

# Wisconsin Humane Society

Milwaukee, Wisconsin

Financial Statements

Years ended September 30, 2018 and 2017



**WIPFLi**<sup>LLP</sup>  
CPAs and Consultants



## **Independent Auditor's Report**

Board of Directors  
Wisconsin Humane Society  
Milwaukee, Wisconsin

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Wisconsin Humane Society, which comprise the statements of financial position as of September 30, 2018 and 2017, 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, 2018 and 2017, 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  
Milwaukee, Wisconsin

December 21, 2018

# Wisconsin Humane Society

## Statements of Financial Position

September 30, 2018 and 2017

Assets	2018	2017
Current assets:		
Cash and cash equivalents	\$ 3,302,363	\$ 118,240
Investments	8,621,154	6,847,385
Accounts receivable	40,852	38,021
Pledges receivable - Current portion	499,728	5,608,215
Inventories	77,623	78,102
Prepaid expenses and other assets	30,578	19,932
<b>Total current assets</b>	<b>12,572,298</b>	<b>12,709,895</b>
Assets restricted as to use:		
Cash - State unemployment compensation	86,288	85,672
Beneficial interest in assets held by others	751,578	499,405
<b>Total assets restricted as to use</b>	<b>837,866</b>	<b>585,077</b>
<b>Property and equipment - Net</b>	<b>12,828,690</b>	<b>10,241,358</b>
<b>Pledges receivable - Less current portion</b>	<b>89,316</b>	<b>134,616</b>
<b>TOTAL ASSETS</b>	<b>\$ 26,328,170</b>	<b>\$ 23,670,946</b>

# Wisconsin Humane Society

## Statements of Financial Position (Continued)

September 30, 2018 and 2017

Liabilities and Net Assets	2018	2017
<b>Current liabilities:</b>		
Line of credit	\$ -	\$ 500,000
Current maturities of long-term debt	-	396,251
Accounts payable	418,573	294,313
Accrued salary and benefits	191,189	335,227
Accrued expenses	58,586	56,053
Deferred revenue	102,004	98,166
<b>Total current liabilities</b>	<b>770,352</b>	<b>1,680,010</b>
<b>Long-term debt, less current maturities</b>	<b>-</b>	<b>2,706,790</b>
<b>Total liabilities</b>	<b>770,352</b>	<b>4,386,800</b>
<b>Net assets:</b>		
Unrestricted	22,999,386	12,437,453
Temporarily restricted	2,355,630	6,836,693
Permanently restricted	202,802	10,000
<b>Total net assets</b>	<b>25,557,818</b>	<b>19,284,146</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 26,328,170</b>	<b>\$ 23,670,946</b>

See accompanying notes to financial statements.

# Wisconsin Humane Society

## Statements of Activities

Year ended September 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:				
Contributions	\$ 4,153,700	\$ 885,845	\$ 5,088	\$ 5,044,633
Bequests	4,142,100	-	-	4,142,100
Service fees	3,637,426	-	-	3,637,426
Merchandise sales	638,492	-	-	638,492
Investment income	789,385	12,918	-	802,303
Special events	613,530	-	-	613,530
Donated goods and services	3,098	-	-	3,098
Other revenue	52,085	-	-	52,085
Net assets released from restrictions	5,481,562	(5,481,562)	-	-
<b>Total support and revenue</b>	<b>19,511,378</b>	<b>(4,582,799)</b>	<b>5,088</b>	<b>14,933,667</b>
Expenses:				
Program expenses	9,603,446	-	-	9,603,446
Management and general	691,171	-	-	691,171
Fund-raising	1,486,782	-	-	1,486,782
<b>Total expenses</b>	<b>11,781,399</b>	<b>-</b>	<b>-</b>	<b>11,781,399</b>
Excess of support (deficit) and revenue over expenses	7,729,979	(4,582,799)	5,088	3,152,268
Other changes in net assets:				
Contribution recognized on acquisitions (see Note 14)	2,831,954	101,736	187,714	3,121,404
Change in net assets	10,561,933	(4,481,063)	192,802	6,273,672
Net assets at beginning of year	12,437,453	6,836,693	10,000	19,284,146
<b>Net assets at end of year</b>	<b>\$ 22,999,386</b>	<b>\$ 2,355,630</b>	<b>\$ 202,802</b>	<b>\$ 25,557,818</b>

