

# Wisconsin Humane Society

Milwaukee, Wisconsin

## Financial Statements

Years Ended September 30, 2014 and 2013

# Wisconsin Humane Society

Financial Statements  
Years Ended September 30, 2014 and 2013

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## Table of Contents

Independent Auditor’s Report .....	1
Financial Statements	
Statements of Financial Position .....	2
Statements of Activities.....	3
Statements of Cash Flows.....	4
Statements of Functional Expenses.....	6
Notes to Financial Statements.....	8



## Independent Auditor's Report

Board of Directors  
Wisconsin Humane Society  
Milwaukee, Wisconsin

We have audited the accompanying financial statements of Wisconsin Humane Society, which comprise the statements of financial position as of September 30, 2014 and 2013, and the related statements of activities, cash flows and functional expenses 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; 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. 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 Wisconsin Humane Society at September 30, 2014 and 2013, 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.

A handwritten signature in cursive script that reads "Wipfli LLP".

Wipfli LLP

December 30, 2014  
Milwaukee, Wisconsin

# Wisconsin Humane Society

## Statements of Financial Position

September 30, 2014 and 2013

<i>Assets</i>	2014	2013
Current assets:		
Cash and cash equivalents	\$ 369,559	\$ 427,779
Investments	6,449,932	6,135,997
Accounts receivable - Other	31,699	32,503
Pledges receivable - Current portion	43,690	76,512
Inventories	65,480	72,780
Prepaid expenses and other assets	24,982	42,852
Total current assets	6,985,342	6,788,423
Assets restricted as to use:		
Cash - State unemployment compensation	65,023	65,962
Interest in assets held by Racine Community Foundation	24,834	22,972
Investment - deferred compensation	-	23,826
Total assets restricted as to use	89,857	112,760
Property and equipment - Net	10,988,277	11,550,259
Other noncurrent assets:		
Pledges receivable - Less current portion	4,933,038	4,792,196
TOTAL ASSETS	\$ 22,996,514	\$ 23,243,638

<i>Liabilities and Net Assets</i>	2014	2013
Current liabilities:		
Current maturities of long-term debt	\$ 385,001	\$ 363,980
Accounts payable	262,655	273,459
Accrued salary and benefits	232,791	206,341
Accrued expenses	22,251	12,562
Deferred revenue	102,317	2,203
Total current liabilities	1,005,015	858,545
Long-term liabilities:		
Long-term debt, less current maturities	3,863,057	4,245,460
Deferred compensation	-	23,826
Total long-term liabilities	3,863,057	4,269,286
Total liabilities	4,868,072	5,127,831
Net assets:		
Unrestricted	12,858,957	12,944,328
Temporarily restricted	5,259,485	5,161,479
Permanently restricted	10,000	10,000
Total net assets	18,128,442	18,115,807
TOTAL LIABILITIES AND NET ASSETS	\$ 22,996,514	\$ 23,243,638

# Wisconsin Humane Society

## Statements of Activities

Years Ended September 30, 2014 and 2013

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support and revenue:				
Contributions	\$ 2,621,249	\$ 170,701	\$ -	\$ 2,791,950
Bequests	1,339,211	-	-	1,339,211
Service fees	2,397,113	-	-	2,397,113
Merchandise sales	654,485	-	-	654,485
Investment income	614,399	1,862	-	616,261
Special events	501,481	-	-	501,481
Donated goods and services	1,904	-	-	1,904
Other revenue	27,496	-	-	27,496
Net assets released from restrictions	74,557	(74,557)	-	-
Total support and revenue	8,231,895	98,006	-	8,329,901
Expenses:				
Program expenses	6,846,722	-	-	6,846,722
Management and general	590,698	-	-	590,698
Fund-raising	879,846	-	-	879,846
Total expenses	8,317,266	-	-	8,317,266
Excess (deficit) of support and revenue over expenses	(85,371)	98,006	-	12,635
Other changes in net assets:				
Contribution recognized on acquisition of Countryside Humane Society	-	-	-	-
Change in net assets	(85,371)	98,006	-	12,635
Net assets at beginning of year	12,944,328	5,161,479	10,000	18,115,807
Net assets at end of year	\$ 12,858,957	\$ 5,259,485	\$ 10,000	\$ 18,128,442

