

Wisconsin Humane Society

Financial Statements

Years Ended September 30, 2021 and 2020



WIPFLI

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, 2021 and 2020, 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, 2021 and 2020, 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 No. 2014-09 *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to these matters.

Wipfli LLP

Wipfli LLP
Milwaukee, Wisconsin

December 30, 2021

Wisconsin Humane Society

Statements of Financial Position

September 30, 2021 and 2020

Assets	2021	2020
Current assets:		
Cash and cash equivalents	\$ 4,166,903	\$ 3,616,315
Investments	14,522,561	9,059,447
Accounts receivable	43,127	47,823
Promises to give - Current portion - Net	79,475	225,115
Inventories	81,615	84,585
Prepaid expenses and other assets	74,493	69,235
Total current assets	18,968,174	13,102,520
Assets restricted as to use:		
Cash - State unemployment compensation	119,981	117,476
Beneficial interest in assets held by others	830,473	795,047
Total assets restricted as to use	950,454	912,523
Property and equipment - Net	16,590,896	17,283,325
Promises to give - Less current portion	114,000	206,666
TOTAL ASSETS	\$ 36,623,524	\$ 31,505,034

Wisconsin Humane Society
Statements of Financial Position (Continued)
September 30, 2021 and 2020

Liabilities and Net Assets	2021	2020
Current liabilities:		
Accounts payable	\$ 279,363	\$ 211,007
Accrued salary and benefits	321,011	318,892
Accrued expenses	47,185	50,961
Deferred revenue	198,971	140,717
Refundable advance - SBA Paycheck Protection Program	-	1,500,000
Total current liabilities	846,530	2,221,577
Net assets:		
Without donor restrictions	34,662,553	28,216,824
With donor restrictions	1,114,441	1,066,633
Total net assets	35,776,994	29,283,457
TOTAL LIABILITIES AND NET ASSETS	\$ 36,623,524	\$ 31,505,034

See accompanying notes to financial statements.

Wisconsin Humane Society

Statements of Activities

Year ended September 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	\$ 6,066,851	\$ 150,662	\$ 6,217,513
Bequests	4,302,586	-	4,302,586
Service fees	2,913,181	-	2,913,181
Merchandise sales	335,968	-	335,968
Investment income - Net	2,475,771	55,926	2,531,697
Special events	568,674	-	568,674
Donated goods and services	9,262	-	9,262
Other revenue	3,072,845	-	3,072,845
Net assets released from restrictions	158,780	(158,780)	-
Total support and revenue	19,903,918	47,808	19,951,726
Expenses:			
Program expenses	10,677,876	-	10,677,876
Management and general	677,662	-	677,662
Fund-raising	2,102,651	-	2,102,651
Total expenses	13,458,189	-	13,458,189
Operating income (loss)	6,445,729	47,808	6,493,537
Loss on sale of property and equipment	-	-	-
Change in net assets	6,445,729	47,808	6,493,537
Net assets at beginning of year	28,216,824	1,066,633	29,283,457
Net assets at end of year	\$ 34,662,553	\$ 1,114,441	\$ 35,776,994

Wisconsin Humane Society

Statements of Activities (Continued)

Year ended September 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	\$ 5,599,101	\$ 880,122	\$ 6,479,223
Bequests	2,609,624	-	2,609,624
Service fees	2,404,401	-	2,404,401
Merchandise sales	409,623	-	409,623
Investment income - Net	316,891	15,741	332,632
Special events	651,265	-	651,265
Donated goods and services	8,875	-	8,875
Other revenue	69,853	-	69,853
Net assets released from restrictions	997,857	(997,857)	-
Total support and revenue	13,067,490	(101,994)	12,965,496
Expenses:			
Program expenses	10,290,498	-	10,290,498
Management and general	634,713	-	634,713
Fund-raising	2,099,532	-	2,099,532
Total expenses	13,024,743	-	13,024,743
Operating income (loss)	42,747	(101,994)	(59,247)
Loss on sale of property and equipment	209,047	-	209,047
Change in net assets	(166,300)	(101,994)	(268,294)
Net assets at beginning of year	28,383,124	1,168,627	29,551,751
Net assets at end of year	\$ 28,216,824	\$ 1,066,633	29,283,457

See accompanying notes to financial statements.