# Wisconsin Humane Society

## Statements of Activities (Continued)

Year ended September 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:				
Contributions	\$ 2,858,779	\$ 1,065,335	\$ -	\$ 3,924,114
Bequests	1,560,051	-	-	1,560,051
Service fees	2,921,520	-	-	2,921,520
Merchandise sales	672,915	-	-	672,915
Investment income	936,302	14,816	-	951,118
Special events	538,370	-	-	538,370
Donated goods and services	18,553	-	-	18,553
Other revenue	47,116	-	-	47,116
Net assets released from restrictions	503,286	(503,286)	-	-
<b>Total support and revenue</b>	<b>10,056,892</b>	<b>576,865</b>	<b>-</b>	<b>10,633,757</b>
Expenses:				
Program expenses	7,939,437	-	-	7,939,437
Management and general	595,811	-	-	595,811
Fund-raising	1,199,781	-	-	1,199,781
<b>Total expenses</b>	<b>9,735,029</b>	<b>-</b>	<b>-</b>	<b>9,735,029</b>
Change in net assets	321,863	576,865	-	898,728
Net assets at beginning of year	12,115,590	6,259,828	10,000	18,385,418
<b>Net assets at end of year</b>	<b>\$ 12,437,453</b>	<b>\$ 6,836,693</b>	<b>\$ 10,000</b>	<b>19,284,146</b>

See accompanying notes to financial statements.

# Wisconsin Humane Society

## Statements of Cash Flows

Years Ended September 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 6,273,672	\$898,728
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Noncash In-kind donations on acquisitions	(2,997,529)	-
Depreciation	699,046	572,848
Increase of assets held by others	(28,914)	(37,884)
Realized and unrealized gain on investments	(725,172)	(911,994)
Contributions restricted for purchase of property and equipment	(546,995)	(516,071)
Changes in operating assets and liabilities:		
Accounts receivable	5,221	(2,583)
Pledges receivable	5,246,629	(54,726)
Prepaid expenses, other assets and inventories	4,972	(1,293)
Accounts payable	25,410	2,974
Accrued salary and benefits	(185,803)	22,185
Accrued expenses	(11,169)	22,123
Deferred revenue	3,838	16,210
Net cash provided by operating activities	7,763,206	10,517
Cash flows from investing activities:		
Purchase of property and equipment	(196,378)	(328,190)
Purchase of investments	(2,283,815)	(941,039)
Proceeds from sales of investments	1,245,255	1,202,642
Net change in restricted cash	(616)	(10,291)
Net cash used in investing activities	(1,235,554)	(76,878)
Cash flows from financing activities:		
Payments on long-term debt	(3,313,874)	(379,324)
Proceeds from contributions for purchase of property and equipment	520,345	367,954
Net borrowings on line of credit	(550,000)	190,000
Net cash provided by (used in) financing activities	(3,343,529)	178,630
Increase in cash and cash equivalents	3,184,123	112,269
Cash and cash equivalents at beginning	118,240	5,971
Cash and cash equivalents at end	\$ 3,302,363	\$ 118,240

# Wisconsin Humane Society

## Statements of Cash Flows (Continued)

Years Ended September 30, 2018 and 2017

	2018	2017
<b>Supplemental disclosures of cash flow information:</b>		
Cash payments for interest	\$ 31,975	\$ 119,369
<b>Noncash adjustments to operating activities:</b>		
Contribution of investments	\$ 10,037	\$ -
Contribution of accounts receivable	8,052	-
Contribution of pledges receivable	66,192	-
Contribution of land, property, equipment	3,090,000	-
Contribution of prepaid expenses, other assets and inventories	15,137	-
Contribution of beneficial interest held by others	223,259	-
Assumption of accounts payable and other liabilities	(98,850)	-
Assumption of accrued salary and benefits	(41,763)	-
Assumption of accrued expenses	(13,702)	-
Assumption of line of credit	(50,000)	-
Assumption of debt	(210,833)	-
Total noncash adjustments to operating activities	\$ 2,997,529	\$ -

See accompanying notes to financial statements.



