



**DANE COUNTY
HUMANE SOCIETY**

FINANCIAL STATEMENTS

December 31, 2016 and 2015

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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, 2016 and 2015, 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, 2016 and 2015, 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, 2016 and 2015

	2016	2015
ASSETS		
Cash	\$ 640,101	\$ 512,871
Accounts receivable	67,686	81,965
Unconditional promises to give	8,500	37,335
Prepaid expenses	49,700	25,276
Merchandise inventory	19,689	15,086
Investments	690,091	625,578
Property and equipment—net	5,279,921	5,214,750
Total assets	\$ 6,755,688	\$ 6,512,861
LIABILITIES		
Accounts payable	\$ 105,195	\$ 76,294
Accrued expenses	87,325	71,574
Line of credit	-	500,000
Advances on conditional grants	11,953	11,953
Total liabilities	204,473	659,821
NET ASSETS		
Unrestricted	6,406,486	5,633,581
Temporarily restricted	144,729	219,459
Total net assets	6,551,215	5,853,040
Total liabilities and net assets	\$ 6,755,688	\$ 6,512,861

See accompanying notes.

DANE COUNTY HUMANE SOCIETY, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2016 and 2015

	2016	2015
UNRESTRICTED NET ASSETS		
REVENUES, GAINS, AND OTHER SUPPORT		
Contributions excluding estates	\$ 1,602,912	\$ 1,830,904
Bequests from estates	887,734	728,543
Program service revenue	1,186,755	1,071,236
Investment return	38,991	(15,001)
Special events	200,612	173,711
Merchandise sales	73,822	67,634
Other revenues	1,800	1,064
Total unrestricted revenues, gains, and other support	3,992,626	3,858,091
EXPENSES		
Program services		
Animal services	1,507,556	1,734,491
Wildlife program	229,734	180,604
Adoption and reception services	550,405	447,767
Volunteer program	115,723	133,858
Education and outreach	135,789	184,459
Supporting activities		
Management and general	331,362	340,890
Development	529,047	552,097
Total expenses	3,399,616	3,574,166
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of program restrictions	179,895	137,017
Change in unrestricted net assets	772,905	420,942
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	105,165	57,802
Net assets released from restrictions		
Satisfaction of program restrictions	(179,895)	(137,017)
Change in temporarily restricted net assets	(74,730)	(79,215)
Change in net assets	698,175	341,727
Net assets—beginning of year	5,853,040	5,511,313
Net assets—end of year	\$ 6,551,215	\$ 5,853,040

See accompanying notes.

DANE COUNTY HUMANE SOCIETY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2016 and 2015

2016								
	Animal Services	Wildlife Program	Adoption and Reception Services	Volunteer Program	Education and Outreach	Management and General	Development	Total
Personnel	\$ 952,124	\$ 171,708	\$ 345,828	\$ 103,503	\$ 105,091	\$ 217,663	\$ 351,812	\$ 2,247,729
Operating	144,841	12,943	130,603	-	4,559	98,720	65,879	457,545
Building	259,162	6,535	65,517	-	18,322	12,528	22,394	384,458
Animal services	151,429	38,548	8,457	-	-	-	-	198,434
Programs/activities	-	-	-	12,220	7,817	2,451	88,962	111,450
Total expenses	\$ 1,507,556	\$ 229,734	\$ 550,405	\$ 115,723	\$ 135,789	\$ 331,362	\$ 529,047	\$ 3,399,616
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

See accompanying notes.

DANE COUNTY HUMANE SOCIETY, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 698,175	\$ 341,727
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	212,772	213,482
Contributions restricted for capital improvements	(91,000)	(334,813)
Loss on disposal of property and equipment	-	29,411
Net realized and unrealized (gains) losses on investments	(29,386)	29,709
Amortization of deferred lease incentive	2,000	1,000
(Increase) decrease in assets		
Accounts receivable	14,279	(10,226)
Unconditional promises to give	32,335	19,801
Prepaid expenses	(24,424)	7,725
Merchandise inventory	(4,603)	928
Increase (decrease) in liabilities		
Accounts payable	28,901	22,789
Accrued expenses	13,751	(55,041)
Advances on conditional grants	-	(226,031)
Net cash flows from operating activities	852,800	40,461
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(1,613,224)	(883,724)
Proceeds from sales of investments	1,578,097	1,025,665
Purchases of property and equipment	(277,943)	(344,345)
Net change in cash restricted for capital improvements	-	73,507
Net cash flows from investing activities	(313,070)	(128,897)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for capital improvements	87,500	304,813
Payments on line of credit	(500,000)	-
Net cash flows from financing activities	(412,500)	304,813
Net change in cash	127,230	216,377
Cash—beginning of year	512,871	296,494
Cash—end of year	<u>\$ 640,101</u>	<u>\$ 512,871</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ 11,944	\$ 20,278

See accompanying notes.

