

Wisconsin Humane Society

Milwaukee, Wisconsin

Financial Statements

Years ended September 30, 2019 and 2018





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, (a nonprofit organization) which comprise the statements of financial position as of September 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows 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 consolidating 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 as of September 30, 2019 and 2018, and the changes in its net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.



Emphasis of Matter

As discussed in Note 1 to the financial statements Wisconsin Humane Society adopted the amendments in ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended September 30, 2019. The ASU has been applied retrospectively to all periods presented with the exception of certain omissions of prior year data as allowed under the standard. Our opinion is not modified with respect to this matter.

Wipfli LLP

Wipfli LLP
Milwaukee, Wisconsin

December 30, 2019

Wisconsin Humane Society

Statements of Financial Position

September 30, 2019 and 2018

Assets	2019	2018
Current assets:		
Cash and cash equivalents	\$ 4,573,185	\$ 3,302,363
Investments	8,810,502	8,621,154
Accounts receivable	42,705	40,852
Promises to give - Current portion - Net	213,331	499,728
Inventories	85,401	77,623
Prepaid expenses and other assets	88,942	30,578
Asset held for sale	86,871	-
Total current assets	13,900,937	12,572,298
Assets restricted as to use:		
Cash - State unemployment compensation	117,128	86,288
Beneficial interest in assets held by others	815,365	751,578
Total assets restricted as to use	932,493	837,866
Property and equipment - Net	15,796,136	12,828,690
Promises to give - Less current portion	382,667	89,316
TOTAL ASSETS	\$ 31,012,233	\$ 26,328,170

Wisconsin Humane Society
Statements of Financial Position (Continued)
September 30, 2019 and 2018

Liabilities and Net Assets	2019	2018
Current liabilities:		
Accounts payable	\$ 1,063,719	\$ 418,573
Accrued salary and benefits	196,630	191,189
Accrued expenses	67,233	58,586
Deferred revenue	132,900	102,004
Total current liabilities	1,460,482	770,352
Net assets:		
Without donor restrictions	28,383,124	22,999,386
With donor restrictions	1,168,627	2,558,432
Total net assets	29,551,751	25,557,818
TOTAL LIABILITIES AND NET ASSETS	\$ 31,012,233	\$ 26,328,170

See accompanying notes to financial statements.

Wisconsin Humane Society

Statements of Activities

Year ended September 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	\$ 4,438,976	\$ 2,229,753	\$ 6,668,729
Bequests	4,905,327	-	4,905,327
Service fees	3,669,153	-	3,669,153
Merchandise sales	595,426	-	595,426
Investment income - Net	292,921	1,879	294,800
Special events	730,346	-	730,346
Donated goods and services	8,515	-	8,515
Other revenue	67,595	-	67,595
Net assets released from restrictions	3,621,437	(3,621,437)	-
Total support and revenue	18,329,696	(1,389,805)	16,939,891
Expenses:			
Program expenses	10,463,578	-	10,463,578
Management and general	614,748	-	614,748
Fund-raising	1,867,632	-	1,867,632
Total expenses	12,945,958	-	12,945,958
Change in net assets	5,383,738	(1,389,805)	3,993,933
Net assets at beginning of year	22,999,386	2,558,432	25,557,818
Net assets at end of year	\$ 28,383,124	\$ 1,168,627	\$ 29,551,751

Wisconsin Humane Society

Statements of Activities (Continued)

Year ended September 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	\$ 4,153,700	\$ 890,933	\$ 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 - Net	762,599	12,918	775,517
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)	-
Total support and revenue	19,484,592	(4,577,711)	14,906,881
Expenses:			
Program expenses	9,603,446	-	9,603,446
Management and general	664,385	-	664,385
Fund-raising	1,486,782	-	1,486,782
Total expenses	11,754,613	-	11,754,613
Excess of support (deficit) and revenue over expenses	7,729,979	(4,577,711)	3,152,268
Other changes in net assets:			
Contribution recognized on acquisitions (see Note 14)	2,831,954	289,450	3,121,404
Change in net assets	10,561,933	(4,288,261)	6,273,672
Net assets at beginning of year	12,437,453	6,846,693	19,284,146
Net assets at end of year	\$ 22,999,386	\$ 2,558,432	25,557,818

See accompanying notes to financial statements.

