



## FINANCIAL STATEMENTS

December 31, 2019 and 2018

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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, 2019 and 2018, 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, 2019 and 2018, 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.

**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. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and all subsequently issued clarifying ASUs and ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, as of January 1, 2019. Our opinion is not modified with respect to this matter.



Wegner CPAs, LLP  
Madison, Wisconsin  
March 18, 2020

**DANE COUNTY HUMANE SOCIETY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash	\$ 1,316,890	\$ 788,285
Accounts receivable	79,414	127,142
Unconditional promises to give	74,470	7,000
Prepaid expenses	41,604	56,368
Merchandise inventory	24,015	15,156
Investments	2,101,839	1,707,973
Property and equipment, net	<u>5,029,860</u>	<u>5,061,862</u>
<b>Total assets</b>	<u>\$ 8,668,092</u>	<u>\$ 7,763,786</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 64,732	\$ 78,931
Accrued expenses	<u>117,301</u>	<u>90,122</u>
<b>Total liabilities</b>	182,033	169,053
<b>NET ASSETS</b>		
Without donor restrictions	8,033,263	7,361,702
With donor restrictions	<u>452,796</u>	<u>233,031</u>
<b>Total net assets</b>	<u>8,486,059</u>	<u>7,594,733</u>
<b>Total liabilities and net assets</b>	<u>\$ 8,668,092</u>	<u>\$ 7,763,786</u>

See accompanying notes.

**DANE COUNTY HUMANE SOCIETY, INC.**  
**STATEMENTS OF ACTIVITIES**  
Years Ended December 31, 2019 and 2018

	2019	2018
<b>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
<b>REVENUES AND GAINS</b>		
Contributions		
Contributions excluding estates	\$ 1,878,430	\$ 1,772,394
Bequests from estates	800,852	1,340,727
Special events	288,362	252,944
Donated thrift store merchandise inventory	139,406	-
Contracts, sales, and other revenues and gains		
Program service revenues	1,493,743	1,352,192
Investment return, net	280,768	(151,095)
Merchandise sales, net	28,168	28,246
Other revenues	5,239	3,510
	4,914,968	4,598,918
<b>EXPENSES</b>		
Program services		
Animal services	1,772,888	1,622,567
Wildlife program	372,470	340,188
Adoption and reception services	582,028	613,051
Volunteer program	139,392	128,760
Education and outreach	282,531	282,159
Supporting activities		
Management and general	387,285	417,452
Fundraising		
Development	640,025	552,813
Thrift store	179,286	37,856
	4,355,905	3,994,846
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>		
Satisfaction of purpose restrictions	112,498	50,604
	671,561	654,676
Change in net assets without donor restrictions	671,561	654,676
<b>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</b>		
Contributions	332,263	179,230
Net assets released from restrictions	(112,498)	(50,604)
	219,765	128,626
Change in net assets with donor restrictions	219,765	128,626
<b>Change in net assets</b>	891,326	783,302
Net assets at beginning of year	7,594,733	6,811,431
<b>Net assets at end of year</b>	\$ 8,486,059	\$ 7,594,733

See accompanying notes.

**DANE COUNTY HUMANE SOCIETY, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
Year Ended December 31, 2019

	Animal Services	Wildlife Program	Adoption and Reception Services	Volunteer Program	Education and Outreach	Management and General	Fundraising		Total Expenses
							Development	Thrift Store	
Personnel	\$ 1,166,936	\$ 265,205	\$ 460,399	\$ 128,169	\$ 233,807	\$ 259,868	\$ 388,240	\$ 116,334	\$ 3,018,958
Professional services	50,041	239	4,550	-	7,662	34,164	17,844	-	114,500
Advertising	-	-	-	-	-	-	18,900	1,318	20,218
Animal care supplies	205,516	47,523	26,300	-	34,139	-	-	-	313,478
Office and supplies	23,575	16,194	67,396	11,223	537	59,469	166,998	135,465	480,857
Facilities	155,766	19,272	39,256	-	3,492	8,264	23,367	42,997	292,414
Conferences and trainings	3,315	1,296	-	-	-	12,009	2,814	-	19,434
Depreciation	146,519	19,761	28,515	-	2,536	6,003	17,470	11,035	231,839
Insurance	16,994	2,980	4,025	-	358	6,063	2,396	-	32,816
Miscellaneous	4,226	-	1,076	-	-	1,445	1,996	758	9,501
<b>Total expenses</b>	<b>1,772,888</b>	<b>372,470</b>	<b>631,517</b>	<b>139,392</b>	<b>282,531</b>	<b>387,285</b>	<b>640,025</b>	<b>307,907</b>	<b>4,534,015</b>
Less expenses included with revenues on the statement of activities	-	-	(49,489)	-	-	-	-	(128,621)	(178,110)
<b>Total expenses included in the expense section of the statement of activities</b>	<b>\$ 1,772,888</b>	<b>\$ 372,470</b>	<b>\$ 582,028</b>	<b>\$ 139,392</b>	<b>\$ 282,531</b>	<b>\$ 387,285</b>	<b>\$ 640,025</b>	<b>\$ 179,286</b>	<b>\$ 4,355,905</b>

