



**ALDO LEOPOLD FOUNDATION, INC.**

FINANCIAL STATEMENTS

September 30, 2013 and 2012

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Wegner CPAs

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Aldo Leopold Foundation, Inc., which comprise the statements of financial position as of September 30, 2013 and 2012, and the related statements of activities, functional expense, and cash flows for the fiscal 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 Aldo Leopold Foundation, Inc. as of September 30, 2013 and 2012, and the changes in its net assets and its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

*Wegner CPAs, LLP*

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December 16, 2013

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**ALDO LEOPOLD FOUNDATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 51,364	\$ 201,178
Accounts receivable	60,007	35,830
Promises to give	31,785	36,350
Prepaid expenses	5,989	6,227
Inventory	<u>100,553</u>	<u>77,143</u>
Total current assets	249,698	356,728
Property and equipment - net	6,208,149	5,856,798
<b>OTHER ASSETS</b>		
Long term promises to give - net	62,442	89,346
Royalty agreements - net	20,000	22,000
Trademarks - net	2,219	3,835
Green Fire film production - net	441,786	477,315
Investments	2,874	2,419
Endowment investments	1,603,893	1,410,962
Beneficial interest in remainder trust	579,435	569,310
Beneficial interest in assets held by MCF	<u>45,115</u>	<u>43,445</u>
<b>Total assets</b>	<u><u>\$ 9,215,611</u></u>	<u><u>\$ 8,832,158</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 40,674	\$ 9,302
Accrued expenses	29,916	27,543
Deferred revenue	4,657	-
Line of credit	<u>309,037</u>	<u>173,036</u>
Total liabilities	384,284	209,881
<b>NET ASSETS</b>		
Unrestricted	6,500,074	6,464,455
Temporarily restricted	1,180,844	1,068,413
Permanently restricted	<u>1,150,409</u>	<u>1,089,409</u>
Total net assets	<u>8,831,327</u>	<u>8,622,277</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 9,215,611</u></u>	<u><u>\$ 8,832,158</u></u>

See accompanying notes.

**ALDO LEOPOLD FOUNDATION, INC.**  
**STATEMENT OF ACTIVITIES**  
Fiscal year ended September 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND REVENUE</b>				
Individual donations	\$ 263,457	\$ 7,037	\$ 61,000	\$ 331,494
Foundation grants	215,672	5,281	-	220,953
Merchandise	90,219	-	-	90,219
Royalties and permissions	36,969	-	-	36,969
Green Fire screenings and sales	34,120	-	-	34,120
Government grants	561,958	-	-	561,958
Corporate donations	56,370	-	-	56,370
Investment return	4,545	204,187	-	208,732
Tours, presentations and workshops	40,713	-	-	40,713
Change in beneficial interest in remainder trust	-	10,125	-	10,125
Donated services and materials	38,209	-	-	38,209
Rent income	4,868	-	-	4,868
Other income	17,326	-	-	17,326
	<u>1,364,426</u>	<u>226,630</u>	<u>61,000</u>	<u>1,652,056</u>
<b>Total support and revenue</b>				
	1,364,426	226,630	61,000	1,652,056
<b>EXPENSES</b>				
Program service	1,037,205	-	-	1,037,205
Supporting activities				
Management and general	274,606	-	-	274,606
Fundraising	131,195	-	-	131,195
	<u>1,443,006</u>	<u>-</u>	<u>-</u>	<u>1,443,006</u>
<b>Total expenses</b>				
	1,443,006	-	-	1,443,006
Net assets released from restrictions	114,199	(114,199)	-	-
	<u>114,199</u>	<u>(114,199)</u>	<u>-</u>	<u>-</u>
<b>Change in net assets</b>	35,619	112,431	61,000	209,050
Net assets - beginning of fiscal year	6,464,454	1,068,414	1,089,409	8,622,277
	<u>6,464,454</u>	<u>1,068,414</u>	<u>1,089,409</u>	<u>8,622,277</u>
<b>Net assets - end of fiscal year</b>	<u>\$ 6,500,073</u>	<u>\$ 1,180,845</u>	<u>\$ 1,150,409</u>	<u>\$ 8,831,327</u>

See accompanying notes.

