



FINANCIAL STATEMENTS

December 31, 2023 and 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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.

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 20, 2024

DANE COUNTY HUMANE SOCIETY, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash	\$ 1,688,911	\$ 2,560,611
Accounts receivable	82,682	43,391
Unconditional promises to give	3,000	33,350
Prepaid expenses	111,338	117,672
Merchandise inventory	151,076	125,667
Investments (Note 4)	2,808,224	2,240,189
Property and equipment, net (Note 5)	5,434,749	5,043,265
Operating lease right-of-use assets (Note 12)	<u>624,706</u>	<u>708,333</u>
Total assets	<u><u>\$ 10,904,686</u></u>	<u><u>\$ 10,872,478</u></u>
LIABILITIES		
Accounts payable	\$ 81,872	\$ 96,575
Accrued expenses	215,740	194,907
Operating lease liabilities (Note 12)	<u>650,649</u>	<u>730,229</u>
Total liabilities	948,261	1,021,711
NET ASSETS		
Without donor restrictions	9,364,331	9,084,803
With donor restrictions (Note 9)	<u>592,094</u>	<u>765,964</u>
Total net assets	<u><u>9,956,425</u></u>	<u><u>9,850,767</u></u>
Total liabilities and net assets	<u><u>\$ 10,904,686</u></u>	<u><u>\$ 10,872,478</u></u>

See accompanying notes.

DANE COUNTY HUMANE SOCIETY, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2023 and 2022

	2023	2022
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUES AND GAINS (LOSSES)		
Contributions		
General contributions excluding estates	\$ 2,368,985	\$ 2,245,714
Bequests from estates	602,553	607,875
Special events	344,533	287,788
Donated materials, land, inventory, and services (Note 10)	743,248	511,733
Contracts, sales, and other revenues and gains (losses)		
Program service revenues	1,457,910	1,141,963
Investment return, net	254,417	(292,416)
Merchandise sales, net (Note 11)	25,072	20,715
Other revenues	6,277	7,263
Total revenues and gains (losses) without donor restrictions	5,802,995	4,530,635
EXPENSES		
Program services		
Animal services	2,530,684	2,219,229
Wildlife rehabilitation	537,520	554,022
Adoption and reception services	712,542	731,551
Volunteer program	150,185	130,613
Education and outreach	422,031	364,924
Supporting activities		
Management and general	550,872	534,694
Fundraising		
Development	688,926	650,687
Thrift store	354,996	325,988
Total expenses	5,947,756	5,511,708
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of purpose restrictions	424,289	219,504
Change in net assets without donor restrictions	279,528	(761,569)
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	250,419	489,199
Net assets released from restrictions	(424,289)	(219,504)
Change in net assets with donor restrictions	(173,870)	269,695
Change in net assets	105,658	(491,874)
Net assets at beginning of year	9,850,767	10,342,641
Net assets at end of year	\$ 9,956,425	\$ 9,850,767

See accompanying notes.

DANE COUNTY HUMANE SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2023

	Animal Services	Wildlife Rehabilitation	Adoption and Reception Services	Volunteer Program	Education and Outreach	Management and General	Fundraising		Total Expenses
							Development	Thrift Store	
Personnel	\$ 1,673,706	\$ 408,610	\$ 577,959	\$ 137,062	\$ 357,602	\$ 358,057	\$ 413,155	\$ 200,010	\$ 4,126,161
Professional services	20,901	3,380	2,761	-	5,537	37,270	3,817	7,668	81,334
Advertising	-	-	-	-	-	-	24,624	900	25,524
Animal care supplies	279,484	55,655	18,338	-	34,651	-	-	-	388,128
Office and supplies	81,928	12,784	50,636	13,123	11,010	116,134	185,614	499,115	970,344
Facilities	281,749	22,266	50,941	-	4,531	10,724	30,323	128,347	528,881
Conferences and trainings	3,055	9,779	245	-	4,540	15,201	2,157	-	34,977
Depreciation	162,262	20,096	32,941	-	3,577	7,626	21,352	1,863	249,717
Insurance	27,289	4,750	6,560	-	583	3,213	3,905	-	46,300
Miscellaneous	310	200	113	-	-	2,647	3,979	443	7,692
Total expenses	2,530,684	537,520	740,494	150,185	422,031	550,872	688,926	838,346	6,459,058
Less expenses included with revenues on the statement of activities	-	-	(27,952)	-	-	-	-	(483,350)	(511,302)
Total expenses included in the expense section of the statement of activities	\$ 2,530,684	\$ 537,520	\$ 712,542	\$ 150,185	\$ 422,031	\$ 550,872	\$ 688,926	\$ 354,996	\$ 5,947,756

