

# Wisconsin Humane Society

Milwaukee, Wisconsin

Financial Statements

Years ended September 30, 2017 and 2016.



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



## Independent Auditor's Report

Board of Directors  
Wisconsin Humane Society  
Milwaukee, Wisconsin

### Report on the Financial Statements

We have audited the accompanying financial statements of Wisconsin Humane Society, which comprise the statements of financial position as of September 30, 2017 and 2016, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wisconsin Humane Society at September 30, 2017 and 2016, 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.

A handwritten signature in cursive script that reads "Wipfli LLP".

Wipfli LLP

December 22, 2017  
Milwaukee, Wisconsin

# Wisconsin Humane Society

## Statements of Financial Position

September 30, 2017 and 2016

Assets	2017	2016
Current assets:		
Cash and cash equivalents	\$ 118,240	\$ 5,971
Investments	6,847,385	6,196,994
Accounts receivable	38,021	35,438
Pledges receivable - Current portion	5,608,215	440,248
Inventories	78,102	75,895
Prepaid expenses and other assets	19,932	20,846
<b>Total current assets</b>	<b>12,709,895</b>	<b>6,775,392</b>
Assets restricted as to use:		
Cash - State unemployment compensation	85,672	75,381
Beneficial interest in assets held by others	499,405	461,521
<b>Total assets restricted as to use</b>	<b>585,077</b>	<b>536,902</b>
<b>Property and equipment - Net</b>	<b>10,241,358</b>	<b>10,486,016</b>
<b>Pledges receivable - Less current portion</b>	<b>134,616</b>	<b>5,099,740</b>
<b>TOTAL ASSETS</b>	<b>\$ 23,670,946</b>	<b>\$ 22,898,050</b>

# Wisconsin Humane Society

## Statements of Financial Position (Continued)

September 30, 2017 and 2016

Liabilities and Net Assets	2017	2016
Current liabilities:		
Line of credit	\$500,000	\$ 310,000
Current maturities of long-term debt	396,251	392,379
Accounts payable	294,313	291,339
Accrued salary and benefits	335,227	313,042
Accrued expenses	56,053	33,930
Deferred revenue	98,166	81,956
<b>Total current liabilities</b>	<b>1,680,010</b>	<b>1,422,646</b>
<b>Long-term debt, less current maturities</b>	<b>2,706,790</b>	<b>3,089,986</b>
<b>Total liabilities</b>	<b>4,386,800</b>	<b>4,512,632</b>
Net assets:		
Unrestricted	12,437,453	12,115,590
Temporarily restricted	6,836,693	6,259,828
Permanently restricted	10,000	10,000
<b>Total net assets</b>	<b>19,284,146</b>	<b>18,385,418</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 23,670,946</b>	<b>\$ 22,898,050</b>

See accompanying notes to financial statements.

# Wisconsin Humane Society

## Statements of Activities

Year ended September 30, 2017

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

# Wisconsin Humane Society

## Statements of Activities (Continued)

Year ended September 30, 2016

	Unrestricted	Restricted	Restricted	Total
Support and revenue:				
Contributions	\$ 2,957,437	\$ 330,405	\$ -	\$ 3,287,842
Bequests	1,405,700	-	-	1,405,700
Service fees	2,950,587	-	-	2,950,587
Merchandise sales	709,688	-	-	709,688
Investment income	547,773	11,398	-	559,171
Special events	528,870	-	-	528,870
Donated goods and services	-	-	-	-
Other revenue	47,209	-	-	47,209
Net assets released from restrictions	341,259	(341,259)	-	-
<b>Total support and revenue</b>	<b>9,488,523</b>	<b>544</b>	<b>-</b>	<b>9,489,067</b>
Expenses:				
Program expenses	7,777,139	-	-	7,777,139
Management and general	556,804	-	-	556,804
Fund-raising	1,064,805	-	-	1,064,805
<b>Total expenses</b>	<b>9,398,748</b>	<b>-</b>	<b>-</b>	<b>9,398,748</b>
Change in net assets	89,775	544	-	90,319
Net assets at beginning of year	12,025,815	6,259,284	10,000	18,295,099
<b>Net assets at end of year</b>	<b>12,115,590</b>	<b>6,259,828</b>	<b>10,000</b>	<b>18,385,418</b>

See accompanying notes to financial statements.

