



**THE SAND COUNTY
FOUNDATION, INC.
FINANCIAL STATEMENTS**

December 31, 2017 and 2016

CONTENTS

Independent Auditor's Report.....	1
Statements of Financial Position.....	2
Statements of Activities.....	3
Statements of Functional Expenses.....	4
Statements of Cash Flows.....	5
Notes to Financial Statements.....	6



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, 2017 and 2016, 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, 2017 and 2016, 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.

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
March 30, 2018

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:
2110 Luann Lane
Madison, WI 53713
P: (608) 274-4020
F: (608) 274-0775

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

THE SAND COUNTY FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash	\$ 162,998	\$ 49,190
Promises to give	364,255	436,497
Accounts receivable	23,097	43,499
Prepaid expenses	8,039	13,145
Total current assets	558,389	542,331
OTHER ASSETS		
Property and equipment - net	12,425	16,784
Long-term promises to give	71,256	120,494
Long-term investments	9,149,556	9,021,017
Total other assets	9,233,237	9,158,295
Total assets	\$ 9,791,626	\$ 9,700,626
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 61,437	\$ 42,983
Grants Payable	50,000	-
Accrued vacation and wages	21,790	26,124
Line of credit	81,608	150,344
Total liabilities	214,835	219,451
NET ASSETS		
Unrestricted	6,333,050	5,957,091
Temporarily restricted	3,243,741	3,524,084
Total net assets	9,576,791	9,481,175
Total liabilities and net assets	\$ 9,791,626	\$ 9,700,626

See accompanying notes.

THE SAND COUNTY FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
Years ended December 31, 2017 and 2016

	2017	2016
UNRESTRICTED NET ASSETS		
REVENUE, GAINS AND OTHER SUPPORT		
Contributions	\$ 731,930	\$ 1,061,662
Government grants	64,999	-
Program service fees	76,859	200,738
Rental income	2,000	-
Investment return	839,248	284,984
Donated services	25,000	9,205
Other	5,168	2,664
Net assets released from restrictions	<u>801,277</u>	<u>673,867</u>
Total unrestricted revenue, gains and other support	2,546,481	2,233,120
EXPENSES AND LOSSES		
Program services		
Leopold Conservation Award®	562,326	711,949
Soil and Water	491,142	343,995
Species Conservation	<u>355,811</u>	<u>360,948</u>
Total program services	1,409,279	1,416,892
Supporting activities		
Management and general	418,921	540,864
Fundraising	<u>342,322</u>	<u>349,267</u>
Total supporting activities	<u>761,243</u>	<u>890,131</u>
Total expenses	2,170,522	2,307,023
Loss on sale of land	<u>-</u>	<u>30,635</u>
Total expenses and losses	<u>2,170,522</u>	<u>2,337,658</u>
Change in unrestricted net assets	375,959	(104,538)
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	168,424	347,730
Investment return	352,510	181,227
Net assets released from restrictions	<u>(801,277)</u>	<u>(673,867)</u>
Change in temporarily restricted net assets	<u>(280,343)</u>	<u>(144,910)</u>
Change in net assets	95,616	(249,448)
Net assets - beginning of year	<u>9,481,175</u>	<u>9,730,623</u>
Net assets - end of year	<u>\$ 9,576,791</u>	<u>\$ 9,481,175</u>

See accompanying notes.

THE SAND COUNTY FOUNDATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years ended December 31, 2017 and 2016

	Program Services				Supporting Activities		2017 Total
	Leopold Conservation Award®	Soil and Water	Species Conservation	Total Program Services	Management and General	Fundraising	
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	145,480	21,931	7,500	174,911	200	-	175,111
Occupancy and overhead	18,060	29,250	18,560	65,870	88,259	13,499	167,628
Total expenses	\$ 562,326	\$ 491,142	\$ 355,811	\$ 1,409,279	\$ 418,921	\$ 342,322	\$ 2,170,522

	Program Services				Supporting Activities		2016 Total
	Leopold Conservation Award®	Soil and Water	Species Conservation	Total Program Services	Management and General	Fundraising	
Personnel	\$ 261,020	\$ 157,848	\$ 206,235	\$ 625,103	\$ 286,011	\$ 141,910	\$ 1,053,024
Professional and contract services	133,117	102,978	99,158	335,253	126,652	149,014	610,919
Travel and vehicle expense	47,461	21,115	9,567	78,143	18,593	28,284	125,020
Operations	29,940	15,260	9,935	55,135	16,236	14,143	85,514
Conference, training and meetings	111,229	11,938	-	123,167	12,672	1,127	136,966
Grants to others	103,653	12,000	18,000	133,653	-	-	133,653
Occupancy and overhead	25,529	22,856	18,053	66,438	80,700	14,789	161,927
Total expenses	\$ 711,949	\$ 343,995	\$ 360,948	\$ 1,416,892	\$ 540,864	\$ 349,267	\$ 2,307,023

See accompanying notes.

