

**CHARLESTON ANIMAL SOCIETY**

**FINANCIAL REPORT**

**DECEMBER 31, 2022 and 2021**

**CHARLESTON ANIMAL SOCIETY**

**FINANCIAL REPORT**

**DECEMBER 31, 2022 and 2021**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Charleston Animal Society  
North Charleston, South Carolina

### ***Opinion***

We have audited the financial statements of Charleston Animal Society, 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 Charleston Animal Society 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 Charleston Animal Society 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 Charleston Animal Society's ability to continue as a going concern for one year after the date that the financial statements.

### ***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 Charleston Animal Society'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 Charleston Animal Society'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.

Mount Pleasant, South Carolina  
March 7, 2023

**CHARLESTON ANIMAL SOCIETY**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2022 and 2021**

| <b>ASSETS</b>  | <b>2022</b>          | <b>2021</b>          |
|--|----------------------|----------------------|
| <b>CURRENT ASSETS</b>                                      |                      |                      |
| Cash and cash equivalents, without donor restriction       | \$ 1,136,901         | \$ 1,680,097         |
| Accounts receivable  | 34,562               | 15,044               |
| Contributions receivable, net                              | 422,061              | 407,850              |
| Prepaid expense  | 58,336               | 56,635               |
| Inventories  | 152,178              | 121,412              |
| Total current assets                                       | <u>1,804,038</u>     | <u>2,281,038</u>     |
| <b>PROPERTY AND EQUIPMENT</b>                              |                      |                      |
| Construction in progress                                   | 108,015              | -                    |
| Land   | 715,257              | 715,257              |
| Property and equipment, net                                | 7,761,092            | 8,074,289            |
| Total property and equipment                               | <u>8,584,364</u>     | <u>8,789,546</u>     |
| <b>INVESTMENTS, LONG TERM</b>                              | <u>14,284,738</u>    | <u>15,903,203</u>    |
| <b>OTHER ASSETS</b>  |                      |                      |
| Beneficiary interest in<br>perpetual trusts held by others | 944,768              | 1,178,334            |
| Total other assets   | <u>944,768</u>       | <u>1,178,334</u>     |
| <b>TOTAL ASSETS</b>  | <u>\$ 25,617,908</u> | <u>\$ 28,152,121</u> |
| <b>LIABILITIES AND NET ASSETS</b>                          |                      |                      |
| <b>CURRENT LIABILITIES</b>                                 |                      |                      |
| Accounts payable   | \$ 153,302           | \$ 96,079            |
| Payroll related liabilities                                | 270,729              | 230,598              |
| Deferred revenue   | 15,000               | -                    |
| Current portion of long term debt                          | 156,537              | 126,826              |
| Total current liabilities                                  | <u>595,568</u>       | <u>453,503</u>       |
| <b>LONG-TERM LIABILITIES</b>                               |                      |                      |
| Note payable   | 664,076              | 620,885              |
| Total long-term liabilities                                | <u>664,076</u>       | <u>620,885</u>       |
| <b>TOTAL LIABILITIES</b>                                   | <u>1,259,644</u>     | <u>1,074,388</u>     |
| <b>NET ASSETS</b>  |                      |                      |
| Without donor restrictions                                 | 10,135,633           | 12,294,637           |
| Board designated - property fund                           | 8,584,364            | 8,789,546            |
| Board designated - working capital fund                    | 500,000              | 500,000              |
| Board designated - endowment fund                          | 3,122,515            | 3,122,515            |
| With donor restrictions                                    | 2,015,752            | 2,371,035            |
| Total net assets   | <u>24,358,264</u>    | <u>27,077,733</u>    |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>                    | <u>\$ 25,617,908</u> | <u>\$ 28,152,121</u> |

See accompanying notes.

**CHARLESTON ANIMAL SOCIETY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

|  | <b>Without Donor<br/>Restrictions</b> | <b>With Donor<br/>Restrictions</b> | <b>Total</b>  |
|--|---------------------------------------|------------------------------------|---------------|
| <b>SUPPORT AND REVENUES</b>                |                                       |                                    |               |
| Contributions and grants                   | \$ 3,238,271                          | \$ 1,037,700                       | \$ 4,275,971  |
| Resale contributions                       | 275,416                               | -                                  | 275,416       |
| Contributions of nonfinancial assets       | 509,410                               | -                                  | 509,410       |
| Program and service                        | 1,717,801                             | -                                  | 1,717,801     |
| Government service contract                | 2,100,000                             | -                                  | 2,100,000     |
| Special events, net \$285,013 expense      | 857,090                               | -                                  | 857,090       |
| Investment income, net of \$51,288 in fees | 315,503                               | -                                  | 315,503       |
| Realized gain on investments               | 216,054                               | -                                  | 216,054       |
| Unrealized loss on investments             | (2,887,948)                           | -                                  | (2,887,948)   |
| Change in value of beneficiary interest    | -                                     | (233,565)                          | (233,565)     |
| Bingo income                               | 29,880                                | -                                  | 29,880        |
|  | 6,371,477                             | 804,135                            | 7,175,612     |
| Net assets released from restrictions      | 1,159,418                             | (1,159,418)                        | -             |
| Total support and revenues                 | 7,530,895                             | (355,283)                          | 7,175,612     |
| <b>EXPENSES</b>                            |                                       |                                    |               |
| Program and services                       | 7,539,061                             | -                                  | 7,539,061     |
| Management                                 | 310,084                               | -                                  | 310,084       |
| Fundraising                                | 2,045,936                             | -                                  | 2,045,936     |
| Total expenses                             | 9,895,081                             | -                                  | 9,895,081     |
| <b>DECREASE IN NET ASSETS</b>              | (2,364,186)                           | (355,283)                          | (2,719,469)   |
| <b>NET ASSETS, beginning of year</b>       | 24,706,698                            | 2,371,035                          | 27,077,733    |
| <b>NET ASSETS, end of year</b>             | \$ 22,342,512                         | \$ 2,015,752                       | \$ 24,358,264 |