# Wisconsin Humane Society

## Statements of Cash Flows

Years Ended September 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 898,728	\$90,319
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	572,848	582,050
Decrease (Increase) of assets held by others	(37,884)	8,938
Realized and unrealized gain on investments	(911,994)	(518,868)
Contributions restricted for purchase of property and equipment	(516,071)	-
Changes in operating assets and liabilities:		
Accounts receivable	(2,583)	8,967
Pledges receivable	(54,726)	(87,394)
Prepaid expenses, other assets and inventories	(1,293)	(10,662)
Accounts payable	2,974	(10,296)
Accrued salary and benefits	22,185	54,291
Accrued expenses	22,123	11,510
Deferred revenue	16,210	(18,179)
Net cash provided by operating activities	10,517	110,676
Cash flows from investing activities:		
Purchase of property and equipment	(328,190)	(172,521)
Purchase of investments	(941,039)	(1,074,133)
Proceeds from sales of investments	1,202,642	1,350,132
Net change in restricted cash	(10,291)	(10,296)
Net cash (used in) provided by investing activities	(76,878)	93,182
Cash flows from financing activities:		
Payments on long-term debt	(379,324)	(382,018)
Proceeds from contributions for purchase of property and equipment	367,954	-
Net borrowings on line of credit	190,000	110,000
Net cash provided by (used in) financing activities	178,630	(272,018)
Increase (Decrease) in cash and cash equivalents	112,269	(68,160)
Cash and cash equivalents at beginning	5,971	74,131
Cash and cash equivalents at end	\$ 118,240	\$ 5,971
<b>Supplemental disclosures of cash flow information:</b>		
Cash payments for interest	\$ 119,369	\$ 104,783

See accompanying notes to financial statements.

# Wisconsin Humane Society

## Statements of Functional Expenses

Year ended September 30, 2017

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



**Wisconsin Humane Society**  
**Statements of Functional Expenses (Continued)**  
Year Ended September 30, 2016

	Program Services						Fundraising	Total
	Veterinary	Sheltering and Animal Care	Community Relations and	Total Program Services	Management and General			
Salaries and wages	\$ 1,183,700	\$ 2,310,894	\$ 382,787	\$ 3,877,381	\$ 405,928	\$ 388,294	\$ 4,671,603	
Employee benefits	118,823	268,913	42,566	430,302	9,267	34,981	474,550	
Payroll taxes	83,930	165,308	25,773	275,011	25,253	26,810	327,074	
Audit and legal fees	-	-	-	-	13,670	-	13,670	
Professional fees	241	868	-	1,109	6,352	45	7,506	
Outside services	35,396	107,674	17,781	160,851	3,165	35,679	199,695	
Office supplies	1,227	6,468	180	7,875	1,271	552	9,698	
Animal supplies	53,414	96,858	34,216	184,488	-	-	184,488	
Building support	64,562	159,780	18,834	243,176	11,696	17,406	272,278	
Telephone	18,281	28,427	3,790	50,498	3,027	3,316	56,841	
Utilities	71,155	153,189	20,425	244,769	7,659	17,872	270,300	
Building repairs and maintenance	37,674	87,981	11,731	137,386	4,399	10,264	152,049	
Rent	92,028	-	-	92,028	-	-	92,028	
Postage and shipping	284	3,566	610	4,460	1,457	93,899	99,816	
Insurance	18,967	29,080	3,877	51,924	1,454	3,393	56,771	
Equipment	13,439	7,217	150	20,806	117	6,308	27,231	
Advertising	6,373	3,229	16,278	25,880	204	238,142	264,226	
Travel	215	7,117	4,155	11,487	5,130	353	16,970	
Vehicle	1,001	4,999	-	6,000	-	-	6,000	
Conferences, conventions and meetings	4,719	5,148	503	10,370	3,199	4,473	18,042	
Dues	10,109	1,092	470	11,671	10,453	1,933	24,057	
Operating costs	83,767	234,550	30,156	348,473	13,403	26,806	388,682	
Program and promotional supplies	-	171	6,971	7,142	-	-	7,142	
Miscellaneous	10,036	8,119	5,545	23,700	7,526	2,884	34,110	
Veterinary supplies	500,730	-	2,036	502,766	-	-	502,766	
Dog training class	-	20,648	-	20,648	-	-	20,648	
Interest	22,732	63,649	8,184	94,565	3,637	7,274	105,476	
Depreciation	160,333	324,398	41,708	526,439	18,537	37,074	582,050	
Store merchandise	-	405,934	-	405,934	-	-	405,934	
Cost of event dinner	-	-	-	-	-	44,044	44,044	
Event	-	-	-	-	-	63,003	63,003	
<b>Total expenses</b>	<b>\$ 2,593,136</b>	<b>\$ 4,505,277</b>	<b>\$ 678,726</b>	<b>\$ 7,777,139</b>	<b>\$ 556,804</b>	<b>\$ 1,064,805</b>	<b>\$ 9,398,748</b>	