2013			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 2,188,695	\$ 176,062	\$ -	\$ 2,364,757
3,129,764	-	-	3,129,764
2,158,329	-	-	2,158,329
639,232	-	-	639,232
548,809	2,886	-	551,695
384,804	-	-	384,804
7,719	-	-	7,719
35,751	-	-	35,751
317,716	(317,716)	-	-
9,410,819	(138,768)	-	9,272,051
6,511,064	-	-	6,511,064
607,018	-	-	607,018
743,683	-	-	743,683
7,861,765	-	-	7,861,765
1,549,054	(138,768)	-	1,410,286
1,584,639	10,086	10,000	1,604,725
3,133,693	(128,682)	10,000	3,015,011
9,810,635	5,290,161	-	15,100,796
\$ 12,944,328	\$ 5,161,479	\$ 10,000	\$ 18,115,807

# Wisconsin Humane Society

## Statements of Cash Flows

Years Ended September 30, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Change in net assets	\$ 12,635	\$ 3,015,011
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Noncash contribution recognized on acquisition of Countryside Humane Society (Note 13)	-	(678,289)
Depreciation	567,457	553,599
Loss on disposal of property and equipment	-	1,062
Increase of assets held by a recipient organization	(1,862)	(22,972)
Realized and unrealized gain on investments	(561,852)	(498,369)
Changes in operating assets and liabilities:		
Accounts receivable - other	804	(28,815)
Pledges receivable	(108,020)	139,709
Prepaid expenses, other assets and inventories	25,170	(39,014)
Accounts payable	(10,804)	61,530
Accrued salary and benefits	26,450	39,298
Accrued expenses	9,689	(40,794)
Deferred revenue	100,114	(2,514)
Net cash provided by operating activities	59,781	2,499,442
Cash flows from investing activities:		
Purchase of property and equipment	(5,475)	(187,827)
Proceeds from sale of property and equipment	-	193,000
Purchase of investments	(942,434)	(5,717,467)
Proceeds from sales of investments	1,190,351	4,472,733
Net change in restricted cash	939	(68)
Net cash (used in) provided by investing activities	243,381	(1,239,629)
Cash flows from financing activities:		
Payments on long-term debt	(3,327,364)	(379,151)
Proceeds from borrowings on long-term debt	2,965,982	-
Net payments on line of credit	-	(500,000)
Net cash used in financing activities	(361,382)	(879,151)
Increase (decrease) in cash and cash equivalents	(58,220)	380,662
Cash and cash equivalents at beginning	427,779	47,117
Cash and cash equivalents at end	\$ 369,559	\$ 427,779

# Wisconsin Humane Society

## Statements of Cash Flows (Continued)

Years Ended September 30, 2014 and 2013

	2014	2013
<b>Supplemental disclosures of cash flow information:</b>		
Cash payments for interest	\$ 99,606	\$ 142,433
<b>Noncash adjustments to operating activities:</b>		
Acquisition of Countryside Humane Society:		
Contribution of land, property, equipment	-	700,000
Contribution of accounts receivable	-	3,688
Contribution of other assets	-	20,386
Assumption of accounts payable and other liabilities	-	(45,785)
Total noncash adjustments to operating activities	\$ -	\$ 678,289

# Wisconsin Humane Society

## Statements of Functional Expenses

Year Ended September 30, 2014

	Program Services				
	Veterinary	Animal Care	Community Relations	Client Services	Total Program Services
Salaries and wages	\$ 839,892	\$ 1,129,365	\$ 302,551	\$ 1,180,020	\$ 3,451,828
Employee benefits	87,837	109,288	29,325	142,440	368,890
Payroll taxes	59,780	82,300	21,152	84,164	247,396
Audit and legal fees	-	-	-	-	-
Professional fees	117	454	-	359	930
Outside services	832	-	8,226	1,576	10,634
Office supplies	958	907	231	2,902	4,998
Animal supplies	63,001	89,881	11,252	1,796	165,930
Building support	225,305	219,571	61,784	276,067	782,727
Telephone	-	-	-	-	-
Postage and shipping	1,064	65	1,815	3,186	6,130
Insurance	1,455	-	-	-	1,455
Repairs and maintenance	-	422	-	-	422
Equipment	11,210	2,982	-	444	14,636
Advertising	153	28	18,195	2,502	20,878
Travel	766	1,344	1,334	280	3,724
Vehicle	334	632	-	-	966
Conferences, conventions, and meetings	3,382	2,309	682	2,376	8,749
Training	-	-	-	-	-
Dues	9,323	270	750	2,066	12,409
Operating costs	108,111	105,359	29,646	132,468	375,584
Promotional supplies	-	-	6,275	688	6,963
Miscellaneous	281	152	3,706	766	4,905
Veterinary	398,312	-	-	-	398,312
Dog training class	-	20,669	-	-	20,669
Interest	24,229	23,612	6,644	29,687	84,172
Depreciation	134,461	131,039	36,872	164,755	467,127
Store merchandise	-	-	-	386,288	386,288
Event	-	-	-	-	-
Donated goods and services	-	-	-	-	-
<b>Total expenses</b>	<b>\$ 1,970,803</b>	<b>\$ 1,920,649</b>	<b>\$ 540,440</b>	<b>\$ 2,414,830</b>	<b>\$ 6,846,722</b>

