



ALDO LEOPOLD FOUNDATION, INC.

FINANCIAL STATEMENTS

September 30, 2012 and 2011

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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, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Aldo Leopold Foundation, Inc.'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, 2012 and 2011, 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.

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ALDO LEOPOLD FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
September 30, 2012 and 2011

ASSETS	<u>2012</u>	<u>2011</u>
CURRENT ASSETS		
Cash	\$ 201,178	\$ 223,711
Accounts receivable	35,830	74,510
Promises to give	36,350	11,700
Prepaid expenses	6,227	5,811
Inventory	<u>77,142</u>	<u>79,615</u>
Total current assets	356,727	395,347
PROPERTY AND EQUIPMENT		
Property and equipment - net	5,856,798	5,462,580
OTHER ASSETS		
Long term promises to give - net	89,346	2,783
Royalty agreements - net	22,000	24,000
Trademarks - net	3,835	5,451
Green Fire film production - net	477,315	465,002
Investments	2,419	207,166
Endowment investments	1,410,962	1,301,581
Beneficial interest in remainder trust	569,310	475,895
Beneficial interest in assets held by MCF	<u>43,445</u>	<u>41,454</u>
Total assets	<u>\$ 8,832,157</u>	<u>\$ 8,381,259</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 9,302	\$ 21,801
Accrued expenses	27,542	24,864
Current portion of gift annuities payable	-	6,300
Deferred revenue	-	5,681
Line of credit	<u>173,036</u>	<u>334,866</u>
Total current liabilities	209,880	393,512
LONG-TERM LIABILITIES		
Gift annuities payable less current portion	<u>-</u>	<u>45,549</u>
Total liabilities	209,880	439,061
NET ASSETS		
Unrestricted	6,464,455	6,130,022
Temporarily restricted	1,068,413	747,767
Permanently restricted	<u>1,089,409</u>	<u>1,064,409</u>
Total net assets	<u>8,622,277</u>	<u>7,942,198</u>
Total liabilities and net assets	<u>\$ 8,832,157</u>	<u>\$ 8,381,259</u>

See accompanying notes.

ALDO LEOPOLD FOUNDATION, INC.
STATEMENT OF ACTIVITIES
Year ended September 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
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 premiere and tickets 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	-	93,414	-	93,414
Donated services and materials	22,424	-	-	22,424
Rent income	4,616	-	-	4,616
Other income	13,751	-	-	13,751
Total support and revenue	1,501,665	407,296	25,000	1,933,961
EXPENSES				
Program service	867,990	-	-	867,990
Supporting activities				
Management and general	282,676	-	-	282,676
Fundraising	103,216	-	-	103,216
Total expenses	1,253,882	-	-	1,253,882
Net assets released from restrictions	86,650	(86,650)	-	-
Change in net assets	334,433	320,646	25,000	680,079
Net assets - beginning of year	6,130,022	747,767	1,064,409	7,942,198
Net assets - end of year	\$ 6,464,455	\$ 1,068,413	\$ 1,089,409	\$ 8,622,277

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.
STATEMENTS OF FUNCTIONAL EXPENSES
Years ended September 30, 2012 and 2011

2012	Program Service	Management and General	Fundraising	Total
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
Grant expenses	-	-	-	-
Total expenses	\$ 867,990	\$ 282,676	\$ 103,216	\$ 1,253,882
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	15,699	45	253	15,997
Interest expense	16,243	4,581	-	20,824
Depreciation and amortization	160,477	28,319	-	188,796
Grant expenses	2,465	-	-	2,465
Total expenses	\$ 845,690	\$ 261,189	\$ 100,346	\$ 1,207,225

See accompanying notes.

ALDO LEOPOLD FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
Years ended September 30, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 680,079	\$ 313,283
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	198,313	188,796
Net realized gains on investments	(39,648)	(75,856)
Net unrealized (gains) losses on investments	(89,356)	64,827
Investment return retained in agency endowment	(4,492)	1,257
Change in beneficial interest in remainder trust	(93,415)	55,143
Contributions restricted for investment in permanent endowment	(25,000)	-
Noncash contributions	(32,959)	(4,500)
(Increase) decrease in assets		
Accounts receivable	38,680	(40,343)
Promises to give	(111,213)	61,311
Prepaid expenses	(416)	511
Inventory	2,473	(4,896)
Increase (decrease) in liabilities		
Accounts payable	(12,499)	(37,903)
Accrued expenses	2,678	2,519
Deferred revenue	(5,681)	5,681
Gift annuities payable	(51,849)	(1,847)
Net cash flows from operating activities	455,695	527,983
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(554,930)	(455,339)
Proceeds from sales of investments	2,036,961	3,030,118
Purchases of investments	(1,779,632)	(2,948,736)
Purchases for Green Fire film production	(46,298)	(99,833)
Distribution received from agency endowment	2,501	2,591
Net cash flows from investing activities	(341,398)	(471,199)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for investment in permanent endowment	25,000	-
Proceeds from line of credit	620,762	-
Payments on line of credit	(782,592)	(46,483)
Net cash flows from financing activities	(136,830)	(46,483)
Net change in cash	(22,533)	10,301
Cash - beginning of year	223,711	213,410
Cash - end of year	\$ 201,178	\$ 223,711
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 16,495	\$ 41,914
Non-cash investing activities		
Donated stock	32,959	-
Donation of equipment	-	4,500

