



ALDO LEOPOLD FOUNDATION, INC.

FINANCIAL STATEMENTS

September 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Aldo Leopold Foundation, Inc., which comprise the statements of financial position as of September 30, 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 financial statements referred to above present fairly, in all material respects, the financial position of Aldo Leopold Foundation, Inc. as of September 30, 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 Aldo Leopold 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.

Responsibilities of Management 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.

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 Aldo Leopold 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 Aldo Leopold 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 Aldo Leopold 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, Wisconsin
January 23, 2023

ALDO LEOPOLD FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
September 30, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash	\$ 693,437	\$ 321,612
Accounts receivable	233,519	13,173
Unconditional promises to give	118,721	48,626
Prepaid expenses	16,789	7,189
Inventory	100,385	117,169
Total current assets	1,162,851	507,769
Property and equipment, net	6,169,389	6,293,176
OTHER ASSETS		
Long term unconditional promises to give, less current portion	77,475	-
Investments available for sale	190,972	304,641
Investments in cooperatives	14,231	14,231
Endowment investments	2,924,625	3,486,883
Beneficial interest in assets held by MCF	499,452	567,446
Prints held for sale	35,095	35,095
Royalty agreements, net	2,000	4,000
Green Fire film production, net	122,030	157,557
Total assets	\$ 11,198,120	\$ 11,370,798
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 36,510	\$ 28,005
Accrued expenses	47,980	58,002
Total current liabilities	84,490	86,007
LONG-TERM LIABILITIES		
Note payable	473,900	-
Total liabilities	558,390	86,007
NET ASSETS		
Without donor restrictions		
Undesignated	683,486	657,938
Designated by the Board of Directors for		
Property and equipment, net	6,169,389	6,293,176
Green Fire film production, net	122,030	157,557
Future Leaders Endowment	852,597	1,027,510
Shack and Farm Reserve Fund	3,212	11,126
Agency endowment	57,301	65,315
Total without donor restrictions	7,888,015	8,212,622
With donor restrictions		
Aldo Leopold Foundation Fund	1,821,826	2,189,810
Future Leaders Fellowship Fund	641,729	749,359
Shack and Farm Reserve Fund	288,160	88,000
Other programs	-	45,000
Total with donor restrictions	2,751,715	3,072,169
Total net assets	10,639,730	11,284,791
Total liabilities and net assets	\$ 11,198,120	\$ 11,370,798

See accompanying notes.

ALDO LEOPOLD FOUNDATION, INC.
STATEMENT OF ACTIVITIES
Year Ended September 30, 2022

	Without donor restrictions	With donor restrictions	Total
REVENUES			
Contributions			
Individual donations	\$ 640,970	\$ 10,000	\$ 650,970
Foundation grants	462,147	190,160	652,307
Government grants	396,351	-	396,351
Corporate donations	9,615	-	9,615
Donated services and materials	5,912	-	5,912
Merchandise sales, net	108,193	-	108,193
Education programs	29,084	-	29,084
Royalties and permissions	29,841	-	29,841
Rent income	13,192	-	13,192
Other income	23,505	-	23,505
Total revenues	1,718,810	200,160	1,918,970
EXPENSES			
Stewardship, education and outreach	1,383,937	-	1,383,937
Supporting activities			
Management and general	418,060	-	418,060
Fundraising	143,089	-	143,089
Total expenses	1,945,086	-	1,945,086
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of program and time restrictions	86,976	(86,976)	-
Change in net assets from operations	(139,300)	113,184	(26,116)
OTHER CHANGES			
Investment return, net	(179,579)	(389,434)	(569,013)
Change in beneficial interest in assets held by MCF	(5,728)	(44,204)	(49,932)
Total other changes	(185,307)	(433,638)	(618,945)
Change in net assets	(324,607)	(320,454)	(645,061)
Net assets at beginning of year	8,212,622	3,072,169	11,284,791
Net assets at end of year	\$ 7,888,015	\$ 2,751,715	\$ 10,639,730

See accompanying notes.

