

ALDO LEOPOLD FOUNDATION, INC.

FINANCIAL STATEMENTS

September 30, 2011 and 2010

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Aldo Leopold Foundation, Inc.
Baraboo, Wisconsin

We have audited the accompanying statements of financial position of Aldo Leopold Foundation, Inc. as of September 30, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aldo Leopold Foundation, Inc. as of September 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Wegner CPAs, LLP

Wegner CPAs, LLP
Madison, Wisconsin
January 18, 2012

Janesville Office:
3000 Milton Avenue
Suite 107
P.O. Box 2260
Janesville, WI 53547
P: (608) 756-4020

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

Pewaukee Office:
W239 N3490 Pewaukee Road
Suite 200
Pewaukee, WI 53072
P: (262) 522-7555
F: (262) 522-7550

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

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

ALDO LEOPOLD FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
September 30, 2011 and 2010

ASSETS	<u>2011</u>	<u>2010</u>
CURRENT ASSETS		
Cash	\$ 223,711	\$ 213,410
Accounts receivable	74,510	34,167
Promises to give	11,700	70,350
Prepaid expenses	5,811	6,322
Inventory	<u>79,615</u>	<u>74,719</u>
Total current assets	395,347	398,968
PROPERTY AND EQUIPMENT		
Property and equipment - net	5,462,580	5,166,293
OTHER ASSETS		
Long term promises to give - net	2,783	5,444
Royalty agreements - net	24,000	26,000
Trademarks - net	5,451	7,067
Investments	207,166	257,776
Endowment investments	1,301,581	1,321,324
Green Fire film production - net	465,002	386,797
Beneficial interest in assets held by MCF	41,454	45,302
Beneficial interest in remainder trust	<u>475,895</u>	<u>531,038</u>
Total assets	<u>\$ 8,381,259</u>	<u>\$ 8,146,009</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 21,801	\$ 59,704
Accrued expenses payable	24,864	22,345
Current portion of gift annuities payable	6,300	6,300
Deferred revenue	5,681	-
Line of credit	<u>334,866</u>	<u>381,349</u>
Total current liabilities	393,512	469,698
LONG-TERM LIABILITIES		
Gift annuities payable less current portion	<u>45,549</u>	<u>47,396</u>
Total liabilities	439,061	517,094
NET ASSETS		
Unrestricted	6,130,022	5,461,217
Temporarily restricted	747,767	1,103,289
Permanently restricted	<u>1,064,409</u>	<u>1,064,409</u>
Total net assets	<u>7,942,198</u>	<u>7,628,915</u>
Total liabilities and net assets	<u>\$ 8,381,259</u>	<u>\$ 8,146,009</u>

See accompanying notes.

ALDO LEOPOLD FOUNDATION, INC.
STATEMENT OF ACTIVITIES
Year ended September 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Individual donations	\$ 816,500	\$ 700	\$ -	\$ 817,200
Foundation grants	232,585	20,000	-	252,585
Merchandise	68,670	-	-	68,670
Royalties and permissions	34,321	-	-	34,321
Green Fire premiere and tickets sales	71,317	-	-	71,317
Government grants	155,247	-	-	155,247
Corporate donations	30,264	-	-	30,264
Investment return	12,590	36,257	-	48,847
Tours, presentations and workshops	43,122	-	-	43,122
Change in beneficial interest in remainder trust	(4,453)	(55,143)	-	(59,596)
Donated services and materials	31,028	-	-	31,028
Rent income	4,390	-	-	4,390
Other income	23,113	-	-	23,113
Total support and revenue	1,518,694	1,814	-	1,520,508
EXPENSES				
Program service	845,690	-	-	845,690
Supporting activities				
Management and general	261,189	-	-	261,189
Fundraising	100,346	-	-	100,346
Total expenses	1,207,225	-	-	1,207,225
Net assets released from restrictions	357,336	(357,336)	-	-
Change in net assets	668,805	(355,522)	-	313,283
Net assets - beginning of year	5,461,217	1,103,289	1,064,409	7,628,915
Net assets - end of year	\$ 6,130,022	\$ 747,767	\$ 1,064,409	\$ 7,942,198

See accompanying notes.