See accompanying notes.

ALDO LEOPOLD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2012 and 2011

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 in conformity with generally accepted accounting principles 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, 2012 and 2011

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

The Foundation capitalizes all acquisitions of property and equipment in excess of \$2,000. 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, 2012 and 2011

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 2008.

Date of Management's Review

Management has evaluated subsequent events through December 21, 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, 2012 and 2011:

	2012	2011
Receivable in less than one year	\$ 36,350	\$ 11,700
Receivable in one to five years	96,200	2,997
Less discount to net present value	<u>(6,854)</u>	<u>(214)</u>
Promises to give - net	<u>\$ 125,696</u>	<u>\$ 14,483</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, 2012 and 2011

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment at September 30, 2012 and 2011 consisted of the following:

	2012	2011
Land	\$ 1,155,121	\$ 607,394
Land improvements	30,810	30,810
Buildings	5,248,235	5,244,182
Equipment	292,148	292,482
Construction in Progress	25,700	25,700
Property and equipment	6,752,014	6,200,568
Less accumulated depreciation	895,216	737,988
Property and equipment - net	\$ 5,856,798	\$ 5,462,580

Depreciation expense was \$160,712 and \$163,552 at September 30, 2012 and 2011.

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, 2012 and 2011 accumulated amortization was \$58,000 and \$56,000. Amortization expense for the years ended September 30, 2012 and 2011 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 year ended September 30, 2006. The trademarks capitalized total \$16,159 at September 30, 2012 and 2011. The trademarks are being amortized using the straight-line method over the estimated useful lives. Accumulated amortization was \$12,324 and \$10,708 at September 30, 2012 and 2011. Amortization expense for the years ended September 30, 2012 and 2011 was \$1,616 each year. Amortization expense is \$1,616 per year for the next two years and \$603 in the third year, 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 of \$532,928 and \$486,630 at September 30, 2012 and 2011. The production costs are being amortized using the straight-line method over the estimated useful life. Accumulated amortization was \$55,613 and \$21,628 at September 30, 2012 and 2011. Amortization expense for the years ended September 30, 2012 and 2011 was \$33,985 and \$21,628.

ALDO LEOPOLD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2012 and 2011

NOTE 7 – INVESTMENTS

Investments and endowment investments consisted of the following at September 30, 2012 and 2011:

	2012	2011
Cash and equivalents	\$ 41,784	\$ 155,182
Bonds	342,607	333,501
Mutual funds	1,026,571	1,018,034
Stocks	2,419	2,030
	\$ 1,413,381	\$ 1,508,747

Investment return for the years ended September 30, 2012 and 2011 consisted of the following:

	2012	2011
Interest and dividends	\$ 37,059	\$ 39,075
Net realized gains on investments	39,648	75,856
Net unrealized gains (losses) on investments	89,356	(64,827)
Agency endowment	4,492	(1,257)
Investment return	\$ 170,555	\$ 48,847

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 \$569,310 and \$475,895, which was reported for the years ended September 30, 2012 and 2011 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, 2012 and 2011

NOTE 9 – AGENCY ENDOWMENT (continued)

The activity in the Fund for the years ended September 30, 2012 and 2011 is as follows:

	2012	2011
Beginning balance	\$ 41,454	\$ 45,302
Interest and dividends	535	658
Realized loss	(1,652)	(270)
Unrealized gain (loss)	6,104	(1,103)
Fees	(496)	(542)
Distributions	(2,501)	(2,591)
Ending balance	\$ 43,445	\$ 41,454

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 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 statement of financial position at September 30, 2011. 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 statement of activities. There was no charitable gift annuity liability therefore recorded in the statement of financial position at September 30, 2012.

