



**THE SAND COUNTY
FOUNDATION, INC.**

FINANCIAL STATEMENTS

December 31, 2018 and 2017

CONTENTS

Independent Auditor's Report.....	1
Statements of Financial Position.....	3
Statements of Activities.....	4
Statements of Functional Expenses.....	5
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Sand County Foundation, Inc.
Madison, Wisconsin

We have audited the accompanying financial statements of The Sand County Foundation, Inc., which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Sand County Foundation, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Pronouncement

As discussed in Note 1 to the financial statements, The Sand County Foundation, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended

Janesville Office:

101 E. Milwaukee Street
Suite 425
Janesville, WI 53545
P: (608) 756-4020

Baraboo Office:

123 Second Street
P.O. Box 150
Baraboo, WI 53913
P: (608) 356-3966
F: (608) 356-2966

Milwaukee Office:

W229 N1433 Westwood Drive
Suite 105
Waukesha, WI 53186
P: (262) 522-7555
F: (262) 522-7550

Madison Office:

2921 Landmark Place
Suite 300
Madison, WI 53713
P: (608) 274-4020 F:
(608) 308-1616

www.wegnercpas.com
info@wegnercpas.com
(888) 204-7665

December 31, 2018. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
March 29, 2019

THE SAND COUNTY FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	\$ 600,126	\$ 162,998
Unconditional promises to give	485,750	364,255
Accounts receivable	82,666	23,097
Prepaid expenses	18,425	8,039
Total current assets	1,186,967	558,389
OTHER ASSETS		
Furniture and equipment, net	8,288	12,425
Long-term unconditional promises to give	51,263	71,256
Long-term investments	8,119,357	9,149,556
Total other assets	8,178,908	9,233,237
Total assets	\$ 9,365,875	\$ 9,791,626
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 47,016	\$ 61,437
Grants payable	60,000	50,000
Accrued vacation and wages	78,590	21,790
Line of credit	-	81,608
Total liabilities	185,606	214,835
NET ASSETS		
Without donor restrictions	6,002,334	6,333,050
With donor restrictions	3,177,935	3,243,741
Total net assets	9,180,269	9,576,791
Total liabilities and net assets	\$ 9,365,875	\$ 9,791,626

See accompanying notes.

THE SAND COUNTY FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2018 and 2017

	2018	2017
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES		
Contributions	\$ 1,145,875	\$ 731,930
Government grants	218,322	64,999
Program service fees	123,539	76,859
Rental income	3,600	2,000
Investment return, net	(111,206)	784,825
Donated services	66,050	25,000
Other	21,902	5,168
Total revenues without donor restrictions	1,468,082	1,690,781
EXPENSES		
Program services		
Leopold Conservation Award®	574,568	562,526
Agricultural Conservation	774,520	491,142
Conservation Policy and Influence	359,073	355,811
Total program services	1,708,161	1,409,479
Supporting activities		
Management and general	401,777	364,298
Fundraising	226,063	342,322
Total expenses	2,336,001	2,116,099
Net assets released from restrictions		
Satisfaction of program and time restrictions	537,203	801,277
Change in net assets without donor restrictions	(330,716)	375,959
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	598,477	168,424
Investment return, net	(127,080)	352,510
Net assets released from restrictions	(537,203)	(801,277)
Change in net assets with donor restrictions	(65,806)	(280,343)
Change in net assets	(396,522)	95,616
Net assets at beginning of year	9,576,791	9,481,175
Net assets at end of year	\$ 9,180,269	\$ 9,576,791

See accompanying notes.

THE SAND COUNTY FOUNDATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2018 and 2017