Wisconsin Humane Society

Statements of Functional Expenses

Year ended September 30, 2019

	Program Services						Fundraising	Total
	Veterinary	Sheltering and Animal Care	Community Relations and Outreach	Total Program Services	Management and General			
Salaries and wages	\$ 1,457,840	\$ 3,345,211	\$ 554,709	\$ 5,357,760	\$ 446,422	\$ 656,253	\$ 6,460,435	
Employee benefits	175,385	450,147	81,197	706,729	28,657	56,519	791,905	
Payroll taxes	104,185	240,984	38,448	383,617	27,901	47,499	459,017	
Audit and legal fees	-	-	-	-	13,215	-	13,215	
Outside services	69,615	207,428	22,255	299,298	4,589	32,701	336,588	
Office supplies	1,889	13,861	173	15,923	1,301	873	18,097	
Animal supplies	73,971	155,752	7,801	237,524	-	-	237,524	
Building support	70,364	250,554	28,818	349,736	12,421	30,245	392,402	
Telephone	10,506	28,332	3,081	41,919	2,634	3,962	48,515	
Utilities	73,656	197,997	22,000	293,653	6,286	28,285	328,224	
Building repairs and maintenance	48,541	126,398	14,044	188,983	4,013	18,057	211,053	
Rent	88,271	-	-	88,271	-	-	88,271	
Postage and shipping	121	3,550	339	4,010	1,825	168,249	174,084	
Insurance	24,938	40,519	4,502	69,959	1,286	5,788	77,033	
Equipment	32,339	17,990	-	50,329	-	36,888	87,217	
Advertising and direct mail costs	7,933	88	21,780	29,801	300	459,695	489,796	
Travel	3,896	14,623	6,287	24,806	3,167	6,671	34,644	
Vehicle	-	526	7,038	7,564	-	-	7,564	
Conferences, conventions, and meetings	2,240	6,555	651	9,446	4,859	7,612	21,917	
Dues	11,407	269	845	12,521	11,203	2,632	26,356	
Operating costs	77,787	263,736	29,633	371,156	9,878	35,807	416,841	
Program and promotional supplies	-	-	18,187	18,187	-	-	18,187	
Software fees	1,115	12,601	2,155	15,871	8,315	40,888	65,074	
Miscellaneous	391	1,830	930	3,151	7,954	12,680	23,785	
Veterinary supplies	715,708	-	19,196	734,904	-	-	734,904	
Dog training class	-	15,150	-	15,150	-	-	15,150	
Depreciation	192,688	494,544	55,567	742,799	18,522	67,143	828,464	
Store merchandise	-	367,160	-	367,160	-	-	367,160	
Cost of event dinner	-	-	-	-	-	46,132	46,132	
Special events	-	-	-	-	-	103,053	103,053	
Non-recurring expenses	-	14,836	-	14,836	-	-	14,836	
Donated goods and services	-	8,515	-	8,515	-	-	8,515	
Total expenses	\$ 3,244,786	\$ 6,279,156	\$ 939,636	\$ 10,463,578	\$ 614,748	\$ 1,867,632	\$ 12,945,958	

Wisconsin Humane Society

Statements of Functional Expenses (Continued)

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	
Store merchandise	-	392,581	-	392,581	-	-	392,581	
Cost of event dinner	-	-	-	-	-	40,432	40,432	
Special events	-	-	-	-	-	78,926	78,926	
Non-recurring acquisition expenses	-	-	-	-	89,149	-	89,149	
Donated goods and services	-	-	-	-	3,098	-	3,098	
Total expenses	\$ 3,056,272	\$ 5,746,253	\$ 800,921	\$ 9,603,446	\$ 664,385	\$ 1,486,782	\$ 11,754,613	

See accompanying notes to financial statements.

