



DANE COUNTY HUMANE SOCIETY, INC.

FINANCIAL STATEMENTS

December 31, 2014 and 2013

CONTENTS

Independent Auditor's Report	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	5
Notes to Financial Statements	6



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Dane County Humane Society, Inc.
Madison, Wisconsin

We have audited the accompanying financial statements of Dane County Humane Society, Inc., which comprise the statements of financial position as of December 31, 2014 and 2013, 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 of America; 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 of America. 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 Dane County Humane Society, Inc. as of December 31, 2014 and 2013, 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.

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February 18, 2015

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DANE COUNTY HUMANE SOCIETY, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2014 and 2013

	2014	2013
ASSETS		
Cash	\$ 296,494	\$ 746,208
Cash restricted for capital improvements	73,507	72,133
Accounts receivable	71,739	73,517
Unconditional promises to give	27,136	63,831
Prepaid expenses	33,001	23,658
Merchandise inventory	16,014	14,733
Investments	797,228	1,058,480
Property and equipment—net	5,113,298	4,956,535
Total assets	\$ 6,428,417	\$ 7,009,095
LIABILITIES		
Accounts payable	\$ 53,505	\$ 112,529
Accrued expenses	125,615	148,142
Line of credit	500,000	500,000
Advances on conditional grants	237,984	89,719
Advance on conditional promise to give	-	334,562
Total liabilities	917,104	1,184,952
NET ASSETS		
Unrestricted	5,212,639	5,605,402
Temporarily restricted	298,674	218,741
Total net assets	5,511,313	5,824,143
Total liabilities and net assets	\$ 6,428,417	\$ 7,009,095

See accompanying notes.

DANE COUNTY HUMANE SOCIETY, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2014 and 2013

	2014	2013
UNRESTRICTED NET ASSETS		
REVENUES, GAINS, AND OTHER SUPPORT		
Contributions excluding estates	\$ 1,980,381	\$ 1,669,934
Bequests from estates	263,515	221,631
Program service revenue	948,205	946,870
Investment return	17,243	152,502
Special events	141,929	79,936
Merchandise sales	65,147	66,238
Other revenues	10,622	14,124
Total unrestricted revenues, gains, and other support	3,427,042	3,151,235
EXPENSES		
Program services		
Animal services	2,011,163	2,138,257
Wildlife program	161,636	133,783
Adoption services	483,955	485,980
Volunteer program	138,177	81,955
Education and outreach	250,042	237,306
Supporting activities		
Management and general	348,231	313,367
Development	554,430	510,413
Total expenses	3,947,634	3,901,061
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of program restrictions	127,828	90,980
Change in unrestricted net assets	(392,764)	(658,846)
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	207,762	153,242
Net assets released from restrictions		
Satisfaction of program restrictions	(127,828)	(90,980)
Change in temporarily restricted net assets	79,934	62,262
Change in net assets	(312,830)	(596,584)
Net assets—beginning of year	5,824,143	6,420,727
Net assets—end of year	\$ 5,511,313	\$ 5,824,143

See accompanying notes.

DANE COUNTY HUMANE SOCIETY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2014 and 2013

2014								
	Animal Services	Wildlife Program	Adoption Services	Volunteer Program	Education and Outreach	Management and General	Development	Total
Personnel	\$ 1,211,014	\$ 103,903	\$ 354,506	\$ 121,018	\$ 205,848	\$ 222,880	\$ 340,063	\$ 2,559,232
Operating	191,408	8,882	100,237	300	6,639	114,183	97,104	518,753
Building	300,812	5,754	27,289	-	19,472	9,986	23,800	387,113
Animal services	307,929	43,097	1,923	-	-	-	-	352,949
Programs/activities	-	-	-	16,859	18,083	1,182	93,463	129,587
Total expenses	\$ 2,011,163	\$ 161,636	\$ 483,955	\$ 138,177	\$ 250,042	\$ 348,231	\$ 554,430	\$ 3,947,634

2013								
	Animal Services	Wildlife Program	Adoption Services	Volunteer Program	Education and Outreach	Management and General	Development	Total
Personnel	\$ 1,266,118	\$ 86,184	\$ 350,740	\$ 64,772	\$ 184,961	\$ 213,957	\$ 314,768	\$ 2,481,500
Operating	204,898	4,594	99,272	37	6,847	89,734	78,906	484,288
Building	308,508	5,625	29,451	-	22,873	6,395	18,714	391,566
Animal services	358,733	37,380	6,517	-	-	-	-	402,630
Programs/activities	-	-	-	17,146	22,625	3,281	98,025	141,077
Total expenses	\$ 2,138,257	\$ 133,783	\$ 485,980	\$ 81,955	\$ 237,306	\$ 313,367	\$ 510,413	\$ 3,901,061

See accompanying notes.

