

# Wisconsin Humane Society

Milwaukee, Wisconsin

Financial Statements

Years ended September 30, 2016 and 2015.



## Independent Auditor's Report

Board of Directors  
Wisconsin Humane Society  
Milwaukee, Wisconsin

We have audited the accompanying financial statements of Wisconsin Humane Society, which comprise the statements of financial position as of September 30, 2016 and 2015, and the related statements of activities, cash flows and functional expenses for the 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; 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. 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 Wisconsin Humane Society at September 30, 2016 and 2015, 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.

*Wipfli LLP*

Wipfli LLP

December 20, 2016  
Milwaukee, Wisconsin

# Wisconsin Humane Society

## Statements of Financial Position

September 30, 2016 and 2015

Assets	2016	2015
Current assets:		
Cash and cash equivalents	\$ 5,971	\$ 74,131
Investments	6,196,994	5,954,125
Accounts receivable	35,438	44,405
Pledges receivable - Current portion	440,248	248,830
Inventories	75,895	74,527
Prepaid expenses and other assets	20,846	11,552
<b>Total current assets</b>	<b>6,775,392</b>	<b>6,407,570</b>
Assets restricted as to use:		
Cash - State unemployment compensation	75,381	65,085
Beneficial interest in assets held by others	461,521	470,459
<b>Total assets restricted as to use</b>	<b>536,902</b>	<b>535,544</b>
<b>Property and equipment - Net</b>	<b>10,486,016</b>	<b>10,895,545</b>
<b>Pledges receivable - Less current portion</b>	<b>5,099,740</b>	<b>5,203,764</b>
<b>TOTAL ASSETS</b>	<b>\$ 22,898,050</b>	<b>\$ 23,042,423</b>

**Wisconsin Humane Society**  
**Statements of Financial Position** (Continued)  
September 30, 2016 and 2015

Liabilities and Net Assets	2016	2015
Current liabilities:		
Line of credit	\$ 310,000	\$ 200,000
Current maturities of long-term debt	392,379	388,630
Accounts payable	291,339	301,635
Accrued salary and benefits	313,042	258,751
Accrued expenses	33,930	22,420
Deferred revenue	81,956	100,135
<b>Total current liabilities</b>	<b>1,422,646</b>	<b>1,271,571</b>
Long-term debt, less current maturities	3,089,986	3,475,753
<b>Total liabilities</b>	<b>4,512,632</b>	<b>4,747,324</b>
Net assets:		
Unrestricted	12,115,590	12,025,815
Temporarily restricted	6,259,828	6,259,284
Permanently restricted	10,000	10,000
<b>Total net assets</b>	<b>18,385,418</b>	<b>18,295,099</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 22,898,050</b>	<b>\$ 23,042,423</b>

See accompanying notes to financial statements.

# Wisconsin Humane Society

## Statements of Activities

Year ended September 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:				
Contributions	\$ 2,957,437	\$ 330,405	\$ -	\$ 3,287,842
Bequests	1,405,700	-	-	1,405,700
Service fees	2,950,587	-	-	2,950,587
Merchandise sales	709,688	-	-	709,688
Investment income	547,773	11,398	-	559,171
Special events	528,870	-	-	528,870
Other revenue	47,209	-	-	47,209
Net assets released from restrictions	341,259	(341,259)	-	-
<b>Total support and revenue</b>	<b>9,488,523</b>	<b>544</b>	<b>-</b>	<b>9,489,067</b>
Expenses:				
Program expenses	7,777,139	-	-	7,777,139
Management and general	556,804	-	-	556,804
Fund-raising	1,064,805	-	-	1,064,805
<b>Total expenses</b>	<b>9,398,748</b>	<b>-</b>	<b>-</b>	<b>9,398,748</b>
Change in net assets	89,775	544	-	90,319
Net assets at beginning of year	12,025,815	6,259,284	10,000	18,295,099
<b>Net assets at end of year</b>	<b>\$ 12,115,590</b>	<b>\$ 6,259,828</b>	<b>\$ 10,000</b>	<b>\$ 18,385,418</b>

