



FINANCIAL STATEMENTS

December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of Dane County Humane Society, Inc., which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Dane County Humane Society, Inc. as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Dane County Humane Society, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Adoption of New Accounting Guidance

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. 2016-02, *Leases (Topic 842)*, and all subsequently issued clarifying ASUs and ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, as of January 1, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Dane County Humane Society, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Dane County Humane Society, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Dane County Humane Society, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Wegner CPAs, LLP
Madison, Wisconsin
February 21, 2023

DANE COUNTY HUMANE SOCIETY, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash	\$ 2,560,611	\$ 2,656,407
Accounts receivable	43,391	57,374
Unconditional promises to give	33,350	25,000
Prepaid expenses	117,672	82,863
Merchandise inventory	125,667	102,639
Investments (Note 3)	2,240,189	2,492,617
Property and equipment, net (Note 4)	5,043,265	5,236,907
Operating lease right-of-use assets (Note 11)	708,333	-
Total assets	<u><u>\$ 10,872,478</u></u>	<u><u>\$ 10,653,807</u></u>
LIABILITIES		
Accounts payable	\$ 96,575	\$ 115,147
Accrued expenses	194,907	196,019
Operating lease liabilities (Note 11)	730,229	-
Total liabilities	1,021,711	311,166
NET ASSETS		
Without donor restrictions	9,084,803	9,846,372
With donor restrictions (Note 7)	765,964	496,269
Total net assets	<u><u>9,850,767</u></u>	<u><u>10,342,641</u></u>
Total liabilities and net assets	<u><u>\$ 10,872,478</u></u>	<u><u>\$ 10,653,807</u></u>

See accompanying notes.

DANE COUNTY HUMANE SOCIETY, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES AND GAINS (LOSSES)		
Contributions		
General contributions excluding estates	\$ 2,245,714	\$ 2,250,013
Bequests from estates	607,875	823,285
Special events	287,788	264,580
Donated materials, land, inventory, and services (Note 8)	511,733	629,928
Paycheck Protection Program (Note 6)	-	571,838
Contracts, sales, and other revenues and gains (losses)		
Program service revenues	1,141,963	934,726
Investment return, net	(292,416)	140,240
Merchandise sales, net (Note 9)	20,715	13,689
Other revenues	<u>7,263</u>	<u>3,152</u>
Total revenues and gains (losses) without donor restrictions	4,530,635	5,631,451
EXPENSES		
Program services		
Animal services	2,219,229	1,994,081
Wildlife program	554,022	451,492
Adoption and reception services	731,551	675,710
Volunteer program	130,613	127,209
Education and outreach	364,924	264,092
Supporting activities		
Management and general	534,694	478,898
Fundraising		
Development	650,687	532,680
Thrift store	<u>325,988</u>	<u>293,317</u>
Total expenses	5,511,708	4,817,479
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of purpose restrictions	<u>219,504</u>	<u>175,587</u>
Change in net assets without donor restrictions	(761,569)	989,559
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	489,199	256,764
Net assets released from restrictions	<u>(219,504)</u>	<u>(175,587)</u>
Change in net assets with donor restrictions	<u>269,695</u>	<u>81,177</u>
Change in net assets	(491,874)	1,070,736
Net assets at beginning of year	<u>10,342,641</u>	<u>9,271,905</u>
Net assets at end of year	<u><u>\$ 9,850,767</u></u>	<u><u>\$ 10,342,641</u></u>

See accompanying notes.

DANE COUNTY HUMANE SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2022

	Animal Services	Wildlife Rehabilitation	Adoption and Reception Services	Volunteer Program	Education and Outreach	Management and General	Fundraising		Total Expenses
							Development	Thrift Store	
Personnel	\$ 1,545,501	\$ 412,250	\$ 603,696	\$ 115,738	\$ 304,059	\$ 339,746	\$ 372,958	\$ 173,481	\$ 3,867,429
Professional services	26,869	2,956	-	325	14,099	59,171	3,232	-	106,652
Advertising	-	-	-	-	-	-	27,963	7,551	35,514
Animal care supplies	170,882	76,413	10,018	-	29,413	-	-	-	286,726
Office and supplies	85,755	13,984	55,563	14,550	6,231	98,593	186,377	433,781	894,834
Facilities	197,853	21,152	48,761	-	4,337	10,265	29,026	131,915	443,309
Conferences and trainings	1,544	1,254	3,618	-	1,417	12,224	1,557	-	21,614
Depreciation	166,543	21,043	33,830	-	3,116	7,812	21,882	1,863	256,089
Insurance	24,097	4,371	5,696	-	507	2,960	3,390	-	41,021
Miscellaneous	185	599	-	-	1,745	3,923	4,302	408	11,162
Total expenses	2,219,229	554,022	761,182	130,613	364,924	534,694	650,687	748,999	5,964,350
Less expenses included with revenues on the statement of activities	-	-	(29,631)	-	-	-	-	(423,011)	(452,642)
Total expenses included in the expense section of the statement of activities	\$ 2,219,229	\$ 554,022	\$ 731,551	\$ 130,613	\$ 364,924	\$ 534,694	\$ 650,687	\$ 325,988	\$ 5,511,708

See accompanying notes.