Wisconsin Humane Society

Statements of Cash Flows

Years Ended September 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 3,993,933	\$ 6,273,672
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Noncash in-kind donations on acquisitions	-	(2,997,529)
Noncash donation of property held for sale	(86,871)	-
Depreciation	828,464	699,046
Change in beneficial interest in assets held by others	(63,787)	(28,914)
Realized and unrealized gain on investments	(133,356)	(725,172)
Contributions restricted for purchase of property and equipment	(1,895,310)	(546,995)
Changes in operating assets and liabilities:		
Accounts receivable	(1,853)	5,221
Promises to give	424,554	5,246,629
Prepaid expenses, other assets and inventories	(66,142)	4,972
Accounts payable	645,146	25,410
Accrued salary and benefits	5,441	(185,803)
Accrued expenses	8,647	(11,169)
Deferred revenue	30,896	3,838
Net cash provided by operating activities	3,689,762	7,763,206
Cash flows from investing activities:		
Purchase of property and equipment	(3,795,910)	(196,378)
Purchase of investments	(1,088,184)	(2,283,815)
Proceeds from sales of investments	1,032,192	1,245,255
Net change in restricted cash	(30,840)	(616)
Net cash used in investing activities	(3,882,742)	(1,235,554)
Cash flows from financing activities:		
Payments on long-term debt	-	(3,313,874)
Proceeds from contributions for purchase of property and equipment	1,463,802	520,345
Net borrowings on line of credit	-	(550,000)
Net cash provided by (used in) financing activities	1,463,802	(3,343,529)
Increase in cash and cash equivalents	1,270,822	3,184,123
Cash and cash equivalents at beginning	3,302,363	118,240
Cash and cash equivalents at end	\$ 4,573,185	\$ 3,302,363

Wisconsin Humane Society

Statements of Cash Flows (Continued)

Years Ended September 30, 2019 and 2018

	2019	2018
Supplemental disclosures of cash flow information:		
Cash payments for interest	\$ -	\$ 31,975
Noncash adjustments to operating activities:		
Contribution of investments	\$ -	\$ 10,037
Contribution of accounts receivable	-	8,052
Contribution of promises to give	-	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

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, 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 Note 13).

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").

Change in Accounting Policy

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented with the exception of certain omissions of prior year data as allowed under the standard.

Use of Estimates

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make certain estimates and assumptions that directly affect the results of reported assets, liabilities, revenue, and expenses. The Organization considers useful lives and depreciation methods of fixed assets, discount rate for present value of future cash flows of long term promises to give, and allowance for uncollectible promises to give to be significant estimates. Actual results may differ from these estimates and are subject to change in the near term.

Wisconsin Humane Society

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Net Assets

Net assets and revenues, 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:

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions: Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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 carried at fair value in the accompanying statements of financial position. Investment transactions are recorded on the trade date. Realized gains and losses on the sale of investments are calculated based on specific identification of the securities sold. Investments received as gifts are stated at the fair value at the date of donation. Investment management and custodian fees are recorded as a reduction of investment income for financial reporting purposes.

Interest and dividend income, and realized and unrealized gains or losses are reported as increases in net assets with donor restrictions if the terms of the gift impose restrictions on the use of the income or as increases in net assets without donor restrictions in all other cases.

Wisconsin Humane Society

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

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, 2019 and 2018.

Promises to Give

Promises to give are reported in the statements of financial position net of unamortized discounts and an allowance for uncollectible promises. 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 1.55% and 2.94% as of September 30, 2019 and 2018, respectively. 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 promises to give and estimates the portion, if any, of the balance that will not be collected. The carrying amount of promises to give are reduced by allowances which reflect management's estimate of uncollectible amounts. The allowance for uncollectible promises was \$65,418 and \$0 as of September 30, 2019 and 2018, respectively.

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 net 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 \$117,128 and \$86,288 as of September 30, 2019 and 2018, 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.

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 2019 and 2018.

Property Available-for-Sale

Property available for sale is carried at fair value at the date of donation.

