

Humane Society of Portage County, Inc.

# FINANCIAL STATEMENTS

*For the Years Ended  
December 31, 2021 and 2020*

 KerberRose

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# HUMANE SOCIETY OF PORTAGE COUNTY, INC.

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December 31, 2021 and 2020

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## Independent Auditors' Report

To the Board of Directors  
Humane Society of Portage County, Inc.  
Plover, Wisconsin

### ***Opinion***

We have audited the accompanying financial statements of Humane Society of Portage County, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, 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 financial statements referred to above present fairly, in all material respects, the financial position of Humane Society of Portage County, Inc. as of December 31, 2021 and 2020, 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Humane Society of Portage County, 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 Humane Society of Portage County, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditors' 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 auditors' 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 generally accepted auditing standards 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.

To the Board of Directors  
Humane Society of Portage County, Inc.

In performing an audit in accordance with generally accepted auditing standards, 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 Humane Society of Portage County, 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 the Organization'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

*KerberRose SC*

**KerberRose SC**  
**Certified Public Accountants**  
Green Bay, Wisconsin  
November 29, 2022

**FINANCIAL STATEMENTS**

# HUMANE SOCIETY OF PORTAGE COUNTY, INC.

Statements of Financial Position  
As of December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 72,729	\$ 88,322
Accounts and Bequests Receivable	21,195	20,402
Prepaid Expenses	10,798	7,875
Inventory	776	776
<b>Total Current Assets</b>	<u>105,498</u>	<u>117,375</u>
<b>PROPERTY AND EQUIPMENT</b>		
Land and Land Improvements	221,089	221,089
Building and Improvements	1,392,146	1,384,591
Furniture, Fixtures and Equipment	175,650	175,650
Vehicles	62,562	62,562
Total Property and Equipment	<u>1,851,447</u>	<u>1,843,892</u>
Less: Accumulated Depreciation	<u>782,020</u>	<u>721,545</u>
<b>Net Property and Equipment</b>	<u>1,069,427</u>	<u>1,122,347</u>
<b>OTHER ASSETS</b>		
Investments	1,061,614	850,811
Beneficial Interest in Assets Held by Community Foundation	<u>140,862</u>	<u>130,059</u>
<b>Total Other Assets</b>	<u>1,202,476</u>	<u>980,870</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,377,401</u>	<u>\$ 2,220,592</u>
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 29,981	\$ 14,213
Accrued Payroll and Payroll Liabilities	25,455	18,114
Other Accrued Expenses	200	180
<b>Total Current Liabilities</b>	<u>55,636</u>	<u>32,507</u>
<b>NET ASSETS</b>		
Without Donor Restrictions:		
Investment in Property and Equipment	1,069,427	1,122,347
Capital Expenditure Fund	122,624	70,502
Reserve Fund	938,990	724,083
Beneficial Interest in Assets Held by Community Foundation	113,961	105,059
Undesignated	48,627	75,784
Total Without Donor Restictions	<u>2,293,629</u>	<u>2,097,775</u>
With Donor Restrictions	<u>28,136</u>	<u>90,310</u>
<b>Total Net Assets</b>	<u>2,321,765</u>	<u>2,188,085</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 2,377,401</u>	<u>\$ 2,220,592</u>

See Accompanying Notes

**HUMANE SOCIETY OF PORTAGE COUNTY, INC.**

Statement of Activities

For the Year Ended December 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>OPERATING ACTIVITIES</b>			
<b>Revenues and Other Support</b>			
Contributions	\$ 361,766	\$ 2,511	\$ 364,277
Bequests	157,496	-	157,496
Memorial Income	19,935	-	19,935
Honorary Income	1,893	-	1,893
Grants	2,326	-	2,326
County Contract Income	279,740	-	279,740
Adoptions and Other Shelter Operations	31,468	-	31,468
Surrender Income	1,038	-	1,038
Redemption Income	6,734	-	6,734
Clinic Income	22,806	-	22,806
Fundraising Events	85,647	-	85,647
In-Kind Donations	104,436	-	104,436
Interest Income	9,047	-	9,047
Dividend Income	4,209	-	4,209
Miscellaneous	134	-	134
Net Assets Released from Restrictions	64,685	(64,685)	-
<b>Total Revenues and Other Support</b>	<u>1,153,360</u>	<u>(62,174)</u>	<u>1,091,186</u>
<b>EXPENSES</b>			
Program Services	740,492	-	740,492
Management and General	163,667	-	163,667
Fundraising	108,040	-	108,040
<b>Total Expenses</b>	<u>1,012,199</u>	<u>-</u>	<u>1,012,199</u>
<b>CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES</b>	<u>141,161</u>	<u>(62,174)</u>	<u>78,987</u>
<b>OTHER CHANGES</b>			
Change in Beneficial Interest in Assets Held by Community Foundation	13,718	-	13,718
Net Realized and Unrealized Gain on Investments	40,975	-	40,975
<b>Total Other Changes</b>	<u>54,693</u>	<u>-</u>	<u>54,693</u>
<b>CHANGE IN NET ASSETS</b>	195,854	(62,174)	133,680
<b>NET ASSETS - BEGINNING</b>	<u>2,097,775</u>	<u>90,310</u>	<u>2,188,085</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 2,293,629</u>	<u>\$ 28,136</u>	<u>\$ 2,321,765</u>

