



**THE SAND COUNTY  
FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

December 31, 2019 and 2018

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## 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, 2019 and 2018, 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, 2019 and 2018, 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 Pronouncements

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. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and all subsequently issued clarifying ASUs and ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, as of January 1, 2019. The Sand County Foundation, Inc. also adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, as of January 1, 2019. Our opinion is not modified with respect to this matter.



Wegner CPAs, LLP  
Madison, Wisconsin  
March 31, 2020

**THE SAND COUNTY FOUNDATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 106,128	\$ 600,126
Unconditional promises to give	525,750	485,750
Accounts receivable	91,269	82,666
Prepaid expenses	<u>19,613</u>	<u>18,425</u>
Total current assets	742,760	1,186,967
<b>OTHER ASSETS</b>		
Furniture and equipment, net	6,573	8,288
Long-term unconditional promises to give, net	79,828	51,263
Investments	<u>9,425,825</u>	<u>8,119,357</u>
Total other assets	<u>9,512,226</u>	<u>8,178,908</u>
<b>Total assets</b>	<u><u>\$ 10,254,986</u></u>	<u><u>\$ 9,365,875</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 38,416	\$ 47,016
Grants payable	40,000	60,000
Accrued vacation and wages	<u>76,317</u>	<u>78,590</u>
Total liabilities	154,733	185,606
<b>NET ASSETS</b>		
Without donor restrictions	6,399,588	6,002,334
With donor restrictions	<u>3,700,665</u>	<u>3,177,935</u>
Total net assets	<u>10,100,253</u>	<u>9,180,269</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 10,254,986</u></u>	<u><u>\$ 9,365,875</u></u>

See accompanying notes.

**THE SAND COUNTY FOUNDATION, INC.**  
**STATEMENTS OF ACTIVITIES**  
Years Ended December 31, 2019 and 2018

	2019	2018
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
REVENUES		
Contributions		
Contributions	\$ 632,566	\$ 1,145,875
Government grants	126,778	218,322
Donated services	118,138	66,050
Contracts and other revenue		
Program service fees	209,514	123,539
Rental income	-	3,600
Investment return, net	1,196,803	(111,206)
Other	5,393	21,902
Total revenues without donor restrictions	2,289,192	1,468,082
EXPENSES		
Program services		
Leopold Conservation Award®	972,165	574,568
Agricultural Conservation	702,868	774,520
Conservation Policy and Influence	555,065	359,073
Total program services	2,230,098	1,708,161
Supporting activities		
Management and general	462,892	401,777
Fundraising	207,083	226,063
Total expenses	2,900,073	2,336,001
Net assets released from restrictions		
Satisfaction of program and time restrictions	1,008,135	537,203
Change in net assets without donor restrictions	397,254	(330,716)
<b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</b>		
Contributions	1,015,869	598,477
Investment return, net	514,996	(127,080)
Net assets released from restrictions	(1,008,135)	(537,203)
Change in net assets with donor restrictions	522,730	(65,806)
<b>Change in net assets</b>	919,984	(396,522)
Net assets at beginning of year	9,180,269	9,576,791
<b>Net assets at end of year</b>	<b>\$ 10,100,253</b>	<b>\$ 9,180,269</b>

See accompanying notes.

**THE SAND COUNTY FOUNDATION, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
Years Ended December 31, 2019 and 2018