During 2019, the Organization received a bequest of residential real estate. The property was recorded as an available-for-sale asset as of September 30, 2019. The Organization sold the property in October 2019.

Deferred Revenue

Ticket and sponsorship funds received in advance of a fundraising event for 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 events occur.

Revenue and Revenue Recognition

Revenue is recognized when earned. Service fees and sales are recorded in applicable period in which the related services or sales are performed.

Contributions are considered available for use without donor restrictions 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 donor-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, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Wisconsin Humane Society

Notes to Financial Statements

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 \$8,515 and \$3,098 for the years ended September 30, 2019 and 2018, respectively. The amounts for 2019 and 2018 are recorded in the statement of activities. The Organization received nonprofessional volunteer services which management has estimated at a value of approximately \$873,387 and \$900,423 for the years ended September 30, 2019 and 2018, respectively. These amounts are not recorded in the statements of activities.

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 and totaled \$489,796 and \$398,263 for the years ended September 30, 2019 and 2018, respectively.

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, 2019 and 2018.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs have been charged directly to functions when appropriate. Certain operating support services and building related costs such as utilities, telephone, insurance, building repairs and maintenance, and depreciation have been allocated to the programs based on a ratio of full time equivalents by function.

Wisconsin Humane Society

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB Accounting Standards Codification (ASC) Topic 605, *Revenue Recognition*, and most industry-specific guidance. When adopted, the amendments in the ASU must be applied using one of two retrospective methods. ASU No. 2014-09 is effective for nonpublic entities for annual periods beginning after December 15, 2018. The Organization is currently evaluating the impact of the provisions of ASC 606.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This ASU requires lessees to record assets and liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of income. ASU No. 2016-02 is effective for nonpublic companies for annual periods beginning after December 15, 2020. The Organization is currently evaluating the impact of the provisions of this pronouncement.

On June 21, 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a transaction is conditional. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2018, for transactions in which the entity serves as the resource recipient and for interim periods within fiscal years beginning after December 15, 2019, for transactions in which the entity serves as the resource provider. Early application of the amendments in this update is permitted. The Organization is currently evaluating the impact of the provisions of ASU Topic 958.

Reclassification

Certain amounts as previously reported in the 2018 financial statements have been reclassified to conform to the 2019 presentation. Such reclassifications have no effect on reported amounts of net assets or change in net assets.

Subsequent Events

Subsequent events have been evaluated through December 30, 2019, which is the date the financial statements were issued. With the exception of those matters discussed below, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

On October 3, 2019, the Organization sold an empty former shelter building in Grafton, WI and related assets for \$110,000, resulting in a gain of approximately \$22,000.

Wisconsin Humane Society

Notes to Financial Statements

Note 2: Liquidity and Availability of Financial Resources

The Organization strives to maintain liquid financial assets sufficient to cover 50% of annual general operating expenditures. Financial assets in excess of daily cash requirements are invested in certificates of deposit, money market funds and other short-term investments. As more fully described in Note 7, the Organization also has committed lines of credit in the amount of \$800,000, which it could draw upon in the event of an unanticipated liquidity need.

The following table reflects the Organization's financial assets as of September 30, 2019, and 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor or contractual restrictions. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions.

<i>Years Ended September 30, 2019 and 2018</i>	2019	2018
Cash and cash equivalents	\$ 4,573,185	\$ 3,302,363
Investments	8,810,502	8,621,154
Accounts receivable	42,705	40,852
Promises to give, current - Net	213,331	499,728
Asset held for sale	86,871	-
Total financial assets	13,726,594	12,464,097
Less:		
Promises to give, current, restricted for the following purposes:		
Sheltering and Animal care	(25,000)	-
Racine Capital Campaign	-	(103,951)
Deferred revenue	(132,900)	(102,004)
Total financial assets available	\$ 13,568,694	\$ 12,258,142

Note 3: Investments

Investment Composition

Investments, stated at fair value, consisted of the following at September 30, 2019 and 2018:

	2019	2018
Money market funds	\$ 97,373	\$ 90,060
Mutual funds	5,400,903	5,066,096
Corporate bonds	1,691,376	1,567,094
Corporate stocks	1,620,850	1,897,904
Total investments	\$ 8,810,502	\$ 8,621,154

Wisconsin Humane Society

Notes to Financial Statements

Note 3: Investments (Continued)

Investment Composition (Continued)

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, 2019 and 2018:

	2019	2018
Interest and dividend income	\$ 189,020	\$ 77,130
Realized and unrealized gain on investments	105,780	698,387
Total investment income - Net	\$ 294,800	\$ 775,517

The Organization incurred investment fees of \$29,234 and \$28,350 for the years ended September 30, 2019 and 2018, respectively, which are recorded as a reduction of investment income on the statements of activities.

Note 4: 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.
- Promises to give are based on the original promise amounts, net an allowance for uncollectible promises to give, and the unamortized discount on the long-term promises to give 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.

Wisconsin Humane Society

Notes to Financial Statements

Note 4: Fair Value Measurements (Continued)

These methods described 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.

Information regarding assets measured at fair value on a recurring basis as of September 30, 2019, is as follows:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ -	\$ 97,373	\$ -	\$ 97,373
Mutual funds:				
Equity income	761,117	-	-	761,117
Mid cap	1,736,106	-	-	1,736,106
International	939,086	-	-	939,086
Large cap	1,964,594	-	-	1,964,594
Corporate bonds	-	1,691,376	-	1,691,376
Common stocks:				
Energy	109,087	-	-	109,087
Materials	82,875	-	-	82,875
Industrials	215,536	-	-	215,536
Consumer discretionary	172,804	-	-	172,804
Consumer staples	112,169	-	-	112,169
Health care	258,252	-	-	258,252
Financials	265,246	-	-	265,246
Telecommunications	116,483	-	-	116,483
Utilities	31,116	-	-	31,116
Information technology	197,912	-	-	197,912
Real estate	59,370	-	-	59,370
Total investments	7,021,753	1,788,749	-	8,810,502
Promises to give	-	595,998	-	595,998
Beneficial interest in assets held by others (Note 12)	-	-	815,365	815,365
Total	\$ 7,021,753	\$ 2,384,747	\$ 815,365	\$ 10,221,865

Wisconsin Humane Society

Notes to Financial Statements

Note 4: 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
Promises to give	-	589,044	-	589,044
Beneficial interest in assets held by others (Note 12)	-	-	751,578	751,578
Total	\$ 6,964,000	\$ 2,246,198	\$ 751,578	\$ 9,961,776

See Note 12 for changes in fair value of beneficial interest in assets held by others.

Wisconsin Humane Society

Notes to Financial Statements

Note 5: Promises to Give

The promises to give balance is expected to be collected according to the following schedule as of September 30, 2019 and 2018:

	2019	2018
Receivable in less than one year	\$ 213,331	\$ 499,728
Receivable in one to five years	460,844	91,420
Receivable in more than five years	1,000	2,000
Total promises to give	675,175	593,148
Less discounts to net present value	13,759	4,104
Less allowance for uncollectible promises to give	65,418	-
Promises to give - Net	595,998	589,044
Less - Current portion	213,331	499,728
Promises to give - Noncurrent	\$ 382,667	\$ 89,316

There were no donor concentrations of promises to give as of September 30, 2019. As of September 30, 2018, one donor comprised 56% of total outstanding promises to give.

Note 6: Property and Equipment

Property and equipment consisted of the following at September 30, 2019 and 2018:

	2019	2018
Land	\$ 1,990,390	\$ 1,990,390
Land improvements	453,039	453,039
Building and building improvements	15,385,721	15,354,592
Vehicles	271,504	240,809
Furniture and office equipment	1,723,603	1,575,066
Construction in progress	3,637,803	52,253
Total property and equipment	23,462,060	19,666,149
Less - Accumulated depreciation	7,665,924	6,837,459
Total	\$ 15,796,136	\$ 12,828,690

Construction in progress relates to the construction of the new facility in Racine, Wisconsin. The remaining balance to be completed on signed construction contracts at year-end totaled approximately \$2,200,000. Construction of the facility is expected to be completed in March of 2020.