# Wisconsin Humane Society

## Statements of Activities (Continued)

Year ended September 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:				
Contributions	\$ 2,621,255	\$ 1,468,866	\$ -	\$ 4,090,121
Bequests	1,441,005	-	-	1,441,005
Service fees	2,519,264	-	-	2,519,264
Merchandise sales	671,165	-	-	671,165
Investment loss	(196,221)	(8,154)	-	(204,375)
Special events	217,731	-	-	217,731
Donated goods and services	2,876	-	-	2,876
Other revenue	19,449	-	-	19,449
Net assets released from restrictions	460,913	(460,913)	-	-
<b>Total support and revenue</b>	<b>7,757,437</b>	<b>999,799</b>	<b>-</b>	<b>8,757,236</b>
Expenses:				
Program expenses	7,151,776	-	-	7,151,776
Management and general	556,444	-	-	556,444
Fund-raising	882,359	-	-	882,359
<b>Total expenses</b>	<b>8,590,579</b>	<b>-</b>	<b>-</b>	<b>8,590,579</b>
Change in net assets	(833,142)	999,799	-	166,657
Net assets at beginning of year	12,858,957	5,259,485	10,000	18,128,442
<b>Net assets at end of year</b>	<b>\$ 12,025,815</b>	<b>\$ 6,259,284</b>	<b>\$ 10,000</b>	<b>\$ 18,295,099</b>

See accompanying notes to financial statements.

# Wisconsin Humane Society

## Statements of Cash Flows

Years Ended September 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 90,319	\$ 166,657
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	582,050	585,890
Decrease (Increase) of assets held by a recipient organization	8,938	(445,625)
Realized and unrealized loss (gain) on investments	(518,868)	258,325
Changes in operating assets and liabilities:		
Accounts receivable	8,967	(12,706)
Pledges receivable	(87,394)	(475,866)
Prepaid expenses, other assets and inventories	(10,662)	4,383
Accounts payable	(10,296)	38,980
Accrued salary and benefits	54,291	25,960
Accrued expenses	11,510	169
Deferred revenue	(18,179)	(2,182)
<b>Net cash provided by operating activities</b>	<b>110,676</b>	<b>143,985</b>
Cash flows from investing activities:		
Purchase of property and equipment	(172,521)	(493,158)
Purchase of investments	(1,074,133)	(973,195)
Proceeds from sales of investments	1,350,132	1,210,677
Net change in restricted cash	(10,296)	(62)
<b>Net cash (used in) provided by investing activities</b>	<b>93,182</b>	<b>(255,738)</b>
Cash flows from financing activities:		
Payments on long-term debt	(382,018)	(383,675)
Net borrowings on line of credit	110,000	200,000
<b>Net cash used in financing activities</b>	<b>(272,018)</b>	<b>(183,675)</b>
Decrease in cash and cash equivalents	(68,160)	(295,428)
Cash and cash equivalents at beginning	74,131	369,559
<b>Cash and cash equivalents at end</b>	<b>\$ 5,971</b>	<b>\$ 74,131</b>
<b>Supplemental disclosures of cash flow information:</b>		
Cash payments for interest	\$ 104,783	\$ 96,352

See accompanying notes to financial statements.