DANE COUNTY HUMANE SOCIETY, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (312,830)	\$ (596,584)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	213,844	206,567
Contributions restricted for capital improvements	(1,374)	(27,957)
Noncash contributions	(28,525)	(15,678)
Net realized and unrealized (gains) losses on investments	6,048	(96,135)
(Increase) decrease in assets		
Accounts receivable	1,778	(18,580)
Unconditional promises to give	36,695	19,807
Prepaid expenses	(9,343)	28,456
Merchandise inventory	(1,281)	3,418
Increase (decrease) in liabilities		
Accounts payable	(59,024)	30,410
Accrued expenses	(22,527)	31,132
Advances on conditional grant	148,265	(138,184)
Advance on conditional promise to give	(334,562)	(35,350)
Net cash flows from operating activities	(362,836)	(608,678)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(3,198,570)	(229,495)
Proceeds from sales of investments	3,482,299	273,283
Purchases of property and equipment	(370,607)	(243,800)
Net change in cash restricted for capital improvements	(1,374)	(27,957)
Net cash flows from investing activities	(88,252)	(227,969)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for capital improvements	1,374	27,957
Proceeds from line of credit	-	500,000
Net cash flows from financing activities	1,374	527,957
Net change in cash	(449,714)	(308,690)
Cash—beginning of year	746,208	1,054,898
Cash—end of year	<u>\$ 296,494</u>	<u>\$ 746,208</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ 22,604	\$ 5,575
Noncash investing activities		
Donated investments	28,525	15,678

See accompanying notes.

DANE COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

Dane County Humane Society, Inc. (DCHS), located in Madison, Wisconsin, is a leader in creating a more humane community focusing on the human relationship with companion animals. DCHS's mission focuses on "helping people help animals." DCHS is effective in its mission through maintaining financially stable and sustainable operations with balanced revenue and expenses. In addition, DCHS educates and supports the public regarding animal welfare and companion animal ownership and instills the value that a pet is a life-long commitment and privilege. DCHS's work also includes promoting a legislative agenda in support of creating a more humane community. DCHS's primary sources of revenue include contributions and various program service fees.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

DCHS reports information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets—Net assets that are not restricted by donors. Designations are voluntary board-approved segregations of unrestricted net assets for specific purposes, projects, or investments.

Temporarily restricted net assets—Net assets whose use has been limited by donor-imposed time restrictions or purpose restrictions.

Permanently restricted net assets—Net assets that have been restricted by donors to be maintained by DCHS in perpetuity.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. At December 31, 2014, all unconditional promises to give are receivable in less than one year.

Investments

DCHS carries investments in marketable equity securities with readily determinable fair values at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Property and Equipment

All acquisitions of property and equipment in excess of \$1,000 and all costs for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method.

DANE COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax Status

DCHS is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, DCHS qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). DCHS's federal exempt organization returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed. With few exceptions, DCHS is no longer subject to such examinations for tax years before 2011.

Contributions

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated Services

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 DCHS. Volunteers also provide various services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria are not met.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

The following program services and supporting activities are included in the accompanying financial statements:

Animal services—Examples of animal services include open-admission animal intake, customer service (both telephone and in person), daily care of animals, spay/neuter services, humane euthanasia and participation in the Sheltering Animals of Abuse Victims program. In addition, DCHS works with Madison and Dane County Animal Services, Beloit, Edgerton, Janesville and Rock County to ensure it properly fulfills the services outlined in its contracts with these municipalities.

Wildlife program—Four Lakes Wildlife Center is DCHS's wildlife rehabilitation program.

DANE COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption services—Examples of adoption services include customer service (both telephone and in person) and animal adoptions at DCHS's main location, five Mounds Pet Food Warehouse satellite centers and Adoption Center West. The main adoption center and Adoption Center West also offer merchandise such as educational books and pet supplies for sale to individuals adopting animals as well as to other patrons.