See accompanying notes to financial statements.

# Wisconsin Humane Society

## Notes to Financial Statements

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### Note 1: Summary of Significant Accounting Policies

#### Nature of Activities

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

#### Net Assets

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor imposed stipulations that will be met, either by actions of the Organization or by the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

#### Use of Estimates

The preparation of the accompanying financial statements in conformity with GAAP requires management to make estimates and assumptions that directly affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

# Wisconsin Humane Society

## Notes to Financial Statements

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

#### **Cash and Cash Equivalents**

The Organization considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents, excluding amounts held as short-term investments in the Organization's investment portfolio and amounts restricted as to use.

#### **Investments**

The Organization's investments are held in broker-administered funds. Management has granted the investment managers discretionary authority over investment decisions based on the Organization's investment policy.

Investments are reported at fair value on the statement of financial position. Interest, dividends, realized and unrealized gains and losses are included in the change in net assets.

#### **Accounts Receivable**

Accounts receivable are generally uncollateralized client obligations due upon receipt. Payments of accounts receivable are allocated to the specific invoices identified on the client's remittance advice or, if unspecified, applied to the earliest unpaid invoices. Management individually reviews all past due accounts receivable balances and estimates the portion, if any, of the balance that will not be collected. The carrying amount of accounts receivable is reduced by allowances that reflect management's estimate of uncollectible amounts.

#### **Pledges Receivable**

Pledges receivable are reported in the statements of financial position net of unamortized discounts and an allowance for uncollectible pledges. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows using a discount rate of 0.96% at September 30, 2016. There were no long term pledges discounted for the year ended September 30, 2017. The discount rate is based on an average of the Organization's internal borrowing rate and the risk free rate of interest as determined by the rate on a 5 year U.S. Treasury bill. Management individually reviews all past due pledges receivable and estimates the portion, if any, of the balance that will not be collected. The carrying amount of pledges receivable are reduced by allowances which reflect management's estimate of uncollectible amounts.

# Wisconsin Humane Society

## Notes to Financial Statements

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

#### **Fair Value Measurements**

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

#### **Inventories**

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

#### **Unemployment Compensation**

The Organization has elected reimbursement financing under the provisions of the Wisconsin unemployment compensation laws. To meet state funding requirements, the Organization has restricted deposits totaling \$85,672 and \$75,381 at September 30, 2017 and 2016, respectively.

#### **Property and Equipment**

Property and equipment are recorded at cost. Donated equipment is recorded at the asset's fair market value at the date of donation. The cost of these items is charged to expense as depreciation computed on the straight-line method over the estimated useful lives of the assets. Estimated useful lives are 5 years for furniture, vehicles, and equipment and 20 to 40 years for land improvements, building, and building improvements.

#### **Deferred Revenue**

Funds received in advance of a fundraising event but not earned as of the date of the statements of financial position, have been classified as deferred revenue. Revenues will be recognized in future periods as the revenue is earned.

#### **Service Fees**

Service fees are recorded as revenue when an animal is adopted or service is performed.