DANE COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

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 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, 2016, unconditional promises to give totaling \$6,500 are receivable in less than one year and unconditional promises to give totaling \$2,000 are receivable in one to five years.

Investments

DCHS reports 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, 2016 and 2015

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 the City of Madison, Dane County and the City of Edgerton to ensure it properly fulfills the services outlined in its contracts with these municipalities.

Wildlife program—DCHS's wildlife rehabilitation program provides care for the ill, injured and orphaned wildlife of south central Wisconsin, including songbirds, mammals, raptors, waterfowl and reptiles.

DANE COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption and reception services—Examples of adoption and reception services include customer service and animal adoptions at DCHS's main location, 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, 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 21, 2017, 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, 2016 and 2015, DCHS's uninsured cash balances total approximately \$384,000 and \$276,000, 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 \$426,000, 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, 2016 and 2015

NOTE 3—INVESTMENTS

Investments are comprised of the following:

	2016	2015
Mutual funds	\$ 385,416	\$ 618,385
Common stocks	304,675	7,193
	\$ 690,091	\$ 625,578

Investment return is summarized as follows:

	2016	2015
Interest and dividends	\$ 9,605	\$ 14,708
Net realized and unrealized gains (losses)	29,386	(29,709)
	\$ 38,991	\$ (15,001)

NOTE 4—FAIR VALUE MEASUREMENTS

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

Assets at Fair Value as of December 31, 2016				
	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	\$ 385,416	\$ 385,416	\$ -	\$ -
Common stocks	304,675	304,675	-	-
	\$ 690,091	\$ 690,091	\$ -	\$ -

DANE COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 4—FAIR VALUE MEASUREMENTS (continued)

Assets at Fair Value as of December 31, 2015				
	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	\$ 618,385	\$ 618,385	\$ -	\$ -
Common stocks	7,193	7,193	-	-
	<u>\$ 625,578</u>	<u>\$ 625,578</u>	<u>\$ -</u>	<u>\$ -</u>

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:

	2016	2015
Land	\$ 1,240,097	\$ 1,240,097
Building	5,269,820	5,271,872
Horse and livestock barn	420,317	-
Construction in progress	187,407	338,209
Land improvements	184,104	184,104
Leasehold improvements	30,044	30,044
Wildlife center	37,841	37,841
Furniture and equipment	872,544	864,116
Vehicles	162,780	162,780
	<u>8,404,954</u>	<u>8,129,063</u>
Accumulated depreciation	(3,125,033)	(2,914,313)
	<u>\$ 5,279,921</u>	<u>\$ 5,214,750</u>

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 (3.75% at December 31, 2016) with a floor of 4%. Interest expense for 2016 and 2015 was \$11,944 and \$20,278, respectively. The credit line is secured by DCHS's assets. The line of credit at December 31, 2016 and 2015, was \$0 and \$500,000, respectively.

DANE COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

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 both December 31, 2016 and 2015, conditional grants totaled approximately \$12,000. 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>2016</u>	<u>2015</u>
Designated for Wildlife Rehabilitation Program	\$ 6,266	\$ 8,151
Undesignated	<u>6,414,608</u>	<u>5,625,430</u>
	<u>\$ 6,420,874</u>	<u>\$ 5,633,581</u>

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

	<u>2016</u>	<u>2015</u>
Medical and animal care	\$ 84,818	\$ 30,351
Capital improvements	18,000	155,037
Equipment	6,235	8,256
AMS special projects	2,599	2,699
Education and outreach	3,369	5,554
Other purposes	24,708	10,227
Promises to give with payments due in future periods	<u>5,000</u>	<u>7,335</u>
	<u>\$ 144,729</u>	<u>\$ 219,459</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, 2016 and 2015

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 \$25,149 and \$26,061 from the Fund during 2016 and 2015, respectively. The fair value of the Fund at December 31, 2016 and 2015 was \$512,994 and \$511,579, 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:

	2016		
	Animal Services	Development	
Veterinary services	\$ 3,172	\$	-
Services at special events	-		3,630
	\$ 3,172	\$	3,630
	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

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 106,000 and 113,000 volunteer hours during 2016 and 2015, respectively.

DANE COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 11—LEASES

DCHS leases space for the Adoption Center West under a noncancelable operating lease requiring monthly payments of \$2,329 until May 2020. The monthly payments increase 2% each June. Rental expenses for 2016 and 2015 was \$26,274 and \$27,553, respectively. Future minimum lease payments are \$28,840, \$29,416, \$30,005, and \$12,605 for 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 \$600 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. Retirement expense for 2016 and 2015 was \$34,478 and \$0, respectively.