Volunteer program—The volunteer program includes activities related to the recruitment, training, supervision, and retention of DCHS's volunteers.

Education and outreach—Examples of education and outreach services include youth, adult and public education programs such as Camp Pawprint, Baby-Ready Pets, Humane Heroes, Girl Scout badge workshops, Positively Pitties, shelter tours and public speaking engagements.

Management and general—Examples of management and general activities include accounting and production of financial reports, development and oversight of the annual budget, supervision of all departments, maintenance of personnel records, and representation of DCHS within the community.

Development—Examples of development activities include cultivation of new donors, fundraising events, membership solicitations, planned giving activities, media and public relations activities and production of DCHS's semiannual newsletter.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Date of Management's Review

Management has evaluated subsequent events through February 18, 2015, the date which the financial statements were available to be issued.

NOTE 2—CONCENTRATION OF CREDIT RISK

DCHS maintains its cash balances in one financial institution located in Madison, Wisconsin. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2014 and 2013, DCHS's uninsured cash balances total approximately \$272,000 and \$327,000, respectively, primarily due to a relatively higher volume of contributions received close to year end. DCHS places its cash balances with high credit quality financial institutions. Although DCHS's cash balances average approximately \$594,000, DCHS has not experienced any losses and believes it is not exposed to any significant credit risk on cash balances.

DANE COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 3—INVESTMENTS

Investments are comprised of the following:

	<u>2014</u>	<u>2013</u>
Mutual funds	\$ 797,228	\$ 1,034,034
Common stocks	-	24,446
	<u>\$ 797,228</u>	<u>\$ 1,058,480</u>

Investment return is summarized as follows:

	<u>2014</u>	<u>2013</u>
Interest and dividends	\$ 23,291	\$ 56,367
Net realized and unrealized gains (losses)	(6,048)	96,135
	<u>\$ 17,243</u>	<u>\$ 152,502</u>

NOTE 4—FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis are as follows:

	<u>Assets at Fair Value as of December 31, 2014</u>			
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Mutual funds	<u>\$ 797,228</u>	<u>\$ 797,228</u>	<u>\$ -</u>	<u>\$ -</u>

DANE COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 4—FAIR VALUE MEASUREMENTS (continued)

Assets at Fair Value as of December 31, 2013				
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	\$ 1,034,034	\$ 1,034,034	\$ -	-
Common stocks	24,446	24,446	-	-
	\$ 1,058,480	\$ 1,058,480	\$ -	\$ -

Fair values for mutual funds, common stocks, and preferred stocks are determined by reference to quoted market prices and other relevant information generated by market transactions. When quoted prices are not available, fair value is estimated using recently executed transactions.

NOTE 5—PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2014	2013
Land	\$ 1,240,097	\$ 1,240,097
Building	5,304,737	4,948,399
Construction in progress	42,743	42,743
Land improvements	184,104	184,104
Barn	37,841	37,841
Furniture and equipment	847,406	833,137
Vehicles	162,780	162,780
	7,819,708	7,449,101
Accumulated depreciation	(2,706,410)	(2,492,566)
	\$ 5,113,298	\$ 4,956,535

NOTE 6—LINE OF CREDIT

DCHS has a \$500,000 revolving line of credit. Advances on the credit line are payable on demand and carry an interest rate of the lender's prime rate (4% at December 31, 2014) with a floor of 4%. Interest expense for 2014 and 2013 was \$22,389 and \$7,513, respectively. The credit line is secured by DCHS's assets.

DANE COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 7—CONDITIONAL GRANTS

DCHS is the lead agency for a community collaborative project for which the donor's promises to give are conditioned upon DCHS and the participating organizations performing adoptions and spay/neuter surgeries above specified baseline levels. In 2014, DCHS also received a grant for a barn project conditioned upon commencement of the barn project construction.

At December 31, 2014 and 2013, conditional grants totaled approximately \$238,000 and \$90,000. The funds received in advance are reported on the statement of financial position as advances on conditional grants. These funds will be recognized as revenue when the respective conditions are met.