# Wisconsin Humane Society

## Statements of Functional Expenses

Year ended September 30, 2016

	Program Services						Fundraising	Total
	Veterinary	Sheltering and animal care	Community relations and outreach	Total Program Services	Management and General			
Salaries and wages	\$ 1,183,700	\$ 2,310,894	\$ 382,787	\$ 3,877,381	\$ 405,928	\$ 388,294	\$ 4,671,603	
Employee benefits	118,823	268,913	42,566	430,302	9,267	34,981	474,550	
Payroll taxes	83,930	165,308	25,773	275,011	25,253	26,810	327,074	
Audit and legal fees	-	-	-	-	13,670	-	13,670	
Professional fees	241	868	-	1,109	6,352	45	7,506	
Outside services	35,396	107,674	17,781	160,851	3,165	35,679	199,695	
Office supplies	1,227	6,468	180	7,875	1,271	552	9,698	
Animal supplies	53,414	96,858	34,216	184,488	-	-	184,488	
Building support	64,562	159,780	18,834	243,176	11,696	17,406	272,278	
Telephone	18,281	28,427	3,790	50,498	3,027	3,316	56,841	
Utilities	71,155	153,189	20,425	244,769	7,659	17,872	270,300	
Building repairs and maintenance	37,674	87,981	11,731	137,386	4,399	10,264	152,049	
Rent	92,028	-	-	92,028	-	-	92,028	
Postage and shipping	284	3,566	610	4,460	1,457	93,899	99,816	
Insurance	18,967	29,080	3,877	51,924	1,454	3,393	56,771	
Equipment	13,439	7,217	150	20,806	117	6,308	27,231	
Advertising	6,373	3,229	16,278	25,880	204	238,142	264,226	
Travel	215	7,117	4,155	11,487	5,130	353	16,970	
Vehicle	1,001	4,999	-	6,000	-	-	6,000	
Conferences, conventions and meetings	4,719	5,148	503	10,370	3,199	4,473	18,042	
Dues	10,109	1,092	470	11,671	10,453	1,933	24,057	
Operating costs	83,767	234,550	30,156	348,473	13,403	26,806	388,682	
Program and promotional supplies	-	171	6,971	7,142	-	-	7,142	
Miscellaneous	10,036	8,119	5,545	23,700	7,526	2,884	34,110	
Veterinary	500,730	-	2,036	502,766	-	-	502,766	
Dog training class	-	20,648	-	20,648	-	-	20,648	
Interest	22,732	63,649	8,184	94,565	3,637	7,274	105,476	
Depreciation	160,333	324,398	41,708	526,439	18,537	37,074	582,050	
Store merchandise	-	405,934	-	405,934	-	-	405,934	
Cost of event dinner	-	-	-	-	-	44,044	44,044	
Event	-	-	-	-	-	63,003	63,003	
<b>Total expenses</b>	<b>\$ 2,593,136</b>	<b>\$ 4,505,277</b>	<b>\$ 678,726</b>	<b>\$ 7,777,139</b>	<b>\$ 556,804</b>	<b>\$ 1,064,805</b>	<b>\$ 9,398,748</b>	



**Wisconsin Humane Society**  
**Statements of Functional Expenses** (Continued)  
Year Ended September 30, 2015

	Program Services						Fundraising	Total
	Veterinary	Sheltering and animal care	Community relations and outreach	Total Program Services	Management and General			
Salaries and wages	\$ 897,916	\$ 2,216,229	\$ 334,471	\$ 3,448,616	\$ 390,222	\$ 329,948	\$ 4,168,786	
Employee benefits	94,045	266,016	50,510	410,571	11,457	29,433	451,461	
Payroll taxes	64,462	156,527	22,425	243,414	24,638	23,558	291,610	
Audit and legal fees	-	-	-	-	20,389	-	20,389	
Professional fees	87	827	-	914	6,104	-	7,018	
Outside services	5,318	25,551	8,445	39,314	1,150	2,511	42,975	
Office supplies	1,690	3,688	352	5,730	850	825	7,405	
Animal supplies	51,005	93,458	15,259	159,722	-	-	159,722	
Building support	202,130	556,724	51,961	810,815	29,692	51,961	892,468	
Telephone	-	-	-	-	1,877	-	1,877	
Postage and shipping	666	3,698	1,091	5,455	1,940	87,006	94,401	
Insurance	1,164	-	-	1,164	-	-	1,164	
Equipment	28,109	9,815	-	37,924	-	2,927	40,851	
Advertising	15,371	2,852	17,666	35,889	355	239,151	275,395	
Travel	2,587	8,410	3,586	14,583	4,380	-	18,963	
Vehicle	28	4,532	-	4,560	-	-	4,560	
Conferences, conventions, and meetings	3,130	6,179	1,191	10,500	4,584	8,989	24,073	
Training	6,819	-	450	7,269	-	-	7,269	
Dues	8,098	627	1,460	10,185	8,903	1,599	20,687	
Operating costs	82,601	281,593	26,282	390,476	15,018	26,282	431,776	
Program and promotional supplies	-	863	7,820	8,683	-	-	8,683	
Miscellaneous	2,895	7,390	5,234	15,519	8,288	3,105	26,912	
Veterinary	465,968	-	1,078	467,046	-	-	467,046	
Dog training class	-	14,590	-	14,590	-	-	14,590	
Interest	18,379	62,657	5,848	86,884	3,342	5,848	96,074	
Depreciation	112,083	382,102	35,663	529,848	20,379	35,663	585,890	
Store merchandise	-	392,105	-	392,105	-	-	392,105	
Event	-	-	-	-	-	33,553	33,553	
Donated goods and services	-	-	-	-	2,876	-	2,876	
<b>Total expenses</b>	<b>\$ 2,064,551</b>	<b>\$ 4,496,433</b>	<b>\$ 590,792</b>	<b>\$ 7,151,776</b>	<b>\$ 556,444</b>	<b>\$ 882,359</b>	<b>\$ 8,590,579</b>	