ALDO LEOPOLD FOUNDATION, INC.
STATEMENT OF ACTIVITIES
Year ended September 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Individual donations	\$ 748,926	\$ 6,000	\$ -	\$ 754,926
Foundation grants	295,430	-	-	295,430
Merchandise	37,919	-	-	37,919
Royalties and permissions	31,029	-	-	31,029
Government grants	85,910	-	-	85,910
Corporate donations	28,605	-	-	28,605
Investment return	31,874	79,343	-	111,217
Tours, presentations and workshops	45,109	-	-	45,109
Change in beneficial interest in remainder trust	(4,467)	(136,979)	-	(141,446)
Donated services and materials	12,430	-	-	12,430
Rent income	5,757	-	-	5,757
Agency endowment return - MCF	2,345	-	-	2,345
Other income	16,536	-	-	16,536
Total support and revenue	1,337,403	(51,636)	-	1,285,767
Gain on sale of property	600,778	-	-	600,778
Total support, revenue and gains	1,938,181	(51,636)	-	1,886,545
EXPENSES				
Program service	717,347	-	-	717,347
Supporting activities				
Management and general	232,197	-	-	232,197
Fundraising	111,439	-	-	111,439
Total expenses	1,060,983	-	-	1,060,983
Net assets released from restrictions	136,592	(136,592)	-	-
Change in net assets	1,013,790	(188,228)	-	825,562
Net assets - beginning of year	4,447,427	1,291,517	1,064,409	6,803,353
Net assets - end of year	\$ 5,461,217	\$ 1,103,289	\$ 1,064,409	\$ 7,628,915

See accompanying notes.

ALDO LEOPOLD FOUNDATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years ended September 30, 2011 and 2010

2011	Program Service	Management and General	Fundraising	Total
Personnel	\$ 314,008	\$ 113,047	\$ 63,808	\$ 490,863
Overhead (rent/office supply)	35,570	3,457	6,040	45,067
Printing and publications	40,386	321	6,348	47,055
Travel	36,242	-	1,025	37,267
Supplies	24,791	6,607	1,536	32,934
Equipment	12,875	9,243	751	22,869
Insurance	22,070	3,907	638	26,615
Conferences and meetings	31,567	521	905	32,993
Memberships/donations	642	100	70	812
Property taxes	10,166	24,544	21	34,731
Board meeting expense	-	13,517	-	13,517
Building maintenance	1,575	14,786	-	16,361
Licenses/fees/bank charges	15,321	14,859	4,993	35,173
Contracted services	84,492	3,360	13,958	101,810
Professional services	-	19,975	-	19,975
Book and publication expense	21,101	-	-	21,101
Miscellaneous	15,698	45	253	15,996
Interest expense	16,243	4,581	-	20,824
Depreciation and amortization	160,478	28,319	-	188,797
Grant expenses	2,465	-	-	2,465
Total expenses	\$ 845,690	\$ 261,189	\$ 100,346	\$ 1,207,225
2010	Program Service	Management and General	Fundraising	Total
Personnel	\$ 278,983	\$ 106,206	\$ 73,280	\$ 458,469
Overhead (rent/office supply)	24,338	2,645	6,765	33,748
Printing and publications	22,334	336	2,687	25,357
Travel	10,404	1,027	1,855	13,286
Supplies	21,540	1,366	897	23,803
Equipment	7,463	3,176	1,329	11,968
Insurance	15,725	11,674	452	27,851
Conferences and meetings	15,481	237	364	16,082
Memberships/donations	555	150	371	1,076
Property taxes	25,391	25,353	-	50,744
Board meeting expense	-	5,874	-	5,874
Building maintenance	381	4,747	-	5,128
Licenses/fees/bank charges	1,725	12,164	14,987	28,876
Contracted services	67,286	6,710	2,901	76,897
Professional services	5,100	15,240	-	20,340
Book and publication expense	44,023	-	-	44,023
Miscellaneous	5,853	-	5,551	11,404
Interest expense	32,693	9,221	-	41,914
Depreciation and amortization	137,940	26,071	-	164,011
Grant expenses	132	-	-	132
Total expenses	\$ 717,347	\$ 232,197	\$ 111,439	\$ 1,060,983

See accompanying notes.

