



**THE SAND COUNTY
FOUNDATION, INC.**

FINANCIAL STATEMENTS

December 31, 2020 and 2019

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, 2020 and 2019, 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

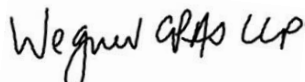
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2020 and 2019, 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
Madison, Wisconsin
April 16, 2021

THE SAND COUNTY FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 416,257	\$ 106,128
Unconditional promises to give, net	488,958	525,750
Accounts receivable	97,598	91,269
Prepaid expenses	<u>33,812</u>	<u>19,613</u>
Total current assets	1,036,625	742,760
OTHER ASSETS		
Furniture and equipment, net	4,858	6,573
Long-term unconditional promises to give, net	131,401	79,828
Investments	<u>11,090,172</u>	<u>9,425,825</u>
Total other assets	<u>11,226,431</u>	<u>9,512,226</u>
Total assets	<u>\$ 12,263,056</u>	<u>\$ 10,254,986</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 63,207	\$ 38,416
Grants payable	30,000	40,000
Accrued vacation and wages	<u>139,708</u>	<u>76,317</u>
Total liabilities	232,915	154,733
NET ASSETS		
Without donor restrictions	7,900,325	6,399,588
With donor restrictions	<u>4,129,816</u>	<u>3,700,665</u>
Total net assets	<u>12,030,141</u>	<u>10,100,253</u>
Total liabilities and net assets	<u>\$ 12,263,056</u>	<u>\$ 10,254,986</u>

See accompanying notes.

THE SAND COUNTY FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2020 and 2019

	2020	2019
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES		
Contributions		
Contributions	\$ 1,135,059	\$ 632,566
Government grants	125,531	126,778
Inkind donations	64,500	118,138
Paycheck Protection Program loan forgiven	288,785	-
Contracts and other revenue		
Program service fees	400,687	209,514
Investment return, net	1,535,896	1,196,803
Other	11,848	5,393
Total revenues without donor restrictions	3,562,306	2,289,192
EXPENSES		
Program services		
Leopold Conservation Award®	753,760	986,923
Agricultural Conservation	969,701	689,774
Conservation Policy and Influence	685,248	553,401
Total program services	2,408,709	2,230,098
Supporting activities		
Management and General	425,625	462,892
Fundraising	182,419	207,083
Total expenses	3,016,753	2,900,073
Net assets released from restrictions		
Satisfaction of program and time restrictions	955,184	1,008,135
Change in net assets without donor restrictions	1,500,737	397,254
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	1,164,061	1,015,869
Investment return, net	220,274	514,996
Net assets released from restrictions	(955,184)	(1,008,135)
Change in net assets with donor restrictions	429,151	522,730
Change in net assets	1,929,888	919,984
Net assets at beginning of year	10,100,253	9,180,269
Net assets at end of year	<u>\$ 12,030,141</u>	<u>\$ 10,100,253</u>

See accompanying notes.

THE SAND COUNTY FOUNDATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2020 and 2019

	2020					
	Program Services			Supporting Activities		
	Leopold Conservation Award®	Agricultural Conservation	Conservation Policy and Influence	Management and General	Fundraising	Total Expenses
Personnel	\$ 376,616	\$ 748,059	\$ 544,113	\$ 292,385	\$ 147,750	\$ 2,108,923
Professional and contract services	128,493	101,897	100,712	72,187	16,000	419,289
Travel and vehicle expense	7,857	22,547	6,665	1,529	620	39,218
Operations	23,352	27,244	12,456	7,031	9,876	79,959
Conference, training and meetings	12,348	473	469	-	-	13,290
Grants to others	163,713	39,382	-	-	-	203,095
Occupancy	33,067	24,052	16,648	5,627	6,531	85,925
Other	8,314	6,047	4,186	46,866	1,642	67,055
Total expenses	\$ 753,760	\$ 969,701	\$ 685,248	\$ 425,625	\$ 182,419	\$ 3,016,753
	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	31,031	20,689	19,375	15,758	8,088	94,941
Other	8,258	5,506	5,156	40,618	2,152	61,690
Total expenses	\$ 986,923	\$ 689,774	\$ 553,401	\$ 462,892	\$ 207,083	\$ 2,900,073

See accompanying notes.