See Accompanying Notes

**HUMANE SOCIETY OF PORTAGE COUNTY, INC.**

Statement of Activities

For the Year Ended December 31, 2020

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
<b>OPERATING ACTIVITIES</b>			
<b>Revenues and Other Support</b>			
Contributions	\$ 316,983	\$ -	\$ 316,983
Bequests	365,383	-	365,383
Memorial Income	20,335	-	20,335
Honorary Income	3,395	-	3,395
Grants	353	-	353
County Contract Income	273,342	-	273,342
Adoptions and Other Shelter Operations	30,501	-	30,501
Surrender Income	1,710	-	1,710
Redemption Income	7,247	-	7,247
Clinic Income	16,440	-	16,440
Fundraising Events	81,918	-	81,918
In-Kind Donations	139,866	-	139,866
Interest Income	7,346	-	7,346
Dividend Income	3,828	-	3,828
Miscellaneous	1,901	-	1,901
Net Assets Released from Restrictions	41,978	(41,978)	-
<b>Total Revenues and Other Support</b>	<u>1,312,526</u>	<u>(41,978)</u>	<u>1,270,548</u>
<b>EXPENSES</b>			
Program Services	701,685	-	701,685
Management and General	154,877	-	154,877
Fundraising	94,494	-	94,494
<b>Total Expenses</b>	<u>951,056</u>	<u>-</u>	<u>951,056</u>
<b>CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES</b>	<u>361,470</u>	<u>(41,978)</u>	<u>319,492</u>
<b>OTHER CHANGES</b>			
Change in Beneficial Interest in Assets Held			
by Community Foundation	14,197	-	14,197
Net Realized and Unrealized Gain on Investments	74,513	-	74,513
Loss on Disposal of Property and Equipment	(1,089)	-	(1,089)
Payroll Protection Program Loan Contribution	103,300	-	103,300
<b>Total Other Changes</b>	<u>190,921</u>	<u>-</u>	<u>190,921</u>
<b>CHANGE IN NET ASSETS</b>	552,391	(41,978)	510,413
<b>NET ASSETS - BEGINNING</b>	<u>1,545,384</u>	<u>132,288</u>	<u>1,677,672</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 2,097,775</u>	<u>\$ 90,310</u>	<u>\$ 2,188,085</u>