THE SAND COUNTY FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
Years ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 95,616	\$ (249,448)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Loss on sale of land	-	30,635
Depreciation	4,359	7,645
Amortization of discount on promises to give	3,845	(6,296)
Net realized and unrealized (gains) losses on investments	(1,052,555)	(323,778)
(Increase) decrease in assets		
Promises to give	117,635	(246,330)
Accounts receivable	20,402	(1,862)
Prepaid expenses	5,106	11,870
Increase (decrease) in liabilities		
Accounts payable	18,454	(14,402)
Grants payable	50,000	-
Accrued vacation and wages	(4,334)	(1,284)
Net cash flows from operating activities	(741,472)	(793,250)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	-	(12,002)
Proceeds from sale of land	-	25,265
Proceeds from sales of investments	1,003,133	408,346
Investment income retained in investments	(79,117)	(80,705)
Net cash flows from investing activities	924,016	340,904
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on note payable	-	(2,003)
Proceeds from line of credit	100,000	150,000
Unpaid interest added line of credit	6,264	344
Payments on line of credit	(175,000)	-
Net cash flows from financing activities	(68,736)	148,341
Net change in cash	113,808	(304,005)
Cash - beginning of year	49,190	353,195
Cash - end of year	<u>\$ 162,998</u>	<u>\$ 49,190</u>

See accompanying notes.

THE SAND COUNTY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

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 the environment. Sand County Foundation was founded fifty years ago to protect the land surrounding renowned conservationist Aldo Leopold's shack from development. Rather than depending on public acquisition, our protection strategy was rooted in private action inspired by Leopold's Land Ethic, using responsible, voluntary means. Today, Sand County Foundation is the nation's leading voice for conservation on private land. The Foundation works with farmers, ranchers and foresters to improve the quality of their lands through science, ethics, and incentives. Our focus has expanded from research and experimental management on Leopold's land to supporting and encouraging the private stewards of hundreds of thousands of acres.

In October 2017, Sand County 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 Board Director.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets—Net assets that are not restricted by donors. Designations are voluntary board-approved segregations of unrestricted net assets for specific purposes, projects, or investments.

Temporarily restricted net assets—Net assets whose use has been limited by donor-imposed time restrictions or purpose restrictions.

Permanently restricted net assets—Net assets that have been restricted by donors to be maintained by the Foundation in perpetuity.

Promises to Give

Unconditional promises to give are recognized as revenue or gains 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 all accounts receivable to be fully collectible. Accordingly, no allowance for doubtful grants is required. If grants receivable become uncollectible, they will be charged to operations when that determination is made.

Property and Equipment

Acquisitions of property and equipment in excess of \$5,000 are capitalized. Purchases of property and equipment are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

THE SAND COUNTY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

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

The minority investment in the limited partnership is without a readily determinable fair value and is stated at cost. There is no quoted market price for this investment, and the Foundation has not obtained or developed the valuation model to determine the fair value estimate because the cost is not practical.

Contributions

Contributions that are restricted by the donor are reported as increases in unrestricted net assets 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 temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Expense Allocation

The costs of providing the Foundation's program services and other activities have been summarized on a functional basis in the statements of activities and the statements of functional expenses. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. The following program services are included in the accompanying financial statements:

Leopold Conservation Award®—The Leopold Conservation Awards recognize landowners actively committed to a land ethic. Working with prominent conservation partners in eleven states, The Foundation presents the annual awards, which consist of \$10,000 and a Leopold crystal, in settings that showcase the landowners' achievements among their peers.

Soil and Water—The Foundation's program works with farmers and ranchers to encourage and assist them in improving their management of soils and water on their farms.

Species Conservation—Through its emerging species conservation initiative, the Foundation uses some of the same essential 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 ESA intervention; and engender understanding and support for better habitat on private lands.

THE SAND COUNTY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Supporting Activities

Management and general expenses relate to the overall direction of the organization and include the costs necessary to ensure proper administrative functioning of the board of directors, manage the financial and budgetary responsibilities of the organization, and perform other administrative functions including membership support and development costs. Fundraising expenses include the costs related 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 organization.

Income Tax Status

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

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.

Date of Management’s Review

Management has evaluated subsequent events through March 30, 2018, the date which the financial statements were available to be issued.

NOTE 2—PROMISES TO GIVE

Unconditional promises to give at December 31, 2017 and 2016 consisted of the following:

	2017	2016
Receivable in less than one year	\$ 364,255	\$ 436,497
Receivable in one to five years	73,750	126,833
Total unconditional promises to give	438,005	563,330
Less discounts to net present value	2,494	6,339
Net unconditional promises to give	\$ 435,511	\$ 556,991

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

THE SAND COUNTY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 3—INVESTMENTS

Investments at December 31, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Cash	\$ 159,857	\$ 164,429
Exchange traded funds	646,489	591,662
Bonds	-	133,000
Mutual funds	3,012,718	3,940,189
Stocks	2,304,148	1,165,393
Investment in limited partnership	2,956,344	2,956,344
C&H Investment Co., Inc. preferred stock	<u>70,000</u>	<u>70,000</u>
Investments	<u>\$ 9,149,556</u>	<u>\$ 9,021,017</u>

The investments are uninsured and are subject to changes in economic market conditions. The Foundation's investment policy attempts to minimize the risk of credit exposure through portfolio diversification.