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.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 105,658	\$ (491,874)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	249,717	256,089
Amortization of operating lease right-of-use assets	83,627	82,570
Contributions restricted for capital improvements	(55,000)	(282,666)
Donated stock	(35,410)	(43,227)
Gain on disposal of equipment	-	(666)
Net realized and unrealized (gains) losses on investments	(162,052)	319,120
Donated thrift store merchandise inventory	(504,459)	(511,733)
(Increase) decrease in assets		
Accounts receivable	(39,291)	13,983
Unconditional promises to give	30,350	(8,350)
Prepaid expenses	6,334	(34,809)
Merchandise inventory	479,050	488,705
Increase (decrease) in liabilities		
Accounts payable	(14,703)	(18,572)
Accrued expenses	20,833	14,936
Operating lease liabilities	(79,580)	(76,722)
Net cash flows from operating activities	<u>85,074</u>	<u>(293,216)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments and reinvestments of earnings	(370,573)	(23,465)
Proceeds from sales of property and equipment	-	4,998
Purchases of property and equipment	(641,201)	(66,779)
Net cash flows from investing activities	<u>(1,011,774)</u>	<u>(85,246)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for capital improvements	<u>55,000</u>	<u>282,666</u>
Net change in cash	<u>(871,700)</u>	<u>(95,796)</u>
Cash at beginning of year	<u>2,560,611</u>	<u>2,656,407</u>
Cash at end of year	<u><u>\$ 1,688,911</u></u>	<u><u>\$ 2,560,611</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Noncash investing and financing activities		
Donated stock	\$ 35,410	\$ 43,227

See accompanying notes.

DANE COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

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 southern 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. DCHS uses historical loss information based on the aging of accounts receivable as the basis to determine expected credit losses. Management believes the composition of accounts receivable is consistent with historical conditions and accounts receivable are expected to be settled within a relatively short time frame based on current conditions. As such, credit losses are expected to be insignificant.

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, 2023 and 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 securities with readily determinable fair values and all investments in debt securities 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.

Property and Equipment

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

DANE COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

DCHS does not recognize short-term leases in the statements 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.

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 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 95,000 and 84,000 volunteer hours during the years ended December 31, 2023 and 2022, 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.

DANE COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 local animal intake, lifesaving transfers from other communities, customer service, daily care and behavioral support of animals, spay/neuter and other surgical services, humane euthanasia, and participation in the sheltering animals of abuse victims program. In addition DCHS worked with 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 center is a specialized rehabilitation program that provides care for ill, injured, and orphaned wild animals found in southern Wisconsin.

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 and 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.

DANE COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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).

Advertising

Print, radio, TV, and electronic advertising promotes DCHS programs and services and inspires community support of its mission. 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 20, 2024, 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, 2023 and 2022, DCHS's uninsured cash balances total approximately \$100,000 and \$250,000, respectively. DCHS places its cash balances with high credit quality financial institutions and uses bank sweep programs to mitigate credit risk.

NOTE 3—CONDITIONAL PROMISES TO GIVE

DCHS has several grants that are conditioned upon DCHS completing the installation of a solar array on a raptor flight pen. At December 31, 2023, these conditional grants total approximately \$213,000. These conditional grants will be recognized as revenue when the condition is met in future years.

DANE COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 4—INVESTMENTS

Investments are comprised of the following:

	2023	2022
Cash equivalents held by investment managers	\$ 258,647	\$ 279,650
Mutual funds	128,846	111,443
Common stocks	971,369	782,274
Corporate bonds and notes	268,712	204,598
U.S. government securities	284,418	184,366
Certificates of deposit	414,306	199,046
Real estate income trusts, hedge funds, and private equity funds	481,926	478,812
	\$ 2,808,224	\$ 2,240,189

Fair values of mutual funds are based on quoted net asset values of the shares as reported by the fund, which are Level 1 fair value measurements. 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, which are Level 1 fair value measurements. 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.