# Wisconsin Humane Society

## Statements of Functional Expenses

Year ended September 30, 2018

	Program Services						Fundraising	Total
	Veterinary	Sheltering and Animal Care	Community Relations and Outreach	Total Program Services	Management and General			
Salaries and wages	\$ 1,444,210	\$ 3,141,585	\$ 471,827	\$ 5,057,622	\$ 430,891	\$ 581,679	\$ 6,070,192	
Employee benefits	158,757	360,610	63,545	582,912	25,756	46,225	654,893	
Payroll taxes	106,478	232,478	33,028	371,984	27,714	42,997	442,695	
Audit and legal fees	-	-	-	-	7,433	-	7,433	
Outside services	51,802	160,069	20,688	232,559	6,488	21,010	260,057	
Office supplies	1,100	9,916	106	11,122	1,964	659	13,745	
Animal supplies	63,066	146,058	5,783	214,907	-	-	214,907	
Building support	69,040	194,363	21,440	284,843	9,928	19,521	314,292	
Telephone	13,906	27,006	3,376	44,288	2,439	2,954	49,681	
Utilities	71,190	197,130	24,641	292,961	6,160	21,561	320,682	
Building repairs and maintenance	36,112	94,410	11,801	142,323	2,950	10,326	155,599	
Rent	88,353	-	-	88,353	-	-	88,353	
Postage and shipping	64	3,602	421	4,087	1,859	122,985	128,931	
Insurance	17,926	35,593	4,449	57,968	1,112	3,893	62,973	
Equipment	19,070	9,369	-	28,439	514	11,803	40,756	
Advertising and direct mail costs	13,558	390	15,170	29,118	679	368,466	398,263	
Travel	2,670	1,707	7,868	12,245	1,732	1,984	15,961	
Vehicle	877	38,222	-	39,099	-	-	39,099	
Conferences, conventions, and meetings	5,188	5,152	230	10,570	3,342	6,650	20,562	
Dues	13,089	589	500	14,178	9,920	1,624	25,722	
Operating costs	74,151	212,291	25,613	312,055	7,881	22,658	342,594	
Program and promotional supplies	-	-	15,507	15,507	-	-	15,507	
Software fees	1,150	9,306	1,649	12,105	6,954	28,925	47,984	
Miscellaneous	496	15,452	82	16,030	318	5,205	21,553	
Veterinary supplies	629,990	-	20,858	650,848	-	-	650,848	
Dog training class	-	24,566	-	24,566	-	-	24,566	
Interest	4,419	15,116	1,824	21,359	561	1,613	23,533	
Depreciation	169,610	418,692	50,515	638,817	15,543	44,686	699,046	
Investment fees	-	-	-	-	26,786	-	26,786	
Store merchandise	-	392,581	-	392,581	-	-	392,581	
Cost of event dinner	-	-	-	-	-	40,432	40,432	
Event	-	-	-	-	-	78,926	78,926	
Non-recurring acquisition expenses	-	-	-	-	89,149	-	89,149	
Donated goods and services	-	-	-	-	3,098	-	3,098	
<b>Total expenses</b>	<b>\$ 3,056,272</b>	<b>\$ 5,746,253</b>	<b>\$ 800,921</b>	<b>\$ 9,603,446</b>	<b>\$ 691,171</b>	<b>\$ 1,486,782</b>	<b>\$ 11,781,399</b>	