THE SAND COUNTY FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,929,888	\$ 919,984
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	1,715	1,715
Amortization of discount on unconditional promises to give	(1,102)	(1,102)
Net realized and unrealized (gains) losses on investments	(1,666,329)	(1,595,081)
Paycheck Protection Program loan forgiven	(288,785)	-
(Increase) decreases in assets		
Unconditional promises to give	(13,679)	(67,463)
Accounts receivable	(6,329)	(8,603)
Prepaid expenses	(14,199)	(1,188)
Increase (decrease) in liabilities		
Accounts payable	24,791	(8,600)
Grants payable	(10,000)	(20,000)
Accrued vacation and wages	63,391	(2,273)
Net cash flows from operating activities	19,362	(782,611)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(358,349)	(100,600)
Proceeds from sales of investments	445,315	501,911
Investment income retained in investments	(84,984)	(112,698)
Net cash flows from investing activities	1,982	288,613
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	200,000	-
Payments on line of credit	(200,000)	-
Proceeds from Paycheck Protection Program loan	288,785	-
Net cash flows from financing activities	288,785	-
Net change in cash	310,129	(493,998)
Cash at beginning of year	106,128	600,126
Cash at end of year	\$ 416,257	\$ 106,128

See accompanying notes.

THE SAND COUNTY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

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. Accounts receivable are reported at the amount management expects to collect from outstanding balances of customers. As of December 31, 2020 and 2019, 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 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, 2020 and 2019

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.

Donated Services

Donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their estimated fair values in the period received.

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.

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, occupancy, and other expenses, 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:

THE SAND COUNTY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Date of Management's Review

Management has evaluated subsequent events through April 16, 2021, 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, 2020, the Foundation's uninsured cash balances total approximately \$165,000. At December 31, 2019, the Foundation had no uninsured cash balances.

THE SAND COUNTY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 3—PROMISES TO GIVE

Unconditional promises to give are as follows:

	2020	2019
Receivable in less than one year	\$ 488,958	\$ 525,750
Receivable in one to five years	136,000	83,667
Total unconditional promises to give	624,958	609,417
Less discounts to net present value	(4,599)	(3,839)
Unconditional promises to give, net	\$ 620,359	\$ 605,578

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

The Foundation has several grants that are conditioned upon the Foundation incurring qualifying expenses under the grant programs. At December 31, 2020, these conditional grants total approximately \$690,000. Conditional support from these government sources support reimbursement for expenses related to the Agricultural Conservation program activities. These conditional grants will be recognized as revenue when the respective conditions are met in future years.

NOTE 4—INVESTMENTS

Investments are comprised of the following:

	2020	2019
Cash	\$ 245,834	\$ 250,139
Exchange traded funds	1,182,830	799,184
Mutual funds	5,169,180	4,834,081
Investment in limited partnership	4,422,328	3,472,421
C&H Investment Co., Inc. preferred stock	70,000	70,000
Investments	\$ 11,090,172	\$ 9,425,825

Fair values of exchange traded funds and mutual funds are based on quoted net asset values of the shares as reported by the fund. The exchange traded funds and mutual funds held by the Foundation are open-end exchange traded funds and mutual funds registered with the U.S. Securities and Exchange Commission. The funds must publish their daily net asset value and transact at that price. The mutual funds held by the Foundation are considered to be actively traded. 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 calculating the present value of expected future cash flows.

THE SAND COUNTY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 4—INVESTMENTS (continued)

The estimated fair value of investments in the limited partnership and preferred stock does not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined.

