

Wisconsin Humane Society

Financial Statements

Years Ended September 30, 2022 and 2021



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Independent Auditor's Report

Board of Directors
Wisconsin Humane Society
Milwaukee, Wisconsin

Opinion

We have audited the accompanying financial statements of Wisconsin Humane Society (the "Organization"), a nonprofit organization, which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Wisconsin Humane Society as of September 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Wisconsin Humane Society and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Wisconsin Humane Society's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Wisconsin Humane Society's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Wisconsin Humane Society's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

Milwaukee, Wisconsin
December 21, 2022

Wisconsin Humane Society

Statements of Financial Position

September 30, 2022 and 2021

Assets	2022	2021
Current assets:		
Cash and cash equivalents	\$ 6,212,969	\$ 4,166,903
Investments	12,416,931	14,522,561
Accounts receivable	51,940	43,127
Promises to give - Current portion - Net	63,600	79,475
Inventories	83,982	81,615
Prepaid expenses and other assets	87,132	74,493
Total current assets	18,916,554	18,968,174
Assets restricted as to use:		
Cash - State unemployment compensation	120,192	119,981
Beneficial interest in assets held by others	717,689	830,473
Total assets restricted as to use	837,881	950,454
Property and equipment - Net	15,969,854	16,590,896
Promises to give - Less current portion	52,000	114,000
TOTAL ASSETS	\$ 35,776,289	\$ 36,623,524

Wisconsin Humane Society

Statements of Financial Position (Continued)

September 30, 2022 and 2021

Liabilities and Net Assets	2022	2021
Current liabilities:		
Accounts payable	\$ 285,192	\$ 279,363
Accrued salary and benefits	371,761	321,011
Accrued expenses	39,766	47,185
Deferred revenue	261,658	198,971
Total current liabilities	958,377	846,530
Net assets:		
Without donor restrictions	33,830,159	34,662,553
With donor restrictions	987,753	1,114,441
Total net assets	34,817,912	35,776,994
TOTAL LIABILITIES AND NET ASSETS	\$ 35,776,289	\$ 36,623,524

See accompanying notes to financial statements.

Wisconsin Humane Society

Statements of Activities (Continued)

Year ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	\$ 7,103,548	\$ -	\$ 7,103,548
Bequests	4,495,407	-	4,495,407
Service fees	3,662,301	-	3,662,301
Merchandise sales	406,315	-	406,315
Investment income - Net	(2,332,967)	(101,263)	(2,434,230)
Special events	996,509	-	996,509
Donated goods and services	40,820	-	40,820
Other revenue	93,437	-	93,437
Net assets released from restrictions	25,425	(25,425)	-
Total support and revenue	14,490,795	(126,688)	14,364,107
Expenses:			
Program expenses	12,165,639	-	12,165,639
Management and general	759,930	-	759,930
Fund-raising	2,397,620	-	2,397,620
Total expenses	15,323,189	-	15,323,189
Change in net assets	(832,394)	(126,688)	(959,082)
Net assets at beginning of year	34,662,553	1,114,441	35,776,994
Net assets at end of year	\$ 33,830,159	\$ 987,753	34,817,912

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
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 Functional Expenses