DANE COUNTY HUMANE SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2021

	Animal Services	Wildlife Rehabilitation	Adoption and Reception Services	Volunteer Program	Education and Outreach	Management and General	Fundraising		Total Expenses
							Development	Thrift Store	
Personnel	\$ 1,415,051	\$ 337,932	\$ 551,601	\$ 117,925	\$ 200,614	\$ 325,176	\$ 286,624	\$ 160,929	\$ 3,395,852
Professional services	30,939	455	2,395	-	10,490	54,815	3,971	-	103,065
Advertising	8	-	-	-	-	759	19,192	6,157	26,116
Animal care supplies	146,497	55,849	13,134	-	40,489	-	-	-	255,969
Office and supplies	55,250	8,357	66,624	9,284	5,154	74,261	165,078	370,169	754,177
Facilities	160,422	23,553	38,615	-	3,435	8,130	22,986	113,048	370,189
Conferences and trainings	664	997	-	-	-	3,464	1,342	-	6,467
Depreciation	159,967	20,772	30,940	-	2,752	7,206	20,162	1,863	243,662
Insurance	24,274	3,529	6,069	-	540	2,877	3,612	-	40,901
Miscellaneous	1,009	48	247	-	618	2,210	9,713	258	14,103
Total expenses	1,994,081	451,492	709,625	127,209	264,092	478,898	532,680	652,424	5,210,501
Less expenses included with revenues on the statement of activities	-	-	(33,915)	-	-	-	-	(359,107)	(393,022)
Total expenses included in the expense section of the statement of activities	\$ 1,994,081	\$ 451,492	\$ 675,710	\$ 127,209	\$ 264,092	\$ 478,898	\$ 532,680	\$ 293,317	\$ 4,817,479

See accompanying notes.

DANE COUNTY HUMANE SOCIETY, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (491,874)	\$ 1,070,736
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	256,089	243,662
Amortization of operating lease right-of-use assets	82,570	-
Contributions restricted for capital improvements	(282,666)	(100,000)
Interest accrued on Paycheck Protection Program loans	-	2,138
Paycheck Protection Program loans forgiven	-	(571,838)
Donated stock	(43,227)	(159,209)
Donated land and building	-	(184,000)
(Gain) loss on disposal of equipment	(666)	730
Net realized and unrealized (gains) losses on investments	319,120	(118,237)
Amortization of deferred lease incentive	-	786
Donated thrift store merchandise inventory	(511,733)	(391,725)
(Increase) decrease in assets		
Accounts receivable	13,983	(13,882)
Unconditional promises to give	(8,350)	13,000
Prepaid expenses	(34,809)	9,501
Merchandise inventory	488,705	363,814
Increase (decrease) in liabilities		
Accounts payable	(18,572)	55,463
Accrued expenses	14,936	21,699
Operating lease liabilities	(76,722)	-
Net cash flows from operating activities	(293,216)	242,638
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments and reinvestments of earnings	(23,465)	(21,663)
Proceeds from sales of property and equipment	4,998	-
Purchases of property and equipment	(66,779)	(340,890)
Net cash flows from investing activities	(85,246)	(362,553)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for capital improvements	282,666	100,000
Proceeds from Paycheck Protection Program loans	-	569,700
Net cash flows from financing activities	282,666	669,700
Net change in cash	(95,796)	549,785
Cash at beginning of year	2,656,407	2,106,622
Cash at end of year	\$ 2,560,611	\$ 2,656,407
SUPPLEMENTAL CASH FLOW INFORMATION		
Noncash investing and financing activities		
Donated stock	\$ 43,227	\$ 159,209
Donated land and building	-	184,000

See accompanying notes.

DANE COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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 revenues 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.

Accounts Receivable

Accounts receivable primarily represent amounts due from municipalities for animal services provided by DCHS. Accounts receivable are stated at the amount management expects to be collected from outstanding balances. As of December 31, 2022 and 2021, management has determined, based on historical experience, that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

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, 2022, all unconditional promises to give are receivable in less than one year.