	2019					
	Program Services			Supporting Activities		
	Leopold Conservation Award®	Agricultural Conservation	Conservation Policy and Influence	Management and General	Fundraising	Total Expenses
Personnel	\$ 556,315	\$ 369,157	\$ 347,348	\$ 270,840	\$ 144,991	\$ 1,688,651
Professional and contract services	135,288	154,047	112,598	98,810	30,338	531,081
Travel and vehicle expense	38,911	43,922	21,213	17,049	9,713	130,808
Operations	38,958	39,028	38,337	6,893	10,161	133,377
Conference, training and meetings	27,662	1,647	9,174	12,924	1,640	53,047
Grants to others	150,500	55,778	200	-	-	206,478
Occupancy and overhead	24,531	39,289	26,195	56,376	10,240	156,631
<b>Total expenses</b>	<b>\$ 972,165</b>	<b>\$ 702,868</b>	<b>\$ 555,065</b>	<b>\$ 462,892</b>	<b>\$ 207,083</b>	<b>\$ 2,900,073</b>
	2018					
	Program Services			Supporting Activities		
	Leopold Conservation Award®	Agricultural Conservation	Conservation Policy and Influence	Management and General	Fundraising	Total Expenses
Personnel	\$ 234,107	\$ 391,694	\$ 272,753	\$ 232,737	\$ 115,697	\$ 1,246,988
Professional and contract services	120,765	210,982	14,170	96,483	81,725	524,125
Travel and vehicle expense	31,025	37,281	9,052	12,768	6,962	97,088
Operations	21,784	27,186	13,445	8,229	11,549	82,193
Conference, training and meetings	9,949	47,801	15,084	13,426	1,314	87,574
Grants to others	139,100	29,731	13,786	-	-	182,617
Occupancy and overhead	17,838	29,845	20,783	38,134	8,816	115,416
<b>Total expenses</b>	<b>\$ 574,568</b>	<b>\$ 774,520</b>	<b>\$ 359,073</b>	<b>\$ 401,777</b>	<b>\$ 226,063</b>	<b>\$ 2,336,001</b>

See accompanying notes.

**THE SAND COUNTY FOUNDATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
Years Ended December 31, 2019 and 2018

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 919,984	\$ (396,522)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	1,715	4,137
Amortization of discount on unconditional promises to give	(1,102)	(243)
Net realized and unrealized (gains) losses on investments	(1,595,081)	371,448
(Increase) decreases in assets		
Unconditional promises to give	(67,463)	(101,259)
Accounts receivable	(8,603)	(59,569)
Prepaid expenses	(1,188)	(10,386)
Increase (decrease) in liabilities		
Accounts payable	(8,600)	(14,421)
Grants payable	(20,000)	10,000
Accrued vacation and wages	(2,273)	56,800
Net cash flows from operating activities	(782,611)	(140,015)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(100,600)	-
Proceeds from sales of investments	501,911	786,036
Investment income retained in investments	(112,698)	(127,285)
Net cash flows from investing activities	288,613	658,751
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from line of credit	-	150,000
Payments on line of credit	-	(231,608)
Net cash flows from financing activities	-	(81,608)
<b>Net change in cash</b>	(493,998)	437,128
Cash at beginning of year	600,126	162,998
<b>Cash at end of year</b>	<u>\$ 106,128</u>	<u>\$ 600,126</u>

See accompanying notes.



**THE SAND COUNTY FOUNDATION, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Nature of Activities**

The Sand County Foundation, Inc. (Foundation) 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.

**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**

Accounts receivable consist of fees for services provided to various organizations of which the Foundation has an unconditional right to receive. Accounts receivable are reported at the amount management expects to collect from outstanding balances of customers. As of December 31, 2019 and 2018, management has determined, based on historical experience that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

**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 its estimated fair value in accordance with the adoption of ASU No. 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* which disallows using the cost method for this investment. Estimated fair value is measured by the cost of the Foundation's ownership interest in partners' capital to which a proportionate share of net assets is attributed. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

**THE SAND COUNTY FOUNDATION, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

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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.

**Government Grants**

The Foundation receives grants from government agencies and others that are conditioned upon the Foundation incurring qualifying expenses. Revenue from these grants is generally recognized on a reimbursement basis, that is, when qualifying expenses are incurred by the Foundation, both a receivable from the grantor agency and revenue are recorded. Grants are also generally restricted by the grantor for a specified purpose. Grants whose conditions and restrictions are met in the same reporting period that the revenue is recognized are reported as increases in net assets without grantor restrictions.

**Program Service Fees**

Program services revenues include consulting, reporting, and training fees all related to the Foundation's program activities. These services are generally considered to be a single performance obligation that is satisfied at a point in time and revenue is recognized when the services have been provided. It is the policy of the Foundation to not refund these fees.

**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, travel and vehicle expense, operations, 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.

