



**DANE COUNTY
HUMANE SOCIETY**

FINANCIAL STATEMENTS

December 31, 2017 and 2016

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, 2017 and 2016, 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, 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 of America.

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
February 20, 2018

Janesville Office:
101 E. Milwaukee Street
Suite 425
Janesville, WI 53545
P: (608) 756-4020

Baraboo Office:
123 Second Street
P.O. Box 150
Baraboo, WI 53913
P: (608) 356-3966
F: (608) 356-2966

Milwaukee Office:
W229 N1433 Westwood Drive
Suite 105
Waukesha, WI 53186
P: (262) 522-7555
F: (262) 522-7550

Madison Office:
2110 Luann Lane
Madison, WI 53713
P: (608) 274-4020
F: (608) 274-0775

www.wegnercpas.com
info@wegnercpas.com
(888) 204-7665

DANE COUNTY HUMANE SOCIETY, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016

	2017	2016
ASSETS		
Cash	\$ 608,603	\$ 640,101
Accounts receivable	37,675	67,686
Unconditional promises to give	233,011	8,500
Prepaid expenses	64,626	49,700
Merchandise inventory	24,820	19,689
Investments	820,804	690,091
Property and equipment—net	5,197,445	5,279,921
Total assets	\$ 6,986,984	\$ 6,755,688
LIABILITIES		
Accounts payable	\$ 82,305	\$ 105,195
Accrued expenses	81,295	87,325
Advances on conditional grants	11,953	11,953
Total liabilities	175,553	204,473
NET ASSETS		
Unrestricted	6,707,026	6,406,486
Temporarily restricted	104,405	144,729
Total net assets	6,811,431	6,551,215
Total liabilities and net assets	\$ 6,986,984	\$ 6,755,688

See accompanying notes.

DANE COUNTY HUMANE SOCIETY, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2017 and 2016

	2017	2016
UNRESTRICTED NET ASSETS		
REVENUES, GAINS, AND OTHER SUPPORT		
Contributions excluding estates	\$ 1,572,635	\$ 1,602,912
Bequests from estates	752,577	887,734
Program service revenue	1,289,346	1,186,755
Investment return	108,102	38,991
Special events	251,780	200,612
Merchandise sales	92,318	73,822
Other revenues	301	1,800
Total unrestricted revenues, gains, and other support	4,067,059	3,992,626
EXPENSES		
Program services		
Animal services	1,665,227	1,507,556
Wildlife program	310,039	229,734
Adoption and reception services	608,136	550,405
Volunteer program	136,355	115,723
Education and outreach	187,932	135,789
Supporting activities		
Management and general	374,715	331,362
Development	605,013	529,047
Total expenses	3,887,417	3,399,616
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of program restrictions	120,898	179,895
Change in unrestricted net assets	300,540	772,905
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	80,574	105,165
Net assets released from restrictions		
Satisfaction of program restrictions	(120,898)	(179,895)
Change in temporarily restricted net assets	(40,324)	(74,730)
Change in net assets	260,216	698,175
Net assets—beginning of year	6,551,215	5,853,040
Net assets—end of year	\$ 6,811,431	\$ 6,551,215

See accompanying notes.

DANE COUNTY HUMANE SOCIETY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2017 and 2016

2017								
	Animal Services	Wildlife Program	Adoption and Reception Services	Volunteer Program	Education and Outreach	Management and General	Development	Total
Personnel	\$ 1,015,497	\$ 217,364	\$ 395,895	\$ 114,606	\$ 128,626	\$ 246,066	\$ 397,993	\$ 2,516,047
Operating	136,970	25,073	132,817	455	5,363	113,073	87,022	500,773
Building	284,801	14,426	68,388	-	19,206	13,133	23,474	423,428
Animal services	227,959	53,176	11,036	-	-	-	-	292,171
Programs/activities	-	-	-	21,294	34,737	2,443	96,524	154,998
Total expenses	\$ 1,665,227	\$ 310,039	\$ 608,136	\$ 136,355	\$ 187,932	\$ 374,715	\$ 605,013	\$ 3,887,417

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

See accompanying notes.

DANE COUNTY HUMANE SOCIETY, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 260,216	\$ 698,175
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	221,736	212,772
Contributions restricted for capital improvements	(77,500)	(91,000)
Net realized and unrealized gains on investments	(88,418)	(29,386)
Amortization of deferred lease incentive	2,000	2,000
(Increase) decrease in assets		
Accounts receivable	30,011	14,279
Unconditional promises to give	(216,511)	32,335
Prepaid expenses	(14,926)	(24,424)
Merchandise inventory	(5,131)	(4,603)
Increase (decrease) in liabilities		
Accounts payable	(22,890)	28,901
Accrued expenses	(8,030)	13,751
	<u>80,557</u>	<u>852,800</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(557,300)	(1,613,224)
Proceeds from sales of investments	515,005	1,578,097
Purchases of property and equipment	(139,260)	(277,943)
	<u>(181,555)</u>	<u>(313,070)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for capital improvements	69,500	87,500
Payments on line of credit	-	(500,000)
	<u>69,500</u>	<u>(412,500)</u>
Net change in cash	(31,498)	127,230
Cash—beginning of year	<u>640,101</u>	<u>512,871</u>
Cash—end of year	<u>\$ 608,603</u>	<u>\$ 640,101</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ -	\$ 11,944

See accompanying notes.