**Wisconsin Humane Society**  
**Statements of Functional Expenses (Continued)**  
Year ended September 30, 2017

	Program Services						Total
	Veterinary	Sheltering and Animal Care	Community Relations and Outreach	Total Program Services	Management and General	Fundraising	
Salaries and wages	\$ 1,249,785	\$ 2,436,789	\$ 421,720	\$ 4,108,294	\$ 418,047	\$ 476,987	\$ 5,003,328
Employee benefits	137,026	295,253	53,300	485,579	10,975	36,956	533,510
Payroll taxes	88,122	174,670	28,729	291,521	26,429	33,786	351,736
Audit and legal fees	-	-	-	-	17,025	-	17,025
Professional fees	395	601	-	996	6,930	-	7,926
Outside services	38,015	128,359	16,947	183,321	2,836	27,058	213,215
Office supplies	1,539	6,946	455	8,940	1,615	1,610	12,165
Animal supplies	54,221	94,063	12,448	160,732	-	-	160,732
Building support	67,018	160,952	18,890	246,860	8,687	15,685	271,232
Telephone	18,388	28,395	3,850	50,633	3,113	3,850	57,596
Utilities	69,679	144,689	19,619	233,987	7,357	19,619	260,963
Building repairs and maintenance	33,329	76,126	10,322	119,777	3,871	10,322	133,970
Rent	88,276	-	-	88,276	-	-	88,276
Postage and shipping	69	4,051	663	4,783	1,674	91,108	97,565
Insurance	19,310	29,018	3,935	52,263	1,475	3,935	57,673
Equipment	25,860	4,269	55	30,184	-	6,160	36,344
Advertising	9,914	4,636	15,318	29,868	724	289,994	320,586
Travel	711	2,025	5,756	8,492	2,808	1,830	13,130
Vehicle	218	5,743	-	5,961	-	-	5,961
Conferences, conventions, and meetings	3,445	4,196	371	8,012	1,422	3,889	13,323
Dues	8,213	564	50	8,827	10,858	2,375	22,060
Operating costs	65,257	183,015	23,730	272,002	9,492	22,544	304,038
Program and promotional supplies	-	381	13,376	13,757	-	-	13,757
Miscellaneous	10,357	7,829	7,308	25,494	22,006	2,617	50,117
Veterinary supplies	458,508	-	20,861	479,369	-	-	479,369
Dog training class	-	12,627	-	12,627	-	-	12,627
Interest	24,167	67,778	8,788	100,733	3,515	8,349	112,597
Depreciation	160,315	316,190	40,997	517,502	16,399	38,947	572,848
Store merchandise	-	390,647	-	390,647	-	-	390,647
Cost of event dinner	-	-	-	-	-	38,010	38,010
Event	-	-	-	-	-	64,150	64,150
Donated goods and services	-	-	-	-	18,553	-	18,553
<b>Total expenses</b>	<b>\$ 2,632,137</b>	<b>\$ 4,579,812</b>	<b>\$ 727,488</b>	<b>\$ 7,939,437</b>	<b>\$ 595,811</b>	<b>\$ 1,199,781</b>	<b>\$ 9,735,029</b>

See accompanying notes to financial statements.

# Wisconsin Humane Society

## Notes to Financial Statements

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### 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, Racine, Door, and Brown Counties in Wisconsin along with a spay/neuter clinic in West Allis, Wisconsin.

In 2018, the Organization acquired the assets of the Bay Area Humane Society and Door County Humane Society. (See footnote 14)

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 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

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### **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. There was no allowance as of September 30, 2018 and 2017.

#### **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 2.94% as of September 30, 2018. There were no long term pledges discounted for the year ended September 30, 2017. 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. There was no allowance as of September 30, 2018 and 2017.

# Wisconsin Humane Society

## Notes to Financial Statements

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

#### **Fair Value Measurements**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

#### **Inventories**

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

#### **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 \$86,288 and \$85,672 as of September 30, 2018 and 2017, respectively.

#### **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.

The Organization reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset and its fair value are less than the carrying amount of that asset. The Organization has not recognized any impairment of long lived assets during 2018 and 2017.