ALDO LEOPOLD FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
Years ended September 30, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 313,283	\$ 825,562
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	188,796	164,011
Gain on sale of property	-	(600,778)
Realized gain on investments	(75,856)	(96,264)
Unrealized loss on investments	64,827	21,483
Change in beneficial interest in remainder trust	55,143	136,979
Noncash contributions	(4,500)	-
(Increase) decrease in assets		
Accounts receivable	(40,343)	60,561
Promises to give	61,311	75,087
Prepaid expenses	511	11,326
Inventory	(4,896)	(2,305)
Increase (decrease) in liabilities		
Accounts payable	(37,903)	(16,311)
Accrued expenses payable	2,519	13,258
Deferred revenue	5,681	-
Gift annuities payable	(1,847)	(1,833)
Net cash flows from operating activities	526,726	590,776
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(455,339)	(1,625)
Proceeds from sale of property	-	776,546
Proceeds from sale of investments	3,030,118	1,944,400
Purchase of investments	(2,948,736)	(1,960,461)
Purchases for Green Fire film production	(99,833)	(87,440)
Investment return retained in agency endowment	1,257	(2,344)
Distribution received from agency endowment	2,591	2,685
Net cash flows from investing activities	(469,942)	671,761
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on mortgage payable	-	(1,000,000)
Payments on line of credit	(46,483)	(290,053)
Payments on capital lease obligation	-	(5,533)
Net cash flows from financing activities	(46,483)	(1,295,586)
Net change in cash	10,301	(33,049)
Cash - beginning of year	213,410	246,459
Cash - end of year	\$ 223,711	\$ 213,410
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 20,824	\$ 41,914

See accompanying notes.

ALDO LEOPOLD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2011 and 2010

Aldo Leopold Foundation, Inc. (Foundation) is a non-profit foundation created in 1982 by the family of Aldo Leopold to encourage and promote a deep respect and appreciation for the land and all its wild inhabitants through preservation of wild lands, education and training, scientific research, and restoration of native landscapes. The Foundation supports professional events and writing about Leopold and the land ethic, and has promoted the translation and printing of *A Sand County Almanac* into several languages. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

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

Permanently restricted net assets—Net assets endowed by donors to be maintained by the Foundation in perpetuity and of which the Foundation may only expend the investment return.

Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates

Receivables

The Foundation considers all receivables to be fully collectible. Accordingly, no allowance for doubtful accounts is presented. If amounts become uncollectible, they will be charged to operations when that determination is made.

Promises to Give

Unconditional promises to give are recognized as support or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Uncollectible promises are written off after management has used reasonable collection efforts and determine the promises will not be collected.

Inventory

Inventory consists of books, prints, and musical compact discs and are stated at the lower of cost or market.

ALDO LEOPOLD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2011 and 2010

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and equipment items in excess of \$2,000 are recorded at cost or if donated, as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets.

Investments

Investments in marketable securities with readily determinable fair values are stated 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.

Contributions

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Expense Allocation

The costs of the Foundation's program service of education and land stewardship, which is based on the Land Ethic represented by the life and legacy of Aldo Leopold, have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program service and supporting activities benefited. The following describes the activities included in the Foundation's program service of education and land stewardship:

Stewardship – The Foundation owns and manages the original Aldo Leopold Shack and 300 surrounding acres, in addition to several other parcels, and also manages much of the remainder of the 1,800 acre Leopold Memorial Reserve. Land stewardship initiatives demonstrate activities and practices that promote and encourage ecological and ethical use of private and public land and an understanding of the total land community.

Education – As the primary advocate and interpreter of the Leopold legacy, the Foundation serves nearly 10,000 visitors on-site each year, in addition to many thousands more through our website, newsletter, and outreach programming. As the primary advocate and interpreter of the Leopold legacy, the foundation serves as the executor of Leopold's literary estate, encourages scholarship on Leopold, and serves as a clearinghouse for information regarding Leopold, his work and his ideas.

"Green Fire" film – The Foundation has recently completed production of the first-ever high-quality documentary film on the life and legacy of Aldo Leopold. Entitled "Green Fire" the film was premiered in Albuquerque, New Mexico in February 2011 and we anticipate national broadcast on public television during 2012. The film has helped the Foundation to reach new audiences nationally and internationally and has also expanded our support base.

ALDO LEOPOLD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2011 and 2010

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Aldo Leopold Legacy Center – The Foundation’s headquarters are located in the Leopold Legacy Center, located less than one mile from the Leopold Shack. Opened in 2007, the Leopold Legacy Center was built using pines the Leopold family planted in the 1930s and ‘40s and implements a wide spectrum of green building techniques and technologies.