DANE COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

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. 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 wildlife program provides responsible care for the ill, injured, and orphaned wildlife of south central Wisconsin. 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.

Accounts Receivable

DCHS considers all accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts has been established. If accounts become uncollectible, they will be charged to operations when that determination is made.

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, 2017, unconditional promises to give totaling \$225,011 are receivable in less than one year and unconditional promises to give totaling \$8,000 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.

DANE COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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—DCHS's 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 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, 2017 and 2016

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption and reception services—DCHS's 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—DCHS's volunteer program includes recruitment, training, supervision, and retention of DCHS's volunteers.

Education and outreach—DCHS's education and outreach services include youth, adult, and public education programs such as Camp Pawprint, Humane Heroes, Girl Scout badge workshops, dog training classes, school field trips, shelter tours, and public speaking engagements.

Management and general—DCHS's 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—DCHS's 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 newsletter.

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).

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 20, 2018, the date which the financial statements were available to be issued.

DANE COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

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. DCHS's uninsured cash balances at December 31, 2017 and 2016, total approximately \$283,000 and \$384,000, 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 \$404,000, DCHS has not experienced any losses and believes it is not exposed to any significant credit risk on cash balances.

NOTE 3—INVESTMENTS

Investments are comprised of the following:

	<u>2017</u>	<u>2016</u>
Mutual funds	\$ 500,518	\$ 385,416
Common stocks	<u>320,286</u>	<u>304,675</u>
	<u>\$ 820,804</u>	<u>\$ 690,091</u>

Investment return is summarized as follows:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 19,684	\$ 9,605
Net realized and unrealized gains	<u>88,418</u>	<u>29,386</u>
	<u>\$ 108,102</u>	<u>\$ 38,991</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, 2017</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	\$ 500,518	\$ 500,518	\$ -	\$ -
Common stocks	<u>320,286</u>	<u>320,286</u>	<u>-</u>	<u>-</u>
	<u>\$ 820,804</u>	<u>\$ 820,804</u>	<u>\$ -</u>	<u>\$ -</u>

DANE COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 4—FAIR VALUE MEASUREMENTS (continued)

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	\$ -	\$ -

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:

	2017	2016
Land	\$ 1,240,097	\$ 1,240,097
Building	5,300,163	5,269,820
Horse and livestock barn	429,623	420,317
Construction in progress	46,811	187,407
Land improvements	184,104	184,104
Leasehold improvements	30,044	30,044
Wildlife center	235,182	37,841
Furniture and equipment	915,410	872,544
Vehicles	99,509	162,780
	8,480,943	8,404,954
Accumulated depreciation	(3,283,498)	(3,125,033)
	\$ 5,197,445	\$ 5,279,921

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 (4.25% at December 31, 2017). Interest expense for 2016 was \$11,944. The credit line is secured by DCHS's assets. The line of credit at December 31, 2017 and 2016 had no outstanding balance.

DANE COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

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 DCCHS and the participating organizations performing adoptions and spay/neuter surgeries above specified baseline levels.

Conditional grants at both December 31, 2017 and 2016, total 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

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

	2017	2016
Designated for Wildlife Rehabilitation Program	\$ 6,266	\$ 6,266
Undesignated	6,700,760	6,400,220
	\$ 6,707,026	\$ 6,406,486

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

	2017	2016
Medical and animal care	\$ 29,134	\$ 84,818
Capital improvements	35,438	18,000
Equipment	-	6,235
AMS special projects	1,906	2,599
Education and outreach	5,120	3,369
Other purposes	12,307	24,708
Promises to give with payments due in future periods	20,500	5,000
	\$ 104,405	\$ 144,729

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, 2017 and 2016

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 \$24,527 and \$25,149 from the Fund during 2017 and 2016, respectively. The fair value of the Fund at December 31, 2017 and 2016 was \$589,936 and \$512,994, 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:

	2017		
	Animal Services	Management and General	Development
Veterinary services	\$ 33,261	\$ -	\$ -
Services at special events	-	-	3,630
Legal services	-	10,000	-
Website design services	-	-	8,000
	\$ 33,261	\$ 10,000	\$ 11,630
		2016	
		Animal Services	Development
Veterinary services		\$ 3,172	\$ -
Services at special events		-	3,630
		\$ 3,172	\$ 3,630

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 106,000 volunteer hours during 2017 and 2016, respectively.

DANE COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

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 2017 and 2016 was \$26,840 and \$26,274, respectively. Future minimum lease payments are \$29,416, \$30,005, and \$12,605 for 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 2017 and 2016 was \$35,720 and \$34,478, respectively.