See accompanying notes to financial statements.

# Wisconsin Humane Society

## Notes to Financial Statements

---

### Note 1: Summary of Significant Accounting Policies

#### Nature of Activities

Wisconsin Humane Society (the "Organization") is committed to building a community that values animals and treats them with respect and kindness. The Organization provides shelter, adoption services, education, outreach, and veterinary services at its principal business office in Milwaukee, Wisconsin. In addition, the Organization operates shelter facilities in Ozaukee and Racine Counties in Wisconsin along with a spay/neuter clinic in West Allis, Wisconsin.

The Organization also operates a wildlife rehabilitation program. The purpose of this program is to develop the capability to receive, collect, rescue, maintain, and when possible rehabilitate and release sick, injured, or orphaned indigenous wildlife that originate from within Milwaukee County.

#### Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("GAAP").

#### Net Assets

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor imposed stipulations that will be met, either by actions of the Organization or by the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they may be maintained permanently by the Organization.

#### Use of Estimates

The preparation of the accompanying financial statements in conformity with GAAP requires management to make estimates and assumptions that directly 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 may differ from these estimates.

# Wisconsin Humane Society

## Notes to Financial Statements

---

### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Cash and Cash Equivalents**

The Organization considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents, excluding amounts held as short-term investments in the Organization's investment portfolio and amounts restricted as to use.

#### **Investments**

The Organization's investments are held in broker-administered funds. Management has granted the investment managers discretionary authority over investment decisions based on the Organization's investment policy.

Investments are reported at fair value on the statement of financial position. Interest, dividends, realized and unrealized gains and losses are included in the change in net assets.

#### **Accounts Receivable**

Accounts receivable are generally uncollateralized client obligations due upon receipt. Payments of accounts receivable are allocated to the specific invoices identified on the client's remittance advice or, if unspecified, applied to the earliest unpaid invoices. Management individually reviews all past due accounts receivable balances and estimates the portion, if any, of the balance that will not be collected. The carrying amount of accounts receivable is reduced by allowances that reflect management's estimate of uncollectible amounts.

#### **Pledges Receivable**

Pledges receivable are reported in the statements of financial position net of unamortized discounts and an allowance for uncollectible pledges. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows using a discount rate of 0.96% at September 30, 2016 and 2015. The discount rate is based on an average of the Organization's internal borrowing rate and the risk free rate of interest as determined by the rate on a 5 year U.S. Treasury bill. Management individually reviews all past due pledges receivable and estimates the portion, if any, of the balance that will not be collected. The carrying amount of pledges receivable are reduced by allowances which reflect management's estimate of uncollectible amounts.

# Wisconsin Humane Society

## Notes to Financial Statements

---

### Note 1: Summary of Significant Accounting Policies (Continued)

#### Fair Value Measurements

The Organization measures the fair value of its financial instruments using a three-tier hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to significant unobservable inputs (level 3 measurements).

The Organization determines fair value by:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical asset or liabilities in active market that the Organization has the ability to access, and where transactions occur within.