Wisconsin Humane Society

Statements of Functional Expenses

Year ended September 30, 2021

	Program Services						Fundraising	Total
	Veterinary	Sheltering and Animal Care	Community Relations and Outreach	Total Program Services	Management and General			
Salaries and wages	\$ 1,627,720	\$ 3,539,582	\$ 637,866	\$ 5,805,168	\$ 479,935	\$ 866,785	\$ 7,151,888	
Employee benefits	174,390	465,136	104,990	744,516	33,992	105,491	883,999	
Payroll taxes	116,981	209,676	44,389	371,046	29,861	61,681	462,588	
Audit and legal fees	-	-	-	-	20,300	-	20,300	
Outside services	64,136	187,740	24,817	276,693	17,650	21,757	316,100	
Office supplies	784	5,996	220	7,000	1,485	772	9,257	
Animal supplies	53,260	134,712	2,822	190,794	-	-	190,794	
Building support	70,974	243,673	28,633	343,280	11,092	37,291	391,663	
Telephone	4,108	14,752	2,054	20,914	1,106	2,054	24,074	
Utilities	77,156	221,806	32,198	331,160	7,155	32,198	370,513	
Building repairs and maintenance	49,934	132,636	18,733	201,303	4,163	18,733	224,199	
Rent	88,270	-	-	88,270	-	-	88,270	
Postage and shipping	225	11,584	129	11,938	2,165	125,088	139,191	
Insurance	18,712	54,796	7,954	81,462	1,768	7,954	91,184	
Equipment	15,023	31,400	-	46,423	-	7,950	54,373	
Advertising and direct mail costs	1,730	324	14,051	16,105	-	556,417	572,522	
Travel	4,050	2,865	1,277	8,192	1,070	1,708	10,970	
Vehicle	-	-	2,310	2,310	-	-	2,310	
Conferences, conventions, and meetings	433	2,886	324	3,643	1,451	2,349	7,443	
Dues	8,907	1,763	160	10,830	10,921	854	22,605	
Operating costs	92,012	316,615	43,275	451,902	11,502	46,725	510,129	
Program and promotional supplies	5,674	-	5,600	11,274	395	-	11,669	
Software fees	2,300	6,881	2,303	11,484	10,455	75,971	97,910	
Miscellaneous	3,839	1,414	2,510	7,763	9,853	4,095	21,711	
Veterinary supplies	512,456	-	18,340	530,796	-	-	530,796	
Depreciation	217,294	587,521	80,301	885,116	21,343	86,704	993,163	
Store merchandise	-	209,232	-	209,232	-	-	209,232	
Events expense	-	-	-	-	-	40,074	40,074	
Donated goods and services	-	9,262	-	9,262	-	-	9,262	
Total expenses	\$ 3,210,368	\$ 6,392,252	\$ 1,075,256	\$ 10,677,876	\$ 677,662	\$ 2,102,651	\$ 13,458,189	

Wisconsin Humane Society

Statements of Functional Expenses (Continued)