See accompanying notes.

**CHARLESTON ANIMAL SOCIETY**  
**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>SUPPORT AND REVENUES</b>                |                                       |                                    |                      |
| Contributions and grants                   | \$ 3,112,891                          | \$ 1,324,477                       | \$ 4,437,368         |
| Resale contributions                       | 287,809                               | -                                  | 287,809              |
| Contributions of nonfinancial assets       | 408,729                               | -                                  | 408,729              |
| Program and service                        | 1,432,768                             | -                                  | 1,432,768            |
| Government service contract                | 2,079,000                             | -                                  | 2,079,000            |
| Special events, net \$182,510 expense      | 427,044                               | -                                  | 427,044              |
| Investment income, net of \$46,493 in fees | 388,401                               | -                                  | 388,401              |
| Realized gain on investments               | 245,628                               | -                                  | 245,628              |
| Unrealized gain on investments             | 1,077,928                             | -                                  | 1,077,928            |
| Change in value of beneficiary interest    | -                                     | 77,702                             | 77,702               |
| Bingo income                               | 34,291                                | -                                  | 34,291               |
|  | <u>9,494,489</u>                      | <u>1,402,179</u>                   | <u>10,896,668</u>    |
| Net assets released from restrictions      | <u>958,249</u>                        | <u>(958,249)</u>                   | <u>-</u>             |
| Total support and revenues                 | 10,452,738                            | 443,930                            | 10,896,668           |
| <b>EXPENSES</b>                            |                                       |                                    |                      |
| Program and services                       | 6,274,650                             | -                                  | 6,274,650            |
| Management                                 | 302,525                               | -                                  | 302,525              |
| Fundraising                                | 1,740,734                             | -                                  | 1,740,734            |
|  | <u>8,317,909</u>                      | <u>-</u>                           | <u>8,317,909</u>     |
| Total expenses                             | 8,317,909                             | -                                  | 8,317,909            |
| <b>INCREASE IN NET ASSETS</b>              | 2,134,829                             | 443,930                            | 2,578,759            |
| <b>NET ASSETS, beginning of year</b>       | <u>22,571,869</u>                     | <u>1,927,105</u>                   | <u>24,498,974</u>    |
| <b>NET ASSETS, end of year</b>             | <u>\$ 24,706,698</u>                  | <u>\$ 2,371,035</u>                | <u>\$ 27,077,733</u> |

See accompanying notes.

