



**THE SAND COUNTY
FOUNDATION, INC.**

FINANCIAL STATEMENTS

December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of The Sand County Foundation, Inc., which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Sand County Foundation, Inc. as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Sand County Foundation, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Adoption of New Accounting Guidance

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. 2016-02, Leases (Topic 842), and all subsequently issued clarifying ASUs and ASU No. 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, as of January 1, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Sand County Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement

when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Sand County Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Sand County Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Wegner CPAs, LLP
Madison, WI
July 20, 2023

THE SAND COUNTY FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 2,876,024	\$ 1,994,101
Accounts receivable	108,337	21,529
Unconditional promises to give	3,074,977	844,594
Prepaid expenses	<u>29,724</u>	<u>35,848</u>
Total current assets	6,089,062	2,896,072
OTHER ASSETS		
Furniture and equipment, net	1,428	3,143
Investments	10,175,029	12,583,491
Operating lease right-of-use asset	<u>453,427</u>	<u>-</u>
Total other assets	<u>10,629,884</u>	<u>12,586,634</u>
Total assets	<u><u>\$ 16,718,946</u></u>	<u><u>\$ 15,482,706</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 111,505	\$ 52,270
Grants payable	325,000	100,000
Accrued vacation and wages	252,958	200,131
Current portion of operating lease liability	<u>54,698</u>	<u>-</u>
Total current liabilities	744,161	352,401
NONCURRENT LIABILITES		
Operating lease liability, net of current portion	<u>409,573</u>	<u>-</u>
Total liabilities	1,153,734	352,401
NET ASSETS		
Without donor restrictions	5,780,190	8,745,653
With donor restrictions	<u>9,785,022</u>	<u>6,384,652</u>
Total net assets	<u>15,565,212</u>	<u>15,130,305</u>
Total liabilities and net assets	<u><u>\$ 16,718,946</u></u>	<u><u>\$ 15,482,706</u></u>

See accompanying notes.

THE SAND COUNTY FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2022 and 2021

	2022	2021
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES		
Contributions		
Foundation grants and other contributions	\$ 2,637,007	\$ 1,764,083
Government grants	715,831	540,150
Contributions of nonfinancial assets	139,600	76,402
Contracts and other revenue		
Program service fees	545,045	355,297
Investment return, net	(1,895,127)	740,826
Other	25,996	6,363
Total revenues without donor restrictions	2,168,352	3,483,121
EXPENSES		
Program services		
Leopold Conservation Award®	912,822	918,169
Agricultural Conservation	1,491,422	1,154,462
Conservation Policy and Influence	3,582,236	1,284,826
Total program services	5,986,480	3,357,457
Supporting activities		
Management and General	584,886	331,166
Fundraising	103,730	86,101
Total expenses	6,675,096	3,774,724
Net assets released from restrictions		
Satisfaction of program and time restrictions	1,541,281	1,136,931
Change in net assets without donor restrictions	(2,965,463)	845,328
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	5,453,322	3,197,010
Investment return, net	(511,671)	194,757
Net assets released from restrictions	(1,541,281)	(1,136,931)
Change in net assets with donor restrictions	3,400,370	2,254,836
Change in net assets	434,907	3,100,164
Net assets at beginning of year	15,130,305	12,030,141
Net assets at end of year	<u>\$ 15,565,212</u>	<u>\$ 15,130,305</u>

See accompanying notes.

THE SAND COUNTY FOUNDATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2022 and 2021

2022

	Program Services			Supporting Activities		Total Expenses
	Leopold Conservation Award®	Agricultural Conservation	Conservation Policy and Influence	Management and General	Fundraising	
Personnel	\$ 413,075	\$ 987,744	\$ 1,792,704	\$ 291,090	\$ 92,596	\$ 3,577,209
Professional and contract services	206,389	260,412	927,714	206,076	4,852	1,605,443
Travel and vehicle expense	31,407	56,725	100,073	21,483	866	210,554
Operations	40,152	47,240	83,927	3,982	4,589	179,890
Conference, training and meetings	34,519	30,538	9,349	21,094	-	95,500
Grants to others	183,290	94,756	618,800	-	-	896,846
Occupancy	2,022	7,097	30,380	20,855	419	60,773
Other	1,968	6,910	19,289	20,306	408	48,881
Total expenses	\$ 912,822	\$ 1,491,422	\$ 3,582,236	\$ 584,886	\$ 103,730	\$ 6,675,096

