

Wisconsin Humane Society

Financial Statements

Years Ended September 30, 2020 and 2019



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, 2020 and 2019, 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, 2020 and 2019, 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. 2016-18 *Statement of Cash Flows (Topic 230) - Restricted Cash* and ASU No. 2018-08 *Not-for-Profit Entities (Topic 958) - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

Wipfli LLP

Wipfli LLP
Milwaukee, Wisconsin

December 17, 2020

Wisconsin Humane Society

Statements of Financial Position

September 30, 2020 and 2019

Assets	2020	2019
Current assets:		
Cash and cash equivalents	\$ 3,616,315	\$ 4,573,185
Investments	9,059,447	8,810,502
Accounts receivable	47,823	42,705
Promises to give - Current portion - Net	225,115	213,331
Inventories	84,585	85,401
Prepaid expenses and other assets	69,235	88,942
Asset held for sale	-	86,871
Total current assets	13,102,520	13,900,937
Assets restricted as to use:		
Cash - State unemployment compensation	117,476	117,128
Beneficial interest in assets held by others	795,047	815,365
Total assets restricted as to use	912,523	932,493
Property and equipment - Net	17,283,325	15,796,136
Promises to give - Less current portion	206,666	382,667
TOTAL ASSETS	\$ 31,505,034	\$ 31,012,233

Wisconsin Humane Society

Statements of Financial Position (Continued)

September 30, 2020 and 2019

Liabilities and Net Assets	2020	2019
Current liabilities:		
Accounts payable	\$ 211,007	\$ 1,063,719
Accrued salary and benefits	318,892	196,630
Accrued expenses	50,961	67,233
Deferred revenue	140,717	132,900
Refundable advance - SBA Paycheck Protection Program	1,500,000	-
Total current liabilities	2,221,577	1,460,482
Net assets:		
Without donor restrictions	28,216,824	28,383,124
With donor restrictions	1,066,633	1,168,627
Total net assets	29,283,457	29,551,751
TOTAL LIABILITIES AND NET ASSETS	\$ 31,505,034	\$ 31,012,233

See accompanying notes to financial statements.

Wisconsin Humane Society

Statements of Activities

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

Wisconsin Humane Society

Statements of Activities (Continued)

Year ended September 30, 2019

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

See accompanying notes to financial statements.

Wisconsin Humane Society

Statements of Functional Expenses

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	

Wisconsin Humane Society

Statements of Functional Expenses (Continued)

Year ended September 30, 2019

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

See accompanying notes to financial statements.

Wisconsin Humane Society

Statements of Cash Flows

Years Ended September 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (268,294)	\$ 3,993,933
Adjustments to reconcile change in net assets to net cash from operating activities:		
Noncash donation of property held for sale	-	(86,871)
Depreciation	911,144	828,464
Loss on disposal of property and equipment	209,047	-
Change in beneficial interest in assets held by others	20,318	(63,787)
Realized and unrealized gain on investments	(177,581)	(133,356)
Contributions restricted for purchase of property and equipment	(727,233)	(1,895,310)
Changes in operating assets and liabilities:		
Accounts receivable	(5,118)	(1,853)
Promises to give	5,953	424,554
Prepaid expenses, other assets and inventories	20,523	(66,142)
Accounts payable	(852,712)	645,146
Accrued salary and benefits	122,262	5,441
Accrued expenses	(16,272)	8,647
Deferred revenue	7,817	30,896
Refundable advance - SBA Paycheck Protection Program	1,500,000	-
Net cash from operating activities	749,854	3,689,762
Cash flows from investing activities:		
Purchase of property and equipment	(2,919,662)	(3,795,910)
Proceeds from sales of property and equipment	312,282	-
Proceeds from assets held for sale	86,871	-
Purchase of investments	(1,600,870)	(1,088,184)
Proceeds from sales of investments	1,529,506	1,032,192
Net cash from investing activities	(2,591,873)	(3,851,902)
Cash flows from financing activities:		
Proceeds from contributions for purchase of property and equipment	885,497	1,463,802
Net cash from financing activities	885,497	1,463,802
Increase in cash, cash equivalents, and restricted cash	(956,522)	1,301,662
Cash, cash equivalents, and restricted cash at beginning	4,690,313	3,388,651
Cash, cash equivalents, and restricted cash at end	\$ 3,733,791	\$ 4,690,313
Reconciliation of cash, cash equivalents, and restricted cash:		
Cash and cash equivalents	\$ 3,616,315	\$ 4,573,185
Cash - State unemployment compensation	117,476	117,128
Cash, cash equivalents, and restricted cash	\$ 3,733,791	\$ 4,690,313

See accompanying notes to financial statements.