Year ended September 30, 2022

	Program Services								
	Veterinary	Sheltering and Animal Care	Community Relations and Outreach	Total Program Services	Management and General	Fundraising			
Salaries and wages	\$ 1,872,535	\$ 4,099,256	\$ 709,715	\$ 6,681,506	\$ 510,742	\$ 930,829	\$ 8,123,077		
Employee benefits	161,085	433,248	114,629	708,962	30,315	109,889	849,166		
Payroll taxes	136,932	289,988	49,670	476,590	31,830	66,274	574,694		
Audit and legal fees	-	-	-	-	22,448	-	22,448		
Outside services	79,753	235,239	30,901	345,893	32,090	27,416	405,399		
Office supplies	842	11,488	182	12,512	3,325	1,439	17,276		
Animal supplies	71,594	152,278	5,379	229,251	-	-	229,251		
Building support	81,803	277,053	31,893	390,749	9,007	40,901	440,657		
Telephone	4,261	13,737	1,485	19,483	1,117	1,945	22,545		
Utilities	96,341	275,882	31,191	403,414	10,180	40,855	454,449		
Building repairs and maintenance	50,629	142,297	16,088	209,014	4,985	21,073	235,072		
Rent	88,271	-	-	88,271	32,572	-	120,843		
Postage and shipping	378	16,739	106	17,223	1,740	241,529	260,492		
Insurance	28,861	78,136	8,834	115,831	2,737	11,571	130,139		
Equipment	21,693	18,469	-	40,162	4,650	8,444	53,256		
Advertising and direct mail costs	988	362	18,592	19,942	-	529,514	549,456		
Travel	6,851	12,799	9,326	28,976	2,941	3,997	35,914		
Vehicle	-	215	5,532	5,747	-	-	5,747		
Conferences, conventions, and meetings	2,889	6,474	76	9,439	4,801	13,857	28,097		
Dues	13,827	1,998	197	16,022	7,397	1,858	25,277		
Operating costs	109,572	370,283	42,082	521,937	12,704	54,786	589,427		
Program and promotional supplies	-	-	10,653	10,653	477	-	11,130		
Software fees	13,557	17,098	2,011	32,666	11,239	59,306	103,211		
Miscellaneous	556	6,191	1,347	8,094	1,703	5,507	15,304		
Veterinary supplies	561,481	-	13,881	575,362	-	-	575,362		
Dog training class	-	696	-	696	-	-	696		
Depreciation	227,450	610,059	69,332	906,841	20,930	90,262	1,018,033		
Store merchandise	-	249,583	-	249,583	-	-	249,583		
Events expense	-	-	-	-	-	136,368	136,368		
Donated goods and services	-	40,820	-	40,820	-	-	40,820		
Total expenses	\$ 3,632,149	\$ 7,360,388	\$ 1,173,102	\$ 12,165,639	\$ 759,930	\$ 2,397,620	\$ 15,323,189		

Wisconsin Humane Society

Statements of Functional Expenses (Continued)

Year ended September 30, 2021

	Program Services								
	Veterinary	Sheltering and Animal Care	Community Relations and Outreach	Total Program Services	Management and General	Fundraising			
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		
Special events	-	-	-	-	-	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		

See accompanying notes to financial statements.

Wisconsin Humane Society

Statements of Cash Flows

Years Ended September 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ (959,082)	\$ 6,493,537
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	1,018,033	993,163
Change in value of beneficial interest in assets held by others	84,804	(99,699)
Realized and unrealized (gain) loss on investments	2,488,016	(2,398,723)
Changes in operating assets and liabilities:		
Accounts receivable	(8,813)	4,696
Promises to give	7,875	(24,594)
Prepaid expenses, other assets and inventories	(15,006)	(2,288)
Accounts payable	5,829	68,356
Accrued salary and benefits	50,750	2,119
Accrued expenses	(7,419)	(3,776)
Deferred revenue	62,687	58,254
Refundable advance - SBA Paycheck Protection Program	-	(1,500,000)
Net cash from operating activities	2,727,674	3,591,045
Cash flows from investing activities:		
Purchase of property and equipment	(396,991)	(300,734)
Distributions from beneficial interests in assets held by others	27,980	64,273
Purchase of investments	(2,253,675)	(4,946,890)
Proceeds from sales of investments	1,871,289	1,882,499
Net cash from investing activities	(751,397)	(3,300,852)
Cash flows from financing activities:		
Proceeds from contributions for purchase of property and equipment	70,000	262,900
Increase in cash, cash equivalents, and restricted cash	2,046,277	553,093
Cash, cash equivalents, and restricted cash at beginning	4,286,884	3,733,791
Cash, cash equivalents, and restricted cash at end	\$ 6,333,161	\$ 4,286,884
Reconciliation of cash, cash equivalents, and restricted cash:		
Cash and cash equivalents	\$ 6,212,969	\$ 4,166,903
Cash - State unemployment compensation	120,192	119,981
Cash, cash equivalents, and restricted cash	\$ 6,333,161	\$ 4,286,884

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 of America ("GAAP").

Change in Accounting Policy

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.

The guidance in this ASU was adopted and applied on a retrospective basis by the Organization for the year ended September 30, 2022. There was no change to reported net assets, or the change in net assets for either period presented.

Wisconsin Humane Society

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of the accompanying financial statements in conformity with 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.

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 \$120,192 and \$119,981 as of September 30, 2022 and 2021, respectively.