Management and General – Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination of the Foundation’s program strategy and manage the financial and budgetary responsibilities.

Fundraising – Fundraising expenses provide the structure necessary to encourage and secure private financial support from individuals, foundations and corporations.

Income Tax Status

The Foundation is a not-for-profit organization exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code, which in the past had been classified as a private operating foundation under Section 4942(j)(3). During 2004, the Foundation applied for and was granted an advance ruling that it is a public charity under Section 509(a)(1). The Foundation is also exempt from Wisconsin income and franchise taxes.

The Foundation’s federal exempt organization information is subject to examination by the Internal Revenue Service, generally for three years after they are filed. With few exceptions, the Foundation is no longer subject to such examinations for tax years before 2008.

Reclassifications

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

Date of Management’s Review

Management has evaluated subsequent events through January 18, 2012, the date which the financial statements were available to be issued.

NOTE 2 – PROMISES TO GIVE

Promises to give consisted of the following at September 30, 2011 and 2010:

	2011	2010
Receivable in less than one year	\$ 11,700	\$ 70,350
Receivables in one to five years	2,997	5,850
Less discount to net present value	<u>(214)</u>	<u>(406)</u>
Promises to give - net	<u>\$ 14,483</u>	<u>\$ 75,794</u>

Promises to give receivable in more than one year are discounted at 2.5%.

ALDO LEOPOLD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2011 and 2010

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment at September 30, 2011 and 2010 consisted of the following:

	2011	2010
Land	\$ 607,394	\$ 434,674
Land improvements	30,810	30,810
Buildings	5,244,182	4,961,563
Equipment	292,482	296,752
Construction in Progress	25,700	25,700
Property and equipment	6,200,568	5,749,499
Less accumulated depreciation	737,988	583,206
Property and equipment - net	\$ 5,462,580	\$ 5,166,293

Depreciation expense for the years ended was \$185,180 and \$160,395 at September 30, 2011 and 2010.

In 2004 the Foundation purchased the Bradley Study Center under a life residency agreement that provides housing for a permanent director on the board of directors until she is no longer able to be the occupant. The Bradley Study Center was purchased at a cost of \$225,925. The permanent director passed away on May 3, 2011, at which time the Bradley Study Center was placed in service by the Foundation. The building has been included in property and equipment - net on the statements of financial position.

On November 4, 2009, the Foundation accepted an "Option to Purchase" from the Wisconsin Department of Natural Resources for the Potter Property at a sales price of \$776,000. The closing date was December 30, 2009. The Foundation realized a gain of \$600,778 on the sale in the year ended September 30, 2010.

NOTE 4 – ROYALTY AGREEMENTS

In 1983, the Aldo Leopold Sand County Trust donated the rights to several royalty agreements for Aldo Leopold's books, including *A Sand County Almanac*, to the Foundation. The royalty agreements were valued at \$80,000 on the date of donation. The royalty agreements are being amortized using the straight-line method over a 40-year period. At September 30, 2011 and 2010 accumulated amortization was \$56,000 and \$54,000. Amortization expense for the years ended September 30, 2011 and 2010 was \$2,000 each year. Amortization expense for the next five years is \$2,000.

NOTE 5 – TRADEMARKS

The Foundation was granted a trademark during the year ended September 30, 2006. The trademarks capitalized totals \$16,159 at September 30, 2011 and 2010. The trademarks are being amortized using the straight-line method over the estimated useful lives. Accumulated amortization was \$10,708 and \$9,092 at September 30, 2011 and 2010. Amortization expense for the years ended September 30, 2011 and 2010 was \$1,616. Amortization expense for the next three years is \$1,616 and \$603 in the fourth year.

ALDO LEOPOLD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2011 and 2010

NOTE 6 – INVESTMENTS

Investments and endowment investments consisted of the following at September 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Cash and equivalents	\$ 155,182	\$ 100,674
Bonds	333,501	30,520
Mutual funds	1,018,034	1,446,661
Stocks	<u>2,030</u>	<u>1,245</u>
	<u>\$ 1,508,747</u>	<u>\$ 1,579,100</u>

Investment return for the years ended September 30, 2011 and 2010 consisted of the following:

	<u>2011</u>	<u>2010</u>
Interest and dividends	\$ 39,075	\$ 34,092
Realized gain on investments	75,856	96,264
Unrealized loss on investments	(64,827)	(21,483)
Agency endowment	<u>(1,257)</u>	<u>2,344</u>
Investment return	<u>\$ 48,847</u>	<u>\$ 111,217</u>

NOTE 7 – GREEN FIRE FILM PRODUCTION

The Foundation released the film *Green Fire* on February 15, 2011. The production costs capitalized total \$486,630 at September 30, 2011. The production costs are being amortized using the straight-line method over the estimated useful life. Accumulated amortization was \$21,628 at September 30, 2011. Amortization expense for the year ended September 30, 2011 was \$21,628. Amortization expense for the next year is \$32,443.

