

# HUMANE SOCIETY OF PORTAGE COUNTY, INC.

---

## Financial Statements

For the Years Ended  
December 31, 2022 and 2021

# HUMANE SOCIETY OF PORTAGE COUNTY, INC.

## Table of Contents

December 31, 2022 and 2021

---

|                                     | <u>Page</u> |
|-------------------------------------|-------------|
| <b>Independent Auditors' Report</b> | 1 - 2       |
| <b>Financial Statements</b>         |             |
| Statements of Financial Position    | 3           |
| Statements of Activities            | 4 - 5       |
| Statements of Functional Expenses   | 6 - 7       |
| Statements of Cash Flows            | 8           |
| Notes to Financial Statements       | 9 - 17      |

## **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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the 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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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  
\_\_\_\_\_, 2023

## **FINANCIAL STATEMENTS**

## HUMANE SOCIETY OF PORTAGE COUNTY, INC.

Statements of Financial Position  
As of December 31, 2022 and 2021

|  | 2022         | 2021         |
|--|--------------|--------------|
| <b>CURRENT ASSETS</b>                                      |              |              |
| Cash   | \$ 37,628    | \$ 72,730    |
| Accounts and Bequests Receivable                           | 33,552       | 21,195       |
| Prepaid Expenses   | 8,598        | 10,798       |
| Inventory  | 2,499        | 776          |
| <b>Total Current Assets</b>                                | 82,277       | 105,499      |
| <b>PROPERTY AND EQUIPMENT</b>                              |              |              |
| Land and Land Improvements                                 | 221,089      | 221,089      |
| Building and Improvements                                  | 1,392,146    | 1,392,146    |
| Furniture, Fixtures and Equipment                          | 181,995      | 175,650      |
| Vehicles   | 62,562       | 62,562       |
| Total Property and Equipment                               | 1,857,792    | 1,851,447    |
| Less: Accumulated Depreciation                             | 842,404      | 782,020      |
| <b>Net Property and Equipment</b>                          | 1,015,388    | 1,069,427    |
| <b>OTHER ASSETS</b>  |              |              |
| Investments  | 820,192      | 1,061,614    |
| Beneficial Interest in Assets Held by Community Foundation | 100,353      | 140,862      |
| <b>Total Other Assets</b>                                  | 920,545      | 1,202,476    |
| <b>TOTAL ASSETS</b>  | \$ 2,018,210 | \$ 2,377,402 |
| <b>CURRENT LIABILITIES</b>                                 |              |              |
| Accounts Payable   | \$ 40,306    | \$ 29,981    |
| Accrued Payroll and Payroll Liabilities                    | 29,502       | 25,455       |
| Other Accrued Expenses                                     | 278          | 200          |
| <b>Total Current Liabilities</b>                           | 70,086       | 55,636       |
| <b>NET ASSETS</b>  |              |              |
| Without Donor Restrictions:                                |              |              |
| Investment in Property and Equipment                       | 1,015,388    | 1,069,427    |
| Capital Expenditure Fund                                   | 102,837      | 122,624      |
| Emergency Reserve Fund                                     | 717,355      | 938,990      |
| Operational Support  | 71,890       | 113,961      |
| Undesignated   | 12,191       | 48,628       |
| Total Without Donor Restrictions                           | 1,919,661    | 2,293,630    |
| With Donor Restrictions                                    | 28,463       | 28,136       |
| <b>Total Net Assets</b>                                    | 1,948,124    | 2,321,766    |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>                    | \$ 2,018,210 | \$ 2,377,402 |