See Accompanying Notes



## HUMANE SOCIETY OF PORTAGE COUNTY, INC.

Statement of Functional Expenses  
For the Year Ended December 31, 2021

<b>EXPENSES</b>	<b>Support Services</b>			<b>Total</b>
	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	
Salaries	\$ 360,956	\$ 69,501	\$ 17,936	\$ 448,393
Payroll Taxes	27,782	5,349	1,380	34,511
Advertising	-	208	-	208
Annual Appeal	-	-	42,966	42,966
Professional Fees	8,313	12,278	-	20,591
Shelter Supplies	35,544	-	-	35,544
Medical Supplies	44,187	-	-	44,187
Office Supplies	1,672	1,673	-	3,345
In-Kind Donations	60,000	23,136	21,300	104,436
Training	6,040	-	-	6,040
Meetings	-	6,594	-	6,594
Telephone	2,247	642	321	3,210
Shelter Veterinary Services	53,153	-	-	53,153
Bad Debts	-	1,704	-	1,704
Postage and Shipping	2,130	532	2,662	5,324
Occupancy	32,218	4,027	4,027	40,272
Repairs and Maintenance	29,453	7,363	-	36,816
Uniform	2,597	-	-	2,597
Technology Expenses	1,944	556	278	2,778
Travel	7,312	-	-	7,312
License Fees	1,650	-	-	1,650
Dues and Subscriptions	-	9,523	-	9,523
Insurance	7,654	957	957	9,568
Worker's Compensation Insurance	5,846	1,462	-	7,308
Officer's and Director's Insurance	-	746	-	746
Bank and Credit Card Fees	-	2,768	-	2,768
Special Events	-	-	10,165	10,165
Public Relations	-	8,600	-	8,600
Miscellaneous	1,415	-	-	1,415
Depreciation	48,379	6,048	6,048	60,475
<b>TOTAL EXPENSES</b>	<b>\$ 740,492</b>	<b>\$ 163,667</b>	<b>\$ 108,040</b>	<b>\$ 1,012,199</b>

See Accompanying Notes

**HUMANE SOCIETY OF PORTAGE COUNTY, INC.**

Statement of Functional Expenses  
For the Year Ended December 31, 2020

EXPENSES	Support Services			Total
	Program Services	Management and General	Fundraising	
Salaries	\$ 358,913	\$ 69,107	\$ 17,834	\$ 445,854
Payroll Taxes	33,443	6,439	1,662	41,544
Annual Appeal	-	-	39,706	39,706
Professional Fees	9,300	9,724	-	19,024
Shelter Supplies	21,649	-	-	21,649
Medical Supplies	40,173	-	-	40,173
Office Supplies	1,707	1,707	-	3,414
In-Kind Donations	53,688	23,700	18,000	95,388
Conferences	400	-	-	400
Training	7,627	-	-	7,627
Meetings	-	2,445	-	2,445
Telephone	3,093	884	442	4,419
Shelter Veterinary Services	22,195	-	-	22,195
Postage and Shipping	2,859	701	3,561	7,121
Occupancy	28,458	3,557	3,557	35,572
Repairs and Maintenance	27,022	6,755	-	33,777
Uniform	3,484	-	-	3,484
Television	643	-	-	643
Technology Expenses	1,197	342	171	1,710
Travel	15,658	-	-	15,658
License Fees	1,305	-	-	1,305
Dues and Subscriptions	-	7,669	-	7,669
Insurance	6,844	855	855	8,554
Worker's Compensation Insurance	13,202	3,301	-	16,503
Officer's and Director's Insurance	-	750	-	750
Bank and Credit Card Fees	-	3,771	-	3,771
Special Events	-	-	3,356	3,356
Public Relations	-	7,800	-	7,800
Miscellaneous	6,026	20	-	6,046
Depreciation	42,799	5,350	5,350	53,499
<b>TOTAL EXPENSES</b>	<b>\$ 701,685</b>	<b>\$ 154,877</b>	<b>\$ 94,494</b>	<b>\$ 951,056</b>

See Accompanying Notes

# HUMANE SOCIETY OF PORTAGE COUNTY, INC.

## Statements of Cash Flows

For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 133,680	\$ 510,413
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities:		
Depreciation	60,475	53,499
In-Kind Donation of Property and Equipment	-	(44,478)
Change in Beneficial Interest in Assets Held by Community Foundation	(13,718)	(14,197)
Realized and Unrealized Gain on Investments	(40,975)	(74,513)
Interest and Dividends Reinvested	(13,132)	(10,587)
Loss on Disposal of Property and Equipment	-	1,089
Decrease (Increase) in Operating Assets:		
Accounts and Bequests Receivable	(793)	5,627
Prepaid Expenses	(2,923)	4,628
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	15,768	(4,886)
Accrued Payroll and Payroll Liabilities	7,341	(22,548)
Other Accrued Expenses	20	11
<b>Net Cash Flows From Operating Activities</b>	<u>145,743</u>	<u>404,058</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	(7,555)	(67,609)
Contributions to Beneficial Interest in Assets Held by Community Foundation	(1,901)	(1,210)
Purchases of Investments	(168,037)	(402,001)
Proceeds from Sale of Investments	11,341	87,500
Distribution from Beneficial Interest in Assets Held by Community Foundation	4,816	4,675
<b>Net Cash Flows from Investing Activities</b>	<u>(161,336)</u>	<u>(378,645)</u>
<b>NET CHANGE IN CASH</b>	(15,593)	25,413
<b>CASH - BEGINNING</b>	<u>88,322</u>	<u>62,909</u>
<b>CASH - ENDING</b>	<u>\$ 72,729</u>	<u>\$ 88,322</u>