**ALDO LEOPOLD FOUNDATION, INC.**  
**STATEMENT OF ACTIVITIES**  
Fiscal year ended September 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND REVENUE</b>				
Individual donations	\$ 800,277	\$ 68,500	\$ 25,000	\$ 893,777
Foundation grants	273,068	105,000	-	378,068
Merchandise	84,083	-	-	84,083
Royalties and permissions	30,369	-	-	30,369
Green Fire screenings and sales	57,090	-	-	57,090
Government grants	111,695	-	-	111,695
Corporate donations	28,841	-	-	28,841
Investment return	30,173	140,382	-	170,555
Tours, presentations and workshops	45,278	-	-	45,278
Change in beneficial interest in remainder trust	-	93,415	-	93,415
Donated services and materials	22,424	-	-	22,424
Rent income	4,616	-	-	4,616
Other income	13,750	-	-	13,750
<b>Total support and revenue</b>	<b>1,501,664</b>	<b>407,297</b>	<b>25,000</b>	<b>1,933,961</b>
<b>EXPENSES</b>				
Program service	867,990	-	-	867,990
Supporting activities				
Management and general	282,676	-	-	282,676
Fundraising	103,216	-	-	103,216
<b>Total expenses</b>	<b>1,253,882</b>	<b>-</b>	<b>-</b>	<b>1,253,882</b>
Net assets released from restrictions	86,650	(86,650)	-	-
<b>Change in net assets</b>	<b>334,432</b>	<b>320,647</b>	<b>25,000</b>	<b>680,079</b>
Net assets - beginning of fiscal year	6,130,022	747,767	1,064,409	7,942,198
<b>Net assets - end of fiscal year</b>	<b>\$ 6,464,454</b>	<b>\$ 1,068,414</b>	<b>\$ 1,089,409</b>	<b>\$ 8,622,277</b>

See accompanying notes.

**ALDO LEOPOLD FOUNDATION, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
Fiscal years ended September 30, 2013 and 2012

<b>2013</b>	<u>Program Service</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$ 421,703	\$ 124,559	\$ 76,214	\$ 622,476
Overhead (rent/office supply)	41,605	6,411	7,629	55,645
Printing and publications	26,100	385	10,152	36,637
Travel	33,474	1,252	1,131	35,857
Supplies	26,080	2,070	836	28,986
Equipment	11,962	6,992	767	19,721
Insurance	20,853	9,172	567	30,592
Conferences and meetings	43,502	320	962	44,784
Memberships/donations	782	-	-	782
Property taxes	13,029	26,936	-	39,965
Board meeting expense	-	9,214	-	9,214
Building maintenance	3,053	9,725	-	12,778
Licenses/fees/bank charges	15,404	15,461	5,221	36,086
Contracted services	181,100	15,765	17,999	214,864
Professional services	-	14,984	-	14,984
Book and publication expense	20,348	-	-	20,348
Miscellaneous	11,181	-	3,840	15,021
Interest expense	5,000	3,221	-	8,221
Depreciation and amortization	161,429	28,139	5,877	195,445
Grant expenses	600	-	-	600
<b>Total expenses</b>	<u>\$ 1,037,205</u>	<u>\$ 274,606</u>	<u>\$ 131,195</u>	<u>\$ 1,443,006</u>
<b>2012</b>	<u>Program Service</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$ 354,422	\$ 121,268	\$ 64,746	\$ 540,436
Overhead (rent/office supply)	39,991	4,996	4,554	49,541
Printing and publications	25,365	482	9,099	34,946
Travel	20,143	-	255	20,398
Supplies	32,777	3,161	702	36,640
Equipment	13,938	4,722	831	19,491
Insurance	21,659	4,906	578	27,143
Conferences and meetings	17,481	944	668	19,093
Memberships/donations	978	100	-	1,078
Property taxes	13,434	23,893	-	37,327
Board meeting expense	-	12,470	-	12,470
Building maintenance	511	13,130	-	13,641
Licenses/fees/bank charges	34,630	13,068	4,206	51,904
Contracted services	92,904	15,426	17,380	125,710
Professional services	-	16,979	-	16,979
Book and publication expense	23,750	-	-	23,750
Miscellaneous	8,177	152	197	8,526
Interest expense	2,053	14,443	-	16,496
Depreciation and amortization	165,777	32,536	-	198,313
<b>Total expenses</b>	<u>\$ 867,990</u>	<u>\$ 282,676</u>	<u>\$ 103,216</u>	<u>\$ 1,253,882</u>