2021

	Program Services			Supporting Activities		Total Expenses
	Leopold Conservation Award®	Agricultural Conservation	Conservation Policy and Influence	Management and General	Fundraising	
Personnel	\$ 442,616	\$ 802,394	\$ 867,954	\$ 184,906	\$ 78,877	\$ 2,376,747
Professional and contract services	146,695	154,084	305,158	80,330	1,340	687,607
Travel and vehicle expense	34,226	24,831	6,931	5,320	-	71,308
Operations	31,987	48,404	29,899	6,059	3,362	119,711
Conference, training and meetings	65,767	20,524	870	5,323	-	92,484
Grants to others	182,722	77,423	16,000	-	-	276,145
Occupancy	8,133	15,883	46,203	3,397	1,449	75,065
Other	6,023	10,919	11,811	45,831	1,073	75,657
Total expenses	\$ 918,169	\$ 1,154,462	\$ 1,284,826	\$ 331,166	\$ 86,101	\$ 3,774,724

See accompanying notes.

THE SAND COUNTY FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 434,907	\$ 3,100,164
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	-	4,599
Net realized and unrealized (gains) losses on investments	2,583,642	(779,435)
Amortization of operating lease right-of-use asset	5,474	-
Contributions restricted for long-term purposes	-	(500,000)
(Increase) decreases in assets		
Accounts receivable	(86,808)	76,069
Unconditional promises to give	(2,230,383)	(228,834)
Prepaid expenses	6,124	(2,036)
Increase (decrease) in liabilities		
Accounts payable	59,235	(10,937)
Grants payable	225,000	70,000
Accrued vacation and wages	52,827	60,423
Operating lease liability	5,370	-
Net cash flows from operating activities	1,057,103	1,791,728
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(14,525)	(932,825)
Proceeds from sales of investments	-	369,141
Investment income retained in investments	(160,655)	(150,200)
Net cash flows from investing activities	(175,180)	(713,884)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for investment in permanent endowments	-	500,000
Proceeds from line of credit	-	200,000
Payments on line of credit	-	(200,000)
Net cash flows from financing activities	-	500,000
Net change in cash	881,923	1,577,844
Cash at beginning of year	1,994,101	416,257
Cash at end of year	<u>\$ 2,876,024</u>	<u>\$ 1,994,101</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ -	\$ 2,056

See accompanying notes.

THE SAND COUNTY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

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. The Foundation's primary sources of revenues are contributions, grants, program service fees, and investment returns.

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, 2022 and 2021, 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, 2022 and 2021

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.

Accounts receivable from program service contracts were as follows:

	<u>2022</u>	<u>2021</u>
Beginning of year	\$ 21,500	\$ 97,558
End of year	108,336	21,500

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.

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, 2022 and 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

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. The Foundation strives 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, greater access to safe drinking water supplies, and better use of data technology to achieve ecosystem restoration.

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 February 25, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2016-02, *Leases (Topic 842)*. The guidance in this Update and all subsequently issued clarifying Updates supersede the guidance in FASB Accounting Standards Codification (ASC) Topic 840, Leases, and creates FASB ASC Topic 842, Leases. The main

THE SAND COUNTY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

difference between previous guidance and Topic 842 is the recognition of assets and liabilities by lessees for those leases classified as operating leases. A lessee should recognize in the statements of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. Also, under Topic 842, disclosures are required by lessees and lessors to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from leases.

The Foundation adopted the requirements of Topic 842 as of January 1, 2022, using the optional transition method that allows the Foundation to initially apply the new guidance at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. The Foundation's reporting for the year ended December 31, 2021, is in accordance with the previous guidance in Topic 840.

The Foundation elected the package of practical expedients permitted under the transition guidance within Topic 842. This package allowed the Foundation to account for its leases that commenced before the adoption date without reassessing whether any expired or existing contracts are or contain leases, the lease classification for any expired or existing leases, and initial direct costs for any existing leases.

The adoption of Topic 842 did not have a material effect on the Foundation's change in net assets and cash flows.