ALDO LEOPOLD FOUNDATION, INC.
STATEMENT OF ACTIVITIES
Year Ended September 30, 2021

	Without donor restrictions	With donor restrictions	Total
REVENUES			
Contributions			
Individual donations	\$ 724,723	\$ -	\$ 724,723
Foundation grants	431,033	-	431,033
Paycheck Protection Program loans forgiven	283,400	-	283,400
Government grants	250,469	-	250,469
Corporate donations	85,105	-	85,105
Donated services and materials	3,427	-	3,427
Merchandise sales, net	93,355	-	93,355
Education programs	23,950	-	23,950
Royalties and permissions	32,189	-	32,189
Rent income	11,870	-	11,870
Other income	3,114	-	3,114
	<u>1,942,635</u>	<u>-</u>	<u>1,942,635</u>
Total revenues	1,942,635	-	1,942,635
EXPENSES			
Stewardship, education and outreach	1,220,821	-	1,220,821
Supporting activities			
Management and general	434,805	-	434,805
Fundraising	220,508	-	220,508
	<u>1,876,134</u>	<u>-</u>	<u>1,876,134</u>
Total expenses	1,876,134	-	1,876,134
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of program and time restrictions	280,313	(280,313)	-
	<u>280,313</u>	<u>(280,313)</u>	<u>-</u>
Change in net assets from operations	346,814	(280,313)	66,501
OTHER CHANGES			
Transfer to Community Foundation of South Central Wisconsin	(250,000)	-	(250,000)
Investment return, net	94,986	457,910	552,896
Change in beneficial interest in assets held by MCF	11,918	91,450	103,368
	<u>(143,096)</u>	<u>549,360</u>	<u>406,264</u>
Total other changes	(143,096)	549,360	406,264
Change in net assets	203,718	269,047	472,765
Net assets at beginning of year	8,008,904	2,803,122	10,812,026
Net assets at end of year	<u>\$ 8,212,622</u>	<u>\$ 3,072,169</u>	<u>\$ 11,284,791</u>

See accompanying notes.

ALDO LEOPOLD FOUNDATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended September 30, 2022 and 2021

	2022			
	Stewardship, Education and Outreach	Management and General	Fundraising	Total Expenses
Personnel	\$ 701,790	\$ 217,575	\$ 67,379	\$ 986,744
Professional and contracted services	196,809	75,651	5,223	277,683
Office and occupancy	49,342	16,022	8,541	73,905
Property taxes	50,794	6,240	1,023	58,057
Insurance	35,996	11,996	1,088	49,080
Supplies	38,851	6,405	7,100	52,356
Equipment	37,996	8,526	3,092	49,614
Printing and publications	19,245	50	6,883	26,178
Travel	9,718	2,331	2,160	14,209
Conferences and meetings	7,976	1,686	1,477	11,139
Licenses, fees, and bank charges	59,417	4,399	9,201	73,017
Miscellaneous	12,543	5,719	768	19,030
Grants, donations, and memberships	1,616	994	150	2,760
Depreciation and amortization	161,844	60,466	29,004	251,314
Total expenses	\$ 1,383,937	\$ 418,060	\$ 143,089	\$ 1,945,086
	2021			
	Stewardship, Education and Outreach	Management and General	Fundraising	Total Expenses
Personnel	\$ 590,492	\$ 248,118	\$ 150,572	\$ 989,182
Professional and contracted services	154,264	62,024	2,940	219,228
Office and occupancy	61,643	15,075	9,467	86,185
Property taxes	46,979	4,840	781	52,600
Insurance	30,971	12,462	960	44,393
Supplies	34,416	9,407	7,187	51,010
Equipment	27,298	11,720	1,615	40,633
Printing and publications	28,127	27	5,293	33,447
Travel	2,642	1,183	401	4,226
Conferences and meetings	3,379	3,860	1,568	8,807
Licenses, fees, and bank charges	28,973	3,786	9,044	41,803
Miscellaneous	23,315	482	321	24,118
Grants, donations, and memberships	3,606	294	518	4,418
Depreciation and amortization	184,716	61,527	29,841	276,084
Total expenses	\$ 1,220,821	\$ 434,805	\$ 220,508	\$ 1,876,134

See accompanying notes.

