



DANE COUNTY HUMANE SOCIETY, INC.

FINANCIAL STATEMENTS

December 31, 2015 and 2014

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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, 2015 and 2014, 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, 2015 and 2014, 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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DANE COUNTY HUMANE SOCIETY, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash	\$ 512,871	\$ 296,494
Cash restricted for capital improvements	-	73,507
Accounts receivable	81,965	71,739
Unconditional promises to give	37,335	27,136
Prepaid expenses	25,276	33,001
Merchandise inventory	15,086	16,014
Investments	625,578	797,228
Property and equipment—net	<u>5,214,750</u>	<u>5,113,298</u>
Total assets	<u>\$ 6,512,861</u>	<u>\$ 6,428,417</u>
LIABILITIES		
Accounts payable	\$ 76,294	\$ 53,505
Accrued expenses	71,574	125,615
Line of credit	500,000	500,000
Advances on conditional grants	<u>11,953</u>	<u>237,984</u>
Total liabilities	659,821	917,104
NET ASSETS		
Unrestricted	5,633,581	5,212,639
Temporarily restricted	<u>219,459</u>	<u>298,674</u>
Total net assets	<u>5,853,040</u>	<u>5,511,313</u>
Total liabilities and net assets	<u>\$ 6,512,861</u>	<u>\$ 6,428,417</u>

See accompanying notes.

DANE COUNTY HUMANE SOCIETY, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2015 and 2014

	2015	2014
UNRESTRICTED NET ASSETS		
REVENUES, GAINS, AND OTHER SUPPORT		
Contributions excluding estates	\$ 1,830,904	\$ 1,980,381
Bequests from estates	728,543	263,515
Program service revenue	1,071,236	948,205
Investment return	(15,001)	17,243
Special events	173,711	141,929
Merchandise sales	67,634	65,147
Other revenues	1,064	10,622
Total unrestricted revenues, gains, and other support	3,858,091	3,427,042
EXPENSES		
Program services		
Animal services	1,734,491	2,011,163
Wildlife program	180,604	161,636
Adoption services	447,767	483,955
Volunteer program	133,858	138,177
Education and outreach	184,459	250,042
Supporting activities		
Management and general	340,890	348,231
Development	552,097	554,430
Total expenses	3,574,166	3,947,634
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of program restrictions	137,017	127,828
Change in unrestricted net assets	420,942	(392,764)
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	57,802	207,762
Net assets released from restrictions		
Satisfaction of program restrictions	(137,017)	(127,828)
Change in temporarily restricted net assets	(79,215)	79,934
Change in net assets	341,727	(312,830)
Net assets—beginning of year	5,511,313	5,824,143
Net assets—end of year	\$ 5,853,040	\$ 5,511,313

See accompanying notes.

DANE COUNTY HUMANE SOCIETY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2015 and 2014

2015								
	Animal Services	Wildlife Program	Adoption Services	Volunteer Program	Education and Outreach	Management and General	Development	Total
Personnel	\$ 1,049,557	\$ 123,344	\$ 316,923	\$ 118,815	\$ 143,679	\$ 215,515	\$ 327,914	\$ 2,295,747
Operating	216,444	10,707	104,562	-	6,291	114,431	108,878	561,313
Building	292,586	5,666	25,922	-	20,413	9,720	24,950	379,257
Animal services	175,878	40,887	360	-	-	-	-	217,125
Programs/activities	26	-	-	15,043	14,076	1,224	90,355	120,724
Total expenses	\$ 1,734,491	\$ 180,604	\$ 447,767	\$ 133,858	\$ 184,459	\$ 340,890	\$ 552,097	\$ 3,574,166

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

See accompanying notes.

DANE COUNTY HUMANE SOCIETY, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 341,727	\$ (312,830)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	213,482	213,844
Contributions restricted for capital improvements	(334,813)	(1,374)
Noncash contributions	(26,431)	(28,525)
Loss on disposal of property and equipment	29,411	-
Net realized and unrealized losses on investments	29,709	6,048
Amortization of deferred lease incentive	1,000	-
(Increase) decrease in assets		
Accounts receivable	(10,226)	1,778
Unconditional promises to give	19,801	36,695
Prepaid expenses	7,725	(9,343)
Merchandise inventory	928	(1,281)
Increase (decrease) in liabilities		
Accounts payable	22,789	(59,024)
Accrued expenses	(55,041)	(22,527)
Advances on conditional grants	(226,031)	148,265
Advance on conditional promise to give	-	(334,562)
Net cash flows from operating activities	14,030	(362,836)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(883,724)	(3,198,570)
Proceeds from sales of investments	1,052,096	3,482,299
Purchases of property and equipment	(344,345)	(370,607)
Net change in cash restricted for capital improvements	73,507	(1,374)
Net cash flows from investing activities	(102,466)	(88,252)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for capital improvements	304,813	1,374
Net change in cash	216,377	(449,714)
Cash—beginning of year	296,494	746,208
Cash—end of year	<u>\$ 512,871</u>	<u>\$ 296,494</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ 20,278	\$ 22,604
Noncash investing and financing activities		
Donated investments	26,431	28,525

See accompanying notes.