#### **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.

# Wisconsin Humane Society

## Notes to Financial Statements

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

#### **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 \$3,098 and \$18,553 for the years ended September 30, 2018 and 2017, respectively. The amounts for 2018 and 2017 are recorded in the statement of activities. The Organization received nonprofessional volunteer services which management has estimated at a value of approximately \$900,423 and \$732,527 for the years ended September 30, 2018 and 2017, 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.

#### **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, 2018 and 2017.

#### **Subsequent Events**

Subsequent events have been evaluated through December 21, 2018, which is the date the financial statements were issued.

# Wisconsin Humane Society

## Notes to Financial Statements

### Note 2: Investments

#### Investment Composition

Investments, stated at fair value, consisted of the following at September 30, 2018 and 2017:

	2018	2017
Money market funds	\$ 90,060	\$ 81,344
Mutual Funds	5,066,096	4,122,197
Corporate Bonds	1,567,094	1,182,777
Corporate stocks	1,897,904	1,461,067
<b>Total investments</b>	<b>\$ 8,621,154</b>	<b>\$ 6,847,385</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.

#### 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, 2018 and 2017:

	2018	2017
Interest and dividend income	\$ 77,130	\$ 39,124
Realized and unrealized gain on investments	725,173	911,994
<b>Total investment income</b>	<b>\$ 802,303</b>	<b>\$ 951,118</b>

The Organization incurred investment fees of \$26,786 and \$21,321 for the years ended September 30, 2018 and 2017, respectively. Investment fees are included in operating costs on the statements of functional expense.

# Wisconsin Humane Society

## Notes to Financial Statements

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### 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, 2018, is as follows:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ -	\$ 90,060	\$ -	\$ 90,060
Mutual funds:				
Equity income	706,005	-	-	706,005
Mid cap	1,578,738	-	-	1,578,738
International	925,900	-	-	925,900
Large cap	1,855,453	-	-	1,855,453
Corporate bonds	-	1,567,094	-	1,567,094
Common stocks:				
Energy	173,020	-	-	173,020
Materials	97,299	-	-	97,299
Industrials	288,477	-	-	288,477
Consumer discretionary	256,322	-	-	256,322
Consumer staples	37,322	-	-	37,322
Health care	227,906	-	-	227,906
Financials	292,423	-	-	292,423
Telecommunications	72,579	-	-	72,579
Utilities	33,800	-	-	33,800
Information technology	362,866	-	-	362,866
Real estate	55,890	-	-	55,890
Total Investments	6,964,000	1,657,154	-	8,621,154
Pledges receivable	-	589,044	-	589,044
Beneficial interest in assets held by other	-	-	751,578	751,578
Total	\$ 6,964,000	\$ 2,246,198	\$ 751,578	\$ 9,961,776

# 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, 2017, is as follows:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ -	\$ 81,344	\$ -	\$ 81,344
Mutual funds:				
Equity income	565,717	-	-	565,717
Mid cap	1,230,080	-	-	1,230,080
International	823,468	-	-	823,468
Large cap	1,502,932	-	-	1,502,932
Corporate bonds	-	1,182,777	-	1,182,777
Common stocks:				
Energy	99,434	-	-	99,434
Materials	91,654	-	-	91,654
Industrials	277,536	-	-	277,536
Consumer discretionary	118,593	-	-	118,593
Consumer staples	33,308	-	-	33,308
Health care	178,395	-	-	178,395
Financials	230,532	-	-	230,532
Telecommunications	48,388	-	-	48,388
Utilities	19,336	-	-	19,336
Information technology	333,287	-	-	333,287
Real estate	30,604	-	-	30,604
Total Investments	5,583,264	1,264,121	-	6,847,385
Pledges receivable	-	5,742,831	-	5,742,831
Beneficial interest in assets held by other	-	-	499,405	499,405
Total	\$ 5,583,264	\$ 7,006,952	\$ 499,405	\$ 13,089,621