**THE SAND COUNTY FOUNDATION, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*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.

**Adoption of New Accounting Guidance**

On May 28, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU and all subsequently issued clarifying ASUs supersedes the revenue recognition requirements and most industry-specific guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance also includes a cohesive set of disclosure requirements that will provide users of the financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Foundation adopted the requirements of the new guidance as of January 1, 2019, using the modified retrospective method of transition. In applying the new guidance, the Foundation elected to use the practical expedient that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019.

The majority of the Foundation's revenue is recognized at a point in time based on the transfer of control. Revenue recognized over time primarily consists of performance obligations that are satisfied within one year or less. In addition, the majority of the Foundation's contracts do not contain variable consideration and contract modifications are generally minimal.

The adoption of the new guidance did not have a significant impact on the Foundation's financial statements. The majority of the Foundation's revenue arrangements generally consist of a single performance obligation to transfer promised goods or services. Based on the Foundation's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new guidance.

Also, on June 21, 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions*

**THE SAND COUNTY FOUNDATION, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Made.* The ASU provides a more robust framework for evaluating whether transactions such as grants and similar contracts with government agencies and others should be accounted for as exchange transactions (that is, revenue from contracts with customers) or contributions. The ASU also assists entities in determining whether a contribution is conditional. The Foundation adopted the requirements of the ASU as of January 1, 2019. The changes in the ASU have been applied on a modified prospective basis, that is, the changes have been applied to agreements that are either not completed as of January 1, 2019, or entered into after that date. As a result, most government grants accounted for as exchange transactions under previous guidance are now accounted for as conditional contributions.

Also, on January 5, 2016, the FASB issued ASU No. 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The ASU addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. Among other changes, the ASU supersedes the guidance to classify equity securities with readily determinable fair values into different categories (that is, trading or available-for-sale) and requires equity investments to be measured at fair value with changes in fair value recognized in net income as opposed to other comprehensive income. The Foundation adopted the requirements of the ASU as of January 1, 2019, and recognized a cumulative-effect adjustment increasing the balance of in the investment and unrealized gains by a corresponding amount.

**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 31, 2020, the date which the financial statements were available to be issued.

NOTE 2—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, 2019, the Foundation had no uninsured cash balances.

**THE SAND COUNTY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2019 and 2018

NOTE 3—PROMISES TO GIVE

Unconditional promises to give are as follows:

	2019	2018
Receivable in less than one year	\$ 525,750	\$ 485,750
Receivable in one to five years	83,667	54,000
Total unconditional promises to give	609,417	539,750
Less discounts to net present value	(3,839)	(2,737)
Unconditional promises to give, net	\$ 605,578	\$ 537,013

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

During the year ended December 31, 2018, the Foundation received grants from government agencies with certain conditions to be met before revenue will be recognized. Conditional support from three government sources supporting reimbursement for expenses related to the Agricultural Conservation program activities. The Foundation met certain conditions during the year and recognized \$86,310 as contribution revenue. The remaining \$196,111 of this promise will subsequently be recognized as government grant revenue when grantor conditions are met.

NOTE 4—INVESTMENTS

Investments are comprised of the following:

	2019	2018
Cash	\$ 250,139	\$ 276,839
Exchange traded funds	799,184	508,825
Mutual funds	4,834,081	4,307,349
Investment in limited partnership	3,472,421	2,956,344
C&H Investment Co., Inc. preferred stock	70,000	70,000
Investments	\$ 9,425,825	\$ 8,119,357

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.

Subsequent to December 31, 2019, volatility experienced in the financial markets has resulted in a significant decline in the fair value of certain investments. As of March 31, 2020, the fair value of the investment portfolio declined by approximately 18% from December 31, 2019.