See Accompanying Notes

## HUMANE SOCIETY OF PORTAGE COUNTY, INC.

Notes to Financial Statements

December 31, 2021 and 2020

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

This summary of significant accounting policies of Humane Society of Portage County, Inc. (Organization) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

#### **Nature of Operations**

The Humane Society of Portage County, Inc. was incorporated in 1969 in the State of Wisconsin. The Organization is a not-for-profit organization which assists in the protection and care of domestic animals by providing educational programs, shelter for animals, lost and found services, animal training programs, pet adoption services, humane destruction of unwanted, sick and injured animals, picking up and receiving stray animals, returning lost pets to owners, and providing other lawful related services in the animal protection field. The Organization's primary sources of revenue are from county contracts, donations and fees for services.

#### **Basis of Accounting**

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### **Cash**

Cash consists of demand deposits with financial institutions and is carried at cost. For the purpose of the statements of cash flows, the Organization considers as cash equivalents all highly liquid investments which have a maturity period of ninety days or less from purchase to be cash. Aggregate accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

#### **Accounts and Bequests Receivable**

Accounts and bequests receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the outstanding balances, it has concluded that realization losses on balances outstanding at December 31, 2021 and 2020 will be immaterial.

#### **Investments**

Investments consist of debt and equity securities held as of December 31, 2021 and 2020. Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Donated investments are recorded at their estimated fair value at the date received.

#### **Inventory**

Inventory of medical merchandise purchased for use is stated at the lower of cost using the first-in, first-out (FIFO) method or net realizable value.

#### **Prepaid Expenses**

Prepaid expenses are payments to vendors that benefit future reporting periods.

#### **Contribution Revenue**

Contributions of cash and other assets are reported as with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from donor restrictions. Restricted contributions whose restrictions are met in the same reporting period are recorded as without donor restrictions.

## HUMANE SOCIETY OF PORTAGE COUNTY, INC.

Notes to Financial Statements  
December 31, 2021 and 2020

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

#### Revenue and Revenue Recognition

A portion of the Organization's revenue is derived from shelter and clinic operations. The amounts received are recognized at the time of sale or at the time services are performed. The Organization also receives revenue from a county contract which is recognized over the period in which services are provided.

#### Property, Equipment and Depreciation

Purchased property and equipment is recorded at cost. Donated property and equipment is recorded at acquisition value at date of donation. All acquisition of property and equipment in excess of \$5,000 are capitalized, while expenditures for maintenance and repairs are charged against operations. Renewals and betterments that materially extend the life of an asset are capitalized. Depreciation for financial reporting purposes is calculated using the straight-line method. Estimated useful lives of the assets are as follows:

Land Improvements	15 Years
Building and Improvements	15 – 39 Years
Furniture, Fixtures, and Equipment	5 – 10 Years
Vehicles	5 Years

#### Financial Statement Presentation

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

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

#### Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and other changes. Operating activities consist of those items attributable to Humane Society of Portage County, Inc.'s ongoing services and interest and dividends earned on investments. Other changes are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature, and COVID related revenues.

#### In-Kind Contributions

The Organization records various types of in-kind contributions. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets, materials and other goods are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

The Organization received contributed program materials, equipment and services with a fair value on the dates of donation of \$104,436 and \$139,866 for the years ended December 31, 2021 and 2020, respectively.

Many individuals volunteer their time and perform a variety of tasks that assist the Organization with the operation of the shelter, fostering animals, office duties and fundraising campaigns. These volunteer contributions are not reflected in the financial statements since these services do not meet the criteria for recognition.