See Accompanying Notes

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

Statement of Activities

For the Year Ended December 31, 2022

|   | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>        |
|---|---------------------------------------|------------------------------------|---------------------|
| <b>OPERATING ACTIVITIES</b>   |                                       |                                    |                     |
| <b>Revenues and Other Support</b>                                       |                                       |                                    |                     |
| Contributions   | \$ 387,807                            | \$ 10,098                          | \$ 397,905          |
| Bequests  | 13,850                                | -                                  | 13,850              |
| Memorial Income   | 35,839                                | -                                  | 35,839              |
| Honorary Income   | 4,549                                 | -                                  | 4,549               |
| County Contract Income  | 294,594                               | -                                  | 294,594             |
| Adoptions and Other Shelter Operations                                  | 25,095                                | -                                  | 25,095              |
| Surrender Income  | 865                                   | -                                  | 865                 |
| Redemption Income   | 402                                   | -                                  | 402                 |
| Clinic Income   | 48,633                                | -                                  | 48,633              |
| Fundraising Events  | 117,849                               | -                                  | 117,849             |
| Contributed Nonfinancial Assets   | 118,915                               | -                                  | 118,915             |
| Interest Income   | 11,028                                | -                                  | 11,028              |
| Dividend Income   | 6,198                                 | -                                  | 6,198               |
| Miscellaneous   | 444                                   | -                                  | 444                 |
| Net Assets Released from Restrictions                                   | 9,771                                 | (9,771)                            | -                   |
| <b>Total Revenues and Other Support</b>                                 | <u>1,075,839</u>                      | <u>327</u>                         | <u>1,076,166</u>    |
| <b>EXPENSES</b>   |                                       |                                    |                     |
| Program Services  | 908,492                               | -                                  | 908,492             |
| Management and General  | 190,230                               | -                                  | 190,230             |
| Fundraising   | 155,973                               | -                                  | 155,973             |
| <b>Total Expenses</b>   | <u>1,254,695</u>                      | <u>-</u>                           | <u>1,254,695</u>    |
| <b>CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES</b>                   | <u>(178,856)</u>                      | <u>327</u>                         | <u>(178,529)</u>    |
| <b>OTHER CHANGES</b>  |                                       |                                    |                     |
| Change in Beneficial Interest in Assets Held<br>by Community Foundation | (37,060)                              | -                                  | (37,060)            |
| Net Realized and Unrealized Loss on Investments                         | (158,053)                             | -                                  | (158,053)           |
| <b>Total Other Changes</b>  | <u>(195,113)</u>                      | <u>-</u>                           | <u>(195,113)</u>    |
| <b>CHANGE IN NET ASSETS</b>   | <u>(373,969)</u>                      | <u>327</u>                         | <u>(373,642)</u>    |
| <b>NET ASSETS - BEGINNING</b>   | <u>2,293,630</u>                      | <u>28,136</u>                      | <u>2,321,766</u>    |
| <b>NET ASSETS - ENDING</b>  | <u>\$ 1,919,661</u>                   | <u>\$ 28,463</u>                   | <u>\$ 1,948,124</u> |

See Accompanying Notes

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

Statement of Activities

For the Year Ended December 31, 2021

|   | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>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              |
| Contributed Nonfinancial Assets   | 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  | 741,089                               | -                                  | 741,089             |
| Management and General  | 162,264                               | -                                  | 162,264             |
| Fundraising   | 108,845                               | -                                  | 108,845             |
| <b>Total Expenses</b>   | <u>1,012,198</u>                      | <u>-</u>                           | <u>1,012,198</u>    |
| <b>CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES</b>                   | <u>141,162</u>                        | <u>(62,174)</u>                    | <u>78,988</u>       |
| <b>OTHER CHANGES</b>  |                                       |                                    |                     |
| Change in Beneficial Interest in Assets Held<br>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>   | 195,855                               | (62,174)                           | 133,681             |
| <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>\$ 2,293,630</u>                   | <u>\$ 28,136</u>                   | <u>\$ 2,321,766</u> |