Wisconsin Humane Society

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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, 2022 and 2021.

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 0.16% as of September 30, 2022. 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 \$11,511 and \$19,386 as of September 30, 2022 and 2021, respectively.

Wisconsin Humane Society

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

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

Inventories

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

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 2022 and 2021.

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.

Wisconsin Humane Society

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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.

Wisconsin Humane Society

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue and Revenue Recognition (Continued)

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 \$136,368 and \$40,074 for the years ended September 30, 2022 and 2021, 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.

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 \$40,820 and \$9,262 for the years ended September 30, 2022 and 2021, respectively. These amounts consisted primarily of donated animal food and supplies. The amounts for 2022 and 2021 are recorded in the statement of activities. The Organization received nonprofessional volunteer services which management has estimated at a value of approximately \$602,799 and \$290,516 for the years ended September 30, 2022 and 2021, 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.

Wisconsin Humane Society

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

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 \$549,456 and \$572,522 for the years ended September 30, 2022 and 2021, 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, 2022 and 2021.

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 Pronouncement

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.

Subsequent Events

Subsequent events have been evaluated through December 21, 2022, which is the date the financial statements were issued.

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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, 2022, and 2021, 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, 2022 and 2021</i>	2022	2021
Cash and cash equivalents	\$ 6,212,969	\$ 4,166,903
Investments	12,416,931	14,522,561
Accounts receivable	51,940	43,127
Promises to give, current - Net	63,600	79,475
Total financial assets	18,745,440	18,812,066
Less:		
With donor restrictions less beneficial interest in assets held by others	(258,064)	(259,968)
Deferred revenue	(261,658)	(198,971)
Total financial assets available	\$ 18,225,718	\$ 18,353,127

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Notes to Financial Statements

Note 3: Investments

Investment Composition

Investments, stated at fair value, consisted of the following at September 30, 2022 and 2021:

	2022	2021
Money market funds	\$ 220,613	\$ 150,823
Mutual funds	7,315,316	8,718,149
Corporate bonds	2,658,157	2,739,429
Corporate stocks	2,222,845	2,914,160
Total investments	\$ 12,416,931	\$ 14,522,561

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, 2022 and 2021:

	2022	2021
Interest and dividend income	\$ 138,590	\$ 132,974
Change in value of beneficial interest in assets held by others	(84,804)	99,699
Realized and unrealized gain on investments	(2,488,016)	2,299,024
Total investment income - Net	\$ (2,434,230)	\$ 2,531,697

The Organization incurred investment fees of \$46,614 and \$49,002 for the years ended September 30, 2022 and 2021, respectively, which are recorded as a reduction of investment income on the statements of activities.

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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.

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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, 2022, is as follows:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ -	\$ 220,613	\$ -	\$ 220,613
Mutual funds:				
Equity income	1,122,411	-	-	1,122,411
Mid cap	2,481,375	-	-	2,481,375
International	1,116,773	-	-	1,116,773
Large cap	2,594,757	-	-	2,594,757
Corporate bonds	-	2,658,157	-	2,658,157
Common stocks:				
Energy	167,583	-	-	167,583
Materials	235,693	-	-	235,693
Industrials	304,464	-	-	304,464
Consumer discretionary	147,740	-	-	147,740
Consumer staples	124,035	-	-	124,035
Health care	339,636	-	-	339,636
Financials	370,391	-	-	370,391
Telecommunications	76,244	-	-	76,244
Utilities	35,116	-	-	35,116
Information technology	328,058	-	-	328,058
Real estate	93,885	-	-	93,885
Total investments	9,538,161	2,878,770	-	12,416,931
Promises to give	-	115,600	-	115,600
Beneficial interest in assets held by others (Note 13)	-	-	717,689	717,689
Totals	\$ 9,538,161	\$ 2,994,370	\$ 717,689	\$ 13,250,220

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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
Totals	\$ 11,632,309	\$ 3,083,727	\$ 830,473	\$ 15,546,509

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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, 2022 and 2021:

	2022	2021
Receivable in less than one year	\$ 63,600	\$ 79,475
Receivable in one to five years	63,511	133,386
Total promises to give	127,111	212,861
Less allowance for uncollectible promises to give	11,511	19,386
Promises to give - Net	115,600	193,475
Less - Current portion	63,600	79,475
Promises to give - Noncurrent	\$ 52,000	\$ 114,000

There were no donor concentrations of promises to give as of September 30, 2022 and September 30, 2021.