ALDO LEOPOLD FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
Years Ended September 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (645,061)	\$ 472,765
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	251,314	276,084
Net realized and unrealized gains on investments	634,354	(509,736)
Change in value of beneficial interest in assets held by MCF	49,932	(103,368)
Paycheck Protection Program loans forgiven	-	(283,400)
(Increase) decrease in assets		
Accounts receivable	(220,346)	(2,710)
Unconditional promises to give	(147,570)	65,489
Prepaid expenses	(9,600)	(2,399)
Inventory	16,784	17,141
Increase (decrease) in liabilities		
Accounts payable	8,505	(32,814)
Accrued expenses	(10,022)	8,809
Funds held for others	-	(1,927)
Net cash flows from operating activities	(71,710)	(96,066)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(90,000)	(30,633)
Proceeds from sale of investment in cooperatives	-	390
Proceeds from sales of investments	115,000	2,177,501
Purchases of investments	(10,000)	(2,104,501)
Dividends and interest retained in investments	(63,427)	(41,450)
Distributions from beneficial interest in assets held by MCF	18,062	16,405
Net cash flows from investing activities	(30,365)	17,712
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	-	141,700
Proceeds from note payable	473,900	-
Net cash flows from financing activities	473,900	141,700
Net change in cash	371,825	63,346
Cash at beginning of year	321,612	258,266
Cash at end of year	\$ 693,437	\$ 321,612

See accompanying notes.

ALDO LEOPOLD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

NOTE 1—SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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 Foundation is primarily supported by grants from foundations and government agencies and contributions from the general public.

Income Tax Status

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Accounts Receivable

Accounts receivable consist of royalty revenue, fees for services provided to various organizations, and book sales of which the Foundation has an unconditional right to receive. Accounts receivable are recorded at net realizable value. The Foundation considers accounts receivable to be fully collectible. If accounts receivable become uncollectible, they will be charged to operations when that determination is made.

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.

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.

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 net assets without donor restriction 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 assets are acquired. The Foundation reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

ALDO LEOPOLD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

NOTE 1—SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

The Foundation reports investments in equity securities with readily determinable fair values 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.

Investments in cooperatives are held at cost. The amounts are not marketable and may only be redeemed at face value. Patronage dividends increase the recorded value and are included in the change in net assets in the accompanying statements of activities.

Beneficial Interest in Assets Held by Madison Community Foundation

The Foundation's beneficial interest in assets held by Madison Community Foundation (MCF) represents an agreement between the Foundation and MCF in which the Foundation transfers assets to MCF in exchange for future distributions. The beneficial interest is not actively traded, and significant other observable inputs are not available. The fair value of the beneficial interest is based on the fair value of the underlying assets as reported to the Foundation by MCF. Little information about those assets is released publicly. The estimated fair value does not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined.

Prints Held for Sale

The Foundation received a contribution of 42 signed Owen Gromme prints in 2014 which it recorded at fair value as of the contribution date. The Foundation has elected to hold these prints for sale.

Collections

Collection items consist of art and Leopold family historical objects that are held for educational and curatorial purposes. Each of the items is cataloged, preserved, and cared for, and kept unencumbered, and activities verifying their existence and assessing their condition are performed continuously. Collection items acquired either through purchase or donation are not capitalized. Purchases of collection items are recorded as decreases in net assets without donor restrictions if purchased with net assets without donor restrictions and as decreases in net assets with donor restrictions if purchased with donor-restricted assets. Contributions of collection items are not recognized in the statements of activities. Proceeds from deaccessions or insurance recoveries would be reflected on the statements of activities based on the absence or existence and nature of donor-imposed restrictions. If collection items are sold, the proceeds from the sale are used to purchase additional collection items.

ALDO LEOPOLD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

NOTE 1—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 as 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 donor restrictions.

