

ELMBROOK HUMANE SOCIETY, INC.

FINANCIAL STATEMENTS

December 31, 2022 and 2021

CONTENTS

| | |
|---|---|
| Independent Auditor's Report | 1 |
| Statements of Financial Position..... | 3 |
| Statements of Activities..... | 4 |
| Statements of Functional Expenses | 5 |
| Statements of Cash Flows | 7 |
| Notes to Financial Statements | 8 |

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Elmbrook Humane Society, Inc.
Brookfield, Wisconsin

Opinion

We have audited the financial statements of Elmbrook Humane Society, Inc., 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 accompanying financial statements present fairly, in all material respects, the financial position of Elmbrook Humane Society, 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Elmbrook Humane Society, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Adoption of New Accounting Guidance

As discussed in Note 1 to the financial statements, Elmbrook Humane Society, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update No 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, effective January 1, 2022. Our opinion is not modified with respect to this matter.

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 Elmbrook Humane Society, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Elmbrook Humane Society, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Elmbrook Humane Society, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Wegner CPAs LLP

Wegner CPAs, LLP
Waukesha, Wisconsin
August 14, 2023

ELMBROOK HUMANE SOCIETY, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|---|----------------------------|----------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 853,268 | \$ 567,323 |
| Unconditional promises to give | 250,000 | 394,128 |
| Employee Retention Credit receivable | - | 98,036 |
| Accounts receivable | - | 137 |
| Prepaid expenses | 14,534 | 2,992 |
| Total current assets | <u>1,117,802</u> | <u>1,062,616</u> |
| PROPERTY AND EQUIPMENT | | |
| Land | 210,405 | 210,405 |
| Building | 1,548,902 | 1,508,027 |
| Equipment | 585,459 | 585,459 |
| Vehicle | 51,109 | 51,109 |
| Website | 30,450 | 30,450 |
| Less accumulated depreciation | <u>(1,135,873)</u> | <u>(1,040,495)</u> |
| Property and equipment, net | 1,290,452 | 1,344,955 |
| OTHER ASSETS | | |
| Investments | 4,162,589 | 4,883,113 |
| Beneficial interest in assets held by Waukesha County Community Foundation | <u>1,876,504</u> | <u>2,192,422</u> |
| Total other assets | <u>6,039,093</u> | <u>7,075,535</u> |
| Total assets | <u><u>\$ 8,447,347</u></u> | <u><u>\$ 9,483,106</u></u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 45,627 | \$ 7,196 |
| Accrued sales tax | 845 | 737 |
| Accrued payroll | <u>34,903</u> | <u>35,376</u> |
| Total liabilities | 81,375 | 43,309 |
| NET ASSETS | | |
| Without donor restrictions | 8,363,240 | 9,422,193 |
| With donor restrictions | <u>2,732</u> | <u>17,604</u> |
| Total net assets | <u>8,365,972</u> | <u>9,439,797</u> |
| Total liabilities and net assets | <u><u>\$ 8,447,347</u></u> | <u><u>\$ 9,483,106</u></u> |

See accompanying notes.

ELMBROOK HUMANE SOCIETY, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2022 and 2021