	2018						
	Program Services				Supporting Activities		
	Leopold Conservation Award®	Agricultural Conservation	Conservation Policy and Influence	Total Program Services	Management and General	Fundraising	Total Expenses
Personnel	\$ 234,107	\$ 391,694	\$ 272,753	\$ 898,554	\$ 232,737	\$ 115,697	\$ 1,246,988
Professional and contract services	120,765	210,982	14,170	345,917	96,483	81,725	524,125
Travel and vehicle expense	31,025	37,281	9,052	77,358	12,768	6,962	97,088
Operations	21,784	27,186	13,445	62,415	8,229	11,549	82,193
Conference, training and meetings	9,949	47,801	15,084	72,834	13,426	1,314	87,574
Grants to others	139,100	29,731	13,786	182,617	-	-	182,617
Occupancy and overhead	17,838	29,845	20,783	68,466	38,134	8,816	115,416
Total expenses	\$ 574,568	\$ 774,520	\$ 359,073	\$ 1,708,161	\$ 401,777	\$ 226,063	\$ 2,336,001
	2017						
	Program Services				Supporting Activities		
	Leopold Conservation Award®	Agricultural Conservation	Conservation Policy and Influence	Total Program Services	Management and General	Fundraising	Total Expenses
Personnel	\$ 208,559	\$ 274,633	\$ 232,379	\$ 715,571	\$ 206,578	\$ 160,703	\$ 1,082,852
Professional and contract services	101,837	94,546	76,478	272,861	82,279	134,529	489,669
Travel and vehicle expense	30,162	51,529	12,456	94,147	15,463	21,247	130,857
Operations	38,161	13,028	8,438	59,627	13,770	10,878	84,275
Conference, training and meetings	20,067	6,225	-	26,292	12,372	1,466	40,130
Grants to others	145,680	21,931	7,500	175,111	-	-	175,111
Occupancy and overhead	18,060	29,250	18,560	65,870	33,836	13,499	113,205
Total expenses	\$ 562,526	\$ 491,142	\$ 355,811	\$ 1,409,479	\$ 364,298	\$ 342,322	\$ 2,116,099

See accompanying notes.

THE SAND COUNTY FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (396,522)	\$ 95,616
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	4,137	4,359
Amortization of discount on unconditional promises to give	(243)	3,845
Net realized and unrealized (gains) losses on investments	371,448	(1,052,555)
(Increase) decrease in assets		
Unconditional promises to give	(101,259)	117,635
Accounts receivable	(59,569)	20,402
Prepaid expenses	(10,386)	5,106
Increase (decrease) in liabilities		
Accounts payable	(14,421)	18,454
Grants payable	10,000	50,000
Accrued vacation and wages	56,800	(4,334)
Net cash flows from operating activities	(140,015)	(741,472)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	786,036	1,003,133
Investment income retained in investments	(127,285)	(79,117)
Net cash flows from investing activities	658,751	924,016
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	150,000	100,000
Unpaid interest added line of credit	-	6,264
Payments on line of credit	(231,608)	(175,000)
Net cash flows from financing activities	(81,608)	(68,736)
Net change in cash	437,128	113,808
Cash at beginning of year	162,998	49,190
Cash at end of year	<u>\$ 600,126</u>	<u>\$ 162,998</u>

See accompanying notes.

THE SAND COUNTY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

The Sand County Foundation, Inc. is a 501(c)(3) non-profit organization dedicated to working with private landholders across North America on voluntary land management practices that benefit their business and the environment. The Foundation's mission is to inspire and enable a growing number of private landowners to ethically manage natural resources in their care so that future generations have clean and abundant water, healthy soil to support agriculture and forestry, plentiful habitat for wildlife and opportunities for outdoor recreation.

In October 2017, The Foundation completed a phased executive leadership transition. President and COO, Mr. Kevin McAleese, succeeded Dr. Brent Haglund to become the new CEO. Dr. Haglund continues to serve as Chief Scientific Officer as well as remaining a member of the board of directors.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Promises to Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Accounts Receivable

The Foundation considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If accounts become uncollectible, they will be charged to operations when that determination is made.

Furniture and Equipment

The Foundation capitalizes all expenditures for furniture and equipment in excess of \$5,000 while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. Furniture and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method.

Investments

The Foundation reports investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

The Foundation reports its minority investment in a limited partnership without a readily determinable fair value at cost. There is no quoted price for this investment or similar investments, and the Foundation has not obtained or developed a model to measure the fair value of this investment because the cost of obtaining or developing such a model is not practical.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

THE SAND COUNTY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel, professional and contract services, travel and vehicle expense, operations, conference, training and meetings, grants to others, and occupancy and overhead, which are allocated on the basis of estimates of time and effort. The following program services and supporting activities are included in the accompanying financial statements:

Leopold Conservation Award®—The Leopold Conservation Award® recognizes farmers, ranchers and foresters for achievements in conservation on working land. With prominent partners in many states across the U.S., the Foundation presents the annual awards in settings that showcase the landowners' conservation success among their peers.