## HUMANE SOCIETY OF PORTAGE COUNTY, INC.

Notes to Financial Statements  
December 31, 2021 and 2020

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

#### Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries	Time and Effort
Payroll Taxes	Time and Effort
Professional Fees	Full Time Equivalent
Office Supplies	Actual Usage
In-Kind Donations	Actual Usage
Telephone	Full Time Equivalent
Postage and Shipping	Actual Usage
Occupancy	Square Footage
Repairs and Maintenance	Actual Usage
Technology	Actual Usage
Insurance	Square Footage
Worker's Compensation Insurance	Actual Usage
Miscellaneous	Actual Usage
Depreciation	Square Footage

#### Income Taxes

The Organization is a charitable organization under Section 501(c)(3) of the Internal Revenue Code and thus is exempt from income taxes. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private operating foundation under Section 509(a)(2). Gifts, grants and bequests are deductible by donors within limitations of the Internal Revenue Code. The Organization is subject to a tax on income from any unrelated activities. The Organization continually evaluates its tax positions, changes in tax law and new authoritative rulings for potential implications to its tax status. The Organization does not believe there are any uncertain tax positions.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from these estimates.

#### Subsequent Events

The Organization has evaluated subsequent events through November 29, 2022, the date which the financial statements were available to be issued.

## HUMANE SOCIETY OF PORTAGE COUNTY, INC.

Notes to Financial Statements

December 31, 2021 and 2020

### Note 2 - Availability and Liquidity

The following represents the Organization's financial assets available for use at December 31:

	<u>2021</u>	<u>2020</u>
Financial Assets at Year End:		
Cash	\$ 72,729	\$ 88,322
Accounts and bequests receivable	21,195	20,402
Investments	1,061,614	850,811
Beneficial interest in assets held by Community Foundation	<u>140,862</u>	<u>130,059</u>
Total financial assets	1,296,400	1,089,594
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(28,136)	(90,310)
Net assets with purpose restrictions to be met in less than one year	<u>1,235</u>	<u>65,310</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,269,499</u>	<u>\$ 1,064,594</u>

The Organization has various sources of liquidity at its disposal. In addition to financial assets available to meet general expenditures over the next twelve months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

### Note 3 - Concentration of Revenue

The Organization receives a substantial portion of its annual revenue from an animal control contract with Portage County, Wisconsin. If a significant reduction in the level of these revenues were to occur, it would have an effect on the Organization's programs and activities. The Organization received \$279,740 and \$273,342 from the county for the years ended December 31, 2021 and 2020, respectively, which is approximately 26% and 22% of total revenues and other support.

### Note 4 - Beneficial Interest in Assets at Community Foundation

Certain gifts received by the Organization have been transferred to the Community Foundation of Central Wisconsin (Foundation) and established as board designated endowment funds. The Board of Directors of the Foundation has sole discretion as to the investment and reinvestment of these funds. Upon the request of the Board of Directors of the Organization, the Foundation's Board may authorize distributions from the fund to be used for the purpose set forth in the fund agreement. Under this arrangement investments in marketable securities with readily determined fair values are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

### Note 5 - Fair Value Measurements

Financial Accounting Standards Board Codification of Accounting Pronouncements, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure 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 three levels of the fair value hierarchy are described below:

## HUMANE SOCIETY OF PORTAGE COUNTY, INC.

Notes to Financial Statements  
December 31, 2021 and 2020

### Note 5 - Fair Value Measurements (Continued)

- Level 1 Quoted prices (unadjusted) for identical assets or liabilities in active markets that the Organization has the ability to access as of the measurement date.
- Level 2 Significant other observable inputs other than level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset 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 need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value.

Beneficial Interest: Valued using level 3 inputs based on future cash flows from the Organization's allocated share of the beneficial interest and the valued inputs used for the Community Foundation.

Cash and Equivalents: Due to their short-term nature, the carrying amounts of cash and equivalents approximate the fair value and are deemed to be actively traded (level 1 inputs).

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded (level 1 inputs).

Stocks: Valued at the closing price reported on the active market on which the individual securities are traded (level 1 inputs).

Fair values of assets measured on a recurring basis at December 31, 2021 are as follows:

	<u>Fair Value Level 1</u>	<u>Fair Value Level 3</u>	<u>Total</u>
Beneficial Interest in Community Foundation	\$ -	\$ 140,862	\$ 140,862
Cash and Equivalents	41,900	-	41,900
Mutual Funds	578,726	-	578,726
Stocks	440,988	-	440,988
Total	<u>\$ 1,061,614</u>	<u>\$ 140,862</u>	<u>\$ 1,202,476</u>

Fair values of assets measured on a recurring basis at December 31, 2020 are as follows:

	<u>Fair Value Level 1</u>	<u>Fair Value Level 3</u>	<u>Total</u>
Beneficial Interest in Community Foundation	\$ -	\$ 130,059	\$ 130,059
Cash and Equivalents	74,625	-	74,625
Mutual Funds	459,117	-	459,117
Stocks	317,069	-	317,069
Total	<u>\$ 850,811</u>	<u>\$ 130,059</u>	<u>\$ 980,870</u>



## HUMANE SOCIETY OF PORTAGE COUNTY, INC.

Notes to Financial Statements  
December 31, 2021 and 2020

### Note 5 - Fair Value Measurements (Continued)

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	<b>Beneficial Interest in Community Foundation</b>
January 1, 2020	\$ 119,327
Contributions	1,210
Interest and Dividends	3,093
Investment Fees	(2,163)
Distributions	(4,675)
Total Gains (Realized/Unrealized)	13,267
December 31, 2020	130,059
Contributions	1,901
Interest and Dividends	8,855
Investment Fees	(2,562)
Distributions	(4,816)
Total Gains (Realized/Unrealized)	7,425
December 31, 2021	\$ 140,862

The Organization recognizes reclassifications of assets into and out of levels as of the date an event or change in circumstances causes the reclassification.

### Note 6 - Endowment Funds

The Financial Accounting Standards Board (FASB), *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*, provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). FASB also improved disclosures about an organization's endowment funds whether or not the organization is subject to UPMIFA. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Wisconsin enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) on July 20, 2009. The Board of Directors of Humane Society of Portage County, Inc. has interpreted the Wisconsin UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent any explicit donor stipulations to the contrary.

As a result of this interpretation, Humane Society of Portage County, Inc. classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The initial gift of the endowment fund being held at the Community Foundation includes a perpetually restricted portion. The remaining portion of the endowment fund that is not perpetual in nature is classified as board designated net assets without donor restrictions.

## HUMANE SOCIETY OF PORTAGE COUNTY, INC.

Notes to Financial Statements  
December 31, 2021 and 2020

### Note 6 - Endowment Funds (Continued)

In accordance with the Wisconsin UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate board designated funds:

1. The duration and preservation of the fund.
2. The purposes of the Organization and the board designated endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation or depreciation of investments.
6. Other resources of the Organization.
7. The Organization's investment policies.

Investing Policy – The investment strategy of the endowment fund is to emphasize total return, that is, the aggregate return from capital appreciation and dividend and interest income.

Spending Policy – Income from the fund is available for the general purposes of the Organization. A distribution was made during the years ended December 31, 2021 and 2020. Humane Society of Portage County, Inc. has no formal spending policy.

From time to time, certain endowment funds may have fair values less than the amount required to be maintained by law (underwater endowments). The Organization's Board of Directors has interpreted the Wisconsin UPMIFA to permit spending from underwater endowments in accordance with prudent measures required by law.

Nature of Restricted Net Assets – The without donor restrictions amounts are board designated funds for use toward general purposes of the Organization. The amounts will be released from restriction when appropriation is made by the Board of Directors. There were distributions in the amount of \$4,816 and \$4,675 for the years ended December 31, 2021 and 2020, respectively.

Changes in endowment without donor restricted net assets for the years ended December 31, 2021 and 2020 are depicted in Note 5.

### Note 7 - Net Assets

Net assets at December 31, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Net Assets Without Donor Restrictions:		
Undesignated Net Assets Without Donor Restrictions	\$ 48,627	\$ 75,784
Designated Net Assets Without Donor Restrictions:		
Investment in Property and Equipment	1,069,427	1,122,347
Capital Expenditure Fund	122,624	70,502
Emergency Reserve Fund	938,990	724,083
Operational Support	113,961	105,059
Total Designated Net Assets Without Donor Restrictions	<u>2,245,002</u>	<u>2,021,991</u>
Total Net Assets Without Donor Restrictions	<u>2,293,629</u>	<u>2,097,775</u>
Net Assets With Donor Restrictions:		
Shelter Generator	625	625
Fix Is In Clinic	610	-
Schlieper Fund	-	11,361
Spay/Neuter	-	8,459
Building Improvements	-	44,865
Perpetually Restricted Endowment Fund	26,901	25,000
Total With Donor Restricted Net Assets	<u>28,136</u>	<u>90,310</u>
Total Net Assets	<u>\$ 2,321,765</u>	<u>\$ 2,188,085</u>

## HUMANE SOCIETY OF PORTAGE COUNTY, INC.

Notes to Financial Statements  
December 31, 2021 and 2020

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### Note 8 - Purchase Commitment

The Organization entered into an agreement with IDEXX Laboratories during 2020 in which they received an X-Ray machine at no cost with the requirement that they purchase a minimum of \$14,700 of products and services from IDEXX Laboratories for each of the next six years. Ownership of the machine will transfer to the Organization upon completion of the agreement term.