On September 17, 2020, the Financial Accounting Standards Board issued Accounting Standards Update No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The intent of this Update is to improve transparency in the reporting of contributed nonfinancial assets (also known as gifts-in-kind) received by not-for-profit entities. The Update requires a not-for-profit entity to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. The Update also requires enhanced disclosures about the valuation of contributed nonfinancial assets and their use in programs and other activities, including any donor-imposed restrictions on such use. The Foundation adopted the requirements of this Update effective January 1, 2022. The changes required by this Update have been applied retrospectively to all periods presented.

Leases

The Foundation does not recognize short-term leases in the statement of financial position. For these leases, the Foundation recognizes the lease payments in the change in net assets on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred. The Foundation also does not separate nonlease components from lease components for all classes of underlying assets and instead accounts for each separate lease component and the nonlease components associated with that lease component as a single lease component. If the rate implicit in the lease is not readily determinable, the Foundation uses a risk-free rate as the discount rate for the lease for all classes of underlying assets.

THE SAND COUNTY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Date of Management’s Review

Management has evaluated subsequent events through July 20, 2023, 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. The Foundation utilizes a FDIC-insured sweep service that extends FDIC protection to the entirety of its checking account balances. It manages its cash balances so that funds are held in the checking account that use this service. At December 31, 2021, the Foundation’s uninsured cash balances totaled approximately \$1,695,000.

NOTE 3—CONDITIONAL PROMISES TO GIVE

The Foundation has several grants that are conditioned upon the Foundation incurring qualifying expenses under the grant programs. At December 31, 2022, these conditional grants total approximately \$1,900,000. 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:

	2022	2021
Cash	\$ 183,766	\$ 268,221
Exchange traded funds	1,471,597	1,627,604
Mutual funds	5,113,758	6,328,967
US Treasury note	138,672	-
Investment in limited partnership	3,197,236	4,288,699
C&H Investment Co., Inc. preferred stock	70,000	70,000
Investments	<u>\$ 10,175,029</u>	<u>\$ 12,583,491</u>

Fair values of exchange traded funds, mutual funds and US Treasury note 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 exchange traded funds and mutual funds held by the Foundation are considered to be actively traded. The fair value of the investment in the 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, 2022 and 2021

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:

	2022	2021
Interest and dividends	\$ 221,023	\$ 199,225
Investment fees	(44,179)	(43,077)
Realized and unrealized gains (losses)	(2,583,642)	779,435
Investment return, net	\$ (2,406,798)	\$ 935,583

NOTE 5—FURNITURE AND EQUIPMENT

Furniture and equipment consist of the following:

	2022	2021
Furniture and equipment	\$ 60,569	\$ 60,569
Less accumulated depreciation	59,141	57,426
Furniture and equipment, net	\$ 1,428	\$ 3,143

Depreciation expense for the years ended December 31, 2022 and 2021 was \$1,715 and \$1,715, respectively.

NOTE 6—LEASES

The Foundation leases office space in Madison, Wisconsin under an operating lease. This lease has term of 10 years through October 31, 2032. The Foundation also has a variable lease for parking space with the same term and expiration. In 2022, the Foundation had several temporary and short-term leases for office and storage space.

Supplemental cash flow and other information related to operating leases is as follows:

Right-of-use assets obtained in exchange for lease obligations	\$ 458,901
Weighted-average remaining lease term	9.83 years
Weighted-average discount rate	5.74%

THE SAND COUNTY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 6—LEASES (continued)

The components of lease expense included in occupancy costs in the statements of functional expenses for the year ended December 31, 2022 were as follows:

Operating lease expense	\$	10,844
Short-term lease expense		48,801
Variable lease expense		1,127
		1,127
Lease expense	\$	60,772

Rent expense for the year ended December 31, 2021 totaled \$75,066 is included in occupancy costs in the statements of functional expenses.

The maturities of operating lease liabilities as of December 31, 2022, are as follows:

2023	\$	54,698
2024		61,139
2025		62,667
2026		64,234
2027		65,840
Thereafter		342,054
		342,054
Total minimum lease payments		650,632
Less imputed interest		(186,361)
		464,271
Total lease liabilities	\$	464,271

NOTE 7—NET ASSETS

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

	2022	2021
Designated for Good Oak Endowment Fund	\$ 6,088,729	\$ 7,704,208
Coleman Family Fund	526,923	629,977
Haglund Ecology Fund	342,768	392,669
Undesignated	(1,178,230)	18,799
	\$ 5,780,190	\$ 8,745,653
Net asset without donor restrictions	\$ 5,780,190	\$ 8,745,653