| | 2022 | | | 2021 | | |
|---|-------------------------------|----------------------------|---------------------|-------------------------------|----------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| SUPPORT AND REVENUE | | | | | | |
| Contributions | | | | | | |
| General donations and grants | \$ 655,730 | \$ - | \$ 655,730 | \$ 554,874 | \$ 10,500 | \$ 565,374 |
| Estates and bequests | 311,729 | - | 311,729 | 412,057 | - | 412,057 |
| Contributions of nonfinancial assets | 43,818 | - | 43,818 | 47,734 | - | 47,734 |
| Fundraising events (less costs of direct benefits to donors of \$7,562 and \$7,852, respectively) | 66,999 | - | 66,999 | 76,362 | - | 76,362 |
| Forgiveness of Paycheck Protection Program loans | - | - | - | 341,803 | - | 341,803 |
| Employee Retention Credit | - | - | - | 98,036 | - | 98,036 |
| Families First Coronavirus Response Act tax credits | - | - | - | 1,970 | - | 1,970 |
| Services, sales, and other revenue and gains | | | | | | |
| Adoption fees | 208,361 | - | 208,361 | 149,103 | - | 149,103 |
| Municipality contracts | 93,075 | - | 93,075 | 90,125 | - | 90,125 |
| Animal medical care and services | 8,672 | - | 8,672 | 5,315 | - | 5,315 |
| Surrenders and strays | 5,665 | - | 5,665 | 5,090 | - | 5,090 |
| Training classes | 24,904 | - | 24,904 | 23,293 | - | 23,293 |
| Retail sales | 27,572 | - | 27,572 | 20,413 | - | 20,413 |
| Investment return, net | (720,392) | - | (720,392) | 551,995 | - | 551,995 |
| Change in value of beneficial interest in assets held by Waukesha County Community Foundation | (315,918) | - | (315,918) | 226,035 | - | 226,035 |
| Total support and revenue | 410,215 | - | 410,215 | 2,604,205 | 10,500 | 2,614,705 |
| EXPENSES | | | | | | |
| Animal care and education | 1,212,157 | - | 1,212,157 | 1,135,271 | - | 1,135,271 |
| Management and general | 180,399 | - | 180,399 | 240,083 | - | 240,083 |
| Fundraising | 91,484 | - | 91,484 | 114,911 | - | 114,911 |
| Total expenses | 1,484,040 | - | 1,484,040 | 1,490,265 | - | 1,490,265 |
| NET ASSETS RELEASED FROM RESTRICTIONS | | | | | | |
| Satisfaction of purpose restrictions | 14,872 | (14,872) | - | 17,820 | (17,820) | - |
| Change in net assets | (1,058,953) | (14,872) | (1,073,825) | 1,131,760 | (7,320) | 1,124,440 |
| Net assets at beginning of year | 9,422,193 | 17,604 | 9,439,797 | 8,290,433 | 24,924 | 8,315,357 |
| Net assets at end of year | <u>\$ 8,363,240</u> | <u>\$ 2,732</u> | <u>\$ 8,365,972</u> | <u>\$ 9,422,193</u> | <u>\$ 17,604</u> | <u>\$ 9,439,797</u> |

See accompanying notes.

ELMBROOK HUMANE SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2022

| | Animal Care and Education | Management and General | Fundraising | Total Expenses |
|--|------------------------------|---------------------------|------------------|---------------------|
| Salaries and wages | \$ 686,914 | \$ 106,184 | \$ 37,617 | \$ 830,715 |
| Employee benefits | 86,868 | 13,428 | 4,757 | 105,053 |
| Payroll taxes | 53,574 | 8,281 | 2,934 | 64,789 |
| Veterinarian services and medication | 120,167 | - | - | 120,167 |
| Supplies | 71,123 | 11,243 | - | 82,366 |
| Professional fees and services | - | 12,393 | - | 12,393 |
| Event fees and supplies | - | - | 44,065 | 44,065 |
| Advertising | - | 1,885 | 138 | 2,023 |
| Auto expense | 2,373 | - | - | 2,373 |
| Bank and credit card fees | - | 15,044 | - | 15,044 |
| Education and training classes | 6,892 | - | - | 6,892 |
| Licenses and permits | - | 437 | - | 437 |
| Insurance | 21,074 | 3,257 | 1,154 | 25,485 |
| Printing and postage | - | 1,015 | 6,325 | 7,340 |
| Repairs and maintenance | 25,488 | 856 | 216 | 26,560 |
| Telephone | 5,335 | 824 | 292 | 6,451 |
| Utilities | 31,669 | 1,064 | 269 | 33,002 |
| Interest | 86 | 13 | 5 | 104 |
| Depreciation | 91,527 | 3,074 | 777 | 95,378 |
| Miscellaneous | 9,067 | 1,401 | 497 | 10,965 |
| Total expenses | 1,212,157 | 180,399 | 99,046 | 1,491,602 |
| Less expenses included with support and revenue on the statements of activities | - | - | (7,562) | (7,562) |
| Total expenses included in the expenses section of the statements of activities | \$ 1,212,157 | \$ 180,399 | \$ 91,484 | \$ 1,484,040 |

See accompanying notes.