# Wisconsin Humane Society

## Notes to Financial Statements

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

#### **Donated Goods and Services**

Donated goods and services requiring specialized expertise are recorded as revenue and expense in the accompanying statement of activities at the estimated fair value. Only contributions of service received that create or enhance a nonfinancial asset or require specialized skill by the individual possessing those skills, and would typically need to be purchased if not provided by donation are recognized. The Organization recorded revenue and expense related to these donated goods and services of \$18,553 and \$0 for the years ended September 30, 2017 and 2016, respectively. The amounts for 2017 is recorded in the statement of activities. The Organization received nonprofessional volunteer services which management has estimated at a value of approximately \$732,527 and \$640,750 for the years ended September 30, 2017 and 2016, respectively. These amounts are not recorded in the statements of activities.

#### **Contributions**

Contributions are considered available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give cash and other assets to the Organization are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift was deemed unconditional. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying financial statements.

#### **Income Taxes**

The Organization is a tax-exempt corporation as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Organization is also exempt from state income taxes.

In order to account for any uncertain tax positions, the Organization determines whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position, assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements. The Organization recorded no assets or liabilities related to uncertain tax positions for the years ended September 30, 2017 and 2016.

#### **Subsequent Events**

Subsequent events have been evaluated through December 22, 2017, which is the date the financial statements were issued.

# Wisconsin Humane Society

## Notes to Financial Statements

### Note 2: Investments

#### Investment Composition

Investments, stated at fair value, consisted of the following at September 30, 2017 and 2016:

	2017	2016
Money market funds	\$ 81,344	\$ 92,867
Mutual Funds	4,122,197	3,699,172
Corporate Bonds	1,182,777	1,211,177
Corporate stocks	1,461,067	1,193,778
<b>Total investments</b>	<b>\$ 6,847,385</b>	<b>\$ 6,196,994</b>

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

#### Investment Income

Investment income, including gains and losses on cash and cash equivalents, investments, and restricted assets consisted of the following for the years ended September 30, 2017 and 2016:

	2017	2016
Interest and dividend income	\$ 39,124	\$ 40,303
Realized and unrealized gain on investments	911,994	518,868
<b>Total investment income</b>	<b>\$ 951,118</b>	<b>\$ 559,171</b>

The Organization incurred investment fees of \$21,321 and \$19,763 for the years ended September 30, 2017 and 2016, respectively. Investment fees are included in operating costs on the statements of functional expense.

# Wisconsin Humane Society

## Notes to Financial Statements

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### Note 3: Fair Value Measurements

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

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

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, while the organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at that reporting date.

# Wisconsin Humane Society

## Notes to Financial Statements

### Note 3: Fair Value Measurements (Continued)

Information regarding assets measured at fair value on a recurring basis as of September 30, 2017, is as follows:

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



# Wisconsin Humane Society

## Notes to Financial Statements

### Note 3: Fair Value Measurements (Continued)

Information regarding assets measured at fair value on a recurring basis as of September 30, 2016, is as follows:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ -	\$ 92,867	\$ -	\$ 92,867
Mutual funds:				
Equity income	537,793	-	-	537,793
Mid cap	1,077,525	-	-	1,077,525
International	755,154	-	-	755,154
Large cap	1,328,700	-	-	1,328,700
Corporate bonds	-	1,211,177	-	1,211,177
Common stocks:				
Energy	97,090	-	-	97,090
Materials	54,632	-	-	54,632
Industrials	238,647	-	-	238,647
Consumer discretionary	67,803	-	-	67,803
Consumer staples	8,183	-	-	8,183
Health care	136,502	-	-	136,502
Financials	223,673	-	-	223,673
Telecommunications	28,913	-	-	28,913
Utilities	36,797	-	-	36,797
Information technology	254,383	-	-	254,383
Real estate	47,155	-	-	47,155
Total Investments	4,892,950	1,304,044	-	6,196,994
Pledges receivable	-	5,539,988	-	5,539,988
Beneficial interest in assets held by other	-	-	461,521	461,521
Total	\$ 4,892,950	\$ 6,844,032	\$ 461,521	\$ 12,198,503

# Wisconsin Humane Society

## Notes to Financial Statements

### Note 3: Fair Value Measurements (Continued)

Changes in fair value of the Organizations Level 3 assets for the years ended September 30, 2017 and 2016, are as follows:

	Racine Community Foundation	Greater Milwaukee Foundation	Successor Trust	Total
Balance October 1, 2015	\$ 24,510	\$ 138,534	\$ 307,415	\$ 470,459
Investment income	2,420	11,058	48,626	62,104
Distributions/expenses	(254)	(56,857)	(13,931)	(71,042)
Balance September 30, 2016	26,676	92,735	342,110	461,521
Investment income	3,423	12,568	36,459	52,450
Distributions/expenses	(273)	(902)	(13,391)	(14,566)
Balance September 30, 2017	\$ 29,826	\$ 104,401	\$ 365,178	\$ 499,405

### Note 4: Pledges Receivable (or Unconditional Promises to Give)

The pledges receivable balance is expected to be collected according to the following schedule as of September 30, 2017 and 2016:

	2017	2016
Receivable in less than one year	\$ 5,608,215	\$ 440,248
Receivable in one to five years	131,616	5,343,952
Receivable in more than five years	3,000	6,000
Total pledges receivable	5,742,831	5,790,200
Less discounts to net present value	-	250,212
Net pledges receivable	5,742,831	5,539,988
Less current portion	5,608,215	440,248
Pledges receivable - noncurrent	\$ 134,616	\$ 5,099,740

At September 30, 2017 and 2016, promises to give from one donor comprised 96% and 92%, respectively, of total outstanding pledges receivable.

# Wisconsin Humane Society

## Notes to Financial Statements

### Note 5: Property and Equipment

Property and equipment consisted of the following at September 30, 2017 and 2016:

	2017	2016
Land	\$ 1,640,390	\$ 1,490,390
Land improvements	453,039	453,039
Building and building improvements	12,944,592	12,944,592
Vehicles	155,984	155,984
Furniture and office equipment	1,133,513	935,412
Construction in progress	52,253	72,164
<b>Total property and equipment</b>	<b>16,379,771</b>	<b>16,051,581</b>
<b>Less - Accumulated depreciation</b>	<b>6,138,413</b>	<b>5,565,565</b>
<b>Total</b>	<b>\$ 10,241,358</b>	<b>\$ 10,486,016</b>

### Note 6: Line of Credit

At September 30, 2017, the Organization had a line of credit of \$800,000 with a bank, which bears interest at an index rate plus 1.9 percentage points (4.25% at September 30, 2017), due on demand, and is subject to an annual review. The line of credit is secured by a general business security agreement of the Organization. There was \$500,000 and \$310,000 outstanding under this agreement at September 30, 2017 and 2016, respectively.

# Wisconsin Humane Society

## Notes to Financial Statements

### Note 7: Long-Term Debt

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

	2017	2016
Bond payable to bank in principal payments due annually on March 1 of each year, with the final payment due March 1, 2019. Interest is charged based on a variable rate determined by the Remarketing Agent Robert W. Baird based on a rate that would enable the Bonds to be sold at a price of par, plus accrued interest (1.10% and .96% as of September 30, 2017 and 2016, respectively). Interest on the outstanding bonds is paid monthly. The bonds are secured with a first mortgage on the land and building constructed with the proceeds.	\$ 545,000	\$ 820,000
Mortgage note payable to a bank with monthly payments of principal and interest of \$16,822, with one final balloon payment for the remaining unpaid principal and accrued interest on November 7, 2018. The loan bears interest at an initial interest rate of 3.25%. The interest rate will vary based on prime, but will never be greater than 3.75% or less than 3.25%. The mortgage is secured with a first mortgage on land and building of the Ozaukee location. This note was paid in full on December 15, 2017.	2,558,041	2,662,365
Long-term debt	3,103,041	3,482,365
Less current maturities	396,251	392,379
Long-term portion	\$ 2,706,790	\$ 3,089,986

Maturities of debt are as follows at September 30, 2017:

2018	\$	396,251
2019		2,706,790
Total	\$	3,103,041

# Wisconsin Humane Society

## Notes to Financial Statements

### Note 8: Temporarily Restricted Net Assets

Temporarily restricted net assets include assets set aside in accordance with donor restrictions as to time or use. Temporarily restricted net assets are available for the following purposes at September 30, 2017 and 2016:

	2017	2016
Pet cemetery	\$ 270,318	\$ 271,856
Sauville campaign	5,497,912	5,090,740
Time restricted	1,068,463	897,232
Total temporary restricted net assets	\$ 6,836,693	\$ 6,259,828

Net assets were released from restrictions by incurring expenses, satisfying the restricted purpose or by occurrence of other events specified by donors. During 2017 and 2016, temporarily restricted net assets released from restricted net assets were as follows:

	2017	2016
Pet cemetery	\$ 1,538	\$ 2,423
Time restricted	501,748	338,836
Total temporary restricted net assets released from restrictions	\$ 503,286	\$ 341,259

### Note 9: Tax-Deferred Annuity Plan

The Organization sponsors a tax-deferred annuity plan (the "Plan") qualified under Section 403(b) of the Code. Full-time employees of the Organization are eligible to participate in the Plan upon fulfilling certain eligibility requirements. Employees may elect salary deferrals which are contributed to the Plan up to a maximum amount allowed by the Code. In addition, the Organization may elect to make discretionary matching and non-elective contributions on behalf of eligible employees. The Organization did not make discretionary contributions to the Plan during September 30, 2017 and 2016.

### Note 10: Advertising Costs

The Organization uses advertising to promote its adoption and other programs among the areas it serves. The production costs of advertising are expensed as incurred. During 2017 and 2016, advertising costs totaled \$320,586 and \$264,226, respectively.

# Wisconsin Humane Society

## Notes to Financial Statements

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### Note 11: Concentration of Credit Risk

The Organization maintains depository relationships with area financial institutions, and the Organization's balances may at times exceed Federal Deposit Insurance Corporation (FDIC) limits. The Organization has not experienced any losses with these accounts. Management believes the Organization is not exposed to any significant risk on cash.

### Note 12: Lease

The Organization leases space through an operating lease expiring in May 2025. The terms of the lease require the landlord to pay all operating expenses and real estate taxes related to the facility. Rent expense incurred in 2017 was \$88,276.

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

	Total
2018	\$ 82,506
2019	84,981
2020	87,531
2021	90,160
2022	92,864
Thereafter	261,150
Total minimum lease payments	\$ 699,192

### Note 13: Beneficial Interest in Assets Held by Others

The assets held by others for the benefit of the Organization are required to be reported as an asset of the Organization. Accordingly the Organization recognizes its beneficial interest in the net assets in the Foundations and Trust and adjusts that interest for its share of the change in net assets.

The Racine Community Foundation and the Greater Milwaukee Foundation has governance over the endowment's investment of funds and the distribution of fund assets. However, the endowment agreement with the Greater Milwaukee Foundation (the "Foundation") will allow for distributions, up to and including all principal and income of the fund, greater than the Foundation's distribution policy upon recommendation by a 75% vote of the Organization's Board of Directors and approval by the Foundation.

The 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.

# Wisconsin Humane Society

## Notes to Financial Statements

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

The Organization's beneficial interest in assets held by others at September 30, 2017 and 2016, were as follows:

	2017	2016
Racine Community Foundation	\$ 29,825	\$ 26,676
Greater Milwaukee Foundation	104,402	92,735
Successor Trust	365,178	342,110
<b>Total</b>	<b>\$ 499,405</b>	<b>\$ 461,521</b>

Changes in beneficial interest in assets held by others for the years ended September 30, 2017 and 2016, were as follows:

	Temporarily Restricted	Permanently Restricted	Total
Beneficial interest at October 1, 2015	\$ 460,459	\$ 10,000	\$ 470,459
Distributions/expenses	(71,042)	-	(71,042)
Investment income	62,104	-	62,104
Beneficial interest at September 30, 2016	451,521	10,000	461,521
Distributions/expenses	(14,566)	-	(14,566)
Investment income	52,450	-	52,450
Beneficial interest at September 30, 2017	\$ 489,405	\$ 10,000	\$ 499,405

### Note 14: Subsequent Events

The Organization has entered into agreements to acquire the assets of the Bay Area Humane Society and Door County Humane Society. The acquisitions are contingent upon successful satisfaction of certain requirements. As of the issuance date of this report, the acquisitions had not been completed.