Wisconsin Humane Society

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Activities

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

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 June 2018, the FASB issued ASU No. 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). The amendments in this ASU assist in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) subject to Subtopic 958-605 or as exchange (reciprocal) transactions subject to Accounting Standards Codification 606 and (2) determining whether a contribution is conditional. The contribution guidance in Subtopic 958-605 requires an entity to determine whether a transaction is conditional, which affects the timing of the revenue recognized. The Organization has applied the amendments in this ASU on a retrospective basis. There was no change on opening balances of net assets and no prior period results were restated.

In 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows - Restricted Cash* (Topic 230), which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The guidance in this ASU was adopted and applied on a retrospective basis by the Organization for the year ended September 30, 2020. As a result of this ASU implementation, beginning cash, cash equivalents, and restricted cash as of October 1, 2019 on the statement of cash flows was increased by \$117,128. Restricted cash consists of funds held for the unemployment reserve.

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 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.

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 \$117,476 and \$117,128 as of September 30, 2020 and 2019, 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.

Wisconsin Humane Society

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Investments (Continued)

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, 2020 and 2019.

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% and 1.55% as of September 30, 2020 and 2019, respectively. The discount rate is based on an average of the Organization's internal borrowing rate and the risk free rate of interest as determined by the rate on a 5 year U.S. Treasury bill. Management individually reviews all past due promises to give and estimates the portion, if any, of the balance that will not be collected. The carrying amount of promises to give are reduced by allowances which reflect management's estimate of uncollectible amounts. The allowance for uncollectible promises was \$45,801 and \$65,418 as of September 30, 2020 and 2019, 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.

Wisconsin Humane Society

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

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 2020 and 2019.

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, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions.

Wisconsin Humane Society

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue and Revenue Recognition (Continued)

Contributions and Promises to Give (Continued)

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.

Event Income and Other Revenues

Special event revenues are directly related to fundraising activities. Unconditional contributions made in association with events are recognized upon receipt. Ticket and sponsorship revenue is recognized upon occurrence of the events.

Service fees and merchandise sales are recorded at the point in time in which the related services or sales are performed.

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 \$8,875 and \$8,515 for the years ended September 30, 2020 and 2019, respectively. The amounts for 2020 and 2019 are recorded in the statement of activities. The Organization received nonprofessional volunteer services which management has estimated at a value of approximately \$404,782 and \$873,387 for the years ended September 30, 2020 and 2019, 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 to promote its adoption and other programs among the areas it serves. The production costs of advertising are expensed as incurred and totaled \$544,995 and \$489,796 for the years ended September 30, 2020 and 2019, 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, 2020 and 2019.

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 May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB Accounting Standards Codification (ASC) Topic 605, *Revenue Recognition*, and most industry-specific guidance. When adopted, the amendments in the ASU must be applied using one of two retrospective methods. ASU No. 2014-09 is effective for nonpublic entities for annual periods beginning after December 15, 2019. The Organization is currently evaluating the impact of the provisions of ASC 606.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This ASU requires lessees to record assets and liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of income. ASU No. 2016-02 is effective for nonpublic companies for annual periods beginning after December 15, 2021. The Organization is currently evaluating the impact of the provisions of this pronouncement.

Subsequent Events

Subsequent events have been evaluated through December 17, 2020, which is the date the financial statements were issued. With the exception of those matters discussed below, there were no material subsequent events that required recognition or additional disclosure in these financial statements.

On October 10, 2020, the Small Business Administration ("SBA") approved forgiveness of the Organization's Paycheck Protection Program ("PPP") loan. See Note 8.

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.

Wisconsin Humane Society

Notes to Financial Statements

Note 2: Liquidity and Availability of Financial Resources (Continued)

The following table reflects the Organization's financial assets as of September 30, 2020, and 2019, 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, 2020 and 2019</i>	2020	2019
Cash and cash equivalents	\$ 3,616,315	\$ 4,573,185
Investments	9,059,447	8,810,502
Accounts receivable	47,823	42,705
Promises to give, current - Net	225,115	213,331
Asset held for sale	-	86,871
Total financial assets	12,948,700	13,726,594
Less:		
Promises to give, current, restricted for the following purposes:		
Sheltering and Animal care	-	(25,000)
Deferred revenue	(140,717)	(132,900)
Total financial assets available	\$ 12,807,983	\$ 13,568,694

Note 3: Investments

Investment Composition

Investments, stated at fair value, consisted of the following at September 30, 2020 and 2019:

	2020	2019
Money market funds	\$ 22,805	\$ 97,373
Mutual funds	5,468,747	5,400,903
Corporate bonds	1,912,012	1,691,376
Corporate stocks	1,655,883	1,620,850
Total investments	\$ 9,059,447	\$ 8,810,502

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.