ELMBROOK HUMANE SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2021

| | Animal Care and Education | Management and General | Fundraising | Total Expenses |
|--|------------------------------|---------------------------|-------------------|---------------------|
| Salaries and wages | \$ 612,940 | \$ 149,817 | \$ 56,437 | \$ 819,194 |
| Employee benefits | 75,024 | 18,337 | 6,908 | 100,269 |
| Payroll taxes | 47,267 | 11,553 | 4,352 | 63,172 |
| Veterinarian services and medication | 116,656 | - | - | 116,656 |
| Supplies | 75,737 | 17,530 | - | 93,267 |
| Professional fees and services | - | 12,228 | - | 12,228 |
| Event fees and supplies | - | - | 38,874 | 38,874 |
| Advertising | - | 1,804 | 709 | 2,513 |
| Auto expense | 1,751 | - | - | 1,751 |
| Bank and credit card fees | - | 14,074 | - | 14,074 |
| Education and training classes | 8,779 | - | - | 8,779 |
| Licenses and permits | - | 1,156 | - | 1,156 |
| Insurance | 16,379 | 4,004 | 1,508 | 21,891 |
| Printing and postage | 112 | 450 | 10,583 | 11,145 |
| Repairs and maintenance | 43,423 | 1,498 | 552 | 45,473 |
| Telephone | 5,490 | 1,342 | 506 | 7,338 |
| Utilities | 33,748 | 1,164 | 429 | 35,341 |
| Interest | 1,330 | 325 | 122 | 1,777 |
| Depreciation | 89,636 | 3,091 | 1,139 | 93,866 |
| Miscellaneous | 6,999 | 1,710 | 644 | 9,353 |
| Total expenses | 1,135,271 | 240,083 | 122,763 | 1,498,117 |
| Less expenses included with support and revenue on the statements of activities | - | - | (7,852) | (7,852) |
| Total expenses included in the expenses section of the statements of activities | \$ 1,135,271 | \$ 240,083 | \$ 114,911 | \$ 1,490,265 |

See accompanying notes.

ELMBROOK HUMANE SOCIETY, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2022 and 2021

| | 2022 | 2021 |
|---|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ (1,073,825) | \$ 1,124,440 |
| Adjustments to reconcile change in net assets to net cash flows from operating activities | | |
| Depreciation | 95,378 | 93,866 |
| Net realized and unrealized (gains) losses on investments | 777,565 | (433,081) |
| Interest accrued on Paycheck Protection Program loan | - | 1,777 |
| Change in value of beneficial interest in assets held by Waukesha County Community Foundation | 315,918 | (226,035) |
| Forgiveness of Paycheck Protection Program loans | - | (341,803) |
| (Increase) decrease in assets | | |
| Unconditional promises to give | 144,128 | (392,128) |
| Employee Retention Credit receivable | 98,036 | (98,036) |
| Accounts receivable | 137 | 5,242 |
| Prepaid expenses | (11,542) | 1,325 |
| Increase (decrease) in liabilities | | |
| Accounts payable | 2,431 | (9,971) |
| Accrued sales tax | 108 | 19 |
| Accrued payroll | (473) | 4,952 |
| Net cash flows from operating activities | 347,861 | (269,433) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest and dividends retained in investments | (57,041) | (118,800) |
| Proceeds from sales of investments | - | 200,000 |
| Purchases of property and equipment | (4,875) | (73,628) |
| Distributions from beneficial interest in assets held by Waukesha County Community Foundation | - | 75,100 |
| Net cash flows from investing activities | (61,916) | 82,672 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from Paycheck Protection Program loans | - | 172,484 |
| Change in cash | 285,945 | (14,277) |
| Cash at beginning of year | 567,323 | 581,600 |
| Cash at end of year | <u>\$ 853,268</u> | <u>\$ 567,323</u> |
| SUPPLEMENTAL DISCLOSURES | | |
| Noncash investing and financing transactions | | |
| Property and equipment included in accounts payable | \$ 36,000 | \$ - |

See accompanying notes.