Year ended September 30, 2020

	Program Services						Fundraising	Total
	Veterinary	Sheltering and Animal Care	Community Relations and Outreach	Total Program Services	Management and General			
Salaries and wages	\$ 1,452,459	\$ 3,538,422	\$ 593,816	\$ 5,584,697	\$ 469,102	\$ 832,449	\$ 6,886,248	
Employee benefits	173,949	458,917	86,010	718,876	23,607	83,807	826,290	
Payroll taxes	103,566	230,807	41,370	375,743	29,468	59,812	465,023	
Audit and legal fees	-	-	-	-	15,435	-	15,435	
Outside services	65,108	164,336	19,494	248,938	3,657	19,004	271,599	
Office supplies	981	6,384	70	7,435	2,766	609	10,810	
Animal supplies	48,148	115,375	4,058	167,581	-	-	167,581	
Building support	85,779	280,250	32,555	398,584	12,678	44,887	456,149	
Telephone	4,074	14,860	1,811	20,745	1,259	2,037	24,041	
Utilities	73,101	208,957	26,534	308,592	6,633	29,851	345,076	
Building repairs and maintenance	44,396	119,151	15,130	178,677	3,783	17,022	199,482	
Rent	88,272	-	-	88,272	-	-	88,272	
Postage and shipping	286	8,702	431	9,419	1,865	143,841	155,125	
Insurance	20,928	58,265	7,399	86,592	1,850	8,324	96,766	
Equipment	21,468	21,674	-	43,142	-	43,497	86,639	
Advertising and direct mail costs	1,745	420	25,201	27,366	-	517,629	544,995	
Travel	2,134	8,452	4,168	14,754	2,083	5,524	22,361	
Vehicle	-	4,879	3,823	8,702	-	-	8,702	
Conferences, conventions, and meetings	2,549	5,807	190	8,546	3,339	4,137	16,022	
Dues	16,103	464	571	17,138	10,901	1,298	29,337	
Operating costs	81,933	279,748	34,458	396,139	10,210	41,669	448,018	
Program and promotional supplies	-	-	5,340	5,340	385	-	5,725	
Software fees	1,476	20,555	2,304	24,335	9,720	53,974	88,029	
Miscellaneous	582	2,593	1,028	4,203	6,275	6,338	16,816	
Veterinary supplies	445,562	-	15,102	460,664	-	-	460,664	
Dog training class	-	22,569	-	22,569	-	-	22,569	
Depreciation	204,878	539,703	66,478	811,059	19,697	80,389	911,145	
Store merchandise	-	243,515	-	243,515	-	-	243,515	
Cost of special event dinner	-	-	-	-	-	55,283	55,283	
Special events	-	-	-	-	-	48,151	48,151	
Donated goods and services	-	8,875	-	8,875	-	-	8,875	
Total expenses	\$ 2,939,477	\$ 6,363,680	\$ 987,341	\$ 10,290,498	\$ 634,713	\$ 2,099,532	\$ 13,024,743	

See accompanying notes to financial statements.

Wisconsin Humane Society

Statements of Cash Flows

Years Ended September 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 6,493,537	\$ (268,294)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	993,163	911,144
Loss on disposal of property and equipment	-	209,047
Change in beneficial interest in assets held by others	(35,426)	20,318
Realized and unrealized gain on investments	(2,398,723)	(177,581)
Contributions restricted for purchase of property and equipment	-	(727,233)
Changes in operating assets and liabilities:		
Accounts receivable	4,696	(5,118)
Promises to give	(24,594)	5,953
Prepaid expenses, other assets and inventories	(2,288)	20,523
Accounts payable	68,356	(852,712)
Accrued salary and benefits	2,119	122,262
Accrued expenses	(3,776)	(16,272)
Deferred revenue	58,254	7,817
Refundable advance - SBA Paycheck Protection Program	(1,500,000)	1,500,000
Net cash from operating activities	3,655,318	749,854
Cash flows from investing activities:		
Purchase of property and equipment	(300,734)	(2,919,662)
Proceeds from sales of property and equipment	-	312,282
Proceeds from assets held for sale	-	86,871
Purchase of investments	(4,946,890)	(1,600,870)
Proceeds from sales of investments	1,882,499	1,529,506
Net cash from investing activities	(3,365,125)	(2,591,873)
Cash flows from financing activities:		
Proceeds from contributions for purchase of property and equipment	262,900	885,497
Net cash from financing activities	262,900	885,497
Increase in cash, cash equivalents, and restricted cash	553,093	(956,522)
Cash, cash equivalents, and restricted cash at beginning	3,733,791	4,690,313
Cash, cash equivalents, and restricted cash at end	\$ 4,286,884	\$ 3,733,791
Reconciliation of cash, cash equivalents, and restricted cash:		
Cash and cash equivalents	\$ 4,166,903	\$ 3,616,315
Cash - State unemployment compensation	119,981	117,476
Cash, cash equivalents, and restricted cash	\$ 4,286,884	\$ 3,733,791

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 making a difference for animals and the people who love them. 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.