Merchandise Inventory

Merchandise inventory primarily consists of donated items for resale in DCHS's thrift store and is recorded at anticipated selling price.

Investments

DCHS reports investments in equity and fixed-income securities with readily determinable fair values at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Leases

DCHS does not recognize short-term leases in the statement of financial position. For these leases, DCHS recognizes the lease payments in the change in net assets on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred. DCHS also does not separate nonlease components from lease components for all classes of underlying assets and instead accounts for each separate lease component and the nonlease components associated with that lease component as a single lease component. If the rate implicit in the lease is not readily determinable, DCHS uses a risk-free rate as the discount rate for the lease for all classes of underlying assets.

DANE COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

DCHS capitalizes all expenditures for property and equipment in excess of \$3,000. Depreciation is computed using the straight-line method.

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.

Donated Services

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

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 are not recognized as contributions in the financial statements since the recognition criteria were not met. DCHS received approximately 84,000 and 59,000 volunteer hours during the years ended December 31, 2022 and 2021, respectively.

Program Service Revenues

Adoption fees, redemption fees, registration fees for education and outreach programs, and fees for other program services are recognized as revenue when DCHS provides the particular service or when the particular program is held. It is the policy of DCHS to not refund these fees. DCHS also provides animal services to certain municipalities under contracts that are renewed annually. Revenue from animal services is based on the number of animals served at the fee established in the contract. DCHS bills the municipality on a monthly basis and recognizes revenue at this time. DCHS also provides veterinary training services to an educational institution under a fixed-fee contract that is renewed annually. Revenue from veterinary training services is based on the number of students enrolled per week at the fee established in the contract. DCHS regularly receives payment for these services over the period of the contract in accordance with the terms in the contract and recognizes revenue for these services when a payment is received.

Merchandise Sales

Revenue from merchandise sales is recognized when the customer receives and pays for the merchandise. Sales taxes collected from customers are excluded from revenue. DCHS does not have any financing components as payment is received at or shortly after the point of sale. Returns are expected to be insignificant.

DANE COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these 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 and other surgical services, humane euthanasia, and participation in the Sheltering Animals of Abuse Victims program. In addition, DCHS works with the City of Madison and Dane County animal services to ensure it properly fulfills the services outlined in its contracts with these municipalities.

Wildlife Rehabilitation—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 and DCHS's thrift store. The main adoption center also offers pet supplies and various DCHS branded merchandise 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 humane education and outreach services include youth and adult education programs such as Camp Pawprint, scout badge workshops, school field trips, shelter tours, educational presentations, public speaking engagements, and dog training classes. Outreach programs include Pets for Life, Community Cat Days and Community Dog Days, and a pet food pantry program, focused on closing the service gaps for pets in underserved neighborhoods and keeping existing human-animal bonds intact.

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—DCHS's thrift store offers gently used clothing, pet supplies, linens, housewares, shoes, purses, jewelry, puzzles, games, and more for sale to generate revenue to support shelter operations.

DANE COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of New Accounting Guidance

On February 25, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. The guidance in this Update and all subsequently issued clarifying Updates supersede the guidance in FASB Accounting Standards Codification (ASC) Topic 840, Leases, and creates FASB ASC Topic 842, Leases. The main difference between previous guidance and Topic 842 is the recognition of assets and liabilities by lessees for those leases classified as operating leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. Also, under Topic 842, disclosures are required by lessees and lessors to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from leases.

DCHS adopted the requirements of Topic 842 as of January 1, 2022, using the optional transition method that allows DCHS to initially apply the new guidance at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. DCHS's reporting for the year ended December 31, 2021, is in accordance with the previous guidance in Topic 840.

DCHS elected the package of practical expedients permitted under the transition guidance within Topic 842. This package allowed DCHS to account for its leases that commenced before the adoption date without reassessing whether any expired or existing contracts are or contain leases, the lease classification for any expired or existing leases, and initial direct costs for any existing leases.

The adoption of Topic 842 resulted in the recognition of operating lease right-of-use lease assets of \$806,951 and operating lease liabilities of \$790,903 as of January 1, 2022. The adoption of Topic 842 did not have a material effect on DCHS's change in net assets and cash flows.

Also, on September 17, 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The intent of this Update is to improve transparency in the reporting of contributed nonfinancial assets (also known as donated materials, land, inventory, and services) received by not-for-profit entities. This Update requires a not-for-profit entity to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. This Update also requires enhanced disclosures about the valuation of contributed nonfinancial assets and their use in programs and other activities, including any donor-imposed restrictions on such use. DCHS adopted the requirements of this Update effective January 1, 2022. The changes required by this Update have been applied retrospectively to all periods presented.