See accompanying notes.

**DANE COUNTY HUMANE SOCIETY, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
Year Ended December 31, 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
<b>Total expenses</b>	<b>1,622,567</b>	<b>340,188</b>	<b>665,794</b>	<b>128,760</b>	<b>282,159</b>	<b>417,452</b>	<b>552,813</b>	<b>37,856</b>	<b>4,047,589</b>
Less expenses included with revenues on the statement of activities	-	-	(52,743)	-	-	-	-	-	(52,743)
<b>Total expenses included in the expense section of Total expenses</b>	<b>\$ 1,622,567</b>	<b>\$ 340,188</b>	<b>\$ 613,051</b>	<b>\$ 128,760</b>	<b>\$ 282,159</b>	<b>\$ 417,452</b>	<b>\$ 552,813</b>	<b>\$ 37,856</b>	<b>\$ 3,994,846</b>

See accompanying notes.



**DANE COUNTY HUMANE SOCIETY, INC.**  
**STATEMENTS OF CASH FLOWS**  
Years Ended December 31, 2019 and 2018

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 891,326	\$ 783,302
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	231,839	222,264
Contributions restricted for capital improvements	(104,200)	(38,479)
Net realized and unrealized (gains) losses on investments	(227,451)	185,419
Amortization of deferred lease incentive	2,000	2,000
(Increase) decrease in assets		
Accounts receivable	47,728	(89,467)
Unconditional promises to give	(67,470)	223,011
Prepaid expenses	14,764	8,258
Merchandise inventory	(8,859)	9,664
Increase (decrease) in liabilities		
Accounts payable	(14,199)	(3,374)
Accrued expenses	25,179	6,827
Advances on conditional grants	-	(11,953)
Net cash flows from operating activities	790,657	1,297,472
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(3,644,960)	(3,145,618)
Proceeds from sales of investments	3,478,546	2,073,030
Purchases of property and equipment	(199,838)	(86,681)
Net cash flows from investing activities	(366,252)	(1,159,269)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from contributions restricted for capital improvements	104,200	41,479
<b>Net change in cash</b>	528,605	179,682
Cash at beginning of year	788,285	608,603
<b>Cash at end of year</b>	<u>\$ 1,316,890</u>	<u>\$ 788,285</u>

See accompanying notes.

**DANE COUNTY HUMANE SOCIETY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

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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 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.

**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, 2019 and 2018, management has determined, based on historical experience, that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

**Property and Equipment**

Purchases of property and equipment in excess of \$1,000 are capitalized and carried at cost. Depreciation is computed using the straight-line method.

**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, 2019, unconditional promises to give totaling \$71,470 are receivable in less than one year and unconditional promises to give totaling \$3,000 are receivable in one to five years.

**Merchandise Inventory**

Merchandise inventory consists of donated items for resale in DCHS's thrift store. Merchandise inventory is stated at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method. Donated inventory is stated at the anticipated sales price.

**Investments**

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

**DANE COUNTY HUMANE SOCIETY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**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.