ELMBROOK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Elmbrook Humane Society, Inc. (EBHS) is incorporated as a non-profit organization located in Brookfield, Wisconsin. EBHS provides shelter for homeless animals, promotes the human animal bond, and prevents animal cruelty and neglect. The vision of EBHS is to be the most personal, compassionate, and preferred resource for animal needs in the community. EBHS' primary source of revenue includes contributions and various program fees.

Promises to Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Accounts Receivable

Accounts receivable primarily consist of amounts due from animal services provided by EBHS. Accounts receivable are stated at the amount management expects to be collected from outstanding balances. As of December 31, 2022 and 2021, management has determined, based on historical experience that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

Property and Equipment

Property and equipment in excess of \$2,500 are capitalized and carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

Investments

EBHS reports investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of financial position.

Beneficial Interest in Assets Held by Waukesha County Community Foundation

EBHS' beneficial interest in assets held by Waukesha County Community Foundation (Foundation) represents an agreement between EBHS and the Foundation in which EBHS transfers assets to the Foundation in exchange for future distributions. The beneficial interest is not actively traded and significant other observable inputs are not available. The fair value of the beneficial interest is based on the fair value of the underlying assets as reported to EBHS by the Foundation. Little information about those assets is released publicly. The estimated fair value does not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined.

ELMBROOK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from donor restrictions.

Revenue Recognition

Adoption fees, registration fees for certain training and outreach programs, animal medical care and services, and fees for other program services are recognized as revenue when EBHS provides the particular service or when the particular program is held. It is generally the policy of EBHS to not refund these fees. EBHS generally bills for these services prior to or on the date the services are provided. Advance billings are deferred until the services are performed. EBHS also provides animal services to certain municipalities under fixed-price contracts that are renewed annually. Animal services revenue is recognized once the services have been provided. EBHS invoices the municipalities on a monthly, bi-annually, or yearly basis at the fee established by the contract.

Retail Sales

Revenue for retail sales is recognized when the customer receives and pays for the merchandise. Sales taxes collected from customers are excluded from revenue. EBHS does not have any financing components as payment is received at or shortly after the point of sale. Returns are expected to be insignificant.

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, employee benefits, payroll taxes, insurance, telephone, interest, and miscellaneous, which are allocated on the basis of estimates of time and effort, as well as repairs and maintenance, utilities, and depreciation, which are allocated on a square-footage basis.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by EBHS.

Volunteers also provided a variety of tasks such as animal exercise and socialization, animal care, customer service, animal adoption, foster care, services at special events, veterinary services assistance, and clerical work throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met. EBHS received 13,826 and 12,166 volunteer hours during the years ended December 31, 2022 and 2021, respectively.

ELMBROOK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Tax Status

EBHS is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Adoption of New Accounting Guidance

On September 17, 2020, the Financial Accounting Standards Board issued Accounting Standards Update No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The intent of this Update is to improve transparency in the reporting of contributed nonfinancial assets received by not-for-profit entities. The Update requires a not-for-profit entity to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash and other financial assets. The Update also requires enhanced disclosures about the valuation of contributed nonfinancial assets and their use in programs and other activities, including any donor-imposed restrictions on such use. EBHS adopted the requirements of this Update effective January 1, 2022. The changes required by this Update have been applied retrospectively to all periods presented.

Date of Management’s Review

Management has evaluated subsequent events through August 14, 2023, the date which the financial statements were available to be issued.