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<b>Management and General</b>	<b>Fund - Raising</b>	<b>Total</b>
\$ 356,571	\$ 209,994	\$ 4,018,393
5,776	10,161	384,827
22,804	14,826	285,026
16,750	-	16,750
7,465	45	8,440
-	5,339	15,973
1,638	102	6,738
-	-	165,930
67,530	100,585	950,842
1,772	-	1,772
2,236	82,497	90,863
-	-	1,455
-	-	422
-	1,327	15,963
882	226,474	248,234
2,759	729	7,212
-	-	966
3,144	4,073	15,966
4,783	-	4,783
9,010	300	21,719
32,403	48,265	456,252
-	497	7,460
5,708	2,999	13,612
-	-	398,312
-	-	20,669
7,262	10,817	102,251
40,301	60,029	567,457
-	-	386,288
-	100,787	100,787
1,904	-	1,904
<u>\$ 590,698</u>	<u>\$ 879,846</u>	<u>\$ 8,317,266</u>

# Wisconsin Humane Society

## Statements of Functional Expenses (Continued)

Year Ended September 30, 2013

	Program Services				
	Veterinary	Animal Care	Community Relations	Client Services	Total Program Services
Salaries and wages	\$ 769,535	\$ 1,192,718	\$ 267,473	\$ 994,376	\$ 3,224,102
Employee benefits	64,802	100,542	16,154	98,235	279,733
Payroll taxes	54,665	87,475	19,013	71,009	232,162
Audit and legal fees	-	-	-	-	-
Professional fees	-	293	-	480	773
Outside services	-	1,517	7,647	1,107	10,271
Office supplies	552	1,219	241	3,121	5,133
Animal supplies	43,083	78,271	4,922	1,407	127,683
Building support	246,598	278,696	64,806	290,653	880,753
Telephone	20	82	-	-	102
Postage and shipping	1,873	153	1,554	2,057	5,637
Insurance	1,455	-	-	-	1,455
Repairs and maintenance	-	326	-	-	326
Equipment	5,954	5,803	401	138	12,296
Advertising	60	95	16,243	1,744	18,142
Travel	1,034	448	1,498	346	3,326
Vehicle	104	547	-	-	651
Conferences, conventions, and meetings	4,941	3,502	573	3,072	12,088
Training	-	-	130	-	130
Dues	4,876	450	410	2,787	8,523
Operating costs	87,539	98,934	23,005	103,178	312,656
Promotional supplies	-	-	8,351	921	9,272
Miscellaneous	-	25	4,047	2,723	6,795
Veterinary	373,752	-	-	-	373,752
Dog training class	-	25,929	-	-	25,929
Interest	33,795	38,194	8,881	39,833	120,703
Depreciation	128,365	145,074	33,734	151,298	458,471
Store merchandise	-	-	-	380,200	380,200
Event	-	-	-	-	-
Donated goods and services	-	-	-	-	-
<b>Total expenses</b>	<b>\$ 1,823,003</b>	<b>\$ 2,060,293</b>	<b>\$ 479,083</b>	<b>\$ 2,148,685</b>	<b>\$ 6,511,064</b>