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Notes to Financial Statements

Note 3: Investments (Continued)

Investment Income

Investment income, including gains and losses on cash and cash equivalents, investments, and restricted assets consisted of the following for the years ended September 30, 2020 and 2019:

	2020	2019
Interest and dividend income	\$ 155,051	\$ 189,020
Realized and unrealized gain on investments	177,581	105,780
Total investment income - Net	\$ 332,632	\$ 294,800

The Organization incurred investment fees of \$26,735 and \$29,234 for the years ended September 30, 2020 and 2019, respectively, which are recorded as a reduction of investment income on the statements of activities.

Note 4: Fair Value Measurements

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

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

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, 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

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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, 2019, is as follows:

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

See Note 13 for changes in fair value of beneficial interest in assets held by others.

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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, 2020 and 2019:

	2020	2019
Receivable in less than one year	\$ 225,115	\$ 213,331
Receivable in one to five years	252,896	460,844
Receivable in more than five years	-	1,000
Total promises to give	478,011	675,175
Less discounts to net present value	429	13,759
Less allowance for uncollectible promises to give	45,801	65,418
Promises to give - Net	431,781	595,998
Less - Current portion	225,115	213,331
Promises to give - Noncurrent	\$ 206,666	\$ 382,667

There were no donor concentrations of promises to give as of September 30, 2020 and September 30, 2019.

Note 6: Property and Equipment

Property and equipment consisted of the following at September 30, 2020 and 2019:

	2020	2019
Land	\$ 1,898,030	\$ 1,990,390
Land improvements	453,039	453,039
Building and building improvements	20,517,775	15,385,721
Vehicles	271,504	271,504
Furniture and office equipment	2,262,671	1,723,603
Construction in progress	-	3,637,803
Total property and equipment	25,403,019	23,462,060
Less - Accumulated depreciation	8,119,694	7,665,924
Total	\$ 17,283,325	\$ 15,796,136

Construction in progress related to the construction of the new facility in Racine, Wisconsin, which was completed in March of 2020.

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Notes to Financial Statements

Note 7: Line of Credit

At September 30, 2020, 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, 2020), 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, 2020 and 2019, 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.

Management has determined that the loan proceeds constitute a conditional contribution under ASU No. 2018-08 and final approval of the waiver 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 October 10, 2020, the SBA approved forgiveness of the PPP loan. The Organization will recognize the full amount of the forgiven loan as other revenue during the year ended September 30, 2021.

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>	2020	2019
Subject to passage of time:		
Promises to give, not restricted by donors	\$ 10,000	\$ 63,323
Subject to expenditure for a specific purposes:		
Pet cemetery	261,586	264,939
Promises to give, restricted by donor for:		
Program expenses	-	25,000
Total net assets subject to passage of time or specific purpose	271,586	353,262
Not subject to spending policy or appropriation:		
Beneficial interest in assets held by community foundations	236,132	220,391
Beneficial interests in perpetual trusts	558,915	594,974
Total net assets not subject to spending policy or appropriation	795,047	815,365
Total net assets with donor restrictions	\$ 1,066,633	\$ 1,168,627

Wisconsin Humane Society

Notes to Financial Statements

Note 9: Net Assets with Donor Restrictions (Continued)

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>	2020	2019
Expiration of time restrictions:	\$ 267,271	\$ 406,366
Satisfaction of purpose restrictions:		
Pet cemetery	3,353	3,197
Saukville campaign	-	330,223
Racine capital campaign	727,233	2,881,651
Net assets released from restrictions	\$ 997,857	\$ 3,621,437

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 \$52,869 and \$36,631 to the Plan during September 30, 2020 and 2019.

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 2020 and 2019 was \$88,272 and \$88,271, respectively.

Wisconsin Humane Society

Notes to Financial Statements

Note 12: Lease (Continued)

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

	Total
2021	\$ 90,160
2022	92,864
2023	95,648
2024	98,520
2025	66,980
Total minimum lease payments	\$ 444,172

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.

Wisconsin Humane Society

Notes to Financial Statements

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

Changes in the Organization's beneficial interest in assets held by others at September 30, 2020 and 2019, were as follows:

	Racine Community Foundation	Greater Milwaukee Foundation	Door County Community Foundation	Successor Trust	Fitzgerald Trust	Total
Balance October 1, 2018	\$ 32,456	\$ 113,252	\$ 72,804	\$ 376,087	\$ 156,979	\$ 751,578
Investment income - Net	44	290	1,545	83,329	4,489	89,697
Distributions / expenses	-	-	-	(17,072)	(8,838)	(25,910)
Balance September 30, 2019	32,500	113,542	74,349	442,344	152,630	815,365
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

Note 14: 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.