**Program Service Revenues**

Program service revenues include adoption fees, redemption fees, registration fees for certain education and outreach programs, and fees for other program services. These services are generally considered to be a single performance obligation that is satisfied at a point in time and revenue is recognized when the service is provided. 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. Animal services revenue is recognized once the services have been provided. DCHS invoices the municipality on a monthly basis based on the number of animals served at the fee established in the contract. DCHS also provides veterinary training services to an educational institution under a fixed-price contract that is renewed annually. Veterinary training services revenue is recognized once the services have been provided. DCHS receives payment from the educational institution on a monthly basis based on the number of students enrolled in the program that month.

**Merchandise Sales**

Revenue for 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.

**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. See Note 11 for further discussion of donated services recognized as contributions.

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 112,000 and 114,000 volunteer hours during the years ended December 31, 2019 and 2018, respectively.

**DANE COUNTY HUMANE SOCIETY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

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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 services, humane euthanasia, and participation in the Sheltering Animals of Abuse Victims program. In addition, DCHS worked with the City of 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, DCHS's Thrift Store, and Mounds Pet Food Warehouse satellite centers. 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.

*Education and outreach*—DCHS's education and outreach services include youth, adult, and public education programs such as Camp Pawprint, Humane Heroes, scout badge workshops, dog training classes, school field trips, shelter tours, educational presentations 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*—DCHS's thrift store offers gently used clothing, pet supplies, household goods, 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, 2019 and 2018

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Income Tax Status**

DCHS is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, DCHS qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

**Adoption of New Accounting Guidance**

On May 28, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU and all subsequently issued clarifying ASUs supersedes the revenue recognition requirements and most industry-specific guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance also includes a cohesive set of disclosure requirements that will provide users of the financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

DCHS adopted the requirements of the new guidance as of January 1, 2019, using the modified retrospective method of transition. In applying the new guidance, DCHS elected to use the practical expedient that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019.

The majority of DCHS's revenue from contracts with customers, which includes program service revenues and merchandise sales, is recognized at a point in time based on the transfer of control. Revenue recognized over time primarily consists of performance obligations that are satisfied within one year or less. In addition, the majority of DCHS's contracts do not contain variable consideration and contract modifications are generally minimal.

The adoption of the new guidance did not have a significant impact on DCHS's financial statements. The majority of DCHS's revenue arrangements generally consist of a single performance obligation to transfer promised goods or services. Based on DCHS's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new guidance.

Also, on June 21, 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides a more robust framework for evaluating whether transactions such as grants and similar contracts with government agencies and others should be accounted for as exchange transactions (that is, revenue from contracts with customers) or contributions. The ASU also assists entities in determining whether a contribution is conditional. DCHS adopted the requirements of the ASU as of January 1, 2019. The changes in the ASU have been applied on a modified prospective basis, that is, the changes have been applied to agreements that are either not completed as of January 1, 2019, or entered into after that date.

**DANE COUNTY HUMANE SOCIETY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**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.

**Reclassifications**

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

**Date of Management’s Review**

Management has evaluated subsequent events through March 18, 2020, 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 December 31, 2019 and 2018, DCHS’s uninsured cash balances total approximately \$1,056,000 and \$570,000, 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 \$814,000, 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:

	2019	2018
Land	\$ 1,240,097	\$ 1,240,097
Building	5,372,649	5,298,193
Horse and livestock barn	429,623	429,623
Construction in progress	118,910	46,811
Land improvements	233,692	233,692
Leasehold improvements	37,400	35,543
Wildlife center	238,190	238,190
Furniture and equipment	858,568	807,143
Vehicles	99,509	99,509
	8,628,638	8,428,801
Accumulated depreciation	(3,598,778)	(3,366,939)
	\$ 5,029,860	\$ 5,061,862

**DANE COUNTY HUMANE SOCIETY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

NOTE 4—INVESTMENTS

Investments are comprised of the following:

	2019	2018
Money market funds	\$ 166,539	\$ 50,259
Mutual funds	1,187,951	1,165,352
Common stocks	747,349	492,362
	\$ 2,101,839	\$ 1,707,973

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, 2019				
	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	\$ 1,187,951	\$ 1,187,951	\$ -	\$ -
Common stocks	747,349	747,349	-	-
	\$ 1,935,300	\$ 1,935,300	\$ -	\$ -
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	\$ 1,165,352	\$ 1,165,352	\$ -	\$ -
Common stocks	492,362	492,362	-	-
	\$ 1,657,714	\$ 1,657,714	\$ -	\$ -