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<b>Management and General</b>	<b>Fund - Raising</b>	<b>Total</b>
\$ 315,678	\$ 143,846	\$ 3,683,626
4,580	9,090	293,403
19,953	10,251	262,366
11,750	-	11,750
41,458	10,000	52,231
16,117	5,205	31,593
2,406	72	7,611
-	-	127,683
82,148	100,598	1,063,499
2,106	-	2,208
2,140	81,720	89,497
-	-	1,455
-	-	326
277	3,778	16,351
811	190,259	209,212
828	-	4,154
-	-	651
4,868	754	17,710
2,150	-	2,280
5,911	610	15,044
29,161	35,711	377,528
-	200	9,472
2,936	2,412	12,143
-	-	373,752
-	-	25,929
11,259	13,787	145,749
42,762	52,366	553,599
-	-	380,200
-	83,024	83,024
7,719	-	7,719
<u>\$ 607,018</u>	<u>\$ 743,683</u>	<u>\$ 7,861,765</u>

See accompanying notes to financial statements.

# Wisconsin Humane Society

## Notes to Financial Statements

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### **Note 1            Summary of Significant Accounting Policies**

#### **Nature of Activities**

The Wisconsin Humane Society (the "Organization") is committed to building a community that values animals and treats them with respect and kindness. The Organization provides shelter, adoption services, education, outreach, and veterinary services at its principal business office in Milwaukee, Wisconsin. In addition, the Organization operates facilities in Ozaukee and Racine Counties in Wisconsin.

The Organization also operates a wildlife rehabilitation program. The purpose of this program is to develop the capability to receive, collect, rescue, maintain, and when possible rehabilitate and release sick, injured, or orphaned indigenous wildlife that originate from within Milwaukee County.

#### **Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("GAAP").

#### **Net Assets**

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor imposed stipulations that will be met, either by actions of the Organization or by the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they may be maintained permanently by the Organization.

# Wisconsin Humane Society

## Notes to Financial Statements

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### **Note 1**      **Summary of Significant Accounting Policies (Continued)**

#### **Use of Estimates**

The preparation of the accompanying financial statements in conformity with GAAP requires management to make estimates and assumptions that directly affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

#### **Cash and Cash Equivalents**

The Organization considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents, excluding amounts held as short-term investments in the Organization's investment portfolio and amounts restricted as to use.

#### **Investments**

The Organization's investments are held in broker-administered funds. Management has granted the investment managers discretionary authority over investment decisions based on the Organization's investment policy.

Investments are reported at fair value on the statement of financial position. Interest, dividends, realized and unrealized gains and losses are included in the change in net assets.

#### **Pledges Receivable**

Pledges receivable are reported in the statements of financial position net of unamortized discounts and an allowance for uncollectible pledges. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows using a discount rate ranging between 0.96% and 2.30% at September 30, 2014 and 2013. The discount rate is based on an average of the Organization's internal borrowing rate and the risk free rate of interest as determined by the rate on a 5 year U.S. treasury bill. Management individually reviews all past due pledges receivable and estimates the portion, if any, of the balance that will not be collected. The carrying amount of pledges receivable are reduced by allowances which reflect management's estimate of uncollectible amounts.

# Wisconsin Humane Society

## Notes to Financial Statements

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### **Note 1**      **Summary of Significant Accounting Policies** (Continued)

#### **Fair Value Measurements**

The Organization measures the fair value of its financial instruments using a three-tier hierarchy which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The Organization determines fair value by:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in active markets;
- Inputs, other than quoted prices, that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

#### **Inventories**

Inventories, composed primarily of pet supplies held for resale, are valued at the lower of cost, determined using the average cost method, or market.

# Wisconsin Humane Society

## Notes to Financial Statements

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### **Note 1      Summary of Significant Accounting Policies (Continued)**

#### **Unemployment Compensation**

The Organization has elected reimbursement financing under the provisions of the Wisconsin unemployment compensation laws. To meet state funding requirements, the Organization has restricted deposits totaling \$65,023 and \$65,962 at September 30, 2014 and 2013, respectively.

#### **Property and Equipment**

Property and equipment are recorded at cost. Donated equipment is recorded at the asset's fair market value at the date of donation. The cost of these items is charged to expense as depreciation computed on the straight-line method over the estimated useful lives of the assets. Estimated useful lives are 5 years for furniture, vehicles, and equipment and 20 to 40 years for land improvements, building, and building improvements.

#### **Service Fees**

Service fees are recorded as revenue when an animal is adopted.