See Accompanying Notes



**HUMANE SOCIETY OF PORTAGE COUNTY, INC.**Statement of Functional Expenses  
For the Year Ended December 31, 2022

---

|                                   | <u>Support Services</u> |                               |                    | <u>Total</u>        |
|-----------------------------------|-------------------------|-------------------------------|--------------------|---------------------|
|                                   | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> |                     |
| <b>EXPENSES</b>                   |                         |                               |                    |                     |
| Salaries                          | \$ 458,916              | \$ 91,783                     | \$ 22,946          | \$ 573,645          |
| Payroll Taxes                     | 38,010                  | 7,602                         | 1,900              | 47,512              |
| Health Insurance                  | 10,360                  | 2,072                         | 518                | 12,950              |
| Annual Appeal                     | -                       | -                             | 70,337             | 70,337              |
| Professional Fees                 | 13,472                  | 12,247                        | -                  | 25,719              |
| Shelter Supplies                  | 51,279                  | -                             | -                  | 51,279              |
| Medical Supplies                  | 47,727                  | -                             | -                  | 47,727              |
| Office Supplies                   | 3,943                   | 3,943                         | -                  | 7,886               |
| Contributed Nonfinancial Expenses | 60,500                  | 26,952                        | 31,463             | 118,915             |
| Training                          | 4,747                   | -                             | -                  | 4,747               |
| Meetings                          | -                       | 4,440                         | -                  | 4,440               |
| Telephone                         | 2,262                   | 646                           | 323                | 3,231               |
| Shelter Veterinary Services       | 64,830                  | -                             | -                  | 64,830              |
| Bad Debts                         | -                       | 985                           | -                  | 985                 |
| Postage and Shipping              | 2,356                   | 589                           | 2,945              | 5,890               |
| Occupancy                         | 36,867                  | 4,609                         | 4,609              | 46,085              |
| Repairs and Maintenance           | 26,899                  | 6,725                         | -                  | 33,624              |
| Technology Expenses               | 2,183                   | 624                           | 312                | 3,119               |
| Travel                            | 12,992                  | -                             | -                  | 12,992              |
| License Fees                      | 1,129                   | -                             | -                  | 1,129               |
| Dues and Subscriptions            | -                       | 8,590                         | -                  | 8,590               |
| Insurance                         | 13,768                  | 1,721                         | 1,721              | 17,210              |
| Bank and Credit Card Fees         | -                       | 4,064                         | -                  | 4,064               |
| Special Events                    | -                       | -                             | 12,861             | 12,861              |
| Public Relations                  | -                       | 6,600                         | -                  | 6,600               |
| Miscellaneous                     | 7,944                   | -                             | -                  | 7,944               |
| Depreciation                      | 48,308                  | 6,038                         | 6,038              | 60,384              |
| <b>TOTAL EXPENSES</b>             | <u>\$ 908,492</u>       | <u>\$ 190,230</u>             | <u>\$ 155,973</u>  | <u>\$ 1,254,695</u> |

See Accompanying Notes

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

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

|                                   | <u>Support Services</u> |                               |                    | <u>Total</u>        |
|-----------------------------------|-------------------------|-------------------------------|--------------------|---------------------|
|                                   | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> |                     |
| <b>EXPENSES</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                  | 38,141                  | -                             | -                  | 38,141              |
| Medical Supplies                  | 44,187                  | -                             | -                  | 44,187              |
| Office Supplies                   | 1,672                   | 1,673                         | -                  | 3,345               |
| Contributed Nonfinancial Expenses | 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              |
| 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                         | 14,098                  | 1,762                         | 1,762              | 17,622              |
| Bank and Credit Card Fees         | -                       | 2,768                         | -                  | 2,768               |
| Special Events                    | -                       | -                             | 10,165             | 10,165              |
| Public Relations                  | -                       | 8,600                         | -                  | 8,600               |
| Miscellaneous                     | 1,414                   | -                             | -                  | 1,414               |
| Depreciation                      | 48,379                  | 6,048                         | 6,048              | 60,475              |
| <b>TOTAL EXPENSES</b>             | <b>\$ 741,089</b>       | <b>\$ 162,264</b>             | <b>\$ 108,845</b>  | <b>\$ 1,012,198</b> |