See accompanying notes.

**ALDO LEOPOLD FOUNDATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
Fiscal years ended September 30, 2013 and 2012

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 209,050	\$ 680,079
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	195,446	198,313
Net realized gains on investments	(66,873)	(39,648)
Net unrealized gains on investments	(103,651)	(89,356)
Investment return retained in agency endowment	(4,083)	(4,492)
Change in beneficial interest in remainder trust	(10,125)	(93,415)
Contributions restricted for long-term purposes	(533,500)	(300,000)
Donated stock	(20,063)	(32,959)
(Increase) decrease in assets		
Accounts receivable	(24,177)	38,680
Promises to give	31,469	(111,213)
Prepaid expenses	238	(416)
Inventory	(23,410)	2,472
Increase (decrease) in liabilities		
Accounts payable	31,372	(12,499)
Accrued expenses	2,373	2,679
Deferred revenue	4,657	(5,681)
Gift annuities payable	-	(51,849)
<b>Net cash flows from operating activities</b>	<b>(311,277)</b>	<b>180,695</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(507,652)	(554,930)
Proceeds from sales of investments	949,744	2,036,961
Purchases of investments	(952,543)	(1,779,632)
Purchases for Green Fire film production	-	(46,298)
Distribution received from agency endowment	2,413	2,501
<b>Net cash flows from investing activities</b>	<b>(508,038)</b>	<b>(341,398)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from contributions restricted for investment in permanent endowment	61,000	25,000
Proceeds from contributions for investment in land	472,500	275,000
Proceeds from line of credit	191,001	620,762
Payments on line of credit	(55,000)	(782,592)
<b>Net cash flows from financing activities</b>	<b>669,501</b>	<b>138,170</b>
Net change in cash	(149,814)	(22,533)
Cash - beginning of fiscal year	201,178	223,711
<b>Cash - end of fiscal year</b>	<b>\$ 51,364</b>	<b>\$ 201,178</b>
<b>SUPPLEMENTAL INFORMATION</b>		
Cash paid for interest	\$ 8,221	\$ 16,496
Non-cash investing transactions		
Donated stock	20,063	32,959

See accompanying notes.



**ALDO LEOPOLD FOUNDATION, INC.**  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2013 and 2012

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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.

**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 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. 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 compact discs stated at the lower of cost or market determined by the first-in, first-out method.

**ALDO LEOPOLD FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2013 and 2012

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NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

**Property and Equipment**

The Foundation capitalizes all acquisitions of property and equipment in excess of \$5,000. Purchased property and equipment are carried at cost. Property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets.

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets 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 contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time.

**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, and supporting activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the program service and supporting activities benefited. The following paragraphs describe 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

**ALDO LEOPOLD FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2013 and 2012

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Leopold legacy, the foundation also serves as the executor of Aldo Leopold’s literary estate, encourages scholarship on Aldo Leopold, and serves as a clearinghouse for information regarding Aldo 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 premiered in Albuquerque, New Mexico in February 2011 and broadcast nationally on public television during fiscal year 2012. The film has helped the Foundation to reach new audiences nationally and internationally and has also expanded the support base.