#### **Donated Goods and Services**

Donated goods and services requiring specialized expertise are recorded as revenue and expense in the accompanying statement of activities at the estimated fair value. Only contributions of service received that create or enhance a nonfinancial asset or require specialized skill by the individual possessing those skills, and would typically need to be purchased if not provided by donation are recognized. The Organization recorded revenue and expense related to these donated goods and services of \$1,904 and \$7,719 for the years ended September 30, 2014 and 2013, respectively. The Organization received nonprofessional volunteer services which management has estimated at a value of approximately \$589,760 and \$612,952 for the years ended September 30, 2014 and 2013, respectively. These amounts are not recorded in the statements of activities.

# Wisconsin Humane Society

## Notes to Financial Statements

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### **Note 1**      **Summary of Significant Accounting Policies (Continued)**

#### **Contributions**

Contributions are considered available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give cash and other assets to the Organization are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift was deemed unconditional. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying financial statements.

#### **Income Taxes**

The Organization is a tax-exempt corporation as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Organization is also exempt from state income taxes.

In order to account for any uncertain tax positions, the Organization determines whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position, assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements. The Organization recorded no assets or liabilities related to uncertain tax positions for the years ended September 30, 2014 and 2013. Tax returns are no longer subject to examination by the Internal Revenue Service for years prior to September 30, 2011.

#### **Subsequent Events**

Subsequent events have been evaluated through December 30, 2014, which is the date the financial statements were issued.

# Wisconsin Humane Society

## Notes to Financial Statements

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### Note 2 Investments

#### Investment Composition

Investments, stated at fair value, consisted of the following at September 30, 2014 and 2013:

	2014	2013
Money market funds	\$ 116,685	\$ 151,383
Mutual funds	3,617,921	3,193,825
Corporate bonds	1,272,507	1,500,831
Corporate stocks	1,442,819	1,289,958
Total investments	\$ 6,449,932	\$ 6,135,997

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

#### Investment Income

Investment income, including gains and losses on cash and cash equivalents, investments, and restricted assets consisted of the following for the years ended September 30, 2014 and 2013:

	2014	2013
Interest and dividend income	\$ 54,409	\$ 53,326
Realized and unrealized gain on investments	561,852	498,369
Total investment income	\$ 616,261	\$ 551,695

The Organization incurred investment fees of \$31,067 and \$13,426 for the years ended September 30, 2014 and 2013, respectively. Investment fees are included in operating costs on the statements of functional expense.

# Wisconsin Humane Society

## Notes to Financial Statements

### Note 3 Fair Value Measurements

The following is a description of the valuation methodology used for each asset measured at fair value on a recurring basis:

- Money market funds are measured using \$1 as the net asset value ("NAV").
- Mutual funds are valued based on quoted market prices which represent the net asset value (NAV) of shares held.
- Corporate bonds are valued using quotes from pricing vendors based on recent trading activity and other observable market data.
- Common stocks are valued at quoted market prices from active market on which the stocks are traded.
- Pledges receivable are based on the original pledge amounts, net an allowance for uncollectible pledges, and the unamortized discount on the long-term pledges receivable based on a discount rate described in Note 1.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, while the organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at that reporting date.

Information regarding assets measured at fair value on a recurring basis as of September 30 is as follows:

	2014			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ -	\$ 116,685	\$ -	\$ 116,685
Mutual funds:				
Equity income	528,186	-	-	528,186
Mid cap	1,055,868	-	-	1,055,868
International	732,161	-	-	732,161
Large cap	1,301,706	-	-	1,301,706
Corporate bonds	-	1,272,507	-	1,272,507
Common stocks:				
Energy	156,987	-	-	156,987
Materials	70,175	-	-	70,175
Industrials	396,538	-	-	396,538
Consumer Discretionary	103,640	-	-	103,640
Consumer Staples	5,377	-	-	5,377
Health Care	198,988	-	-	198,988
Financials	263,284	-	-	263,284
Telecommunications	35,423	-	-	35,423
Information Technology	212,407	-	-	212,407
Pledges receivable	-	4,976,728	-	4,976,728
<b>Total</b>	<b>\$ 5,060,740</b>	<b>\$ 6,365,920</b>	<b>\$ -</b>	<b>\$ 11,426,660</b>