NOTE 2—INVESTMENTS

Investments are comprised of the following:

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|---------------------|
| Cash equivalents held by investment manager | \$ 33,427 | \$ 761,380 |
| Stocks | 611,388 | 778,518 |
| Exchange traded funds | 944,169 | 1,084,784 |
| Fixed income securities | 293,108 | 314,474 |
| Mutual funds | <u>2,280,497</u> | <u>1,943,957</u> |
| | <u>\$ 4,162,589</u> | <u>\$ 4,883,113</u> |

ELMBROOK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 2—INVESTMENTS (continued)

Fair values of stocks, exchange traded funds, and mutual funds are based on quoted net asset values of the shares as reported by the fund. The mutual funds and exchange traded funds held by EBHS are open-end funds registered with the U.S. Securities and Exchange Commission. The funds must publish their daily net asset value and transact at that price. The mutual funds and exchange traded funds held by EBHS are considered to be actively traded. Fair values of stocks are based on the closing prices reported on the active market where the individual securities are traded. Fair values of fixed income securities are determined using a market approach on yields currently available on comparable securities of issuers with similar credit ratings, which are Level 2 fair value measurements.

NOTE 3—BENEFICIAL INTEREST IN ASSETS HELD BY WAUKESHA COUNTY COMMUNITY FOUNDATION

EBHS's board created a fund at Waukesha County Community Foundation (Foundation), a community foundation, to support the mission of EBHS. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions.

EBHS has designated itself as the sole beneficiary of the income from the investment of this fund. The Foundation will make annual distributions of the income earned on the fund subject to the Foundation's spending policy. EBHS reserves the right to recommend distributions greater than those set by the Foundation's distribution policy as long as the fund balance is maintained that is consistent with the Foundation's \$10,000 minimum balance requirement.

The Board of Directors of the Foundation shall have the power to modify any restriction or condition on the distribution of funds for any specified charitable purposes or to a specified organization if, in the sole judgment of the Board, such restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community serviced. The agreement also grants variance power to the Foundation, which permits the Foundation to substitute another beneficiary in place of EBHS if EBHS ceases to exist, it is EBHS's wish that distributions be made to benefit another organization and help provide program services as determined by the Foundation.

Changes in value of beneficial interest in assets held by the Foundation are as follows:

| | 2022 | 2021 |
|--|--------------|--------------|
| Balance - beginning of year | \$ 2,192,422 | \$ 2,041,487 |
| Distributions | - | (75,100) |
| Change in value of beneficial interest | (315,918) | 226,035 |
| Balance - end of year | \$ 1,876,504 | \$ 2,192,422 |

ELMBROOK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 4—PAYCHECK PROTECTION PROGRAM LOANS

EBHS received loans totaling \$338,864 under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and administered by the U.S. Small Business Administration (SBA). The loans accrue interest at 1% but payments are deferred for borrowers who apply for forgiveness until SBA remits the borrower's forgiveness amount to the lender. The amount of forgiveness depends, in part, on the total amount of eligible expenses paid by EBHS during the covered period. Eligible expenses may include payroll costs, interest on mortgages, rent, and utilities. Any unforgiven portion is payable over five years. On April 22, 2021, the SBA preliminarily approved forgiveness of EBHS' first draw loan of \$166,380. On December 9, 2021, the SBA preliminarily approved forgiveness of EBHS' second draw loan of \$172,484. EBHS must retain PPP documentation in its files for six years after the date the loan is forgiven or repaid in full and permit authorized representatives of SBA to access such files upon request. SBA may review any loan at any time at its discretion. Therefore, SBA may review EBHS' good-faith certification concerning the necessity of its loan request, whether EBHS calculated the loan amount correctly, whether EBHS used loan proceeds for the allowable uses specified in the CARES Act, and whether EBHS is entitled to loan forgiveness in the amount claimed on its application. If SBA determines EBHS was ineligible for the loan or for forgiveness in whole or in part, SBA will seek repayment of the outstanding loan balance.