Agricultural Conservation—The Foundation's agricultural conservation program demonstrates land management practices that protect soil and water, utilize them more efficiently, and maximize the environmental benefits and productive capacity of agricultural systems. We strive to ensure that conservation measures enhance the long-term profitability and resilience of farms and ranches.

Conservation Policy and Influence—Through its conservation policy initiative, the Foundation uses some of the same principles from its body of work to build and support ecosystem-scale species conservation models that will engage, respect and incentivize private landowners and businesses; address species decline before an Endangered Species Act intervention; and engender understanding and support for better habitat on private lands.

Management and general—Management and general activities relate to the overall direction of the Foundation and include the functions necessary to ensure proper administrative functioning of the board of directors, manage the financial and budgetary responsibilities of the Foundation, and perform other administrative functions.

Fundraising—Fundraising activities relate to soliciting contributions from individuals, foundations, governments, and others, and other activities that involve inducing potential donors to contribute assets, services, or time to the Foundation.

Income Tax Status

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

THE SAND COUNTY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of New Accounting Pronouncement

The Foundation adopted the Financial Accounting Standards Board’s Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The changes required by the update have been applied retrospectively to all periods presented. A key change required by the update are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

Date of Management’s Review

Management has evaluated subsequent events through March 29, 2019, the date which the financial statements were available to be issued.

NOTE 2—PROMISES TO GIVE

Unconditional promises to give are as follows:

	2018	2017
Receivable in less than one year	\$ 485,750	\$ 364,255
Receivable in one to five years	54,000	73,750
	539,750	438,005
Total unconditional promises to give		
Less discounts to net present value	2,737	2,494
	\$ 537,013	\$ 435,511
Net unconditional promises to give		

Promises to give receivable in more than one year are discounted at 3.5%.

During the year ended December 31, 2018, the Foundation received a \$168,000 promise conditioned on its support of the activities of the Environmental Policy Innovation Center (EPIC). The Foundation met certain conditions during the year and recognized \$63,000 as contribution revenue. The remaining \$105,000 of this promise will subsequently be recognized as contribution revenue when donor conditions are met.

THE SAND COUNTY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 3—INVESTMENTS

Investments are comprised of the following:

	2018	2017
Cash	\$ 276,839	\$ 159,857
Exchange traded funds	508,825	646,489
Mutual funds	4,307,349	3,012,718
Stocks	-	2,304,148
Investment in limited partnership	2,956,344	2,956,344
C&H Investment Co., Inc. preferred stock	70,000	70,000
Investments	\$ 8,119,357	\$ 9,149,556

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of financial position. The Foundation's investment policy attempts to minimize these risks through portfolio diversification.

Investment return is summarized as follows:

	2018	2017
Interest and dividends	\$ 171,168	\$ 139,203
Investment fees	(38,006)	(54,423)
Realized and unrealized gains	(371,448)	1,052,555
Investment return	(238,286)	1,137,335

NOTE 4—FURNITURE AND EQUIPMENT

Furniture and equipment consist of the following:

	2018	2017
Furniture and equipment	\$ 105,007	\$ 138,758
Less accumulated depreciation	96,719	126,333
Furniture and equipment, net	\$ 8,288	\$ 12,425

Depreciation expense for the years ended December 31, 2018 and 2017 was \$4,137 and \$4,359, respectively.

NOTE 5—LINE OF CREDIT

The Foundation has a variable interest margin line of credit with an investment manager. The line of credit has a borrowing limit of \$500,000 and matures on June 30, 2019. Advances on the line of credit carry an interest rate equal to the LIBOR rate plus 2%. The line of credit is secured by the Foundation's investment securities held by the investment manager. Interest expense for the years ended December 31, 2018 and 2017 was \$3,412 and \$6,264, respectively.

THE SAND COUNTY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 6—NET ASSETS

The Foundation's board of directors has designated net assets without donor restrictions for the following purposes:

	2018	2017
Designated for Good Oak Fund	\$ 5,606,342	\$ 6,175,196
Coleman Family Fund	100,600	-
Undesignated	295,392	157,854
Net asset without donor restrictions	\$ 6,002,334	\$ 6,333,050

Net assets with donor restrictions are restricted for the following purposes or periods:

	2018	2017
Endowment for EarthWork	\$ 2,443,015	\$ 2,904,359
Leopold Conservation Award®	60,000	6,000
Conservation Policy and Influence	249,480	99,292
Monarch	10,000	20,000
Agricultural Conservation	346,690	87,413
Subsequent years' activities	68,750	126,677
Net assets with donor restrictions	\$ 3,177,935	\$ 3,243,741