*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.

The following supporting activities are included in the accompanying financial statements:

*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 exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation’s federal exempt organization returns are 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 2009.

**Date of Management’s Review**

Management has evaluated subsequent events through December 16, 2013, 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, 2013 and 2012:

	2013	2012
Receivable in less than one year	\$ 31,785	\$ 36,350
Receivable in one to five years	62,442	96,200
Less discount to net present value	-	(6,854)
Promises to give - net	\$ 94,227	\$ 125,696

Promises to give receivable in more than one year are discounted at 2.5% for 2012.

**ALDO LEOPOLD FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2013 and 2012

**NOTE 3 – PROPERTY AND EQUIPMENT**

Property and equipment at September 30, 2013 and 2012 consisted of the following:

	2013	2012
Land	\$ 1,652,147	\$ 1,155,121
Land improvements	30,810	30,810
Buildings	5,258,861	5,248,235
Equipment	292,148	292,148
Construction in progress	25,700	25,700
Property and equipment	7,259,666	6,752,014
Less accumulated depreciation	1,051,517	895,216
Property and equipment - net	\$ 6,208,149	\$ 5,856,798

Depreciation expense was \$156,301 and \$160,712 for the fiscal years ended September 30, 2013 and 2012.

**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, 2013 and 2012 accumulated amortization was \$60,000 and \$58,000. Amortization expense for the fiscal years ended September 30, 2013 and 2012 was \$2,000 each year. Amortization expense for the next five years is \$2,000 per year.

**NOTE 5 – TRADEMARKS**

The Foundation was granted trademarks during the fiscal year ended September 30, 2006. The trademarks capitalized total \$16,159 at September 30, 2013 and 2012. The trademarks are being amortized using the straight-line method over the estimated useful lives. Accumulated amortization was \$13,940 and \$12,324 at September 30, 2013 and 2012. Amortization expense for the fiscal years ended September 30, 2013 and 2012 was \$1,616 each year. Amortization expense is \$1,616 for the fiscal year 2014 and \$603 for the fiscal year 2015, at which time the trademarks will be fully amortized.

**NOTE 6 – GREEN FIRE FILM PRODUCTION**

The Foundation released the film *Green Fire* on February 15, 2011. The production costs capitalized total \$532,928 at September 30, 2013 and 2012. The production costs are being amortized using the straight-line method over the estimated useful life. Accumulated amortization was \$91,142 and \$55,613 at September 30, 2013 and 2012. Amortization expense for the fiscal years ended September 30, 2013 and 2012 was \$35,528 and \$33,985.

**ALDO LEOPOLD FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2013 and 2012

**NOTE 7 – INVESTMENTS**

Investments and endowment investments consisted of the following at September 30, 2013 and 2012:

	2013	2012
Cash and equivalents	\$ 97,230	\$ 41,784
Bonds	333,958	338,455
Mutual funds	105,195	61,015
Exchange traded funds	1,067,510	969,708
Stocks	2,874	2,419
	\$ 1,606,767	\$ 1,413,381

Investment return for the fiscal years ended September 30, 2013 and 2012 consisted of the following:

	2013	2012
Interest and dividends	\$ 34,125	\$ 37,059
Net realized gains on investments	66,873	39,648
Net unrealized gains on investments	103,651	89,356
Agency endowment	4,083	4,492
Investment return	\$ 208,732	\$ 170,555

**NOTE 8 – 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 3.25% discount rate, the present value of future benefits expected to be received by the Foundation was estimated to be \$579,435 and \$569,310, which was reported for the fiscal years ended September 30, 2013 and 2012 as a beneficial interest in remainder trust.