DANE COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

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, 2015, 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, 2015 and 2014

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).

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, daily care of animals, spay/neuter services, humane euthanasia and participation in the Sheltering Animals of Abuse Victims program. In addition, DCHS worked 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.

Adoption services—Examples of adoption services include customer service and animal adoptions at DCHS's main location, Mounds Pet Food Warehouse satellite centers and Adoption

DANE COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, dog training classes, 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 and major donors, direct mail appeals, 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 16, 2016, 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, 2015 and 2014, DCHS’s uninsured cash balances total approximately \$276,000 and \$272,000, 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 \$294,000, 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, 2015 and 2014

NOTE 3—INVESTMENTS

Investments are comprised of the following:

	<u>2015</u>	<u>2014</u>
Mutual funds	\$ 618,385	\$ 797,228
Common stocks	7,193	-
	<u>\$ 625,578</u>	<u>\$ 797,228</u>

Investment return is summarized as follows:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 14,708	\$ 23,291
Net realized and unrealized losses	<u>(29,709)</u>	<u>(6,048)</u>
	<u>\$ (15,001)</u>	<u>\$ 17,243</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, 2015</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	\$ 618,385	\$ 618,385	\$ -	-
Common stocks	7,193	7,193	-	-
	<u>\$ 625,578</u>	<u>\$ 625,578</u>	<u>\$ -</u>	<u>\$ -</u>

DANE COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 4—FAIR VALUE MEASUREMENTS (continued)

Assets at Fair Value as of December 31, 2014				
	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	\$ 797,228	\$ 797,228	\$ -	\$ -

Fair values for mutual funds and common 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:

	2015	2014
Land	\$ 1,240,097	\$ 1,240,097
Building	5,271,872	5,304,737
Construction in progress	338,209	42,743
Land improvements	184,104	184,104
Leasehold improvements	30,044	-
Barn	37,841	37,841
Furniture and equipment	864,116	847,406
Vehicles	162,780	162,780
	8,129,063	7,819,708
Accumulated depreciation	(2,914,313)	(2,706,410)
	\$ 5,214,750	\$ 5,113,298

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 (3½% at December 31, 2015) with a floor of 4%. Interest expense for 2015 and 2014 was \$20,278 and \$22,389, respectively. The credit line is secured by DCHS's assets.

DANE COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

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.

At December 31, 2015 and 2014, conditional grants totaled approximately \$12,000 and \$238,000. 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:

	<u>2015</u>	<u>2014</u>
Designated for Four Lakes Wildlife Center	\$ 8,151	\$ 13,857
Undesignated	<u>5,625,430</u>	<u>5,198,782</u>
	<u>\$ 5,633,581</u>	<u>\$ 5,212,639</u>

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

	<u>2015</u>	<u>2014</u>
Medical and animal care	\$ 30,351	\$ 49,971
Capital improvements	155,037	189,571
Equipment	8,256	1,596
AMS special projects	2,699	12,905
Education and outreach	5,554	4,499
Other purposes	10,227	12,996
Promises to give with payments due in future periods	<u>7,335</u>	<u>27,136</u>
	<u>\$ 219,459</u>	<u>\$ 298,674</u>

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, 2015 and 2014

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 \$26,061 and \$27,006 from the Fund during 2015 and 2014, respectively. The fair value of the Fund at December 31, 2015 and 2014 was \$511,579 and \$543,924, 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:

	2015		
	Animal Services	Management and General	Development
Veterinary services	\$ 11,627	\$ -	\$ -
Legal services	-	7,500	-
Equipment installation	-	-	1,681
Services at special events	-	-	1,550
	\$ 11,627	\$ 7,500	\$ 3,231
		2014	
		Animal Services	Development
Veterinary services		\$ 25,446	\$ 1,821
Equipment installation		-	2,500
Services at special events		-	2,016
		\$ 25,446	\$ 6,337

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 113,000 and 117,000 volunteer hours during 2015 and 2014, respectively.

DANE COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

NOTE 11—LEASES

DCHS leased space for its Adoption Center West under a noncancelable operating lease that expired December 31, 2014 and was leased on a month-to-month basis until July 2015. DCHS leases space for the new Adoption Center West under a noncancelable operating lease requiring monthly payments of \$2,329 until May 2020. The monthly payments increase 2% each June on the new Adoption Center West lease. DCHS leased space at its Mount Horeb Cat Spay & Neuter Clinic under a noncancelable operating lease that expired February 28, 2015. DCHS paid an annual rent of \$1 under the lease for the Mount Horeb Cat Spay & Neuter Clinic. Management estimated the fair value of this space to be \$3,500. This amount is included as a contribution in the financial statements and a corresponding amount is included in rental expenses. Rental expenses for these leases totaled \$27,553 and \$48,600 for 2015 and 2014, respectively. Future minimum lease payments on the new Adoption Center West lease are \$28,274, \$28,840, \$29,416, \$30,005, and \$12,605 for 2016, 2017, 2018, 2019, and 2020, respectively.

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 may make a discretionary contribution to the plan each year up to 3% of the employee's compensation. Employees are 100% vested in all contributions made on their behalf. Total expense for 2015 and 2014 was \$0 and \$34,979, respectively.