**THE SAND COUNTY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2019 and 2018

NOTE 4—INVESTMENTS (continued)

Investment return is summarized as follows:

	2019	2018
Interest and dividends	\$ 163,141	\$ 171,168
Investment fees	(46,423)	(38,006)
Realized and unrealized gains	1,595,081	(371,448)
Investment return, net	\$ 1,711,799	\$ (238,286)

NOTE 5—FURNITURE AND EQUIPMENT

Furniture and equipment consist of the following:

	2019	2018
Furniture and equipment	\$ 105,007	\$ 105,007
Less accumulated depreciation	98,434	96,719
Furniture and equipment, net	\$ 6,573	\$ 8,288

Depreciation expense for the years ended December 31, 2019 and 2018 was \$1,715 and \$4,137, respectively.

NOTE 6—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, 2020. 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 year ended December 31, 2018 was \$3,412. No interest expense was incurred on the line of credit during the year ended December 31, 2019.

NOTE 7—NET ASSETS

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

	2019	2018
Designated for Good Oak Endowment Fund	\$ 6,523,336	\$ 5,606,342
Coleman Family Fund	119,658	100,600
Undesignated	(243,406)	295,392
Net asset without donor restrictions	\$ 6,399,588	\$ 6,002,334

**THE SAND COUNTY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2019 and 2018

NOTE 7—NET ASSETS (continued)

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

	2019	2018
Endowment for EarthWork	\$ 2,712,831	\$ 2,443,015
Agricultural Conservation	410,194	346,690
Conservation Policy and Influence	386,390	249,480
Leopold Conservation Award®	88,250	60,000
Monarch	-	10,000
Subsequent years' activities	103,000	68,750
Net assets with donor restrictions	\$ 3,700,665	\$ 3,177,935

NOTE 8—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:

2020	\$ 81,829
2021	76,596
2022	71,384
2023	72,524
2024	12,119

Rent expense for the years ended December 31, 2019 and 2018 totaled \$94,941 and \$72,241, respectively, and is included in occupancy and overhead costs in the statements of functional expenses.

NOTE 9—BOARD-DESIGNATED ENDOWMENT

As of December 31, 2019 and 2018, the board of directors had designated \$6,523,336 and \$5,606,342, 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.

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).

**THE SAND COUNTY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2019 and 2018

NOTE 9—BOARD-DESIGNATED ENDOWMENT (continued)

Changes in board-designated endowment net assets for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Beginning balance	\$ 5,606,342	\$ 6,175,196
Amounts appropriated for expenditure	(336,626)	(317,269)
Investment return, net	1,253,620	(251,585)
Ending balance	\$ 6,523,336	\$ 5,606,342

NOTE 10—FAIR VALUE MEASUREMENTS

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

Assets at Fair Value as of December 31, 2019				
	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	\$ 799,184	\$ 799,184	\$ -	\$ -
Mutual funds	4,834,081	4,834,081	-	-
Investment in limited partnership	3,472,421	-	-	3,472,421
C&H Investment Co., Inc. preferred stock	70,000	-	-	70,000
	<b>\$ 9,175,686</b>	<b>\$ 5,633,265</b>	<b>\$ -</b>	<b>\$ 3,542,421</b>
Assets at Fair Value as of December 31, 2018				
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
	<b>\$ 4,886,174</b>	<b>\$ 4,816,174</b>	<b>\$ -</b>	<b>\$ 70,000</b>

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 SAND COUNTY FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2019 and 2018

NOTE 10—FAIR VALUE MEASUREMENTS (continued)

The fair value of the investment in Acacia limited partnership is determined by the cost basis of the investment adjusted for the Foundation's ownership interest in partners' capital to which a proportionate share of net assets is attributed.

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 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:

	<u>2019</u>	<u>2018</u>
Cash	\$ 106,128	600,126
Unconditional promises to give. Net	605,578	537,013
Accounts receivable	91,269	82,666
Investments	<u>9,425,825</u>	<u>8,119,357</u>
Financial assets, at year-end	10,228,800	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	(3,700,665)	(3,177,935)
Board designations:		
Designated for the Good Oak Endowment Fund	(6,523,336)	(5,606,342)
Designated for the Coleman Family Fund	<u>(119,658)</u>	<u>(100,600)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ (114,859)</u>	<u>\$ 454,285</u>

The Foundation has budgeted a distribution of approximately \$463,000 and \$450,000 from its board-designated endowment for 2019 and 2018 subsequent year's operations, respectively. 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.