



FINANCIAL STATEMENTS

December 31, 2018 and 2017

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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, 2018 and 2017, 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, 2018 and 2017, 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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Adoption of New Accounting Pronouncement

As discussed in Note 1 to the financial statements, Dane County Humane Society, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
February 18, 2019

DANE COUNTY HUMANE SOCIETY, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

	2018	2017
ASSETS		
Cash	\$ 788,285	\$ 608,603
Accounts receivable	127,142	37,675
Unconditional promises to give	7,000	233,011
Prepaid expenses	56,368	64,626
Merchandise inventory	15,156	24,820
Investments	1,707,973	820,804
Property and equipment—net	5,061,862	5,197,445
Total assets	\$ 7,763,786	\$ 6,986,984
LIABILITIES		
Accounts payable	\$ 78,931	\$ 82,305
Accrued expenses	90,122	81,295
Advances on conditional grants	-	11,953
Total liabilities	169,053	175,553
NET ASSETS		
Without donor restrictions	7,361,702	6,707,026
With donor restrictions	233,031	104,405
Total net assets	7,594,733	6,811,431
Total liabilities and net assets	\$ 7,763,786	\$ 6,986,984

See accompanying notes.

DANE COUNTY HUMANE SOCIETY, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES AND GAINS		
Contributions excluding estates	\$ 1,792,044	\$ 1,572,635
Bequests from estates	1,340,727	752,577
Program service revenue	1,335,842	1,289,346
Investment return, net	(151,095)	101,281
Special events	252,944	251,780
Merchandise sales	80,989	92,318
Other revenues	210	301
	<u>4,651,661</u>	<u>4,060,238</u>
Total revenues and gains without donor restrictions		
EXPENSES		
Program services		
Animal services	1,622,567	1,665,227
Wildlife program	340,188	310,039
Adoption and reception services	665,794	608,136
Volunteer program	128,760	136,355
Education and outreach	282,159	187,932
Supporting activities		
Management and general	417,452	367,894
Fundraising		
Development	552,813	605,013
Thrift store	37,856	-
	<u>4,047,589</u>	<u>3,880,596</u>
Total expenses		
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of program restrictions	50,604	120,898
	<u>50,604</u>	<u>120,898</u>
Change in net assets without donor restrictions	654,676	300,540
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	179,230	80,574
Net assets released from restrictions	(50,604)	(120,898)
	<u>128,626</u>	<u>(40,324)</u>
Change in net assets with donor restrictions		
Change in net assets	783,302	260,216
Net assets at beginning of year	6,811,431	6,551,215
Net assets at end of year	<u>\$ 7,594,733</u>	<u>\$ 6,811,431</u>

See accompanying notes.

DANE COUNTY HUMANE SOCIETY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2018 and 2017

	2018								
	Animal Services	Wildlife Program	Adoption and Reception Services	Volunteer Program	Education and Outreach	Management and General	Fundraising		Total Expenses
							Development	Thrift Store	
Personnel	\$ 1,030,656	\$ 239,228	\$ 455,763	\$ 117,812	\$ 201,310	\$ 265,498	\$ 343,627	\$ 30,454	\$ 2,684,348
Professional services	35,497	-	-	-	5,201	36,899	1,017	-	78,614
Advertising	-	-	-	-	-	-	11,165	-	11,165
Animal care supplies	169,167	45,879	11,897	-	38,111	-	-	-	265,054
Office and supplies	55,843	8,204	120,998	10,948	15,753	89,320	168,507	7,402	476,975
Facilities	161,507	23,164	38,679	-	11,909	8,143	14,556	-	257,958
Conferences and trainings	9,598	55	156	-	-	5,316	175	-	15,300
Depreciation	141,779	20,302	33,735	-	8,531	5,792	12,125	-	222,264
Insurance	15,894	3,255	4,015	-	1,236	6,411	1,511	-	32,322
Miscellaneous	2,626	101	551	-	108	73	130	-	3,589
Total expenses	\$ 1,622,567	\$ 340,188	\$ 665,794	\$ 128,760	\$ 282,159	\$ 417,452	\$ 552,813	\$ 37,856	\$ 4,047,589