# Wisconsin Humane Society

## Notes to Financial Statements

### Note 3 Fair Value Measurements (Continued)

	2013			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ -	\$ 151,383	\$ -	\$ 151,383
Mutual funds:				
Equity income	474,815	-	-	474,815
Mid cap	939,401	-	-	939,401
International	655,258	-	-	655,258
Large cap	1,124,351	-	-	1,124,351
Corporate bonds	-	1,500,831	-	1,500,831
Common stocks:				
Energy	152,479	-	-	152,479
Materials	106,040	-	-	106,040
Industrials	258,180	-	-	258,180
Consumer Discretionary	137,025	-	-	137,025
Health Care	182,022	-	-	182,022
Financials	181,945	-	-	181,945
Telecommunications	24,882	-	-	24,882
Information Technology	247,385	-	-	247,385
Pledges receivable	-	4,868,708	-	4,868,708
Total	\$ 4,483,783	\$ 6,520,922	\$ -	\$ 11,004,705

### Note 4 Pledges Receivable

Pledges receivable consisted of the following at September 30, 2014 and 2013:

	2014	2013
Bequests	\$ 316,000	\$ 327,000
Contributions receivable	5,016,924	4,844,844
Community share allocation	-	52,266
Total pledges receivable	\$ 5,332,924	\$ 5,224,110

# Wisconsin Humane Society

## Notes to Financial Statements

### Note 4 Pledges Receivable (Continued)

The pledges receivable balance is expected to be collected according to the following schedule as of September 30, 2014 and 2013:

	2014	2013
Receivable in less than one year	\$ 47,300	\$ 107,577
Receivable in one to five years	5,047,624	4,868,533
Receivable in more than five years	238,000	248,000
Total pledges receivable	5,332,924	5,224,110
Less discounts to net present value	326,176	324,337
Less allowance for uncollectible pledges receivable	30,020	31,065
Net pledges receivable	4,976,728	4,868,708
Less current portion	43,690	76,512
Pledges receivable - noncurrent	\$ 4,933,038	\$ 4,792,196

At September 30, 2014 and 2013, promises to give from one donor comprised 94% and 92%, respectively, of total outstanding pledges receivable.

### Note 5 Property and Equipment

Property and equipment consisted of the following at September 30, 2014 and 2013:

	2014	2013
Land	\$ 1,490,390	\$ 1,490,390
Land improvements	453,101	453,101
Building and building improvements	12,643,292	12,643,292
Vehicles	142,000	142,000
Furniture and equipment	1,373,355	1,367,881
Total property and equipment	16,102,138	16,096,664
Less - Accumulated depreciation	5,113,861	4,546,405
Property and equipment - Net	\$ 10,988,277	\$ 11,550,259

# Wisconsin Humane Society

## Notes to Financial Statements

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### Note 6 Line of Credit

At September 30, 2014, the Organization had a line of credit of \$800,000 with a bank, which bears interest at the prime rate adopted by the lender (3.25% at September 30, 2014), due on demand, and is subject to an annual review. The line of credit is secured by a general business security agreement of the Organization. There were no amounts outstanding under this agreement at September 30, 2014 and 2013.

### Note 7 Long-Term Debt

Long-term debt consists of the following at September 30:

	2014	2013
Bond payable to bank in principal payments due annually on March 1 of each year, with the final payment due March 1, 2019. Interest is charged based on a variable rate determined by the Remarketing Agent Robert W. Baird based on a rate that would enable the Bonds to be sold at a price of par, plus accrued interest (.14% and .17% as of September 30, 2014 and 2013, respectively). Interest on the outstanding bonds is paid monthly. The bonds are secured with a first mortgage on the land and building constructed with the proceeds.	1,370,000	1,645,000
Mortgage note payable to a bank with monthly payments of principal and interest of \$16,822, beginning December 7, 2013, with one final balloon payment for the remaining unpaid principal and accrued interest on November 7, 2018. The loan bears interest at an initial interest rate of 3.25%. The interest rate will vary based on prime, but will never be greater than 3.75% or less than 3.25%. The mortgage is secured with a first mortgage on land and building of the Ozaukee location.	2,878,058	2,964,440
Long-term debt	4,248,058	4,609,440
Less current maturities	385,001	363,980
Long-term portion	3,863,057	4,245,460

# Wisconsin Humane Society

## Notes to Financial Statements

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### Note 7 Long-Term Debt (Continued)

Maturities of debt are as follows:

2015	\$	385,001
2016		388,630
2017		392,379
2018		396,251
2019		2,685,797
Total		\$ 4,248,058

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### Note 8 Deferred Compensation

The Organization had entered into an agreement that allowed for certain eligible employees to defer a portion of their compensation until retirement. The deferral amount was contributed to an investment account that remained under the Organization's control. Termination of the plan, involuntary termination of a participant, or retirement of a participant will result in the distribution of the deferral amount plus gains or losses from the investment. A final distribution of the balance was taken in 2014.