Investment return is summarized as follows:

	2020	2019
Interest and dividends	\$ 126,250	\$ 163,141
Investment fees	(36,409)	(46,423)
Realized and unrealized gains	1,666,329	1,595,081
Investment return, net	\$ 1,756,170	\$ 1,711,799

NOTE 5—FURNITURE AND EQUIPMENT

Furniture and equipment consist of the following:

	2020	2019
Furniture and equipment	\$ 105,007	\$ 105,007
Less accumulated depreciation	100,149	98,434
Furniture and equipment, net	\$ 4,858	\$ 6,573

Depreciation expense for the years ended December 31, 2020 and 2019 was \$1,715 and \$1,715, respectively.

NOTE 6—LINE OF CREDIT

The Foundation had a variable interest margin line of credit with an investment manager. The line of credit had a borrowing limit of \$500,000 and matured on December 31, 2020. Advances on the line of credit carry an interest rate equal to the LIBOR rate plus 2%. The line of credit was secured by the Foundation's investment balances held by the investment manager. Interest expense for the year ended December 31, 2020 was \$4,382. No interest expense was incurred on the line of credit during the year ended December 31, 2019. Subsequent to December 31, 2020, the Foundation secured a \$200,000 line of credit with a variable interest rate maturing on February 25, 2023. The interest rate is based on highest prime rate published in the Wall Street Journal's "Money Rates" table. The line of credit is secured by the same investment balances of the prior line of credit.

NOTE 7—PAYCHECK PROTECTION PROGRAM LOAN

On April 21, 2020, the Foundation received a \$288,785 loan under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and administered by the U.S. Small Business Administration (SBA).

THE SAND COUNTY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 7—PAYCHECK PROTECTION PROGRAM LOAN (continued)

On November 2, 2020, the SBA preliminarily approved forgiveness of the loan. The Foundation must retain PPP documentation in its files for six years after the date the loan is forgiven or repaid in full and permit authorized representatives of SBA to access such files upon request. SBA may review any loan at any time at its discretion. Therefore, SBA may review The Foundation's good-faith certification concerning the necessity of its loan request, whether the Foundation calculated the loan amount correctly, whether the Foundation used loan proceeds for the allowable uses specified in the CARES Act, and whether the Foundation is entitled to loan forgiveness in the amount claimed on its application. If SBA determines the Foundation was ineligible for the loan or for forgiveness in whole or in part, SBA will seek repayment of the outstanding loan balance.

NOTE 8—NET ASSETS

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

	<u>2020</u>	<u>2019</u>
Designated for Good Oak Endowment Fund	\$ 7,721,325	\$ 6,523,336
Coleman Family Fund	498,020	119,658
Haglund Ecology Fund	120,800	-
Undesignated	<u>(439,820)</u>	<u>(243,406)</u>
Net asset without donor restrictions	<u>\$ 7,900,325</u>	<u>\$ 6,399,588</u>

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

	<u>2020</u>	<u>2019</u>
Endowment for EarthWork	\$ 2,800,827	\$ 2,712,831
Agricultural Conservation	196,621	410,194
Conservation Policy and Influence	793,368	386,390
Leopold Conservation Award®	215,000	88,250
LCA Symposium	50,000	-
Subsequent years' activities	<u>74,000</u>	<u>103,000</u>
Net assets with donor restrictions	<u>\$ 4,129,816</u>	<u>\$ 3,700,665</u>

NOTE 9—DONATED SERVICES

For the years ended December 31, 2020 and 2019 the fair value of donated professional and contracted services of \$64,500 and \$66,781, respectively, were used in the Leopold Conservation Award program.

THE SAND COUNTY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 10—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:

2021	\$ 84,957
2022	71,384
2023	72,524
2024	12,119

Rent expense for the years ended December 31, 2020 and 2019 totaled \$85,925 and \$94,941, respectively, and is included in occupancy costs in the statements of functional expenses.