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

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue From Contracts with Customers* (Topic 606). The amendments in this ASU, along with numerous clarifications and modifications, require an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Organization adopted this guidance as of October 1, 2020 and applied Topic 606 on a modified retrospective basis and elected the practical expedients in paragraph FASB Accounting Standards Codification (ASC) 606-10-65-1(f)(1), under which an entity need not restate contracts that begin and are completed within the same annual reporting period. There was no change to reported net assets, or the change in net assets for either period presented.

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, Cash Equivalents, and Restricted Cash

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.

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 \$119,981 and \$117,476 as of September 30, 2021 and 2020, respectively.

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, 2021 and 2020.

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 0.12% as of September 30, 2020. 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 \$19,386 and \$45,801 as of September 30, 2021 and 2020, 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.

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 2021 and 2020.

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 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

Contributions and Promises to Give

Contributions, including promises to give and bequests, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions.

A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit identifying of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized.
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met.

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

Wisconsin Humane Society

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue and Revenue Recognition (Continued)

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Promises to give whose eventual uses are restricted by the donors are recorded as increases in net assets with donor restrictions. Promises to give without a purpose restriction to be collected in future periods are also recorded as an increase to net assets with donor restrictions and reclassified to net assets without donor restrictions when received, unless the donor's intention is to support current-period activities.

Promises to give expected to be collected in less than one year are reported at net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows on a discounted basis applicable to the years in which the promises were received. The amortization of the discount is recognized as contribution income over the duration of the promise.

Event Income and Other Revenues

Special event revenues are directly related to fundraising activities. These special events consist of dinners, auctions, walks, and other fundraising activities. The exchange component of the activity is equal to the cost of the direct benefit to the donor consisting of food, drink, auctions items, and apparel which approximates fair value and was \$40,074 and \$103,434 for the years ended September 30, 2021 and 2020, respectively. The contribution component of the activity is the difference between the revenues earned and the exchange portion. The exchange portion of event revenues are recognized over time as the performance obligations are satisfied, which is the occurrence of the event(s). Fundraising event proceeds collected in advance are recorded as deferred revenue and recognized as fundraising event revenue when the event occurs. Unconditional contributions made in association with events are recognized upon receipt. Ticket and sponsorship revenue is recognized over time upon occurrence of the events.

Service fees include primarily adoption fees, veterinary services, and stray sheltering fees. The various fees for these services are set annually by the Organization. Adoption fees are recognized at the point in time that the performance obligation occurs, which is the adopter taking possession of the animal. Veterinary service fees are recognized over time as the performance obligations occur, which is the completion of veterinary services selected by the customer. Stray sheltering fees are earned under contracts with various municipalities served by the Organization to shelter stray animals as required by Wisconsin state law. Fees associated with these contracts are negotiated between the Organization and the municipalities annually. Revenue for these contracts are recognized proratably over time based on the term of the contract. Merchandise sales revenue is recorded at the point in time in which the customer receives the purchased goods.

Wisconsin Humane Society

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue and Revenue Recognition (Continued)

In-Kind Contributions

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Organization. In-kind contributions are reflected as contributions at their fair value at the date of donation and are reported as support without donor restrictions unless explicit donor stipulations specify how donated assets must be used.

The Organization recorded revenue and expense related to these donated goods and services of \$9,262 and \$8,875 for the years ended September 30, 2021 and 2020, respectively. The amounts for 2021 and 2020 are recorded in the statement of activities. The Organization received nonprofessional volunteer services which management has estimated at a value of approximately \$290,516 and \$404,782 for the years ended September 30, 2021 and 2020, respectively. These amounts are not recorded in the statements of activities.

Interest Income

Interest income is reported as revenue without donor restrictions unless the income is restricted by donor or law.

Advertising Costs

The Organization uses advertising and direct mail to promote its adoption and other programs among the areas it serves. The production costs of advertising and direct mail are expensed as incurred and totaled \$572,522 and \$544,995 for the years ended September 30, 2021 and 2020, 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, 2021 and 2020.

Wisconsin Humane Society

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

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.

New Accounting Pronouncements

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, 2021. The Organization is currently evaluating the impact of the provisions of this pronouncement.