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 revenue and expenses during the reporting period. 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, professional and contract services, office and occupancy, insurance, and depreciation and amortization, 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:

Stewardship, Education and Outreach—Includes the following related program activities:

Stewardship – The Foundation owns and manages the original Aldo Leopold Shack and 600 surrounding acres and coordinates the conservation planning and monitoring across the 12,000 acre Leopold-Pine Island Important Bird Area. 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.

ALDO LEOPOLD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

NOTE 1—SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 – In 2011 the Foundation 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. The film, initially broadcast nationally on public television stations in 2012, has continued to be broadcast in major public television markets in subsequent years. “Green Fire” has helped the Foundation to reach new audiences nationally and internationally and has also expanded the support base. In 2015 the Foundation contracted with Bull Frog Films to expand licensing and distribution of the film to a wider educational market.

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 1940s and implements a wide spectrum of green building techniques and technologies.

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.

Date of Management’s Review

Management has evaluated subsequent events through January 23, 2023, the date which the financial statements were available to be issued.

NOTE 2—CASH

Cash at September 30, 2022 and 2021 is available for the following purposes:

	2022	2021
Operations	\$ 643,397	\$ 271,572
Future Leaders Endowment	50,040	50,040
Cash	\$ 693,437	\$ 321,612

ALDO LEOPOLD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

NOTE 3—PROMISES TO GIVE

Unconditional promises to give are as follows:

	2022	2021
Receivable in less than one year	\$ 118,721	\$ 48,626
Receivable in one to five years	77,475	-
Unconditional promises to give	\$ 196,196	\$ 48,626

Through the year ended September 30, 2022, the Foundation received grants from government agencies with certain conditions to be met before revenue will be recognized. Conditional support was received from government sources for expenses related to stewardship, education, and outreach program activities. The Foundation met certain conditions during the year and recognized \$396,351 as grants revenue. The remaining \$58,918 of this promise will subsequently be recognized as grants revenue when grantor conditions are met.

NOTE 4—PROPERTY AND EQUIPMENT

Property and equipment at September 30, 2022 and 2021 consisted of the following:

	2022	2021
Land	\$ 1,596,726	\$ 1,596,726
Land improvements	66,973	66,973
Buildings	6,506,908	6,497,449
Equipment	634,358	561,312
Property and equipment	8,804,965	8,722,460
Less accumulated depreciation	2,635,576	2,429,284
Property and equipment, net	\$ 6,169,389	\$ 6,293,176

Depreciation expense for September 30, 2022 and 2021 was \$213,785 and \$238,555.

NOTE 5—ENDOWMENT INVESTMENTS

Endowment investments at September 30, 2022 and 2021 consisted of the following:

	2022	2021
Money market accounts	\$ 18,257	\$ 13,572
Mutual funds	1,168,809	1,249,308
Exchange traded funds	1,737,559	2,224,003
Endowment investments	\$ 2,924,625	\$ 3,486,883

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

ALDO LEOPOLD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

NOTE 6—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, 2022 and 2021 accumulated amortization was \$78,000 and \$76,000. Amortization expense for the years ended September 30, 2022 and 2021 was \$2,000 each year. Amortization for the year ending September 30, 2023 is \$2,000.

NOTE 7—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, 2022 and 2021. The production costs are being amortized using the straight-line method over the estimated useful life. Accumulated amortization was \$410,898 and \$375,370 at September 30, 2022 and 2021. Amortization expense for the years ended September 30, 2022 and 2021 was \$35,529 and \$35,529. Amortization expense for the next three years is \$35,529 per year and \$15,443 for the fourth year.

NOTE 8—LEASE COMMITMENTS

The Foundation has a lease, that expires in July 2026, for a copier with monthly payments of \$516. The Foundation has a second lease, that expired in August 2022, for a vehicle with monthly payments of \$434. Lease payments for the years ended September 30, 2022 and 2021 were \$19,871 and \$13,684, respectively. Future lease commitments for the copier for the years ending September 30, 2023, 2024, 2025, and 2026 are \$6,885, \$6,711, \$6,187, and \$4,640, respectively.