See Accompanying Notes

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

## Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

|   | <u>2022</u>      | <u>2021</u>      |
|---|------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                  |                  |
| Change in Net Assets  | \$ (373,642)     | \$ 133,681       |
| Adjustments to Reconcile Change in Net Assets<br>to Net Cash Flows From Operating Activities: |                  |                  |
| Depreciation  | 60,384           | 60,475           |
| Change in Beneficial Interest in Assets<br>Held by Community Foundation                       | 37,060           | (13,718)         |
| Realized and Unrealized Loss/(Gain) on Investments  | 158,053          | (40,975)         |
| Interest and Dividends Reinvested   | (17,226)         | (13,132)         |
| Decrease (Increase) in Operating Assets:  |                  |                  |
| Accounts and Bequests Receivable  | (12,357)         | (793)            |
| Prepaid Expenses  | 2,200            | (2,923)          |
| Inventory   | (1,723)          | -                |
| Increase in Operating Liabilities:  |                  |                  |
| Accounts Payable  | 10,325           | 15,768           |
| Accrued Payroll and Payroll Liabilities   | 4,047            | 7,341            |
| Other Accrued Expenses  | 78               | 20               |
| <b>Net Cash Flows From Operating Activities</b>   | <u>(132,801)</u> | <u>145,744</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                  |                  |
| Purchases of Property and Equipment   | (6,345)          | (7,555)          |
| Contributions to Beneficial Interest in Assets<br>Held by Community Foundation                | (1,562)          | (1,901)          |
| Purchases of Investments  | (4,405)          | (168,037)        |
| Proceeds from Sale of Investments   | 105,000          | 11,341           |
| Distribution from Beneficial Interest in Assets<br>Held by Community Foundation               | 5,011            | 4,816            |
| <b>Net Cash Flows from Investing Activities</b>   | <u>97,699</u>    | <u>(161,336)</u> |
| <b>NET CHANGE IN CASH</b>   | (35,102)         | (15,592)         |
| <b>CASH - BEGINNING</b>   | <u>72,730</u>    | <u>88,322</u>    |
| <b>CASH - ENDING</b>  | <u>\$ 37,628</u> | <u>\$ 72,730</u> |

See Accompanying Notes

# HUMANE SOCIETY OF PORTAGE COUNTY, INC.

Notes to Financial Statements  
December 31, 2022 and 2021

---

## **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, 2022 and 2021 will be immaterial.

### **Investments**

Investments consist of debt, mutual funds, and equity securities held as of December 31, 2022 and 2021. 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, 2022 and 2021

---

## 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.

### Contributed Nonfinancial Assets

The Organization records various types of contributed nonfinancial assets. Contributed nonfinancial assets are recognized at fair value if the nonfinancial assets 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 contributed nonfinancial assets are offset by like amounts included in expenses or additions to property and equipment.

## HUMANE SOCIETY OF PORTAGE COUNTY, INC.

Notes to Financial Statements

December 31, 2022 and 2021

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

The Organization received contributed program materials, equipment and services with a fair value on the dates of donation of \$118,915 and \$104,436 for the years ended December 31, 2022 and 2021, respectively. Corresponding expenses are as follows for the years ended December 31, 2022 and 2021:

|                                | <u>2022</u>       | <u>2021</u>       |
|--------------------------------|-------------------|-------------------|
| Operations Management          | \$ 36,000         | \$ 36,000         |
| Information Technology Support | 12,000            | 12,000            |
| Legal Support                  | 6,000             | 6,000             |
| Veterinary Support             | 12,000            | 12,000            |
| Social Media Support           | 24,000            | 24,000            |
| Employment Services            | 8,952             | 5,136             |
| Shelter Supplies               | 6,000             | 6,000             |
| Special Event Services         | 3,500             | 500               |
| Fundraising Event Materials    | 10,463            | 2,800             |
|                                | <u>\$ 118,915</u> | <u>\$ 104,436</u> |

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.