NOTE 7—LEASES

The Foundation leases office space in Madison, Wisconsin, under an operating lease that expires February 28, 2024. The Foundation pays a base rent starting at \$4,016 per month with annual 2% increases. Future minimum lease payments are as follows:

2019	\$ 77,698
2020	65,272
2021	66,367
2022	67,484
2023	68,624
Thereafter	20,219
	\$ 365,664

Rent expense for the years ended December 31, 2018 and 2017 totaled \$72,241 and \$60,722, respectively, and is included in occupancy and overhead costs in the statements of functional expenses.

NOTE 8—CONCENTRATIONS OF CREDIT RISK

The Foundation maintains its cash balances in one financial institution located in Madison, Wisconsin. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2018, the Foundation's uninsured cash balances total approximately \$350,000. At December 31, 2017, the Foundation's cash balances were fully insured with federal depository insurance.

THE SAND COUNTY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 9—FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis are as follows:

	Assets at Fair Value as of December 31, 2018			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Exchange traded funds	508,825	\$ 508,825	\$ -	\$ -
Mutual funds	4,307,349	4,307,349	-	-
C&H Investment Co., Inc. preferred stock	70,000	-	-	70,000
	\$ 4,886,174	\$ 4,816,174	\$ -	\$ 70,000
	Assets at Fair Value as of December 31, 2017			
Exchange traded funds	\$ 646,489	\$ 646,489	\$ -	\$ -
Mutual funds	3,012,718	3,012,718	-	-
Stocks	2,304,148	2,304,148	-	-
C&H Investment Co., Inc. preferred stock	70,000	-	-	70,000
	\$ 6,033,355	\$ 5,963,355	\$ -	\$ 70,000

Level 1 fair value measurements are determined by reference to quoted prices for identical assets in active markets that the Foundation has the ability to access. When quoted market prices for identical assets are not available, Level 2 fair value measurements are determined by reference to quoted prices for similar assets in active markets.

The fair value of the C&H Investment Co., Inc. preferred stock is determined by dividing the future income stream by the required rate of return. The required rate of return is calculated by using a publicly traded preferred stock for a company having similar business and similar assets with similar liquidation preferences and other similar terms as a benchmark.

NOTE 10—BOARD-DESIGNATED ENDOWMENT

As of December 31, 2018 and 2017, the board of directors had designated \$5,606,342 and \$6,175,196, respectively, of net assets without donor restrictions as a general endowment fund to support the mission of the Foundation. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. The Foundation works with its investment committee and two independent advisors to achieve positive investment results. These individuals are charged with measurement of investment results and presentation to the Foundation's board of directors.

THE SAND COUNTY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 10—BOARD-DESIGNATED ENDOWMENT (continued)

To satisfy its long-term rate of return objectives, the Foundation relies on its investment committee and independent advisors to implement strategies and evaluate investment performance against appropriate benchmarks where investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Changes in board-designated endowment net assets for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Beginning balance	\$ 6,175,196	\$ 6,041,388
Amounts appropriated for expenditure	(317,269)	(647,089)
Investment return, net	(251,585)	780,897
Ending balance	\$ 5,606,342	\$ 6,175,196

NOTE 11—LIQUIDITY AND AVAILABILITY

The following reflects the Foundation's financial assets as of the date of the statement of financial position, reduced by amounts not available for general expenditures within one year because of donor-imposed restrictions or internal board designations:

Cash	\$ 600,126
Unconditional promises to give	537,013
Accounts receivable	82,666
Long-term investments	8,119,357
Financial assets, at year-end	9,339,162
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time and purpose restrictions	(3,177,935)
Board designations:	
Designated for the Good Oak Endowment Fund	(5,606,342)
Financial assets available to meet cash needs for general expenditures within one year	\$ 554,885

The Foundation has budgeted a distribution of approximately \$450,000 from its board-designated endowment for subsequent year's operations. The Foundation's board can authorize additional distributions from the remaining balance of the Good Oak Endowment Fund throughout the year. To help manage unanticipated liquidity needs, the Foundation has committed a line of credit in the amount of \$500,000, which it could draw upon. Any board-designated net assets can be made available to meet operating needs if necessary.