

Disputed ownership
If we have good reason to believe that someone is donating money or goods to us that are not theirs to give, we will not accept these donations. We will not accept land from individuals or groups lacking clear legal title to that land, and if there is a title dispute relating to a parcel of land, we will not accept a donation of that land until after the dispute is resolved.

“Asset” Valuation

Land in Common does not, in practice, consider land that we hold to be an “asset” in the sense of something that can be bought or sold, or assigned an ethically-legitimate monetary value. We affirm now and forever that land is not, and should not be treated as, a commodity.

As we are forced on a number of fronts to “play the game” that has been structured by colonial capitalist culture, there are practical reasons why the land and other so-called “property” ends up with a monetary value in our accounting system. First and foremost, this is because basic accounting conventions require this. Any external audit or other financial review would obligate us to disclose the money value of the land that we hold on our balance sheet. Secondly, and perhaps most practically, the money value of land counts toward our total organization “assets,” which are a core part of the debt/asset ratio calculation often used to assess the viability of loans or the overall “financial health” of a nonprofit.

In very practical terms: the better our debt/asset ratio (less debt, more assets), the easier it will be for us to borrow and raise money to do our work.

So how do we actually value our “assets”?

<u>Asset Valuation Practice</u>

We use a number of methods depending on the most accurate and reliable information available. Asset valuation is done using the following practices, in this order of preference:

1. A new (i.e. recent at the time of acquisition) appraisal of the property, done by an certified appraiser.

2. An actual purchase price for the property, if this price was intended to reflect full market value rather than a bargain sale price.

3. The most recent assessment done on the property by the town or city in which it is located.

In cases where an appraisal has not been done as a required step in a sale or gift transaction, and/or where the land has been acquired via a purchase that is less than market value (including gifts), use of the town/city assessment will be considered adequate.

<u>Periodic Revaluation</u>

Periodic revaluation of market values of land may be done at the discretion of the Financial Manager or Finances Working Group to ensure that our tracking of assets keeps up with changing value trends. Such adjustments will be done no more frequently than every 5 years. In rare cases where there is reason to believe that a major change in value has occurred that is not reflected in local government assessments, a certified appraiser may be hired to produce an updated appraisal. In most cases, however, the following procedure will be followed when revaluation is deemed important:

1. Current asset values in Land in Common's books will be checked against the most recent assessments done by the local government in which the land is located.

2. Land in Common's recorded asset values will be adjusted to the assessed values IF all of the following conditions have been met:

    a. The property has been held by Land in Common for at least 5 years;

    b. The most recent local assessment has occurred within the past 2 years;

    c. The difference between the current asset values and the most recent assessed values is greater than $5,000 for any given property

When one property in a given town or city is adjusted according to the above process, all properties in that town that meet the criteria in #2 above must be adjusted accordingly. Adjusting properties in one town/city does not require an adjustment in other towns/cities in which Land in Common holds property.

No appraisal, assessment, or recording of market values by Land in Common should ever be considered an indication of an intention to sell land or an endorsement of land commodification more generally. These things are compromises done strictly for the purposes of moving other aspects of our work forward.

Auditing

<u>Regular Voluntary Auditing</u>

If Land in Common ever receives an annual amount of $500,000 or more of federal funding, we are required to obtain a 'single audit,' (independent audit) annually to ensure our accounting systems are in compliance with federal grants management standards.

With our current budget and funding sources, independent audits are not required. Instead of an audit, we take the following measures to promote transparency, accountability, and democratic decision making about our finances:

- Publish our three most recent 990's on our website
- Produce a short and simple annual report stating where our funding comes from an how it is used
- Hold a participatory budgeting process with our members each year
- Follow the financial management practices set forth in this document

If we wish to have further assurance that our bookkeeping and accounting practices are sound, we may hire an outside CPA to provide financial statement review.

<u>IRS Audits</u>

In the case of an audit by the IRS, the Finances Working Group will head up the process of coordinating all necessary responses and contracting out for any needed support.