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:

	2020	2019
Cash	\$ 416,257	106,128
Unconditional promises to give, net	620,359	605,578
Accounts receivable	97,598	91,269
Investments	11,090,172	9,425,825
Financial assets, at year-end	12,224,386	10,228,800
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time and purpose restrictions	(4,129,816)	(3,700,665)
Board designations:		
Designated for the Good Oak Endowment Fund	(7,721,325)	(6,523,336)
Designated for the Coleman Family Fund	(498,020)	(119,658)
Designated for the Haglund Ecology Fund	(120,800)	-
Amounts budgeted for distributions from endowments	498,500	463,000
Financial assets available to meet cash needs for general expenditures within one year	\$ 252,925	\$ 348,141

The Foundation has budgeted a distribution of approximately \$498,500 and \$463,000 from its board-designated endowment for 2020 and 2019 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 \$200,000, which it could draw upon. Any board-designated net assets can be made available to meet operating needs if necessary.

THE SAND COUNTY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 12—RETIREMENT PLAN

The Foundation has a 401(K)-plan covering all employees who are at least eighteen years of age and have worked for The Foundation for one month. The Foundation contributes up to 4% of the participating employee's compensation. Employees are 100% vested in all contributions made on their behalf. Retirement expense for the years ended December 31, 2020 and 2019 was \$58,217 and \$21,310, respectively.

NOTE 13—COVID-19 CONSIDERATIONS

The Foundation's operations may be affected by the ongoing COVID-19 outbreak that was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption and effect on the Foundation's is uncertain; however, it may result in a material adverse impact on the Foundation's financial position, activities, and cash flows. Possible effects may include, but are not limited to, disruption to revenues, and cancellation of the 2021 programming.

NOTE 14—ENDOWMENT

The Foundation's endowment consists of two funds. The endowments include both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation is subject to Wisconsin's Uniform Prudent Management of Institutional Funds Act (UPMIFA) and thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of directors appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The board of directors of the Foundation has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor restricted endowment funds, the Foundation considers a fund to be underwater when the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the Foundation and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the investment policies of the Foundation.

THE SAND COUNTY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 14—ENDOWMENT (continued)

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).

Endowment net asset composition by type of fund as of December 31, 2020 and 2019 is as follows:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 7,721,325	\$ -	\$ 7,721,325
Donor-restricted endowment funds			
Original donor-restricted gift amount	-	2,000,000	2,000,000
Accumulated investment gains	-	800,827	800,827
Total funds	<u>\$ 7,721,325</u>	<u>\$ 2,800,827</u>	<u>\$ 10,522,152</u>
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 6,523,336	\$ -	\$ 6,523,336
Donor-restricted endowment funds			
Original donor-restricted gift amount	-	2,000,000	2,000,000
Accumulated investment gains	-	712,831	712,831
Total funds	<u>\$ 6,523,336</u>	<u>\$ 2,712,831</u>	<u>\$ 9,236,167</u>

THE SAND COUNTY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 14—ENDOWMENT (continued)

Changes in endowment net assets for the years ended December 31, 2020 and 2019, are as follows:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	\$ 6,523,336	\$ 2,712,831	\$ 9,236,167
Investment return, net	1,511,026	220,274	1,731,300
Amounts appropriated for expenditure	(313,037)	(132,278)	(445,315)
Endowment net assets at end of year	<u>\$ 7,721,325</u>	<u>\$ 2,800,827</u>	<u>\$ 10,522,152</u>
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	\$ 5,606,342	\$ 2,443,015	\$ 8,049,357
Investment return, net	1,253,620	514,996	1,768,616
Amounts appropriated for expenditure	(336,626)	(245,180)	(581,806)
Endowment net assets at end of year	<u>\$ 6,523,336</u>	<u>\$ 2,712,831</u>	<u>\$ 9,236,167</u>