NOTE 9—TRADEMARKS

The Foundation was granted trademarks that were fully amortized at September 30, 2022 and 2021. Additional costs for renewal of trademark registrations are expensed as incurred.

NOTE 10—LINE OF CREDIT

The Foundation holds a revolving line credit agreement for \$1,000,000. The agreement carries a variable interest rate with a floor rate of 4% and indexed to the U.S Prime Rate. This agreement terminates on December 13, 2024 and is secured by real estate located at E13701 Levee Road, Baraboo, Wisconsin. There was no outstanding balance at September 30, 2022 and 2021.

NOTE 11—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 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 through December 2023 a \$12,000 Irrevocable Letter of Credit.

ALDO LEOPOLD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022 and 2021

NOTE 12—NOTE PAYABLE

The Foundation's obligation under the note payable at September 30, 2022 consists of the following:

2.75% note payable in monthly installments of \$2,127 including principal and interest beginning December 2023. The note matures in November 2051 and is secured by property.	\$ 473,900
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The future principal payments on the note payable are as follows for the years ending September 30:

2024	\$ 10,337
2025	12,762
2026	13,123
2027	13,493
Thereafter	424,185

NOTE 13—PAYCHECK PROTECTION PROGRAM LOAN

On April 17, 2020 and February 8, 2021, the Foundation received two loans totaling \$283,400, under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and administered by the U.S. Small Business Administration (SBA). The loan accrues interest at 1% but payments are deferred for borrowers who apply for forgiveness until SBA remits the borrower's forgiveness amount to the lender. The amount of forgiveness depends, in part, on the total amount of eligible expenses paid by the Foundation during the covered period. Eligible expenses may include payroll costs, interest on mortgages, rent, and utilities. Any unforgiven portion is payable over two years.

On February 16, 2021 and August 13, 2021, the SBA preliminarily approved forgiveness of both loans. The Foundation must retain PPP documentation in its files for six years after the date the loan is forgiven or repaid in full and permit authorized representatives of SBA to access such files upon request. SBA may review any loan at any time at its discretion. Therefore, SBA may review the Foundation's good-faith certification concerning the necessity of its loan request, whether the Foundation calculated the loan amount correctly, whether the Foundation used loan proceeds for the allowable uses specified in the CARES Act, and whether the Foundation is entitled to loan forgiveness in the amount claimed on its application. If SBA determines the Foundation was ineligible for the loan or for forgiveness in whole or in part, SBA will seek repayment of the outstanding loan balance.

NOTE 14—RETIREMENT PLAN

The Foundation has a SIMPLE IRA retirement plan that covers all employees with at least one month of service. The Foundation matches up to 3% of employee contributions. The pension contributions charged to expense for the years ended September 30, 2022 and 2021 were \$14,589 and \$18,019, respectively.

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NOTE 15—COMMUNITY TRUST FUND

The Hartmann-Oehrlein Environmental Fund (Fund) was established as a component fund of the Community Foundation of South Central Wisconsin (CFSCW). Component funds of CFSCW are established by donors for the benefit of the community, and, when these funds are established, donors may indicate what organizations or causes should benefit from distributions from the fund. Donors grant CFSCW variance power that allows CFSCW to modify the donors' stipulations under certain circumstances as CFSCW monitors the changing needs of the community. Therefore, the Fund is not included in the Foundation's financial statements. The amount available for distributions represents 5% of the value of the Fund on the day of distribution. All other interest and appreciation is added to the Fund. Principal may not be drawn from the Fund except with approval of CFSCW's board of governors. During the years ended September 30, 2022 and 2021, the Foundation received a distribution from the Fund of \$58,852 and \$28,032, respectively. The fair value of the Fund at September 30, 2022 and 2021 was \$909,220 and \$1,108,080, respectively.