THE SAND COUNTY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 7—NET ASSETS (continued)

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

	2022	2021
Endowment for EarthWork	\$ 2,846,482	\$ 3,358,153
Conservation Policy and Influence	6,497,237	2,466,288
Agricultural Conservation	371,981	430,364
Leopold Conservation Award®	111,982	126,847
Subsequent years' activities	-	3,000
	\$ 9,827,682	\$ 6,384,652

NOTE 8—LINE OF CREDIT

In February 2023 the Foundation secured a \$500,000 line of credit with a variable interest rate maturing on February 25, 2025. Advances on the line of credit carry an interest rate equal to the highest prime rate published in the Wall Street Journal's "Money Rates" table plus .75%. The line of credit is secured by investment balances. The Foundation had a variable interest margin line of credit with its bank that had a borrowing limit of \$200,000 and matured on February 25, 2023. Advances on the line of credit carried an interest rate equal to the highest prime rate published in the Wall Street Journal's "Money Rates" table plus .75%. 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, 2021 was \$2,056.

NOTE 9—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).

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.

THE SAND COUNTY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 10—LIQUIDITY AND AVAILABILITY

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

	2022	2021
Cash	\$ 2,876,024	\$ 1,994,101
Unconditional promises to give	3,074,977	844,594
Accounts receivable	108,337	21,529
Investments	10,175,029	12,583,491
Financial assets, at year-end	16,234,367	15,443,715
Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time and purpose restrictions	(9,827,682)	(6,345,652)
Board designations:		
Designated for the Good Oak Endowment Fund	(6,088,729)	(7,704,208)
Designated for the Coleman Family Fund	(526,923)	(629,977)
Designated for the Haglund Ecology Fund	(342,768)	(392,669)
Financial assets available to meet cash needs for general expenditures within one year	\$ (551,735)	\$ 371,209

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.

NOTE 11—CONTRIBUTED NONFINANCIAL ASSETS

Contributed nonfinancial assets recognized within the statements of activities include:

	2022	2021
Video production services	\$ 132,600	\$ 76,402
Temporary office space	7,000	-
	\$ 139,600	\$ 76,402

Donated video production services were used in the Leopold Conservation Award program. Temporary office space was used in operations and allocated with similar indirect costs included in occupancy costs in the statements of functional expenses. Contributed nonfinancial assets are without donor restrictions. The fair value of the contributed temporary office space was estimated on the basis of comparable prices in the geographical area. The fair value of the video production services is calculated by the fair market value of purchasing similar production services.

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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, 2022 and 2021 was \$88,238 and \$65,095, respectively.

NOTE 13—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 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).

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NOTE 13—ENDOWMENT (continued)

Endowment net asset composition by type of fund as of December 31, 2022 and 2021 is as follows:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 6,088,729	\$ -	\$ 6,088,729
Donor-restricted endowment funds			
Original donor-restricted gift amount	-	2,500,000	2,500,000
Accumulated investment gains	-	346,482	346,482
	<u>\$ 6,088,729</u>	<u>\$ 2,846,482</u>	<u>\$ 8,935,211</u>

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 7,704,208	\$ -	\$ 7,704,208
Donor-restricted endowment funds			
Original donor-restricted gift amount	-	2,500,000	2,500,000
Accumulated investment gains	-	858,153	858,153
	<u>\$ 7,704,208</u>	<u>\$ 3,358,153</u>	<u>\$ 11,062,361</u>

Changes in endowment net assets as of December 31, 2022 and 2021, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - at January 1, 2021	\$ 7,281,505	\$ 2,800,827	\$ 10,082,332
Contributions	-	500,000	500,000
Investment return, net	644,850	194,757	839,607
Appropriation for expenditure	(222,147)	(137,431)	(359,578)
	<u>7,704,208</u>	<u>3,358,153</u>	<u>11,062,361</u>
Endowment net assets - at December 31, 2021	7,704,208	3,358,153	11,062,361
Investment return, net	(1,615,479)	(511,671)	(2,127,150)
	<u>6,088,729</u>	<u>2,846,482</u>	<u>8,935,211</u>
Endowment net assets - at December 31, 2022	<u>\$ 6,088,729</u>	<u>\$ 2,846,482</u>	<u>\$ 8,935,211</u>