NOTE 8 – AGENCY ENDOWMENT

The Foundation established an agency endowment at Madison Community Foundation (MCF). The Foundation recognizes the fair value of contributions as support when received and recognizes transfers as a decrease in cash and an increase in the asset, beneficial interest in assets held by MCF when the funds are transferred to MCF. The Foundation acknowledges that by virtue of the governing instrument of MCF, the Board of Governors of MCF has the authority to modify any restriction or condition on the distribution of assets from the Fund if, in the reasonable judgment of the Board of Governors, such restriction or condition becomes unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community served by MCF. MCF maintains legal ownership of the Foundation's Fund. MCF normally distributes a percentage of the Fund to the Foundation at least annually. The purpose of the distributions is to enable the Foundation to carry out its charitable and exempt purposes.

ALDO LEOPOLD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2011 and 2010

NOTE 8 – AGENCY ENDOWMENT (continued)

The activity in the Fund for the years ended September 30, 2011 and 2010 is as follows:

	2011	2010
Beginning balance October 1	\$ 45,302	\$ 45,643
Interest and dividends	658	677
Realized loss	(270)	(1,750)
Unrealized gain (loss)	(1,103)	3,940
Fees	(542)	(523)
Distributions	(2,591)	(2,685)
Ending balance September 30	\$ 41,454	\$ 45,302

NOTE 9 – CHARITABLE REMAINDER UNITRUST

In December 2006, a donor established a charitable remainder unitrust naming the Foundation as the beneficiary. At the time of the donor's death, the unitrust is to terminate and remaining trust assets are to be distributed to the beneficiary. Based on donor life expectancy and the use of a 3.5% discount rate, the present value of future benefits expected to be received by the Foundation was estimated to be \$475,895 and \$531,038, which was reported for the years ended September 30, 2011 and 2010 as a beneficial interest in remainder trust.

NOTE 10 – CHARITABLE GIFT ANNUITY

During January 2007 and 2008, the Foundation entered into two gift annuity agreements. In 2009, the income from one of the agreements was irrevocably assigned to the Foundation and the present value of the annuity of \$53,412 was recorded as contribution revenue in the statement of activities. In consideration of the \$100,000 charitable gift by the remaining donor, the Foundation shall pay an annual annuity of \$6,300 from the date of the agreement. The annuity shall be paid in quarterly installments of \$1,575 which began on April 25, 2007. Based on the donors' life expectancy and the use of a 5.6% discount rate the present values of the gift annuity payable was estimated at \$51,849 and \$53,696, and was recorded as a liability in the statements of financial position at September 30, 2011 and 2010.

NOTE 11 – LINE OF CREDIT

During the year ended September 30, 2011 the Foundation renewed the revolving line credit agreement for \$1,000,000. Interest payments began October 8, 2011. The agreement carries a fixed interest rate of 5% per year. The loan, of which \$334,866 and \$381,349 was outstanding at September 30, 2011 and 2010, terminates on September 8, 2012 and is secured by real estate located at E13701 Levee Road, Baraboo, Wisconsin.

ALDO LEOPOLD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2011 and 2010

NOTE 12 – LEASE COMMITMENTS

The Foundation leases land from the Sand County Foundation for \$1,000 per year, which expires on March 31, 2019 with options to extend the lease term to March 31, 2054. Future minimum lease payments are \$1,000 per year. Rent expense for the years ended September 30, 2011 and 2010 was \$1,000.

The Foundation had non-concurrent leases on two vehicles; one lease, with monthly payments of \$436, ended in February 2011 and the second lease, with monthly payments of \$336, began in April 2011 and expires in March 2014. Lease payments were \$4,198 and \$5,234 for the years ended September 30, 2011 and 2010. The future lease commitments for the vehicle are \$4,034 for 2012 and 2013 and \$2,017 for 2014.