In 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which is intended to improve transparency in reporting contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. ASU No. 2020-07 will require not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets, and disclose:

1. A disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets.
2. For each category of contributed nonfinancial assets recognized:
 - a. Qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. If utilized, a not-for-profit entity will disclose a description of the programs or other activities in which those nonfinancial assets were used.
 - b. The not-for-profit entity's policy (if any) about monetizing rather than utilizing contributed nonfinancial assets.
 - c. A description of any donor-imposed restrictions associated with the contributed nonfinancial assets.
 - d. A description of the valuation techniques and inputs used to arrive at a fair value measure, in accordance with the requirements in Topic 820, *Fair Value Measurement*, at initial recognition.
 - e. The principal market (or most advantageous market) used to arrive at a fair value measure if it is a market in which the recipient not-for-profit entity is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets.

ASU No. 2020-07 is effective for fiscal years beginning after June 15, 2021, with early adoption permitted. ASU No. 2020-07 must be applied retrospectively. The Organization is evaluating the impact of the provisions of ASU No. 2020-07.

Wisconsin Humane Society

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Subsequent Events

Subsequent events have been evaluated through December 30, 2021, which is the date the financial statements were issued.

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, 2021, and 2020, 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, 2021 and 2020</i>	2021	2020
Cash and cash equivalents	\$ 4,166,903	\$ 3,616,315
Investments	14,522,561	9,059,447
Accounts receivable	43,127	47,823
Promises to give, current - Net	79,475	225,115
Total financial assets	18,812,066	12,948,700
Less:		
With donor restrictions less beneficial interest in assets held by others	(259,968)	(261,586)
Deferred revenue	(198,971)	(140,717)
Total financial assets available	\$ 18,353,127	\$ 12,546,397

Wisconsin Humane Society

Notes to Financial Statements

Note 3: Investments

Investment Composition

Investments, stated at fair value, consisted of the following at September 30, 2021 and 2020:

	2021	2020
Money market funds	\$ 150,823	\$ 22,805
Mutual funds	8,718,149	5,468,747
Corporate bonds	2,739,429	1,912,012
Corporate stocks	2,914,160	1,655,883
Total investments	\$ 14,522,561	\$ 9,059,447

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, 2021 and 2020:

	2021	2020
Interest and dividend income	\$ 132,974	\$ 155,051
Realized and unrealized gain on investments	2,398,723	177,581
Total investment income - Net	\$ 2,531,697	\$ 332,632

The Organization incurred investment fees of \$49,002 and \$26,735 for the years ended September 30, 2021 and 2020, respectively, which are recorded as a reduction of investment income on the statements of activities.

Wisconsin Humane Society

Notes to Financial Statements

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.

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.

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, 2021, is as follows:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ -	\$ 150,823	\$ -	\$ 150,823
Mutual funds:				
Equity income	1,246,664	-	-	1,246,664
Mid cap	3,045,114	-	-	3,045,114
International	1,347,116	-	-	1,347,116
Large cap	3,079,255	-	-	3,079,255
Corporate bonds	-	2,739,429	-	2,739,429
Common stocks:				
Energy	157,468	-	-	157,468
Materials	277,705	-	-	277,705
Industrials	315,523	-	-	315,523
Consumer discretionary	265,973	-	-	265,973
Consumer staples	208,589	-	-	208,589
Health care	552,911	-	-	552,911
Financials	485,403	-	-	485,403
Telecommunications	51,919	-	-	51,919
Utilities	44,077	-	-	44,077
Information technology	464,304	-	-	464,304
Real estate	90,288	-	-	90,288
Total investments	11,632,309	2,890,252	-	14,522,561
Promises to give	-	193,475	-	193,475
Beneficial interest in assets held by others (Note 13)	-	-	830,473	830,473
Total	\$ 11,632,309	\$ 3,083,727	\$ 830,473	\$ 15,546,509