Wisconsin Humane Society

Notes to Financial Statements

Note 7: Line of Credit

At September 30, 2019, the Organization had a line of credit of \$800,000 with a bank, which bears interest at prime rate (5.15% as of September 30, 2019), 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 no amount outstanding under this agreement at September 30, 2019 and 2018, respectively.

Note 8: Net Assets with Donor Restrictions

Net assets with donor restrictions include assets set aside in accordance with donor restrictions as to time or use. Net assets with donor restrictions are available for the following purposes:

<i>As of September 30,</i>	2019	2018
Subject to passage of time:		
Promises to give, not restricted by donors	\$ 63,323	\$ 222,154
Subject to expenditure for a specific purposes:		
Pet cemetery	264,939	268,136
Saukville campaign	-	330,223
Racine capital campaign	-	986,341
Promises to give, restricted by donor for:		
Program expenses	25,000	-
Total net assets subject passage of time or specific purpose	353,262	1,806,854
Not subject to spending policy or appropriation:		
Beneficial interest in assets held by community foundations	220,391	218,512
Beneficial interests in perpetual trusts	594,974	533,066
Total net assets not subject to spending policy or appropriation	815,365	751,578
Total net assets with donor restrictions	\$ 1,168,627	\$ 2,558,432

Net assets were released from restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors as follows:

<i>Years Ending September 30,</i>	2019	2018
Expiration of time restrictions:	\$ 406,366	\$ 279,380
Satisfaction of purpose restrictions:		
Pet cemetery	3,197	2,182
Saukville campaign	330,223	5,200,000
Racine capital campaign	2,881,651	-
Net assets released from restrictions	\$ 3,621,437	\$ 5,481,562

Wisconsin Humane Society

Notes to Financial Statements

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 made discretionary contributions of \$36,631 and \$0 to the Plan during September 30, 2019 and 2018.

Note 10: 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 11: 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 2019 and 2018 was \$88,271 and \$88,353, respectively.

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

	Total
2020	\$ 87,531
2021	90,160
2022	92,864
2023	95,648
2024	98,520
Thereafter	66,981
Total minimum lease payments	\$ 531,704

Wisconsin Humane Society

Notes to Financial Statements

Note 12: 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.

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 is a beneficiary of the Fitzgerald Trust receiving an annual distribution of the trust's net income in proportion noted in the trust agreement. The trust is irrevocable but may be terminated at any time by the donor. In the event of dissolution assets will be distributed proportionally to the beneficiaries.

Changes in the Organization's beneficial interest in assets held by others at September 30, 2019 and 2018, were as follows:

	Racine Community Foundation	Greater Milwaukee Foundation	Door County Community Foundation	Successor Trust	Fitzgerald Trust	Total
Balance October 1, 2017	\$ 29,826	\$ 104,401	\$ -	\$ 365,178	\$ -	\$ 499,405
Acquisition	-	-	71,368	-	151,891	223,259
Investment income - Net	2,630	8,851	1,436	25,691	6,876	45,484
Distributions / expenses	-	-	-	(14,782)	(1,788)	(16,570)
Balance September 30, 2018	32,456	113,252	72,804	376,087	156,979	751,578
Investment income - Net	44	290	1,545	83,329	4,489	89,697
Distributions / expenses	-	-	-	(17,072)	(8,838)	(25,910)
Balance September 30, 2019	\$ 32,500	\$ 113,542	\$ 74,349	\$ 442,344	\$ 152,630	\$ 815,365

Wisconsin Humane Society

Notes to Financial Statements

Note 13: 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.

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
Promises to give	-	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)
Net assets acquired	\$ 1,328,911	\$ 1,792,493	\$ 3,121,404

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)
Change in net assets	\$ (135,585)	\$ 301,319	\$ 165,734