**NOTE 9 – 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 fulfill its charitable and exempt purposes.

**ALDO LEOPOLD FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2013 and 2012

NOTE 9 – AGENCY ENDOWMENT (continued)

The activity in the Fund for the fiscal years ended September 30, 2013 and 2012 is as follows:

	2013	2012
Beginning balance	\$ 43,445	\$ 41,454
Interest and dividends	850	535
Realized gain (loss)	496	(1,651)
Unrealized gain	3,243	6,104
Fees	(506)	(496)
Distributions	(2,413)	(2,501)
Ending balance	\$ 45,115	\$ 43,445

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 statements of activities. In consideration of the \$100,000 charitable gift by the remaining donor, the Foundation paid an annual annuity of \$6,300 from the date of the agreement. The annuity was 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 value of the gift annuity payable was estimated at \$51,849 and recorded as a liability in the statements of financial position at September 30, 2012. In 2012, the income from the remaining agreement was irrevocably assigned to the Foundation and the present value of the annuity of \$51,849 was recorded as contribution revenue in the statements of activities. There was no charitable gift annuity liability therefore recorded in the statements of financial position at September 30, 2013 or 2012.

NOTE 11 – LINE OF CREDIT

During the fiscal year ended September 30, 2013 the Foundation renewed the revolving line credit agreement for \$1,000,000. Interest payments began in October 2013. The agreement carries a fixed interest rate of 5% per year. The loan, of which \$309,037 and \$173,036 was outstanding at September 30, 2013 and 2012, terminates on September 27, 2014 and is secured by real estate located at E13701 Levee Road, Baraboo, Wisconsin.

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 fiscal years ended September 30, 2013 and 2012 was \$1,000 each year.

The Foundation had non-concurrent leases on two vehicles; one lease, with monthly payments of \$336, ended in June 2012 and the second lease, with monthly payments of \$400, began in July 2012 and expires in June 2015. Vehicle lease payments were \$4,800 and \$3,889 for the fiscal years ended September 30, 2013 and 2012. The future lease commitments for the vehicle lease are \$4,800 for 2014 and \$3,600 for 2015.

**ALDO LEOPOLD FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 12 – LEASE COMMITMENTS (continued)**

The Foundation also leased a copier with monthly payments of \$269 that began in January 2012 and expires in December 2016. Lease payments were \$3,222 and \$4,629 for the fiscal years ended September 30, 2013 and 2012. Future lease commitments for the copier are \$3,222 per year for the fiscal years ending September 30, 2014, 2015, and 2016 and \$806 for the fiscal year ending September 30, 2017.

**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 September 13, 2013 for \$10,000, which matures on December 31, 2016.

**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 fiscal years ended September 30, 2013 and 2012 consisted of the following:

	2013	2012
Contracted services	\$ 37,624	\$ 3,967
Supplies	-	2,598
Licenses and fees	-	14,750
Travel	-	528
Board Expense	585	581
Donated services and materials	\$ 38,209	\$ 22,424

**NOTE 15 – NET ASSETS**

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

	2013	2012
Undesignated	\$ 6,454,959	\$ 6,421,010
Designated for agency endowment purposes	45,115	43,445
Unrestricted net assets	\$ 6,500,074	\$ 6,464,455

**ALDO LEOPOLD FOUNDATION, INC.**  
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NOTE 15 – NET ASSETS (continued)

Temporarily restricted net assets are available for the following purposes:

	2013	2012
Operations	\$ 3,620	\$ -
Land Stewardship	1,661	-
Bradley Center improvements	7,037	-
Aldo Leopold Nature Center Collaboration	45,000	45,000
Green Fire promises to give	90,607	132,550
Endowment earnings	453,484	321,553
Beneficial interest in remainder trust	579,435	569,310
Temporarily restricted net assets	\$ 1,180,844	\$ 1,068,413

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, 2013 and 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 453,484	\$ 1,150,409	\$ 1,603,893
Board-designated endowment funds	45,115	-	-	45,115
	\$ 45,115	\$ 453,484	\$ 1,150,409	\$ 1,649,008
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 321,553	\$ 1,089,409	\$ 1,410,962
Board-designated endowment funds	43,445	-	-	43,445
	\$ 43,445	\$ 321,553	\$ 1,089,409	\$ 1,454,407



**ALDO LEOPOLD FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2013 and 2012

NOTE 16 – ENDOWMENTS (continued)

*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.