# 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, 2018 and 2017, are as follows:

	Racine Community Foundation	Greater Milwaukee Foundation	Door County Community Foundation	Successor Trust	Fitzgerald Trust	Total
Balance October 1, 2016	\$ 26,676	\$ 92,735	\$ -	\$ 342,110	\$ -	\$ 461,521
Investment income	3,423	12,568	-	36,459	-	52,450
Distributions/expenses	(273)	(902)	-	(13,391)	-	(14,566)
Balance September 30, 2017	29,826	104,401	-	365,178	-	499,405
Acquisition	-	-	71,368	-	151,891	223,259
Investment income	2,937	9,730	1,814	25,691	6,876	47,048
Distributions/expenses	(307)	(879)	(378)	(14,782)	(1,788)	(18,134)
Balance September 30, 2018	\$ 32,456	\$ 113,252	\$ 72,804	\$ 376,087	\$ 156,979	\$ 751,578

### 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, 2018 and 2017:

	2018	2017
Receivable in less than one year	\$ 499,728	\$ 5,608,215
Receivable in one to five years	91,420	131,616
Receivable in more than five years	2,000	3,000
Total pledges receivable	593,148	5,742,831
Less discounts to net present value	4,104	-
Net pledges receivable	589,044	5,742,831
Less current portion	499,728	5,608,215
Pledges receivable - noncurrent	\$ 89,316	\$ 134,616

At September 30, 2018 and 2017, promises to give from one donor comprised 56% and 96%, 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, 2018 and 2017:

	2018	2017
Land	\$ 1,990,390	\$ 1,640,390
Land improvements	453,039	453,039
Building and building improvements	15,354,592	12,944,592
Vehicles	240,809	155,984
Furniture and office equipment	1,575,066	1,133,513
Construction in progress	52,253	52,253
<b>Total property and equipment</b>	<b>19,666,149</b>	<b>16,379,771</b>
<b>Less - Accumulated depreciation</b>	<b>6,837,459</b>	<b>6,138,413</b>
<b>Total</b>	<b>\$ 12,828,690</b>	<b>\$ 10,241,358</b>

### Note 6: Line of Credit

At September 30, 2018, the Organization had a line of credit of \$800,000 with a bank, which bears interest at prime rate (5.25% as of September 30, 2018), 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 \$-0- and \$500,000 outstanding under this agreement at September 30, 2018 and 2017, respectively.

# Wisconsin Humane Society

## Notes to Financial Statements

### Note 7: Long-Term Debt

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

	2018	2017
Bond payable to bank in principal payments due annually on March 1 of each year, with the final payment due March 1, 2019. Interest was 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 (1.10% as of September 30, 2017). The bonds were paid off in full on January 26, 2018.	\$ -	\$ 545,000
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 interest rate varied based on prime, but will never be greater than 3.75% or less than 3.25%. This note was paid in full on December 15, 2017.	-	2,558,041
Long-term debt	-	3,103,041
Less current maturities	-	396,251
Long-term portion	\$ -	\$ 2,706,790

### 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, 2018 and 2017:

	2018	2017
Pet cemetery	\$ 268,136	\$ 270,318
Saukville campaign	330,223	5,497,912
Racine Capital Campaign	986,341	439,346
Time restricted	770,930	629,117
Total temporary restricted net assets	\$ 2,355,630	\$ 6,836,693

# Wisconsin Humane Society

## Notes to Financial Statements

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### Note 8: Temporarily Restricted Net Assets (Continued)

Net assets were released from restrictions by incurring expenses, satisfying the restricted purpose or by occurrence of other events specified by donors. During 2018 and 2017, temporarily restricted net assets released from restricted net assets were as follows:

	2018	2017
Pet cemetery	\$ 2,182	\$ 1,538
Sauville campaign	5,200,000	-
Racine capital campaign	-	202,253
Time restricted	279,380	299,495
<b>Total temporary restricted net assets released from restrictions</b>	<b>\$ 5,481,562</b>	<b>\$ 503,286</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. 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, 2018 and 2017.