### 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             |
| Health Insurance                  | Time and Effort             |
| Professional Fees                 | Full Time Equivalent        |
| Office Supplies                   | Actual Usage                |
| Contributed Nonfinancial Expenses | 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              |
| 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.

## HUMANE SOCIETY OF PORTAGE COUNTY, INC.

Notes to Financial Statements  
December 31, 2022 and 2021

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

#### 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.

#### Recently Adopted Accounting Pronouncements

Effective January 1, 2022, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 842, under which a lessee records a lease as operating or financing. The Organization has determined that the adoption of ASC 842 has no material change to its operations.

In September 2020, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. There is no effect on net assets in connection with the implementation of ASU 2020-07.

#### Subsequent Events

The Organization has evaluated subsequent events through \_\_\_\_\_, 2023, the date which the financial statements were available to be issued.

### Note 2 - Availability and Liquidity

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

|  | <u>2022</u>       | <u>2021</u>         |
|--|-------------------|---------------------|
| Financial Assets at Year End:  |                   |                     |
| Cash   | \$ 37,628         | \$ 72,730           |
| Accounts and bequests receivable   | 33,552            | 21,195              |
| Investments  | 820,192           | 1,061,614           |
| Beneficial interest in assets held by<br>Community Foundation                          | <u>100,353</u>    | <u>140,862</u>      |
| Total financial assets   | 991,725           | 1,296,401           |
| Less amounts not available to be used within one year:                                 |                   |                     |
| Net assets with donor restrictions   | (28,463)          | (28,136)            |
| Net assets with purpose restrictions to be met<br>in less than one year                | <u>-</u>          | <u>1,235</u>        |
| Financial assets available to meet general expenditures<br>over the next twelve months | <u>\$ 963,262</u> | <u>\$ 1,269,500</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.

## HUMANE SOCIETY OF PORTAGE COUNTY, INC.

Notes to Financial Statements  
December 31, 2022 and 2021

---

### 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 \$294,594 and \$279,740 from the county for the years ended December 31, 2022 and 2021, respectively, which is approximately 27% and 26% 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 for operational support. During 2022, the Organization changed the board designated funds to agency funds at the Community Foundation to have easier access to funds. However, these funds are still designated by the board for operating support. 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:

- |         |  |
|---------|--|
| 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).



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

Notes to Financial Statements  
December 31, 2022 and 2021

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

Fair values of assets measured on a recurring basis at December 31, 2022 are as follows:

|   | <u>Fair Value<br/>Level 1</u> | <u>Fair Value<br/>Level 3</u> | <u>Total</u>      |
|---|-------------------------------|-------------------------------|-------------------|
| Beneficial Interest in Community Foundation | \$ -                          | \$ 100,353                    | \$ 100,353        |
| Cash and Equivalents                        | 33,974                        | -                             | 33,974            |
| Mutual Funds                                | 474,924                       | -                             | 474,924           |
| Stocks                                      | 311,294                       | -                             | 311,294           |
| Total                                       | <u>\$ 820,192</u>             | <u>\$ 100,353</u>             | <u>\$ 920,545</u> |

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

|   | <u>Fair Value<br/>Level 1</u> | <u>Fair Value<br/>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> |

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

|  | <u>2022</u>       | <u>2021</u>       |
|--|-------------------|-------------------|
| Endowment Assets, Beginning of the Year    | \$ 140,862        | \$ 130,059        |
| Contributions                              | 1,562             | 1,901             |
| Interest and Dividend Income               | 3,707             | 8,855             |
| Investment Fees                            | (2,170)           | (2,562)           |
| Distributions                              | (5,011)           | (4,816)           |
| Total Gains/(Losses) (Realized/Unrealized) | <u>(38,597)</u>   | <u>7,425</u>      |
| Endowment Assets, End of the Year          | <u>\$ 100,353</u> | <u>\$ 140,862</u> |

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.