	2017								
	Animal Services	Wildlife Program	Adoption and Reception Services	Volunteer Program	Education and Outreach	Management and General	Fundraising		Total Expenses
							Development	Thrift Store	
Personnel	\$ 1,005,311	\$ 217,663	\$ 401,563	\$ 114,606	\$ 130,371	\$ 238,816	\$ 396,629	\$ -	\$ 2,504,959
Professional services	68,373	10,421	1,018	455	5,321	31,741	4,409	-	121,738
Advertising	524	-	-	-	-	399	20,215	-	21,138
Animal care supplies	206,850	53,176	11,036	-	8,215	-	-	-	279,277
Office and supplies	53,961	6,365	120,068	21,294	23,024	67,927	152,604	-	445,243
Facilities	167,541	2,991	35,916	-	11,058	7,561	13,516	-	238,583
Conferences and trainings	3,154	-	-	-	-	9,264	3,496	-	15,914
Depreciation	142,228	17,730	34,545	-	8,715	5,959	12,558	-	221,736
Insurance	16,918	1,587	3,990	-	1,228	6,188	1,502	-	31,413
Miscellaneous	367	106	-	-	-	39	84	-	595
Total expenses	\$ 1,665,227	\$ 310,039	\$ 608,136	\$ 136,355	\$ 187,932	\$ 367,894	\$ 605,013	\$ -	\$ 3,880,596

See accompanying notes.

DANE COUNTY HUMANE SOCIETY, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 783,302	\$ 260,216
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	222,264	221,736
Contributions restricted for capital improvements	(38,479)	(77,500)
Net realized and unrealized (gains) losses on investments	185,419	(88,418)
Amortization of deferred lease incentive	2,000	2,000
(Increase) decrease in assets		
Accounts receivable	(89,467)	30,011
Unconditional promises to give	223,011	(216,511)
Prepaid expenses	8,258	(14,926)
Merchandise inventory	9,664	(5,131)
Increase (decrease) in liabilities		
Accounts payable	(3,374)	(22,890)
Accrued expenses	6,827	(8,030)
Advances on conditional grants	(11,953)	-
Net cash flows from operating activities	1,297,472	80,557
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(3,145,618)	(557,300)
Proceeds from sales of investments	2,073,030	515,005
Purchases of property and equipment	(86,681)	(139,260)
Net cash flows from investing activities	(1,159,269)	(181,555)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for capital improvements	41,479	69,500
Net change in cash	179,682	(31,498)
Cash at beginning of year	608,603	640,101
Cash at end of year	<u>\$ 788,285</u>	<u>\$ 608,603</u>

See accompanying notes.

DANE COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

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

Accounts Receivable

DCHS considers 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, 2018, unconditional promises to give totaling \$3,000 are receivable in less than one year and unconditional promises to give totaling \$4,000 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.

Contributions

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions 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 net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from donor restrictions.

DANE COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 (as further discussed in Note 11).

Volunteers also provided 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 throughout the year that were not recognized as contributions in the financial statements since the recognition criteria were not met. DCHS received approximately 114,000 and 113,000 volunteer hours during the years ended December 31, 2018 and 2017, respectively.

Expense Allocation

The financial statements report certain categories of expenses that are attributed to more than one program service or supporting activity. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include facilities and depreciation, which are allocated on a square-footage basis, as well as personnel, professional services, animal care supplies, office and supplies, conferences and trainings, insurance, and miscellaneous, which are allocated on the basis of estimates of time and effort.

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.

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 (which closed in October 2018). The main adoption center also offers 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.

DANE COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Outreach programs include Pets for Life and Community Dog Day, focused on closing the service gaps for pets in underserved neighborhoods, keeping pets in their homes, and a pet food pantry program.

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.

Thrift store—Adoption Center West closed in October 2018 and reopened as a thrift store in January 2019. The thrift store offers gently used clothing, pet supplies, linens, housewares, shoes, purses, jewelry, puzzles, games, and more to generate revenue to support shelter operations.

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.

Adoption of New Accounting Pronouncement

DCHS adopted the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by the update are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

DANE COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Date of Management’s Review

Management has evaluated subsequent events through February 18, 2019, 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. DCHS’s uninsured cash balances at December 31, 2018 and 2017, total approximately \$570,000 and \$283,000, 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 \$579,000, DCHS has not experienced any losses and believes it is not exposed to any significant credit risk on cash balances.