### 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 2018 and 2017, advertising costs totaled \$398,263 and \$320,586, respectively.

# Wisconsin Humane Society

## Notes to Financial Statements

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### 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 2018 was \$88,353.

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

	Total
2019	\$ 84,981
2020	87,531
2021	90,160
2022	92,864
2023	95,648
Thereafter	165,500
Total minimum lease payments	\$ 616,684

### 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 Door County Community Foundation endowment agreement allows for the trustees to invest funds in securities or other investments, with the income generated from principal as the main funding source. By special exception, an additional 10% of the principal may be used upon unanimous vote of the Organization's Board of Directors.

# Wisconsin Humane Society

## Notes to Financial Statements

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

The Organization is the sole beneficiary of a successor trust receiving annually the Trust's net income. Upon the Trust's dissolution in 2049, the Organization will receive the remaining principal and income.

The Organization's beneficial interest in assets held by others at September 30, 2018 and 2017, were as follows:

	2018	2017
Racine Community Foundation	\$ 32,456	\$ 29,825
Greater Milwaukee Foundation	113,252	104,402
Door County Community Foundation	72,804	-
Successor Trust	376,087	365,178
Fitzgerald Trust	156,979	-
<b>Total</b>	<b>\$ 751,578</b>	<b>\$ 499,405</b>

Changes in beneficial interest in assets held by others for the years ended September 30, 2018 and 2017, were as follows:

	Temporarily Restricted	Permanently Restricted	Total
Beneficial interest at October 1, 2016	\$ 451,521	\$ 10,000	\$ 461,521
Distributions/expenses	(14,566)	-	(14,566)
Investment income	52,450	-	52,450
Beneficial interest at September 30, 2017	489,405	10,000	499,405
Additions	35,545	187,714	223,259
Distributions/expenses	(13,546)	(1,788)	(15,334)
Investment income	37,372	6,876	44,248
Beneficial interest at September 30, 2018	\$ 548,776	\$ 202,802	\$ 751,578

### Note 14: Acquisition

Effective January 1, 2018, the Boards of Directors of Bay Area Humane Society ("Bay Area") and Door County Humane Society ("Door County"), two separate unrelated non-profit organizations whose missions provide for animal adoption and spay-neuter services, voted to transfer all assets, liabilities, and operations to the Organization. The Organization did not transfer any consideration as part of the acquisitions and recognized underlying assets and liabilities acquired at fair value resulting in a contribution of \$3,121,404 being recognized in the statement of activities.



# Wisconsin Humane Society

## Notes to Financial Statements

### Note 14: Acquisition (Continued)

Valuation of assets of the acquired organizations as of January 1, 2018 are as follows

	Door County Humane Society	Bay Area Humane Society	Total
Cash	\$ 61,007	\$ 62,868	\$ 123,875
Investments	-	10,037	10,037
Accounts receivable	-	8,052	8,052
Pledges receivable	-	66,192	66,192
Land, property and equipment	1,440,000	1,650,000	3,090,000
Other assets	2,684	12,453	15,137
Beneficial interest in assets held by others	71,368	151,891	223,259
Line of credit	-	(50,000)	(50,000)
Accounts payable	(13,133)	(85,717)	(98,850)
Accrued salary and benefits	(12,934)	(28,829)	(41,763)
Accrued expenses	(9,248)	(4,454)	(13,702)
Long-term debt	(210,833)	-	(210,833)
<b>Net assets acquired</b>	<b>\$ 1,328,911</b>	<b>\$ 1,792,493</b>	<b>\$ 3,121,404</b>

Results of operations for the acquired organizations from January 1, 2018 (date of acquisition) through September 30, 2018:

	Door County Humane Society	Bay Area Humane Society	Total
Support and revenue	\$ 249,419	\$ 1,388,000	\$ 1,637,419
Expenses	(385,004)	(1,086,681)	(1,471,685)
<b>Change in net assets</b>	<b>\$ (135,585)</b>	<b>\$ 301,319</b>	<b>\$ 165,734</b>