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).

DANE COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising

Advertising costs are expensed as incurred.

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, 2023, the date which the financial statements were available to be issued.

NOTE 2—CONCENTRATIONS 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 both December 31, 2022 and 2021, DCHS’s uninsured cash balances total approximately \$250,000. DCHS places its cash balances with high credit quality financial institutions and uses bank sweep programs to mitigate credit risk.

NOTE 3—INVESTMENTS

Investments are comprised of the following:

	2022	2021
Cash equivalents held by investment managers	\$ 279,650	\$ 873,909
Mutual funds	111,443	104,882
Common stocks	782,274	1,040,478
Corporate bonds and notes	204,598	271,807
U.S. government securities	184,366	201,541
Certificates of deposit	199,046	-
Real estate income trusts, hedge funds, and private equity funds	478,812	-
	\$ 2,240,189	\$ 2,492,617

Fair values of mutual funds are based on quoted net asset values of the shares as reported by the fund. The mutual funds held by DCHS are open-end mutual funds registered with the U.S. Securities and Exchange Commission. The funds must publish their daily net asset value and transact at that price. The mutual funds held by DCHS are considered to be actively traded. Fair values of common stocks are based on the closing prices reported on the active market where the individual securities are traded. Fair values of corporate bonds and notes; U.S. government securities; certificates of deposit; and real estate income trusts, hedge funds, and private equity funds are determined using a market approach on yields currently available on comparable securities of issuers with similar credit ratings, which are Level 2 fair value measurements.

DANE COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 4—PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2022	2021
Land	\$ 1,289,097	\$ 1,289,097
Building	5,597,382	5,572,964
Horse and livestock barn	439,418	439,418
Construction in progress	75,719	71,019
Land improvements	459,260	452,557
Leasehold improvements	11,170	11,170
Wildlife center	345,027	345,027
Furniture and equipment	883,608	935,056
Vehicles	99,509	99,509
	9,200,190	9,215,817
Accumulated depreciation	(4,156,925)	(3,978,910)
	\$ 5,043,265	\$ 5,236,907

NOTE 5—LINE OF CREDIT

DCHS has a \$500,000 revolving line of credit that expires on November 3, 2023. Advances on the credit line are payable on demand and carry an interest rate of the lender’s prime rate (7% at December 31, 2022). The credit line is secured by DCHS’s assets. The line of credit was unused at December 31, 2022 and 2021.

NOTE 6—PAYCHECK PROTECTION PROGRAM LOANS

DCHS received loans totaling \$1,139,400 under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and administered by the U.S. Small Business Administration (SBA). The loans accrue interest at 1% but payments are deferred for borrowers who apply for forgiveness until SBA remits the borrower’s forgiveness amount to the lender. The amount of forgiveness depends, in part, on the total amount of eligible expenses paid by DCHS during the covered period. Eligible expenses may include payroll costs, interest on mortgages, rent, and utilities. Any unforgiven portion is payable over five years. On November 2, 2020, the SBA preliminarily approved forgiveness of DCHS’s first draw loan and accrued interest. On September 7, 2021, the SBA preliminarily approved forgiveness of DCHS’s second draw loan and accrued interest. DCHS must retain PPP documentation in its files for six years after the date the loan is forgiven or repaid in full and permit authorized representatives of SBA to access such files upon request. SBA may review any loan at any time at its discretion. Therefore, SBA may review DCHS’s good-faith certification concerning the necessity of its loan request, whether DCHS calculated the loan amount correctly, whether DCHS used loan proceeds for the allowable uses specified in the CARES Act, and whether DCHS is entitled to loan forgiveness in the amount claimed on its application. If SBA determines DCHS was ineligible for the loan or for forgiveness in whole or in part, SBA will seek repayment of the outstanding loan balance.

DANE COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 7—NET ASSETS

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

	2022	2021
Medical and animal care	\$ 91,408	\$ 83,285
Capital improvements	489,248	250,281
Equipment	18,263	-
Education and outreach	138,538	137,703
Other purposes	27,507	23,000
Promises to give with payments due in future periods	1,000	2,000
	\$ 765,964	\$ 496,269

NOTE 8—DONATED MATERIALS, LAND, INVENTORY, AND SERVICES

Donated materials, land, inventory, and services recognized within the statements of activities include:

	2022	2021
Thrift store inventory	\$ 442,496	\$ 387,539
Pet food	35,000	35,000
Advertising	29,615	16,275
Printing	4,622	6,831
Land and building	-	184,283
	\$ 511,733	\$ 629,928

Inventory is sold to customers of the thrift store and valued at anticipated selling price. Pet food is used to feed animals housed at the shelter. In valuing pet food, DCHS estimated the fair value based on estimated wholesale values that would be received for selling similar products.