NOTE 11 – LINE OF CREDIT

During the year ended September 30, 2012 the Foundation renewed the revolving line credit agreement for \$1,000,000. Interest payments began in October 2012. The agreement carries a fixed interest rate of 5% per year. The loan, of which \$173,036 and \$334,866 was outstanding at September 30, 2012 and 2011, terminates on September 27, 2013 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 years ended September 30, 2012 and 2011 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. Lease payments were \$3,889 and \$4,198 for the years ended September 30, 2012 and 2011. The future lease commitments for the vehicle are \$4,800 each year for 2013 and 2014 and \$3,600 for 2015.

ALDO LEOPOLD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2012 and 2011

NOTE 12 – LEASE COMMITMENTS (continued)

The Foundation also held non-concurrent leases on two copiers; one lease, with monthly payments of \$200, ended in December 2011 and the second lease, with monthly payments of \$470, began in January 2012 and expires in December 2016. Lease payments were \$4,629 and \$2,395 for the years ended September 30, 2012 and 2011. Future lease commitments for the copier are \$5,640 per year for the years ending September 30, 2013, 2014, 2015, and 2016 and \$1,410 for the 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, 2012 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 years ended September 30, 2012 and 2011 consisted of the following:

	2012	2011
Contracted services	\$ 3,967	\$ 12,222
Supplies	2,598	-
Licenses and fees	14,750	3,350
Equipment	-	11,115
Advertising	-	854
Travel	528	-
Board Expense	581	-
Conferences and meeting expense	-	3,487
	<u>\$ 22,424</u>	<u>\$ 31,028</u>

NOTE 15 – NET ASSETS

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

	2012	2011
Undesignated	\$ 6,421,010	\$ 6,088,568
Designated for agency endowment purposes	43,445	41,454
Unrestricted net assets	<u>\$ 6,464,455</u>	<u>\$ 6,130,022</u>

ALDO LEOPOLD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2012 and 2011

NOTE 15 – NET ASSETS (continued)

Temporarily restricted net assets are available for the following purposes:

	2012	2011
Land Ethic promises to give	\$ -	\$ 1,050
Land Stewardship	-	20,000
Legacy Circle promises to give	-	1,000
Aldo Leopold Nature Center Collaboration	45,000	-
Green Fire promises to give	132,550	12,650
Endowment earnings	321,553	237,172
Beneficial interest in remainder trust	569,310	475,895
	\$ 1,068,413	\$ 747,767

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, 2012:

	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

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

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

ALDO LEOPOLD FOUNDATION, INC.
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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 year ended September 30, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2012 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(depreciation)	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>

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

Changes in endowment net assets for the year ended September 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2011 Total</u>
Endowment net assets - beginning	\$ 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 - ending	<u>\$ 41,454</u>	<u>\$ 237,172</u>	<u>\$ 1,064,409</u>	<u>\$ 1,343,035</u>

NOTE 17 – SUBSEQUENT EVENT

In October 2012, the Foundation completed Phase 3 of the Terbilcox property acquisition, valued at \$497,280. The purchase was funded primarily by a Stewardship Grant from the Wisconsin Department of Natural Resources of \$474,500. The remainder of the purchase price was paid by the Foundation. The Wisconsin DNR Stewardship grant was disbursed directly to the seller at closing of the property transaction.

NOTE 18 – FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at September 30, 2012 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	\$ 41,784	\$ 41,784	\$ -	\$ -
Stocks	2,419	2,419	-	-
Bonds	342,607	-	342,607	-
Mutual funds	1,026,571	1,026,571	-	-
Beneficial interest in assets held by MCF	43,445	-	-	43,445
Beneficial interest in remainder trust	569,310	-	-	569,310
Total	<u>\$ 2,026,136</u>	<u>\$ 1,070,774</u>	<u>\$ 342,607</u>	<u>\$ 612,755</u>

ALDO LEOPOLD FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2012 and 2011

NOTE 18 – FAIR VALUE MEASUREMENTS (continued)

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>

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 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:

	2012	2011
Beginning balance	\$ 475,895	\$ 531,038
Change in value in split-interest agreement	93,415	(55,143)
Payment from charitable remainder trust	-	-
Ending balance	<u>\$ 569,310</u>	<u>\$ 475,895</u>

ALDO LEOPOLD FOUNDATION, INC.
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NOTE 18 – FAIR VALUE MEASUREMENTS (continued)

Beneficial interest in assets held by Madison Community Foundation:	<u>2012</u>	<u>2011</u>
Beginning balance	\$ 41,454	\$ 45,302
Change in value of beneficial interest included in change in net assets	4,492	(1,257)
Purchases, sales, issuances, and settlements	<u>(2,501)</u>	<u>(2,591)</u>
Ending balance	<u>\$ 43,445</u>	<u>\$ 41,454</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.