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, 2020, is as follows:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ -	\$ 22,805	\$ -	\$ 22,805
Mutual funds:				
Equity income	769,665	-	-	769,665
Mid cap	1,872,343	-	-	1,872,343
International	845,663	-	-	845,663
Large cap	1,981,076	-	-	1,981,076
Corporate bonds	-	1,912,012	-	1,912,012
Common stocks:				
Energy	21,155	-	-	21,155
Materials	145,044	-	-	145,044
Industrials	280,003	-	-	280,003
Consumer discretionary	229,965	-	-	229,965
Consumer staples	119,237	-	-	119,237
Health care	241,064	-	-	241,064
Financials	205,688	-	-	205,688
Telecommunications	64,467	-	-	64,467
Utilities	4,579	-	-	4,579
Information technology	272,996	-	-	272,996
Real estate	71,685	-	-	71,685
Total investments	7,124,630	1,934,817	-	9,059,447
Promises to give	-	431,781	-	431,781
Beneficial interest in assets held by others (Note 13)	-	-	795,047	795,047
Total	\$ 7,124,630	\$ 2,366,598	\$ 795,047	\$ 10,286,275

See Note 13 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, 2021 and 2020:

	2021	2020
Receivable in less than one year	\$ 79,475	\$ 225,115
Receivable in one to five years	133,386	252,896
Total promises to give	212,861	478,011
Less discounts to net present value	-	429
Less allowance for uncollectible promises to give	19,386	45,801
Promises to give - Net	193,475	431,781
Less - Current portion	79,475	225,115
Promises to give - Noncurrent	\$ 114,000	\$ 206,666

There were no donor concentrations of promises to give as of September 30, 2021 and September 30, 2020.

Note 6: Property and Equipment

Property and equipment consisted of the following at September 30, 2021 and 2020:

	2021	2020
Land	\$ 1,898,030	\$ 1,898,030
Land improvements	453,039	453,039
Building and building improvements	20,526,700	20,517,775
Vehicles	280,561	271,504
Furniture and office equipment	2,538,502	2,262,671
Total property and equipment	25,696,832	25,403,019
Less - Accumulated depreciation	9,105,936	8,119,694
Total	\$ 16,590,896	\$ 17,283,325

Wisconsin Humane Society

Notes to Financial Statements

Note 7: Line of Credit

At September 30, 2021, the Organization had a line of credit of \$800,000 with a bank, which bears interest at prime rate (3.25% as of September 30, 2021), 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 and terminates on demand. There was no amount outstanding under this agreement at September 30, 2021 and 2020, respectively.

Note 8: Refundable Advance - SBA Paycheck Protection Program

On April 20, 2020, the Organization entered into a promissory note agreement with a local financial institution in the amount of \$1,500,000. The loan was issued pursuant to the PPP administered by the SBA, and bears interest at 1.00% with monthly principal and interest payments of \$84,416, beginning November 20, 2020, and a final payment on April 20, 2022. All or a portion of the loan was eligible to be forgiven if the Organization uses the proceeds of the loan for eligible payroll costs and other expenses in accordance with the PPP.

On January 20, 2021, the Organization entered into a promissory note agreement with a local financial institution in the amount of \$1,500,000. The loan was issued pursuant to the PPP administered by the SBA, and bears interest at 1.00% with monthly principal and interest payments of \$84,416, beginning July 20, 2021, and a final payment on December 20, 2022. All or a portion of the loan was eligible to be forgiven if the Organization uses the proceeds of the loan for eligible payroll costs and other expenses in accordance with the PPP.

Management has determined that the loan proceeds constitute a conditional contribution under ASU No. 2018-08 and final approval of the forgiveness of the loan from the SBA lender to be a significant barrier. Accordingly, the Organization has recorded a refundable advance liability for \$1,500,000 as of September 30, 2020. On November 2, 2020 and August 10, 2021, the SBA approved forgiveness of the PPP loans respectively. Accordingly, the Organization has recorded revenue in the amount of \$3,000,000 which is included in other revenue on the statement of activities in the year ended September 30, 2021.