NOTE 3—PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2018	2017
Land	\$ 1,240,097	\$ 1,240,097
Building	5,298,193	5,300,163
Horse and livestock barn	429,623	429,623
Construction in progress	46,811	46,811
Land improvements	233,692	184,104
Leasehold improvements	35,543	30,044
Wildlife center	238,190	235,182
Furniture and equipment	807,143	915,410
Vehicles	99,509	99,509
	8,428,801	8,480,943
Accumulated depreciation	(3,366,939)	(3,283,498)
	\$ 5,061,862	\$ 5,197,445

NOTE 4—INVESTMENTS

Investments are comprised of the following:

	2018	2017
Mutual funds	\$ 1,215,611	\$ 500,518
Common stocks	492,362	320,286
	\$ 1,707,973	\$ 820,804

DANE COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 5—FAIR VALUE MEASUREMENTS

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

Assets at Fair Value as of December 31, 2018				
	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	\$ 1,215,611	\$ 1,215,611	\$ -	\$ -
Common stocks	492,362	492,362	-	-
	<u>\$ 1,707,973</u>	<u>\$ 1,707,973</u>	<u>\$ -</u>	<u>\$ -</u>
Assets at Fair Value as of December 31, 2017				
	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	\$ 500,518	\$ 500,518	\$ -	\$ -
Common stocks	320,286	320,286	-	-
	<u>\$ 820,804</u>	<u>\$ 820,804</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 6—NET ASSETS

DCHS's board of directors has chosen to place the following limitations on net assets without donor restrictions:

	2018	2017
Designated for Wildlife Rehabilitation Program	\$ -	\$ 6,266
Undesignated	7,361,702	6,700,760
	<u>\$ 7,361,702</u>	<u>\$ 6,707,026</u>

DANE COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 6—NET ASSETS (continued)

Net assets with donor restrictions are available for the following purposes or periods:

	2018	2017
Medical and animal care	\$ 75,741	\$ 29,134
Capital improvements	73,917	35,438
Equipment	1,150	-
AMS special projects	1,587	1,906
Education and outreach	74,866	15,084
Other purposes	770	2,343
Promises to give with payments due in future periods	5,000	20,500
	\$ 233,031	\$ 104,405

NOTE 7—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 (5.5% at December 31, 2018). The credit line is secured by DCHS's assets. The line of credit at December 31, 2018 and 2017 had no outstanding balance.

NOTE 8—LEASES

DCHS leases space for the Adoption Center West/Thrift Store under a noncancelable operating lease requiring monthly payments of \$2,329 until May 2020. The monthly payments increase 2% each June. Rental expenses for the years ended December 31, 2018 and 2017 was \$26,840 and \$26,274, respectively. Future minimum lease payments are \$30,005 and \$12,605 for the years ending December 31, 2019 and 2020, respectively.

NOTE 9—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 the years ended December 31, 2018 and 2017 was \$40,406 and \$35,720, respectively.

NOTE 10—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, 2018 and 2017

NOTE 10—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 \$23,741 and \$24,527 from the Fund during the years ended December 31, 2018 and 2017, respectively. The fair value of the Fund at December 31, 2018 and 2017 was \$554,234 and \$589,936, respectively.

NOTE 11—DONATED SERVICES

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

	2018		
	Animal Services	Development	
Veterinary services	\$ 3,625	\$ -	
Services at special events	-	8,699	
Website design services	-	11,972	
	\$ 3,625	\$ 20,671	
	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

DANE COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 12—LIQUIDITY AND AVAILABILITY

The following reflects DCHS's financial assets as of December 31, 2018, reduced by amounts that are not available to meet general expenditures within one year of the date of the statement of financial position because of contractual or donor-imposed restrictions:

Financial assets, at year-end	\$ 2,630,400
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	(233,031)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,397,369</u>

DCHS strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. As a not-for-profit, donor-funded organization, DCHS receives significant contributions each year from donors on a regular basis that are available to meet annual cash needs for general operating expenditures. Financial assets in excess of daily cash requirements are invested in certificates of deposit, money market funds, and other investments. In the event of unanticipated liquidity needs, DCHS also could draw up to \$500,000 of the available line of credit (as further discussed in Note 7).