Donated advertising and printing services were primarily used for development activities promoting the organization and special events. These services are valued based on current rates for similar services provided by the vendors.

The fair value of the donated land and building, which is being used in the animal services program, was estimated based on an analysis conducted by a licensed real estate agent using comparable properties at the time of donation.

No donated materials and services received were restricted for use.

DANE COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 9—MERCHANDISE SALES

Merchandise sales are comprised of the following:

	2022	2021
Adoption center merchandise sales	\$ 48,386	\$ 46,551
Adoption center cost of goods sold	(29,631)	(33,915)
Adoption center merchandise sales, net	18,755	12,636
Thrift store merchandise sales	424,971	360,160
Thrift store cost of donated goods sold	(420,083)	(357,389)
Thrift store cost of purchased goods sold	(2,928)	(1,718)
Thrift store merchandise sales, net	1,960	1,053
	\$ 20,715	\$ 13,689

NOTE 10—RETIREMENT PLAN

DCHS sponsors a simplified employee pension plan 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 4% of the employee's compensation. Employees are 100% vested in all contributions made on their behalf. Retirement expense for the years ended December 31, 2022 and 2021 was \$76,682 and \$76,716, respectively.

NOTE 11—LEASES

DCHS leases space for the thrift store and a copier under operating leases. These leases have initial terms of 5 years and the lease for the thrift store contains 2 renewal options, each for a period of 3 years, which DCHS is reasonably certain to exercise. These leases require DCHS to pay all executory costs such as taxes, maintenance, and insurance. Total operating lease costs for the year ended December 31, 2022 were \$94,750.

Other information related to operating leases is as follows:

Cash payments classified as part of operating cash flows	
for amounts included in the measurement of lease liabilities	\$ 88,902
Right-of-use assets obtained in exchange for new lease liabilities	806,951
Weighted-average remaining lease term	8.30 years
Weighted-average discount rate	1.60%

DANE COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 11—LEASES (continued)

The maturities of operating lease liabilities as of December 31, 2022, are as follows:

Year ending December 31:		
2023	\$	90,702
2024		92,502
2025		90,134
2026		89,850
2027		91,650
Thereafter		<u>326,500</u>
Total minimum lease payments		781,338
Imputed interest		<u>(51,109)</u>
Total lease liabilities	\$	<u><u>730,229</u></u>

As of December 31, 2021, DCHS has noncancelable operating leases, for the thrift store and a copier that expire at various dates through May 31, 2025. These leases generally contain renewal options for periods of 3 to 6 years and require DCHS to pay all executory costs such as taxes, maintenance, and insurance. Rental expenses for these leases total \$89,262 for the year ended December 31, 2021.

NOTE 12—COMMUNITY TRUST FUND

DCHS has four component funds at the Madison Community Foundation: the Dane County Humane Society Fund, the Alice Craig Erney Designated Fund, the Frederick Brumm Fund for the Dane County Humane Society, and the David Braun Dane County Humane Society Fund. 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.

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 funds are 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 are added to the funds. Principal may not be drawn from the funds except with approval of the Foundation's board of governors. DCHS received distributions totaling \$40,371 and \$37,418 from the funds during the years ended December 31, 2022 and 2021, respectively. The fair value of the funds at December 31, 2022 and 2021 was \$1,114,045 and \$1,232,411, respectively.

DANE COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 13—LIQUIDITY AND AVAILABILITY

The following table reflects DCHS’s financial assets at December 31, 2022 and 2021, which include cash, accounts receivable, unconditional promises to give, and investments, reduced by amounts not available to meet cash needs for general expenditures within one year of the date of the statements of financial position because of donor-imposed restrictions:

	2022	2021
Financial assets at end of year	\$ 4,877,541	\$ 5,231,398
Less those unavailable for general expenditures within one year due to:		
Restricted by donor with time or purpose restrictions	(765,964)	(496,269)
Financial assets available to meet cash needs for general expenditures within one year	\$ 4,111,577	\$ 4,735,129

DCHS strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. As a donor-funded organization, DCHS receives significant contributions on a regular basis that are available to meet cash needs for general expenditures. Financial assets in excess of daily cash requirements are invested in cash equivalents held by investment managers and other short term 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 5).