Level 2 inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs, other than quoted prices, that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

#### Inventories

Inventories, composed primarily of pet supplies held for resale, are valued at the lower of cost, determined using the average cost method, or market.

#### Unemployment Compensation

The Organization has elected reimbursement financing under the provisions of the Wisconsin unemployment compensation laws. To meet state funding requirements, the Organization has restricted deposits totaling \$75,381 and \$65,085 at September 30, 2016 and 2015, respectively.

# Wisconsin Humane Society

## Notes to Financial Statements

---

### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Property and Equipment**

Property and equipment are recorded at cost. Donated equipment is recorded at the asset's fair market value at the date of donation. The cost of these items is charged to expense as depreciation computed on the straight-line method over the estimated useful lives of the assets. Estimated useful lives are 5 years for furniture, vehicles, and equipment and 20 to 40 years for land improvements, building, and building improvements.

#### **Deferred Revenue**

Funds received in advance of a fundraising event but not earned as of the date of the statements of financial position, have been classified as deferred revenue. Revenues will be recognized in future periods as the revenue is earned.

#### **Service Fees**

Service fees are recorded as revenue when an animal is adopted or service is performed.

#### **Donated Goods and Services**

Donated goods and services requiring specialized expertise are recorded as revenue and expense in the accompanying statement of activities at the estimated fair value. Only contributions of service received that create or enhance a nonfinancial asset or require specialized skill by the individual possessing those skills, and would typically need to be purchased if not provided by donation are recognized. The Organization recorded revenue and expense related to these donated goods and services of \$0 and \$2,876 for the years ended September 30, 2016 and 2015, respectively. The Organization received nonprofessional volunteer services which management has estimated at a value of approximately \$640,750 and \$586,595 for the years ended September 30, 2016 and 2015, respectively. These amounts are not recorded in the statements of activities.

#### **Contributions**

Contributions are considered available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give cash and other assets to the Organization are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift was deemed unconditional. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying financial statements.

# Wisconsin Humane Society

## Notes to Financial Statements

---

### Note 1: Summary of Significant Accounting Policies (Continued)

#### Income Taxes

The Organization is a tax-exempt corporation as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Organization is also exempt from state income taxes.

In order to account for any uncertain tax positions, the Organization determines whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position, assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements. The Organization recorded no assets or liabilities related to uncertain tax positions for the years ended September 30, 2016 and 2015.

#### Subsequent Events

Subsequent events have been evaluated through December 20, 2016, which is the date the financial statements were issued.

### Note 2: Investments

#### Investment Composition

Investments, stated at fair value, consisted of the following at September 30, 2016 and 2015:

	2016	2015
Money market funds	\$ 92,867	\$ 75,814
Mutual Funds	3,699,172	3,499,035
Corporate Bonds	1,211,177	1,246,898
Corporate stocks	1,193,778	1,132,378
<b>Total investments</b>	<b>\$ 6,196,994</b>	<b>\$ 5,954,125</b>

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

# Wisconsin Humane Society

## Notes to Financial Statements

---

### Note 2: Investments (Continued)

#### Investment Income

Investment income, including gains and losses on cash and cash equivalents, investments, and restricted assets consisted of the following for the years ended September 30, 2016 and 2015:

	2016	2015
Interest and dividend income	\$ 40,303	\$ 53,950
Realized and unrealized (loss) gain on investments	518,868	(258,325)
<b>Total investment (loss) income</b>	<b>\$ 559,171</b>	<b>\$ (204,375)</b>

The Organization incurred investment fees of \$19,763 and \$23,289 for the years ended September 30, 2016 and 2015, respectively. Investment fees are included in operating costs on the statements of functional expense.