NOTE 5—PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2023	2022
Land	\$ 1,289,097	\$ 1,289,097
Building	5,623,345	5,597,382
Horse and livestock barn	439,418	439,418
Construction in progress	664,106	75,719
Land improvements	477,050	459,260
Leasehold improvements	11,170	11,170
Wildlife center	345,027	345,027
Furniture and equipment	892,669	883,608
Vehicles	99,509	99,509
	9,841,391	9,200,190
Accumulated depreciation	(4,406,642)	(4,156,925)
	\$ 5,434,749	\$ 5,043,265

DANE COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 6—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 \$42,692 and \$40,371 from the funds during the years ended December 31, 2023 and 2022, respectively. The fair value of the funds at December 31, 2023 and 2022, was \$1,184,679 and \$1,114,045, respectively.

NOTE 7—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). 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.

NOTE 8—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, 2023 and 2022, was \$88,957 and \$76,682, respectively.

DANE COUNTY HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 9—NET ASSETS

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

	2023	2022
Medical and animal care	\$ 93,867	\$ 91,408
Capital improvements	383,751	489,248
Equipment	11,524	18,263
Education and outreach	98,960	138,538
Other purposes	3,992	27,507
Promises to give with payments due in future periods	-	1,000
	\$ 592,094	\$ 765,964

NOTE 10—DONATED MATERIALS, LAND, INVENTORY, AND SERVICES

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

	2023	2022
Thrift store inventory	\$ 504,459	\$ 442,496
Supplies	180,495	-
Pet food	35,000	35,000
Advertising	15,423	29,615
Printing	4,044	4,622
Food for events	1,227	-
Professional services	900	-
Entertainment for events	1,700	-
	\$ 743,248	\$ 511,733

Inventory is sold to customers of the thrift store (a supporting activity) and valued at anticipated selling price. Pet food is used in the animal services programs 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 supplies were used in the animal services program and are based on current costs used to purchase similar supplies provided by the vendors.

Donated advertising, printing services, food, professional services, and entertainment 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.

No donated materials and services received were restricted for use.

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NOTE 11—MERCHANDISE SALES

Merchandise sales are comprised of the following:

	<u>2023</u>	<u>2022</u>
Adoption center merchandise sales	\$ 49,073	\$ 48,386
Adoption center cost of goods sold	<u>(27,952)</u>	<u>(29,631)</u>
Adoption center merchandise sales, net	21,121	18,755
Thrift store merchandise sales	487,301	424,971
Thrift store cost of donated goods sold	(479,625)	(420,083)
Thrift store cost of purchased goods sold	<u>(3,725)</u>	<u>(2,928)</u>
Thrift store merchandise sales, net	<u>3,951</u>	<u>1,960</u>
	<u>\$ 25,072</u>	<u>\$ 20,715</u>

NOTE 12—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 years ended December 31, 2023 and 2022, were \$94,750 each year.

Other information related to operating leases is as follows:

	<u>2023</u>	<u>2022</u>
Cash payments classified as part of operating cash flows for amounts included in the measurement of lease liabilities	\$ 90,702	\$ 88,902
Weighted-average remaining lease term (years)	7.30	8.30
Weighted-average discount rate	1.60%	1.60%

The maturities of operating lease liabilities as of December 31, 2023, are as follows:

Year ending December 31:	
2024	\$ 92,502
2025	90,134
2026	89,850
2027	91,650
2028	93,450
Thereafter	<u>233,219</u>
Total minimum lease payments	690,805
Imputed interest	<u>(40,156)</u>
Total lease liabilities	<u>\$ 650,649</u>

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NOTE 13—LIQUIDITY AND AVAILABILITY

The following table reflects DCHS’s financial assets, which include cash, accounts receivable, unconditional promises to give, and investments, as of the date of the statements of financial position, 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:

	2023	2022
Financial assets at end of year	\$ 4,582,817	\$ 4,877,541
Less those unavailable for general expenditures within one year:		
Restricted by donor with time or purpose restrictions	(592,094)	(765,964)
Financial assets available to meet cash needs for general expenditures within one year	\$ 3,990,723	\$ 4,111,577

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.