Investment return for 2017 and 2016 is summarized as follows:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 139,203	\$ 142,433
Investment fees		
Realized and unrealized gains	<u>1,052,555</u>	<u>323,778</u>
Investment return	<u>\$ 1,191,758</u>	<u>\$ 466,211</u>

NOTE 4—PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 138,758	\$ 138,758
Less accumulated depreciation	<u>126,333</u>	<u>121,974</u>
Property and equipment - net	<u>\$ 12,425</u>	<u>\$ 16,784</u>

Depreciation expense for 2017 and 2016 was \$4,358 and \$7,646.

THE SAND COUNTY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 5—FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at December 31, 2017 and 2016 are as follows:

	Fair Value	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Bonds	\$ -	\$ -	\$ -	\$ -
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
December 31, 2017	<u>\$ 6,033,355</u>	<u>\$ 5,963,355</u>	<u>\$ -</u>	<u>\$ 70,000</u>
Bonds	\$ 133,000	\$ -	\$ 133,000	\$ -
Exchange traded funds	591,662	591,662	-	-
Mutual funds	3,940,189	3,940,189	-	-
Stocks	1,165,393	1,165,393	-	-
C&H Investment Co., Inc. preferred stock	70,000	-	-	70,000
December 31, 2016	<u>\$ 5,900,244</u>	<u>\$ 5,697,244</u>	<u>\$ 133,000</u>	<u>\$ 70,000</u>

Level 1 fair values are generally based on quoted prices in active markets. When quoted prices are not available, level 2 fair values are estimated using recently executed transactions. When position-specific external price data are not observable, level 3 fair value calculation is based on prices of comparable securities.

Fair value of C&H Investment Co., Inc. preferred stock is measured 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.

C&H Investment Co, Inc. preferred stock is valued at \$70,000. There has been no change in value during 2017 and 2016.

THE SAND COUNTY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 7—LINE OF CREDIT

The Foundation entered into a margin loan with one of its investment managers collateralized by the Foundation's investments. The loan had no definite expiration. The loan may not exceed 50% of the market value of the investments at the time of the loan or 60% of the market value of investments at any time. The interest rate is variable based on the amount of the loan using a tiered structure. At December 31, 2017 and 2016 the outstanding balance was \$81,608 and \$150,344. Interest expense for 2017 and 2016 was \$6,264 and \$344. On March 22, 2018 this loan was closed and outstanding loan balance was paid with a payment of \$82,269 from a transfer from investments.

On March 19, 2018, the Foundation entered into a variable interest margin line of credit with a new investment manager to replace the closed margin line of credit. The new line of credit has a borrowing limit of \$500,000 and matures on June 30, 2019 and has an interest rate equal to the LIBOR rate plus 2%. The loan is secured by the Foundation's investment securities to be held by the investment manager.

NOTE 8—NET ASSETS

The board of directors as of December 31, 2017 and 2016 has chosen to place the following limitations on unrestricted net assets:

	2017	2016
Designated for Good Oak Fund	\$ 6,175,196	\$ 6,041,388
Undesignated	157,854	(84,297)
Unrestricted net assets	\$ 6,333,050	\$ 5,957,091

Temporarily restricted net assets at December 31, 2017 and 2016 are available for the following purposes:

	2017	2016
Endowment for EarthWork	\$ 2,904,359	\$ 2,909,629
Leopold Conservation Award	6,000	25,000
Leadership for Midwestern Watersheds	28,701	10,259
Water Quality Practice Assessment	82,012	-
Environmental Policy Innovation Center	70,591	-
Monarch Habitat	20,000	-
Habitat Education	5,401	-
Mission Wildlife	-	26,192
Energy Resource Development	-	43,447
Environmental Quality	-	64,000
Monarch Joint Venture	-	9,580
Paris Conference	-	4,400
Subsequent years' activities	126,677	431,577
Temporarily restricted net assets	\$ 3,243,741	\$ 3,524,084

THE SAND COUNTY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 9—BOARD DESIGNATED ENDOWMENT

As of December 31, 2017 and 2016, the board of directors had designated \$6,175,196 and \$6,041,388 of unrestricted net assets 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 unrestricted net assets.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the 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.

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

Changes in board-designated endowment net assets for 2017 and 2016 were as follows:

	Good Oak Fund	
	2017	2016
Beginning balance	\$ 6,041,388	\$ 5,916,065
Contributions	-	306,750
Amounts appropriated for expenditure	(647,089)	(404,682)
Investment income	16,519	24,270
Net appreciation of investments	764,378	198,985
Ending balance	\$ 6,175,196	\$ 6,041,388

NOTE 10—LEASES

The Foundation leases office space in Madison, Wisconsin. The Foundation pays a base rent starting at \$4,016 per month with annual 2% increases. The lease expires February 28, 2019 with the option to extend for an additional five year period. Future minimum lease payments for 2018 and 2019 are \$52,645, and \$8,803.

Rent expense for 2017 and 2016 totaled \$60,722 and \$61,350, and are included in occupancy and overhead costs in the statements of functional expenses.