Changes in endowment net assets for the fiscal year ended September 30, 2013:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets				
- beginning	\$ 43,445	\$ 321,553	\$ 1,089,409	\$ 1,454,407
Contributions	-	-	61,000	61,000
Investment income	344	32,962	-	33,306
Net appreciation	3,739	171,225	-	174,964
Appropriation for expenditures	<u>(2,413)</u>	<u>(72,256)</u>	<u>-</u>	<u>(74,669)</u>
Endowment net assets				
- ending	<u>\$ 45,115</u>	<u>\$ 453,484</u>	<u>\$ 1,150,409</u>	<u>\$ 1,649,008</u>

**ALDO LEOPOLD FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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NOTE 16 – ENDOWMENTS (continued)

Changes in endowment net assets for the fiscal year ended September 30, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets				
- beginning	\$ 41,454	\$ 237,172	\$ 1,064,409	\$ 1,343,035
Contributions	-	-	25,000	25,000
Investment income	40	20,962	-	21,002
Net appreciation	4,452	119,419	-	123,871
Appropriation for expenditures	<u>(2,501)</u>	<u>(56,000)</u>	<u>-</u>	<u>(58,501)</u>
Endowment net assets				
- ending	<u>\$ 43,445</u>	<u>\$ 321,553</u>	<u>\$ 1,089,409</u>	<u>\$ 1,454,407</u>

NOTE 17 – FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at September 30, 2013 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	\$ 97,230	\$ 97,230	\$ -	\$ -
Stocks	2,874	2,874	-	-
Bonds	333,958	-	333,958	-
Mutual funds	105,195	105,195	-	-
Exchange traded funds	1,067,510	1,067,510	-	-
Beneficial interest in assets held by MCF	45,115	-	-	45,115
Beneficial interest in remainder trust	<u>579,435</u>	<u>-</u>	<u>-</u>	<u>579,435</u>
Total	<u>\$ 2,231,317</u>	<u>\$ 1,272,809</u>	<u>\$ 333,958</u>	<u>\$ 624,550</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, 2012 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	\$ 41,784	\$ 41,784	\$ -	\$ -
Stocks	2,419	2,419	-	-
Bonds	338,455	-	338,455	-
Mutual funds	61,015	61,015	-	-
Exchange traded funds	969,708	969,708	-	-
Beneficial interest in assets held by MCF	43,445	-	-	43,445
Beneficial interest in remainder trust	569,310	-	-	569,310
<b>Total</b>	<b>\$ 2,026,136</b>	<b>\$ 1,074,926</b>	<b>\$ 338,455</b>	<b>\$ 612,755</b>

Fair values for cash and cash equivalents, stocks, mutual funds, and exchange traded funds are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair values for bonds are determined based on recent prices of similar assets. 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 reported 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:

	2013	2012
Beginning balance	\$ 569,310	\$ 475,895
Change in value in split-interest agreement	10,125	93,415
Payment from charitable remainder trust	-	-
<b>Ending balance</b>	<b>\$ 579,435</b>	<b>\$ 569,310</b>

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

Beneficial interest in assets held by Madison Community Foundation:	<u>2013</u>	<u>2012</u>
Beginning balance	\$ 43,445	\$ 41,454
Change in value of beneficial interest included in change in net assets	4,083	4,492
Distributions	<u>(2,413)</u>	<u>(2,501)</u>
Ending balance	<u>\$ 45,115</u>	<u>\$ 43,445</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.