The Foundation entered into a capital lease agreement dated May 2007 for the purchase of a phone system for \$28,689. The lease required 36 monthly payments of \$692, plus applicable taxes. Originally, the lease agreement contained a bargain purchase option at the end of the lease term for \$1 but Cisco did not require this final payment. As of September 30, 2010, the phone system lease was paid and the Foundation now owns it. Amortization of assets held under the capital lease was included with depreciation expense.

NOTE 13 – LETTER OF CREDIT

The Foundation has elected the reimbursement method to finance the cost of Wisconsin unemployment compensation benefits. Under this method, the Foundation must reimburse the Wisconsin Department of Workforce Development (Department) for 100% of the unemployment benefits charged to its account. Unemployment compensation expense is charged to operations when paid or when the claims can be reasonably estimated. In order to guarantee payment of eligible benefits, the Foundation must file assurance of reimbursement with the Department. The Foundation renewed an Irrevocable Letter of Credit with the Baraboo National Bank on December 16, 2011 for \$10,000, which matures on December 31, 2012.

NOTE 14 – DONATED SERVICES AND MATERIALS

Donated services and materials received have been reflected in the financial statements at their estimated fair value. The donated services and materials recorded in the financial statements for the years ended September 30, 2011 and 2010 consisted of the following:

	2011	2010
Contracted services	\$ 12,222	\$ 5,612
Supplies	-	6,818
Licenses and fees	3,350	-
Equipment	11,115	-
Advertising	854	-
Conferences and meeting expense	3,487	-
Donated services and materials	\$ 31,028	\$ 12,430

ALDO LEOPOLD FOUNDATION, INC.
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NOTE 15 – NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2011</u>	<u>2010</u>
Land Ethic promises to give	\$ 1,050	\$ 58,550
Land Stewardship	20,000	39,136
Legacy Circle promises to give	1,000	2,000
Green Fire promises to give	12,650	15,650
Endowment earnings	237,172	256,915
Land acquisition	-	200,000
Beneficial interest in remainder trust	475,895	531,038
	<u>\$ 747,767</u>	<u>\$ 1,103,289</u>

The Foundation's board of directors has chosen to place the following limitations on unrestricted net assets:

	<u>2011</u>	<u>2010</u>
Undesignated	\$ 6,088,568	\$ 5,415,915
Designated for agency endowment purposes	41,454	45,302
	<u>\$ 6,130,022</u>	<u>\$ 5,461,217</u>

NOTE 16 – ENDOWMENTS

The Foundation's endowment consists of investments to support the key assets of the Foundation from the earnings in which it creates. The permanently restricted principal is listed as endowment investments on the statements of financial position. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net asset composition by type of net assets as of September 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 237,172	\$ 1,064,409	\$ 1,301,581
Board-designated endowment funds	41,454	-	-	41,454
	<u>\$ 41,454</u>	<u>\$ 237,172</u>	<u>\$ 1,064,409</u>	<u>\$ 1,343,035</u>

ALDO LEOPOLD FOUNDATION, INC.
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NOTE 16 – ENDOWMENTS (continued)

Endowment net asset composition by type of net assets as of September 30, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 256,915	\$ 1,064,409	\$ 1,321,324
Board-designated endowment funds	<u>45,302</u>	<u>-</u>	<u>-</u>	<u>45,302</u>
	<u>\$ 45,302</u>	<u>\$ 256,915</u>	<u>\$ 1,064,409</u>	<u>\$ 1,366,626</u>

Interpretation of Relevant Law

The State of Wisconsin enacted UPMIFA effective July 20, 2009, the provisions of which apply to endowment funds existing on or established after that date. The Board of Directors of the Foundation has interpreted Wisconsin's enacted version of UPMIFA as requiring the preservation of the historic dollar value of the original gift plus any subsequent gifts of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. In accordance with Wisconsin's enacted version of UPMIFA, the Foundation expects it will need to consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 Foundation's investment policies.

Return Objectives and Risk Parameters

The Foundation has adopted an investment policy for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The primary asset allocation decision, the split between equity and fixed income securities, will be examined if the allocation is plus or minus 5% from target (i.e. 65/35 going to 60/40) for possible rebalancing to target based on current research and analysis. The ongoing percentage allocation to each sub-asset class may vary within the established range depending upon market conditions.