NOTE 8—NET ASSETS

DCHS's board of directors has chosen to place the following limitations on unrestricted net assets:

	2014	2013
Designated for Four Lakes Wildlife Center	\$ 13,857	\$ 12,091
Undesignated	5,198,782	5,593,311
	\$ 5,212,639	\$ 5,605,402

Temporarily restricted net assets are available for the following purposes or periods:

	2014	2013
Medical and animal care	\$ 49,971	\$ 45,113
Mount Horeb Cat Spay & Neuter Clinic	-	3,724
Capital improvements	189,571	74,133
Equipment	1,596	3,041
AMS special projects	12,905	14,471
Education and Outreach	4,499	-
Other purposes	12,996	14,428
Promises to give with payments due in future periods	27,136	63,831
	\$ 298,674	\$ 218,741

NOTE 9—COMMUNITY TRUST FUND

In 1986, the Dane County Humane Society Fund (Fund) was established as a component fund of the Madison Community Foundation (Foundation). The Foundation, as a community trust, serves the mutual interests of Dane County and those individuals and organizations who wish to enhance the quality of life in the community through charitable giving.

DANE COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 9—COMMUNITY TRUST FUND (continued)

Component funds of the Foundation are established by donors for the benefit of the community, and, when these funds are established, donors may indicate what organizations or causes should benefit from distributions from the fund. However, donors also grant the Foundation variance power that allows the Foundation to modify the donors' stipulations under certain circumstances as the Foundation monitors the changing needs of the community. Therefore, the Fund is not included in DCHS's financial statements.

The amount available for annual distributions represents 5% of a rolling twelve-quarter average. All other interest and appreciation is added to the Fund. Principal may not be drawn from the Fund except with approval of the Foundation's board of governors. DCHS received a distribution of \$27,006 and \$27,985 from the Fund during 2014 and 2013, respectively. The fair value of the Fund at December 31, 2014 and 2013 was \$543,924 and \$552,989, respectively.

NOTE 10—DONATED SERVICES

The fair value of donated services included as contributions in the financial statements and the corresponding expenses are as follows:

	2014		2013	
	Animal Services	Development	Animal Services	Development
Veterinary services	\$ 25,446	\$ 1,821	\$ 22,638	\$ -
Equipment installation	-	2,500	-	1,200
Services at special events	-	-	-	2,016
	\$ 25,446	\$ 4,321	\$ 22,638	\$ 3,216

Also, many individuals volunteer their time and perform a variety of tasks such as animal exercise and socialization, animal care, customer service, animal adoption, foster care, services at special events, computer services, veterinary services assistance, and clerical work. DCHS received approximately 117,000 and 113,000 volunteer hours during 2014 and 2013, respectively.

NOTE 11—LEASES

DCHS leased space for its Adoption Center West under a noncancelable operating lease that expired December 31, 2014, and for its Mount Horeb Cat Spay & Neuter Clinic under a noncancelable operating lease that expires February 28, 2015. DCHS pays an annual rent of \$1 under the lease for the Mount Horeb Cat Spay & Neuter Clinic. Management estimates the fair value of this space to be \$21,000. This amount is included as a contribution in the financial statements and a corresponding amount is included in rental expenses. The Adoption Center West is subsequently renting on a month to month basis. Rental expenses for these leases totaled \$48,600 and \$47,400 for 2014 and 2013, respectively.

DANE COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2014 and 2013

NOTE 12—RETIREMENT PLAN

DCHS sponsors a simplified employee pension plan (SEP) covering all employees who are at least twenty-one years of age, have worked for DCHS during at least three of the immediately preceding five years, and earned at least \$300 during the year. DCHS makes a contribution to the plan each year equal to 3% of the employee's compensation. Employees are 100% vested in all contributions made on their behalf. Total expense for 2014 and 2013 was \$34,979 and \$37,393, respectively.

NOTE 13—CONTINGENCIES

DCHS is aware of two potential litigation matters. The first is an employment matter pending before the regulatory agency responsible for determining if the case moves forward. The second matter is a potential civil action by an individual bitten by a dog while at an establishment where DCHS was co-sponsoring a fundraising event to benefit DCHS. DCHS plans to vigorously defend itself against any claims made in either of these matters. Due to uncertainties in the litigation process, it is not reasonably possible to estimate the cost of these matters and a liability has not been accrued in the financial statements.