NOTE 5—NET ASSETS

EBHS's board of directors has designated net assets without donor restrictions for the following purposes:

| | 2022 | 2021 |
|---|--------------|--------------|
| Board designated funds for long-term reserves | \$ 1,876,504 | \$ 2,192,422 |
| Undesignated for general use | 6,486,736 | 7,229,771 |
| | \$ 8,363,240 | \$ 9,422,193 |

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

| | 2022 | 2021 |
|---------------------------------------|----------|-----------|
| Medical care for diabetic animals | \$ - | \$ 3,051 |
| Read to me program | 104 | 791 |
| Pitbull enrichment program | 1,128 | 1,128 |
| Spring Gala | - | 10,000 |
| Behavior and training of shelter dogs | 1,500 | 1,500 |
| Lilly's medical needs | - | 1,134 |
| | \$ 2,732 | \$ 17,604 |

ELMBROOK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 6—CONTRIBUTED NONFINANCIAL ASSETS

Contributions of nonfinancial assets recognized within the statements of activities include:

| | 2022 | 2021 |
|--------------------------------------|-----------|-----------|
| Veterinarian services and medication | \$ 4,794 | \$ 2,256 |
| Shelter supplies | 38,984 | 44,478 |
| Repairs and maintenance | 40 | 1,000 |
| | \$ 43,818 | \$ 47,734 |

Contributed nonfinancial assets recognized within the statements of activities is comprised of veterinarian services and medications, shelter supplies, and repairs and maintenance. Contributed services including veterinarian services and repairs and maintenance are valued and are reported at the estimated fair value in the financial statements based on current rates for similar services. Contributed veterinarian medications and shelter supplies are valued at the estimated fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States. Contributed nonfinancial assets did not have donor-imposed restrictions.

Veterinarian services and medication was utilized for animal care and education services. Shelter supplies and repairs and maintenance were utilized for animal care and education services and other activities.

NOTE 7—EMPLOYEE RETENTION CREDITS

During the year ended December 31, 2021, EBHS claimed Employee Retention Credits (ERC) totaling \$98,036 under the provisions the Coronavirus Aid, Relief, and Economic Security Act, as amended. Employers are eligible for the ERC if they experience either a significant decline in gross receipts or the full or partial suspension of operations because of governmental orders limiting commerce, travel, or group meetings due to COVID-19. EBHS determined it had a significant decline in gross receipts and claimed the ERC for the first calendar quarter of 2021. The Internal Revenue Service (IRS) generally has five years from the date an ERC claim is filed to audit the claim. Therefore, the IRS may audit EBHS's eligibility for the ERC and its substantiation of the amounts claimed. If the IRS determines EBHS was ineligible for the ERC, EBHS could be required to repay the amount claimed along with penalties and interest.

NOTE 8—PENSION PLAN

EBHS has a 403(b) retirement savings plan covering all eligible employees. Pension expense for the years ended December 31, 2022 and 2021 was \$17,241 and 11,403, respectively.

NOTE 9—CONCENTRATIONS OF CREDIT RISK

EBHS maintains cash balances at one financial institution located in southeastern Wisconsin. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2022 and 2021, EBHS's uninsured cash balances totaled approximately \$581,000 and \$310,000, respectively.

ELMBROOK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 10—LIQUIDITY AND AVAILABILITY

The following reflects the EBHS's financial assets at December 31, 2022 and 2021, reduced by amounts not available to meet cash needs for general expenditures within one year of the date of the statements of financial position because of donor-imposed or other restrictions:

| | 2022 | 2021 |
|---|--------------|--------------|
| Financial assets at end of year | | |
| Cash | \$ 853,268 | \$ 567,323 |
| Unconditional promises to give | 250,000 | 394,128 |
| Employee Retention Credit receivable | - | 98,036 |
| Accounts receivable | - | 137 |
| Investments | 4,162,589 | 4,883,113 |
| Beneficial interest in assets held by Waukesha County Community Foundation | 1,876,504 | 2,192,422 |
| Total financial assets at end of year | 7,142,361 | 8,135,159 |
| Less amounts unavailable for general expenditures within one year | | |
| Restricted by donors with purpose restrictions | (2,732) | (17,604) |
| Board designated funds for long-term reserves | (1,876,504) | (2,192,422) |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 5,263,125 | \$ 5,925,133 |

As part of EBHS's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 11—COMMITMENTS

EBHS entered into a contract with Impact General for the construction of a building remodeling project to the current building occupied by EBHS. The total cost of the project is \$682,078. As of December 31, 2022, total project costs of \$36,000 have been incurred.