Strategies Employed for Achieving Objectives

Achieving a return objective of a 9% annual average return on investments requires a substantial commitment to inherently risky equity assets. The Foundation attempts to minimize risk through diversification by limiting the amount of any one investment to no more than 5% of the total market value of the portfolio, with the exception of issues in the U.S. Government and related agencies, insured certificates of deposit and mutual funds. The annual spending rate will be 4% of the fair market value of the portfolio, based on the average of the preceding twelve quarters.

ALDO LEOPOLD FOUNDATION, INC.
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NOTE 16 – ENDOWMENTS (continued)

Changes in endowment net assets for the years ended September 30, 2011 and 2010 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - at September 30, 2009	\$ 45,643	\$ 177,572	\$ 1,064,409	\$ 1,287,624
Investment income	154	20,054	-	20,208
Net appreciation(depreciation)	2,190	59,289	-	61,479
Appropriation for expenditures	(2,685)	-	-	(2,685)
Endowment net assets - at September 30, 2010	45,302	256,915	1,064,409	1,366,626
Investment income	116	19,947	-	20,063
Net appreciation(depreciation)	(1,373)	16,310	-	14,937
Appropriation for expenditures	(2,591)	(56,000)	-	(58,591)
Endowment net assets - at September 30, 2011	<u>\$ 41,454</u>	<u>\$ 237,172</u>	<u>\$ 1,064,409</u>	<u>\$ 1,343,035</u>

NOTE 17 – FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at September 30, 2011 are as follows:

	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 155,182	\$ 155,182	\$ -	\$ -
Stocks	2,030	2,030	-	-
Bonds	333,501	-	333,501	-
Mutual funds	1,018,034	1,018,034	-	-
Beneficial interest in assets held by MCF	41,454	-	-	41,454
Beneficial interest in remainder trust	475,895	-	-	475,895
Total	<u>\$ 2,026,096</u>	<u>\$ 1,175,246</u>	<u>\$ 333,501</u>	<u>\$ 517,349</u>

ALDO LEOPOLD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 17 – FAIR VALUE MEASUREMENTS (continued)

Fair values of assets measured on a recurring basis at September 30, 2010 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Cash and cash equivalents	\$ 100,674	\$ 100,674	\$ -	\$ -
Stocks	1,245	1,245	-	-
Bonds	30,520	-	30,520	-
Mutual funds	1,446,661	1,446,661	-	-
Beneficial interest in assets held by MCF	45,302	-	-	45,302
Beneficial interest in remainder trust	<u>531,038</u>	<u>-</u>	<u>-</u>	<u>531,038</u>
Total	<u>\$ 2,155,440</u>	<u>\$ 1,548,580</u>	<u>\$ 30,520</u>	<u>\$ 576,340</u>

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions. The Foundation's beneficial interest in assets held by Madison Community Foundation is not actively traded and significant other observable inputs are not available. Thus, the fair value of the beneficial interest is measured at the proportional share of the underlying assets as report to the Foundation. Little information about those assets is released publicly. The estimated value does not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined.

Fair value for the contribution receivable from a beneficial interest in a charitable remainder trust is determined by calculating the present value of the future distributions expected to be received, using published life expectancy tables and a 3.5% discount rate.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs):

Beneficial interest in remainder trust:

	<u>2011</u>	<u>2010</u>
Beginning balance October 1	\$ 531,038	\$ 668,017
Change in value in split-interest agreement	(55,143)	(136,979)
Payment from charitable remainder trust	<u>-</u>	<u>-</u>
Ending balance September 30	<u>\$ 475,895</u>	<u>\$ 531,038</u>

ALDO LEOPOLD FOUNDATION, INC.
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September 30, 2011 and 2010

NOTE 17 – FAIR VALUE MEASUREMENTS (continued)

Beneficial interest in assets held by Madison Community Foundation:

	<u>2011</u>	<u>2010</u>
Beginning balance October 1	\$ 45,302	\$ 45,643
Change in value of beneficial interest included in change in net assets	(1,257)	2,344
Purchases, sales, issuances, and settlements	<u>(2,591)</u>	<u>(2,685)</u>
Ending balance September 30	<u>\$ 41,454</u>	<u>\$ 45,302</u>

The change in value of the beneficial interest in assets held by Madison Community Foundation included the change in net assets is reported as part of investment return on the statements of activities.