### Note 9 Temporarily Restricted Net Assets

Temporarily restricted net assets include assets set aside in accordance with donor restrictions as to time or use. Temporarily restricted net assets are available for the following purposes at September 30, 2014 and 2013:

	2014	2013
Pet cemetery	\$ 277,223	\$ 279,799
Community share allocation	-	52,266
Saukville campaign	4,773,027	4,615,868
Time restricted	209,235	213,546
Total temporary restricted net assets	\$ 5,259,485	\$ 5,161,479

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# Wisconsin Humane Society

## Notes to Financial Statements

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### **Note 9**      **Temporarily Restricted Net Assets** (Continued)

Net assets were released from restrictions by incurring expenses, satisfying the restricted purpose or by occurrence of other events specified by donors. During 2014 and 2013, temporarily restricted net assets released from restricted net assets were as follows:

	2014	2013
Pet cemetery	\$ 2,576	\$ 1,945
Community share allocation	52,266	-
Bequest receivable	6,173	47,337
Saukville campaign	13,542	268,434
Total temporary restricted net assets released from restrictions	\$ 74,557	\$ 317,716

### **Note 10**      **Tax-Deferred Annuity Plan**

The Organization sponsors a tax-deferred annuity plan (the "Plan") qualified under Section 403(b) of the Code. Full-time employees of the Organization are eligible to participate in the Plan upon fulfilling certain eligibility requirements. Employees may elect salary deferrals which are contributed to the Plan up to a maximum amount allowed by the Code. In addition, the Organization may elect to make discretionary matching and non-elective contributions on behalf of eligible employees. The Organization did not make discretionary contributions to the Plan during September 30, 2014 and 2013.

### **Note 11**      **Advertising**

The organization uses advertising to promote its adoption and other programs among the areas it serves. The production costs of advertising are expensed as incurred. During 2014 and 2013, advertising costs totaled \$248,234 and \$209,212, respectively.

### **Note 12**      **Concentrations**

The Organization maintains depository relationships with area financial institutions, and the Organization's balances may at times exceed Federal Deposit Insurance Corporation (FDIC) limits. The Organization has not experienced any losses with these accounts. Management believes the Organization is not exposed to any significant risk on cash.

# Wisconsin Humane Society

## Notes to Financial Statements

### Note 13 Interest in Assets Held by Recipient Organizations

In accordance with the provisions of Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-605-50, *Transfers of Assets to a Not-for-Profit Entity or Charitable Trust That Raises or Holds Contributions for Others*, the assets held by recipient organizations for the benefit of the Wisconsin Humane Society are required to be reported as an asset of the Wisconsin Humane Society. Accordingly, the Wisconsin Humane Society recognizes the interest in net assets of the recipient organizations and adjusts that interest for its share of the change in the net assets.

The Organization has a fund with the Racine Community Foundation. The Racine Community Foundation has governance over the investment of funds and distribution of fund assets. Interest in assets held by the Racine Community Foundation totaled \$24,834 and \$22,972 at September 30, 2014 and 2013, respectively.

#### Donor-Designated Endowment

The restricted use of the assets is as follows at September 30:

	2014		
	Temporarily Restricted	Permanently Restricted	Total
Benefit of the Organization	\$ 14,834	\$ 10,000	\$ 24,834

Changes in assets were as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowments at September 30, 2012	\$ -	\$ -	\$ -
Contribution from Countryside Humane Society	10,086	10,000	20,086
Net appreciation, including interest and dividends	2,886	-	2,886
Endowments at September 30, 2013	\$ 12,972	\$ 10,000	\$ 22,972
Net appreciation, including interest and dividends	1,862	-	1,862
Endowments at September 30, 2014	\$ 14,834	\$ 10,000	\$ 24,834