### Note 9 - Paycheck Protection Program Contribution

In April 2020, the Organization received a loan in the amount of \$103,300 under the Paycheck Protection Program (PPP Loan). The PPP Loan and accrued interest are forgivable after the covered period, up to 24 weeks, if the borrower uses the PPP Loan proceeds for eligible purposes, including payroll, benefits, rent, utilities, covered operations expenditures, covered property damage, covered supplier costs, covered worker protection expenditures and maintains its payroll levels. The amount of the PPP Loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period, up to 24-weeks. The unforgiven portion of the PPP Loan is payable over 2 years at an interest rate of 1%, with a deferral of payments for the first 10 months.

The Organization met the PPP's eligibility criteria and, therefore, has concluded that the PPP Loan represents, in substance, a grant that has been forgiven. As a result, the Organization has accounted for the PPP Loan in accordance with FASB ASC 958-605 as a contribution. The Organization initially recorded the amount received as a refundable advance followed by a reduction in the advance and recognition of revenue as the aforementioned conditions were substantially met. During the year ended December 31, 2020, the Organization has used the entire proceeds for purposes consistent with the PPP, which was also forgiven by the bank, resulting in recognition of the entire PPP Loan amount as contribution revenue in the accompanying financial statements for 2020.

### Note 10 - Revenue from Contracts with Customers

In accordance with Topic 606, the Organization accounts for a customer contract when both parties have approved the contract and are committed to perform their respective obligations, each party's rights can be identified, payment terms can be identified, the contract has commercial substance, and it is probable that the Organization will collect substantially all of the consideration to which it is entitled. Revenue is recognized when, or as, performance obligations are satisfied by transferring control of a promised product or service to a customer.

The Organization generates revenue from the following activities:

- County Contract – revenue from Portage County for humane officer services provided. Revenue is recognized ratably each month over the term of the contract.
- Adoptions and Other Shelter Operations – revenue from the adoption of animals and other shelter operations
- Surrenders and Redemptions – revenues from the surrender and redemption of animals
- Clinic Income – revenues from the services provided to other shelters, medical services, vaccines and microchips

**HUMANE SOCIETY OF PORTAGE COUNTY, INC.**

Notes to Financial Statements  
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**Note 10 - Revenue from Contracts with Customers (Continued)**

Disaggregation of Revenue

The table below presents net sales disaggregated by timing of revenue recognition by segment:

<b>2021</b>				
<u>Segments</u>	<u>County Contract</u>	<u>Adoptions and Other Shelter Operations</u>	<u>Surrenders and Redemptions</u>	<u>Clinic Income</u>
Timing of Revenue Recognition				
Services Transferred at a Point in Time	\$ -	\$ 31,468	\$ 7,772	\$ 22,806
Services Transferred Over Time	279,740	-	-	-
	<u>\$ 279,740</u>	<u>\$ 31,468</u>	<u>\$ 7,772</u>	<u>\$ 22,806</u>
<b>2020</b>				
<u>Segments</u>	<u>County Contract</u>	<u>Adoptions and Other Shelter Operations</u>	<u>Surrenders and Redemptions</u>	<u>Clinic Income</u>
Timing of Revenue Recognition				
Services Transferred at a Point in Time	\$ -	\$ 30,501	\$ 8,957	\$ 16,440
Services Transferred Over Time	273,342	-	-	-
	<u>\$ 273,342</u>	<u>\$ 30,501</u>	<u>\$ 8,957</u>	<u>\$ 16,440</u>

Opening and Closing Balances of Receivables

The following table provides information about accounts receivable balances:

	<u>At December 31, 2021</u>	<u>At December 31, 2020</u>	<u>At December 31, 2019</u>
Accounts and Bequests Receivable	\$ 21,195	\$ 20,402	\$ 26,029

Practical Expedient

The Organization has elected to apply the following practical expedient when determining revenue from contracts with customers:

- The Organization has elected to not adjust revenue for the effects of a significant finance component when the timing difference between receipt of payment and recognition of revenue is less than one year.