Wisconsin Humane Society

Notes to Financial Statements

Note 9: 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>	2021	2020
Subject to passage of time:		
Promises to give, not restricted by donors	\$ 24,000	\$ 10,000
Subject to expenditure for a specific purposes:		
Pet cemetery	259,968	261,586
Total net assets subject to passage of time or specific purpose	283,968	271,586
Not subject to spending policy or appropriation:		
Beneficial interest in assets held by community foundations	292,058	236,132
Beneficial interests in perpetual trusts	538,415	558,915
Total net assets not subject to spending policy or appropriation	830,473	795,047
Total net assets with donor restrictions	\$ 1,114,441	\$ 1,066,633

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>	2021	2020
Expiration of time restrictions	\$ 157,162	\$ 267,271
Satisfaction of purpose restrictions:		
Pet cemetery	1,618	3,353
Racine capital campaign	-	727,233
Net assets released from restrictions	\$ 158,780	\$ 997,857

Wisconsin Humane Society

Notes to Financial Statements

Note 10: 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 \$61,801 and \$52,869 to the Plan during September 30, 2021 and 2020.

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 2021 and 2020 was \$88,270 and \$88,272, respectively.

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

	Total
2022	\$ 92,864
2023	95,648
2024	98,520
2025	66,980
Total minimum lease payments	\$ 354,012

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 Trusts and adjusts that interest for its share of the change in net assets.

Wisconsin Humane Society

Notes to Financial Statements

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

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, 2021 and 2020, were as follows:

	Racine Community Foundation	Greater Milwaukee Foundation	Door County Community Foundation	Successor Trust	Fitzgerald Trust	Total
Balance October 1, 2019	\$ 32,500	\$ 113,542	\$ 74,349	\$ 442,344	\$ 152,630	\$ 815,365
Investment income - Net	2,066	11,031	4,413	5,963	18,713	42,186
Distributions / expenses	(330)	(907)	(532)	(51,930)	(8,805)	(62,504)
Balance September 30, 2020	34,236	123,666	78,230	396,377	162,538	795,047
Investment income - Net	8,780	34,011	15,182	21,923	19,803	99,699
Distributions / expenses	(390)	(1,027)	(630)	(53,076)	(9,150)	(64,273)
Balance September 30, 2021	\$ 42,626	\$ 156,650	\$ 92,782	\$ 365,224	\$ 173,191	\$ 830,473

Note 14: Accounts Receivable and Contract Balances

Contract assets arise when the Organization transfers goods or services to a customer in advance of receiving consideration and the right to consideration is conditioned on something other than the passage of time, such as work in process or unbilled receivables. Contract assets are transferred to receivables when the right to receive consideration becomes unconditional and the Organization is able to invoice the customer. Contract liabilities represent the Organization's obligation to transfer goods or services to a customer when consideration has already been received from the customer, such as adoption deposits and deferred revenue. When transfer of control of the related good or service occurs, contract liabilities are reclassified, and revenue is recognized. There were no contract assets at September 30, 2021, September 30, 2020 or October 1, 2019.

Wisconsin Humane Society

Notes to Financial Statements

Note 14: Accounts Receivable and Contract Balances (Continued)

Opening and closing balances for contract liabilities, and accounts receivable arising from contracts with customers include:

	9/30/2021	9/30/2020	10/1/2019
Contract liabilities - deferred revenue	\$ 198,971	\$ 140,717	\$ 132,900
Accounts receivable	\$ 43,127	\$ 47,823	\$ 42,705

Note 15: Disaggregation of Revenues from Contracts with Customers

The following is a breakdown of the Organization's revenues from contracts with customers by source:

	2021	2020
Recognized over time:		
Veterinary services	\$ 970,184	\$ 513,389
Camps and classes	110,529	139,904
Stray sheltering fees	394,001	389,930
Total recognized over time	1,474,714	1,043,223
Revenues recognized at a point in time		
Merchandise sales	335,968	409,623
Adoption fees	1,154,811	1,126,059
Other	283,656	235,119
Total recognized at a point in time	1,774,435	1,770,801
Total revenue from Contracts with Customers	\$ 3,249,149	\$ 2,814,024

Note 16: Business Conditions

Beginning in March 2020, the United States economy began suffering adverse effects from the COVID-19 crisis including financial markets, supply chains, businesses, and communities. Specific to the Organization, facilities were temporarily closed to non-essential personnel and in-person events were cancelled or converted to virtual events. Management believes the Organization is taking appropriate actions to mitigate the negative impact of COVID-19, however; the full impact of COVID-19 is unknown and cannot be reasonably estimated.