## HUMANE SOCIETY OF PORTAGE COUNTY, INC.

Notes to Financial Statements  
December 31, 2022 and 2021

---

### Note 6 - Endowment Funds (Continued)

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 (which is to be used for operational support). The remaining portion of the endowment fund that is not perpetual in nature is classified as board designated net assets without donor restrictions.

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, 2022 and 2021. 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 \$5,011 and \$4,816 for the years ended December 31, 2022 and 2021, respectively.

Changes in endowment without donor restricted net assets for the years ended December 31, 2022 and 2021 are depicted in Note 5.

## HUMANE SOCIETY OF PORTAGE COUNTY, INC.

Notes to Financial Statements  
December 31, 2022 and 2021

### Note 7 - Net Assets

Net assets at December 31, 2022 and 2021 consist of the following:

|  | <u>2022</u>         | <u>2021</u>         |
|--|---------------------|---------------------|
| Net Assets Without Donor Restrictions:                 |                     |                     |
| Undesignated Net Assets Without Donor Restrictions     | \$ 12,191           | \$ 48,628           |
| Designated Net Assets Without Donor Restrictions:      |                     |                     |
| Investment in Property and Equipment                   | 1,015,388           | 1,069,427           |
| Capital Expenditure Fund                               | 102,837             | 122,624             |
| Emergency Reserve Fund                                 | 717,355             | 938,990             |
| Operational Support                                    | 71,890              | 113,961             |
| Total Designated Net Assets Without Donor Restrictions | <u>1,907,470</u>    | <u>2,245,002</u>    |
| Total Net Assets Without Donor Restrictions            | <u>1,919,661</u>    | <u>2,293,630</u>    |
| Net Assets With Donor Restrictions:                    |                     |                     |
| Shelter Generator                                      | -                   | 625                 |
| Fix Is In Clinic                                       | -                   | 610                 |
| Perpetually Restricted Endowment Fund                  | <u>28,463</u>       | <u>26,901</u>       |
| Total With Donor Restricted Net Assets                 | <u>28,463</u>       | <u>28,136</u>       |
| Total Net Assets                                       | <u>\$ 1,948,124</u> | <u>\$ 2,321,766</u> |

### 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 - 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  
December 31, 2022 and 2021

**Note 9 - Revenue from Contracts with Customers (Continued)**

Disaggregation of Revenue

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

| <b>2022</b>                             |                            |   |   |                      |
|---|----------------------------|---|---|----------------------|
| <u>Segments</u>                         | <u>County<br/>Contract</u> | <u>Adoptions<br/>and Other<br/>Shelter<br/>Operations</u> | <u>Surrenders<br/>and<br/>Redemptions</u> | <u>Clinic Income</u> |
| <u>Timing of Revenue Recognition</u>    |                            |   |   |                      |
| Services Transferred at a Point in Time | \$ -                       | \$ 25,095   | \$ 1,267                                  | \$ 48,633            |
| Services Transferred Over Time          | 294,594                    | -   | -   | -                    |
|   | <u>\$ 294,594</u>          | <u>\$ 25,095</u>  | <u>\$ 1,267</u>                           | <u>\$ 48,633</u>     |
| <b>2021</b>                             |                            |   |   |                      |
| <u>Segments</u>                         | <u>County<br/>Contract</u> | <u>Adoptions<br/>and Other<br/>Shelter<br/>Operations</u> | <u>Surrenders<br/>and<br/>Redemptions</u> | <u>Clinic Income</u> |
| <u>Timing of Revenue Recognition</u>    |                            |   |   |                      |
| 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>     |

Opening and Closing Balances of Receivables

The following table provides information about accounts receivable balances:

|                                  | <u>At December<br/>31, 2022</u> | <u>At December<br/>31, 2021</u> | <u>At December<br/>31, 2020</u> |
|----------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Accounts and Bequests Receivable | \$ 33,552                       | \$ 21,195                       | \$ 20,402                       |

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.