### Note 3: Fair Value Measurements

The following is a description of the valuation methodology used for each asset measured at fair value on a recurring basis:

- Money market funds are measured using \$1 as the net asset value ("NAV").
- Mutual funds are valued based on quoted market prices.
- Corporate bonds are valued using quotes from pricing vendors based on recent trading activity and other observable market data.
- Common stocks are valued at quoted market prices from active market on which the stocks are traded.
- Pledges receivable are based on the original pledge amounts, net an allowance for uncollectible pledges, and the unamortized discount on the long-term pledges receivable based on a discount rate described in Note 1.
- Beneficial interest in assets held by others are valued based on the market value of the underlying assets, consisting mainly of equity and fixed income securities which are valued based on quoted market prices.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, while the organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at that reporting date.

# Wisconsin Humane Society

## Notes to Financial Statements

### Note 3: Fair Value Measurements (Continued)

Information regarding assets measured at fair value on a recurring basis as of September 30, 2016, is as follows:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ -	\$ 92,867	\$ -	\$ 92,867
Mutual funds:				
Equity income	537,793	-	-	537,793
Mid cap	1,077,525	-	-	1,077,525
International	755,154	-	-	755,154
Large cap	1,328,700	-	-	1,328,700
Corporate bonds	-	1,211,177	-	1,211,177
Common stocks:				
Energy	97,090	-	-	97,090
Materials	54,632	-	-	54,632
Industrials	238,647	-	-	238,647
Consumer discretionary	67,803	-	-	67,803
Consumer staples	8,183	-	-	8,183
Health care	136,502	-	-	136,502
Financials	223,673	-	-	223,673
Telecommunications	28,913	-	-	28,913
Utilities	36,797	-	-	36,797
Information technology	254,383	-	-	254,383
Real estate	47,155	-	-	47,155
<b>Total Investments</b>	<b>4,892,950</b>	<b>1,304,044</b>	<b>-</b>	<b>6,196,994</b>
Pledges receivable	-	5,539,988	-	5,539,988
Beneficial interest in assets held by other	-	-	461,521	461,521
<b>Total</b>	<b>\$ 4,892,950</b>	<b>\$ 6,844,032</b>	<b>\$ 461,521</b>	<b>\$ 12,198,503</b>



# Wisconsin Humane Society

## Notes to Financial Statements

### Note 3: Fair Value Measurements (Continued)

Information regarding assets measured at fair value on a recurring basis as of September 30, 2015, is as follows:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ -	\$ 75,814	\$ -	\$ 75,814
Mutual funds:				
Equity income	491,341	-	-	491,341
Mid cap	1,065,606	-	-	1,065,606
International	701,336	-	-	701,336
Large cap	1,240,752	-	-	1,240,752
Corporate bonds	-	1,246,898	-	1,246,898
Common stocks:				
Energy	73,662	-	-	73,662
Materials	20,920	-	-	20,920
Industrials	170,652	-	-	170,652
Consumer discretionary	187,019	-	-	187,019
Consumer staples	46,080	-	-	46,080
Health care	139,061	-	-	139,061
Financials	260,835	-	-	260,835
Telecommunications	54,187	-	-	54,187
Utilities	20,251	-	-	20,251
Information technology	159,711	-	-	159,711
<b>Total Investments</b>	<b>4,631,413</b>	<b>1,322,712</b>	<b>-</b>	<b>5,954,125</b>
Pledges receivable	-	5,452,594	-	5,452,594
Beneficial interest in assets held by other	-	-	470,459	470,459
<b>Total</b>	<b>\$ 4,631,413</b>	<b>\$ 6,775,306</b>	<b>\$ 470,459</b>	<b>\$ 11,877,178</b>

# Wisconsin Humane Society

## Notes to Financial Statements

### Note 3: Fair Value Measurements (Continued)

Changes in fair value of the Organizations Level 3 assets for the years ended September 30, 2016 and 2015, are as follows:

	Racine Community Foundation	Greater Milwaukee Foundation	Successor Trust	Total
Balance October 1, 2014	\$ 24,834	\$ -	\$ -	\$ 24,834
Contribution	-	200,000	319,454	519,454
Investment income (loss)	(69)	(6,620)	578	(6,111)
Distributions/expenses	(255)	(54,846)	(12,617)	(67,718)
Balance September 30, 2015	24,510	138,534	307,415	470,459
Investment income	2,420	11,058	48,626	62,104
Distributions/expenses	(254)	(56,857)	(13,931)	(71,042)
Balance September 30, 2016	\$ 26,676	\$ 92,735	\$ 342,110	\$ 461,521