**DANE COUNTY HUMANE SOCIETY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

NOTE 6—NET ASSETS

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

	2019	2018
Medical and animal care	\$ 155,001	\$ 75,741
Capital improvements	188,927	73,917
Equipment	-	1,150
AMS special projects	951	1,587
Education and outreach	94,034	74,866
Other purposes	1,383	770
Promises to give with payments due in future periods	12,500	5,000
	<u>\$ 452,796</u>	<u>\$ 233,031</u>

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 (4.75% at December 31, 2019). The credit line is secured by DCHS's assets. The line of credit at December 31, 2019 and 2018, had no outstanding balance.

NOTE 8—MERCHANDISE SALES

Merchandise sales are comprised of the following:

	2019	2018
Adoption center merchandise sales	\$ 76,762	\$ 80,989
Adoption center cost of goods sold	(49,489)	(52,743)
Adoption center merchandise sales, net	27,273	28,246
Thrift store merchandise sales	129,516	-
Thrift store cost of donated goods sold	(128,206)	-
Thrift store cost of purchased goods sold	(415)	-
Thrift store merchandise sales, net	895	-
Total merchandise sales, net	<u>\$ 28,168</u>	<u>\$ 28,246</u>

NOTE 9—LEASES

DCHS leases space for the thrift store under a noncancelable operating lease requiring monthly payments of \$2,521 that expires May 2020. In February 2020, a new lease was signed for the thrift store that expires May 2025. The lease requires monthly payments of \$6,650 with a 2% increase each year. Rental expenses for the years ended December 31, 2019 and 2018, were \$48,865 and \$26,840, respectively.



**DANE COUNTY HUMANE SOCIETY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018

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NOTE 9—LEASES (continued)

Future minimum lease payments for the years ending December 31 are:

	\$	61,699
2020		80,850
2021		82,650
2022		84,450
2023		86,250
2024		36,250
Thereafter		36,250
Total	\$	432,149

NOTE 10—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 3.5% of the employee's compensation. Employees are 100% vested in all contributions made on their behalf. Retirement expense for the years ended December 31, 2019 and 2018, was \$61,723 and \$40,406, respectively.

NOTE 11—COMMUNITY TRUST FUND

DCHS has three component funds at the Madison Community Foundation (Foundation). In 1986, the Dane County Humane Society Fund was established, in 2013, the Alice Craig Erney Designated Fund was established, and in 2017, the Frederick Brumm Fund for the Dane County Humane Society was established. 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 is added to the funds. Principal may not be drawn from the funds except with approval of the Foundation's board of governors. DCHS received a distribution of \$32,196 and \$23,741 from the funds during the years ended December 31, 2019 and 2018, respectively. The fair value of the funds at December 31, 2019 and 2018, was \$1,047,586 and \$774,116, respectively.

**DANE COUNTY HUMANE SOCIETY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
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NOTE 12—DONATED SERVICES

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

	2019	
	Animal Services	Development
Veterinary services	\$ 1,350	\$ -
Services at special events	-	4,935
	\$ 1,350	\$ 4,935
	2018	
	Animal Services	Development
Veterinary services	\$ 3,625	\$ -
Services at special events	-	8,699
Website design services	-	11,972
	\$ 3,625	\$ 20,671

NOTE 13—LIQUIDITY AND AVAILABILITY

The following table reflects DCHS's financial assets at December 31, 2019 and 2018, reduced by amounts not available to meet cash needs for general expenditures within one year of the date of the statement of financial position because of donor-imposed restrictions:

	2019	2018
Financial assets at end of year	\$ 3,572,613	\$ 2,630,400
Less those unavailable for general expenditures within one year due to:		
Donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	(452,796)	(233,031)
Financial assets available to meet cash needs for general expenditures within one year	\$ 3,119,817	\$ 2,397,369

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).

**DANE COUNTY HUMANE SOCIETY, INC.**  
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NOTE 14—SUBSEQUENT EVENT

Subsequent to December 31, 2019, volatility experienced in the financial markets has resulted in a significant decline in the fair value of certain investments. As of March 18, 2020, the fair value of the investment portfolio has declined from \$2,101,839 at December 31, 2019 to \$1,676,607.