Note 6: Property and Equipment

Property and equipment consisted of the following at September 30, 2022 and 2021:

	2022	2021
Land	\$ 1,898,030	\$ 1,898,030
Land improvements	453,039	453,039
Building and building improvements	20,526,700	20,526,700
Vehicles	325,984	280,561
Furniture and office equipment	2,846,975	2,538,502
Total property and equipment	26,050,728	25,696,832
Less - Accumulated depreciation	10,080,874	9,105,936
Totals	\$ 15,969,854	\$ 16,590,896

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Notes to Financial Statements

Note 7: Line of Credit

At September 30, 2022, the Organization had a line of credit of \$800,000 with a bank, which bears interest at prime rate (6.25% as of September 30, 2022), 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, 2022 and 2021, 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 Paycheck Protection Program ("PPP") administered by the Small Business Association ("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. 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.

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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>	2022	2021
Subject to passage of time:		
Promises to give, not restricted by donors	\$ 12,000	\$ 24,000
Subject to expenditure for a specific purposes:		
Pet cemetery	258,064	259,968
Total net assets subject to passage of time or specific purpose	270,064	283,968
Not subject to spending policy or appropriation:		
Beneficial interest in assets held by community foundations	239,903	292,058
Beneficial interests in perpetual trusts	477,786	538,415
Total net assets not subject to spending policy or appropriation	717,689	830,473
Total net assets with donor restrictions	\$ 987,753	\$ 1,114,441

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>	2022	2021
Expiration of time restrictions	\$ 23,521	\$ 157,162
Satisfaction of purpose restrictions:		
Pet cemetery	1,904	1,618
Net assets released from restrictions	\$ 25,425	\$ 158,780

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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 \$67,602 and \$61,801 to the Plan during September 30, 2022 and 2021.

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 2022 and 2021 was \$88,271 and \$88,270, respectively.

In December 2021, the Organization entered into an agreement to lease space through an operating lease expiring January 2024, with two options to renew for a further two years at the Organization's sole discretion. Management believes it is likely that they will exercise the first renewal option through January 2026, but not the second. The terms of the lease require the Organization to pay all utilities to the landlord. Rent expense incurred in 2022 was \$32,572.

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

	Total
2023	\$ 145,224
2024	149,179
2025	118,739
2026	17,473
Total minimum lease payments	\$ 430,615

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Notes to Financial Statements

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.

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, 2022 and 2021, were as follows:

	Racine Community Foundation	Greater Milwaukee Foundation	Door County Community Foundation	Successor Trust	Fitzgerald Trust	Total
Balance October 1, 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
Investment income - Net	(6,289)	(25,536)	(15,505)	(14,915)	(22,559)	(84,804)
Distributions / expenses	(419)	(3,805)	(601)	(14,000)	(9,155)	(27,980)
Balance September 30, 2022	\$ 35,918	\$ 127,309	\$ 76,676	\$ 336,309	\$ 141,477	\$ 717,689

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Notes to Financial Statements

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, 2022, September 30, 2021 or October 1, 2020.

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

	9/30/2022	9/30/2021	10/1/2020
Contract liabilities - deferred revenue	\$ 261,658	\$ 198,971	\$ 140,716
Accounts receivable	\$ 51,940	\$ 43,127	\$ 47,823

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:

	2022	2021
Recognized over time:		
Veterinary services	\$ 1,293,168	\$ 970,184
Camps and classes	170,972	110,529
Stray sheltering fees	409,188	394,001
Total recognized over time	1,873,328	1,474,714
Revenues recognized at a point in time		
Merchandise sales	406,315	335,968
Adoption fees	1,467,424	1,154,811
Other	321,549	283,656
Total recognized at a point in time	2,195,288	1,774,435
Total revenue from Contracts with Customers	\$ 4,068,616	\$ 3,249,149

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Notes to Financial Statements

Note 15: Disaggregation of Revenues from Contracts with Customers (Continued)

Reconciliation of Statement of Activities with revenues from contracts with customers by source:

	2022	2021
Services fees	\$ 3,662,301	\$ 2,913,181
Merchandise sales	406,315	335,968
Total revenue from Contracts with Customers	\$ 4,068,616	\$ 3,249,149