### Note 4: Pledges Receivable (or Unconditional Promises to Give)

The pledges receivable balance is expected to be collected according to the following schedule as of September 30, 2016 and 2015:

	2016	2015
Receivable in less than one year	\$ 440,248	\$ 248,830
Receivable in one to five years	5,343,952	5,440,840
Receivable in more than five years	6,000	6,000
Total pledges receivable	5,790,200	5,695,670
Less discounts to net present value	250,212	243,076
Net pledges receivable	5,539,988	5,452,594
Less current portion	440,248	248,830
Pledges receivable - noncurrent	\$ 5,099,740	\$ 5,203,764

At September 30, 2016 and 2015, promises to give from one donor comprised 92% and 91%, respectively, of total outstanding pledges receivable.

# Wisconsin Humane Society

## Notes to Financial Statements

---

### Note 5: Property and Equipment

Property and equipment consisted of the following at September 30, 2016 and 2015:

	2016	2015
Land	\$ 1,490,390	\$ 1,490,390
Land improvements	453,039	453,101
Building and building improvements	12,944,592	12,944,592
Vehicles	155,984	162,176
Furniture and office equipment	935,412	1,545,037
Construction in progress	72,164	-
Total property and equipment	16,051,581	16,595,296
Less - Accumulated depreciation	5,565,565	5,699,751
Total	\$ 10,486,016	\$ 10,895,545

### Note 6: Line of Credit

At September 30, 2016, the Organization had a line of credit of \$800,000 with a bank, which bears interest at an index rate plus 1.9 percentage points (3.5% at September 30, 2016), due on demand, and is subject to an annual review. The line of credit is secured by a general business security agreement of the Organization. There was \$310,000 and \$200,000 outstanding under this agreement at September 30, 2016 and 2015, respectively.

# Wisconsin Humane Society

## Notes to Financial Statements

### Note 7: Long-Term Debt

Long-term debt consists of the following at September 30:

	2016	2015
Bond payable to bank in principal payments due annually on March 1 of each year, with the final payment due March 1, 2019. Interest is charged based on a variable rate determined by the Remarketing Agent Robert W. Baird based on a rate that would enable the Bonds to be sold at a price of par, plus accrued interest (.96% and .12% as of September 30, 2016 and 2015, respectively). Interest on the outstanding bonds is paid monthly. The bonds are secured with a first mortgage on the land and building constructed with the proceeds.	\$ 820,000	\$ 1,095,000
Mortgage note payable to a bank with monthly payments of principal and interest of \$16,822, with one final balloon payment for the remaining unpaid principal and accrued interest on November 7, 2018. The loan bears interest at an initial interest rate of 3.25%. The interest rate will vary based on prime, but will never be greater than 3.75% or less than 3.25%. The mortgage is secured with a first mortgage on land and building of the Ozaukee location.	2,662,365	2,769,383
Long-term debt	3,482,365	3,864,383
Less current maturities	392,379	388,630
Long-term portion	\$ 3,089,986	\$ 3,475,753

Maturities of debt are as follows at September 30, 2016:

2017	\$	392,379
2018		396,251
2019		2,693,735
Total	\$	3,482,365

# Wisconsin Humane Society

## Notes to Financial Statements

### Note 8: Temporarily Restricted Net Assets

Temporarily restricted net assets include assets set aside in accordance with donor restrictions as to time or use. Temporarily restricted net assets are available for the following purposes at September 30, 2016 and 2015:

	2016	2015
Pet cemetery	\$ 271,856	\$ 274,280
Saukville campaign	5,090,740	4,945,537
Time restricted	897,232	1,039,467
<b>Total temporary restricted net assets</b>	<b>\$ 6,259,828</b>	<b>\$ 6,259,284</b>

Net assets were released from restrictions by incurring expenses, satisfying the restricted purpose or by occurrence of other events specified by donors. During 2016 and 2015, temporarily restricted net assets released from restricted net assets were as follows:

	2016	2015
Pet cemetery	\$ 2,423	\$ 2,943
Time restricted	338,836	457,970
<b>Total temporary restricted net assets released from restrictions</b>	<b>\$ 341,259</b>	<b>\$ 460,913</b>

### Note 9: Tax-Deferred Annuity Plan

The Organization sponsors a tax-deferred annuity plan (the "Plan") qualified under Section 403(b) of the Code. Full-time employees of the Organization are eligible to participate in the Plan upon fulfilling certain eligibility requirements. Employees may elect salary deferrals which are contributed to the Plan up to a maximum amount allowed by the Code. In addition, the Organization may elect to make discretionary matching and non-elective contributions on behalf of eligible employees. The Organization did not make discretionary contributions to the Plan during September 30, 2016 and 2015.

### Note 10: Advertising Costs

The Organization uses advertising to promote its adoption and other programs among the areas it serves. The production costs of advertising are expensed as incurred. During 2016 and 2015, advertising costs totaled \$264,226 and \$275,395, respectively.

# Wisconsin Humane Society

## Notes to Financial Statements

---

### Note 11: Concentration of Credit Risk

The Organization maintains depository relationships with area financial institutions, and the Organization's balances may at times exceed Federal Deposit Insurance Corporation (FDIC) limits. The Organization has not experienced any losses with these accounts. Management believes the Organization is not exposed to any significant risk on cash.

### Note 12: Lease

The Organization leases space through an operating lease expiring in May 2025. The terms of the lease require the landlord to pay all operating expenses and real estate taxes related to the facility. Rent expense incurred in 2016 was \$92,028:

Future minimum payments under this noncancelable operating lease are as follows for the years ending September 30:

	Total
2017	\$ 80,103
2018	82,506
2019	84,981
2020	87,531
2021	90,160
Thereafter	354,011
Total minimum lease payments	\$ 779,292

### Note 13: Beneficial Interest in Assets Held by Others

The assets held by others for the benefit of the Organization are required to be reported as an asset of the Organization. Accordingly the Organization recognizes its beneficial interest in the net assets in the Foundations and Trust and adjusts that interest for its share of the change in net assets.

The Racine Community Foundation and the Greater Milwaukee Foundation has governance over the endowment's investment of funds and the distribution of fund assets. However, the endowment agreement with the Greater Milwaukee Foundation (the "Foundation") will allow for distributions, up to and including all principal and income of the fund, greater than the Foundation's distribution policy upon recommendation by a 75% vote of the Organization's Board of Directors and approval by the Foundation.

The Organization is the sole beneficiary of a successor trust receiving annually the Trust's net income. Upon the Trust's dissolution in 2032, the Organization will receive the remaining principal and income.

# Wisconsin Humane Society

## Notes to Financial Statements

### Note 13: Beneficial Interest in Assets Held by Others (Continued)

The Organization's beneficial interest in assets held by others at September 30, 2016 and 2015, were as follows:

	2016	2015
Racine Community Foundation	\$ 26,676	\$ 24,510
Greater Milwaukee Foundation	92,735	138,534
Successor Trust	342,110	307,415
<b>Total</b>	<b>\$ 461,521</b>	<b>\$ 470,459</b>

Changes in beneficial interest in assets held by others for the years ended September 30, 2016 and 2015, were as follows:

	Temporarily Restricted	Permanently Restricted	Total
Beneficial interest at October 1, 2014	\$ 14,834	\$ 10,000	\$ 24,834
Contribution	519,454	-	519,454
Distributions/expenses	(67,718)	-	(67,718)
Investment loss	(6,111)	-	(6,111)
Beneficial interest at September 30, 2015	460,459	10,000	470,459
Distributions/expenses	(71,042)	-	(71,042)
Investment income	62,104	-	62,104
Beneficial interest at September 30, 2016	\$ 451,521	\$ 10,000	\$ 461,521

### Note 14: Purchase of Land

The Organization purchased land in the Racine County area for \$150,000 in October of 2016.