NOTE 16—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 of the date of the statements of financial position because of donor-imposed or other restrictions:

	<u>2022</u>	<u>2021</u>
Cash	\$ 693,437	\$ 321,612
Accounts receivable	233,519	13,173
Unconditional promises to give	196,196	48,626
Investments available for sale	190,972	304,641
Endowment investments	2,924,625	3,486,883
Beneficial interest in assets held by MCF	<u>499,452</u>	<u>567,446</u>
Financial assets at end of year	\$ 4,738,201	\$ 4,742,381
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time and purpose restrictions	(2,751,715)	(3,072,169)
Board designations:		
Designated for future leaders endowment	(852,597)	(1,027,510)
Designated for shack and farm endowment	(3,212)	(11,126)
Designated for agency endowment	<u>(57,301)</u>	<u>(65,315)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,073,376</u>	<u>\$ 566,261</u>

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Foundation has committed a line of credit in the amount of \$1,000,000, which it could draw upon.

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NOTE 17—ENDOWMENTS

The Foundation's endowment consists of five individual funds established for a variety of purposes. The endowment includes 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.

Aldo Leopold Foundation Endowment Funds were established to support the operations of the Foundation. The Future Leaders Endowment Funds were established to support the fellowships programming at the Foundation. The Shack and Farm Fund was established to support the maintenance and upkeep of the Leopold Shack as well and program and projects involving the Leopold Shack and Farm.

The Foundation established two agency endowments at Madison Community Foundation (MCF) to invest its endowment assets. The agreements between the Foundation and MCF state that the transfer of assets is irrevocable and that the transferred assets will not be returned to the Foundation. However, MCF will make annual distributions of the income earned on the funds subjected to MCF's spending policy. The agreements also grant variance power to MCF, which permits MCF to substitute another beneficiary in place of the Foundation if the Foundation ceases to exist or if MCF's board of governors votes that support of the Foundation is either no longer necessary or is inconsistent with the needs of the community. MCF's primary investment goal is to deliver long-term investment returns sufficient to cover both spending and inflation to preserve the purchasing power of the investment portfolio. MCF seeks to achieve this goal through cost-effective implementation at an appropriate level of risk, diversification of asset classes and strategies to provide consistent returns, capital preservation in down market cycles to provide stability in spending support, and long-term capital appreciation through the incorporation of risk-based assets, including non-marketable, illiquid alternatives.

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NOTE 17—ENDOWMENTS (continued)

Return Objectives and Risk Parameters

The Foundation has adopted an investment policy for endowment assets that attempts 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 7% 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.

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

	2022		
	Without donor restrictions	With donor restrictions	Total
Board-designated endowment funds	\$ 909,899	\$ -	\$ 909,899
Donor-restricted endowment funds			
Original donor-restricted gift amount	-	1,724,601	1,724,601
Accumulated investment gains	-	738,404	738,404
	<u>\$ 909,899</u>	<u>\$ 2,463,005</u>	<u>\$ 3,372,904</u>
	2021		
	Without donor restrictions	With donor restrictions	Total
Board-designated endowment funds	\$ 1,092,825	\$ -	\$ 1,092,825
Donor-restricted endowment funds			
Original donor-restricted gift amount	-	1,724,601	1,724,601
Accumulated investment gains	-	1,187,818	1,187,818
	<u>\$ 1,092,825</u>	<u>\$ 2,912,419</u>	<u>\$ 4,005,244</u>

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NOTE 17—ENDOWMENTS (continued)

Changes in endowment net assets:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets - at September 30, 2020	\$ 914,170	\$ 2,527,262	\$ 3,441,432
Investment return, net	180,758	472,459	653,217
Appropriation for expenditures	<u>(2,103)</u>	<u>(87,302)</u>	<u>(89,405)</u>
Endowment net assets - at September 30, 2021	1,092,825	2,912,419	4,005,244
Investment return, net	(180,639)	(433,638)	(614,277)
Appropriation for expenditures	<u>(2,287)</u>	<u>(15,776)</u>	<u>(18,063)</u>
Endowment net assets - at September 30, 2022	<u>\$ 909,899</u>	<u>\$ 2,463,005</u>	<u>\$ 3,372,904</u>