**CHARLESTON ANIMAL SOCIETY  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022**

|   | <u>Program<br/>and<br/>Services</u> | <u>Manage-<br/>ment</u> | <u>Fund-<br/>raising</u> | <u>Total</u>        |
|---|-------------------------------------|-------------------------|--------------------------|---------------------|
| <b>COMPENSATION AND RELATED EXPENSES</b>      |                                     |                         |                          |                     |
| Salaries                                      | \$ 3,490,715                        | \$ 202,670              | \$ 562,281               | \$ 4,255,666        |
| Employee benefits                             | 423,379                             | 12,305                  | 66,961                   | 502,645             |
| Payroll taxes                                 | 220,132                             | 51,020                  | 46,870                   | 318,022             |
| Total compensation and related expenses       | 4,134,226                           | 265,995                 | 676,112                  | 5,076,333           |
| <b>OTHER EXPENSES</b>                         |                                     |                         |                          |                     |
| Animal expenses                               | 1,460,251                           | 81                      | 7,759                    | 1,468,091           |
| Public relations                              | 108,570                             | 1,606                   | 892,993                  | 1,003,169           |
| Resale store                                  | -                                   | -                       | 142,198                  | 142,198             |
| Veterinary care expenses                      | 304,746                             | -                       | -                        | 304,746             |
| Utilities                                     | 257,870                             | 11,420                  | 14,094                   | 283,384             |
| Building maintenance                          | 194,942                             | 321                     | 321                      | 195,584             |
| Computer and equipment                        | 62,583                              | 691                     | 120,630                  | 183,904             |
| Insurance                                     | 157,582                             | 3,488                   | -                        | 161,070             |
| Contract services                             | 54,524                              | -                       | 38,625                   | 93,149              |
| Bank fees                                     | 36,433                              | 7,565                   | 66,871                   | 110,869             |
| Professional fees                             | 144,945                             | 1,654                   | 3,859                    | 150,458             |
| Office expense                                | 21,430                              | 1,536                   | 28,828                   | 51,794              |
| Interest                                      | 26,912                              | -                       | -                        | 26,912              |
| Employee training                             | 46,211                              | 634                     | 10,933                   | 57,778              |
| Miscellaneous                                 | 34,193                              | 15,093                  | 7,627                    | 56,913              |
| Education expenses                            | 20,972                              | -                       | -                        | 20,972              |
| Bad debt                                      | -                                   | -                       | 34,721                   | 34,721              |
| Automobile                                    | 47,227                              | -                       | -                        | 47,227              |
| Travel and entertainment                      | 950                                 | -                       | 365                      | 1,315               |
| <b>TOTAL EXPENSES BEFORE<br/>DEPRECIATION</b> | <b>7,114,567</b>                    | <b>310,084</b>          | <b>2,045,936</b>         | <b>9,470,587</b>    |
| Depreciation                                  | 424,494                             | -                       | -                        | 424,494             |
| <b>TOTAL FUNCTIONAL EXPENSES</b>              | <b>\$ 7,539,061</b>                 | <b>\$ 310,084</b>       | <b>\$ 2,045,936</b>      | <b>\$ 9,895,081</b> |

See accompanying notes.



**CHARLESTON ANIMAL SOCIETY  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021**

|   | <b>Program<br/>and<br/>Services</b> | <b>Manage-<br/>ment</b> | <b>Fund-<br/>raising</b> | <b>Total</b>        |
|---|-------------------------------------|-------------------------|--------------------------|---------------------|
| <b>COMPENSATION AND RELATED EXPENSES</b>      |                                     |                         |                          |                     |
| Salaries                                      | \$ 3,029,355                        | \$ 207,240              | \$ 517,894               | \$ 3,754,489        |
| Employee benefits                             | 398,394                             | 9,486                   | 51,043                   | 458,923             |
| Payroll taxes                                 | 193,507                             | 44,015                  | 41,302                   | 278,824             |
| Total compensation and related expenses       | 3,621,256                           | 260,741                 | 610,239                  | 4,492,236           |
| <b>OTHER EXPENSES</b>                         |                                     |                         |                          |                     |
| Animal expenses                               | 782,675                             | -                       | 36,097                   | 818,772             |
| Public relations                              | 186,307                             | 1,606                   | 490,084                  | 677,997             |
| Resale store                                  | -                                   | -                       | 303,168                  | 303,168             |
| Veterinary care expenses                      | 380,236                             | -                       | -                        | 380,236             |
| Utilities                                     | 213,288                             | 6,431                   | 60,873                   | 280,592             |
| Building maintenance                          | 120,570                             | 3,710                   | 38,954                   | 163,234             |
| Computer and equipment                        | 111,145                             | 3,004                   | 10,514                   | 124,663             |
| Insurance                                     | 100,005                             | 12,433                  | 6,722                    | 119,160             |
| Contract services                             | 68,581                              | -                       | 30,900                   | 99,481              |
| Bank fees                                     | 35,642                              | -                       | 59,038                   | 94,680              |
| Professional fees                             | 38,299                              | 410                     | 1,609                    | 40,318              |
| Office expense                                | 32,074                              | 3,418                   | 24,202                   | 59,694              |
| Interest                                      | 24,863                              | -                       | -                        | 24,863              |
| Employee training                             | 21,340                              | 160                     | 11,965                   | 33,465              |
| Miscellaneous                                 | 25,371                              | 10,612                  | 8,133                    | 44,116              |
| Education expenses                            | 6,503                               | -                       | -                        | 6,503               |
| Bad debt                                      | -                                   | -                       | 48,236                   | 48,236              |
| Automobile                                    | 21,943                              | -                       | -                        | 21,943              |
| Travel and entertainment                      | 98                                  | -                       | -                        | 98                  |
| <b>TOTAL EXPENSES BEFORE<br/>DEPRECIATION</b> | <b>5,790,196</b>                    | <b>302,525</b>          | <b>1,740,734</b>         | <b>7,833,455</b>    |
| Depreciation                                  | 484,454                             | -                       | -                        | 484,454             |
| <b>TOTAL FUNCTIONAL EXPENSES</b>              | <b>\$ 6,274,650</b>                 | <b>\$ 302,525</b>       | <b>\$ 1,740,734</b>      | <b>\$ 8,317,909</b> |

See accompanying notes.

**CHARLESTON ANIMAL SOCIETY**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2022 and 2021**

|   | <b>2022</b>    | <b>2021</b>  |
|---|----------------|--------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                |              |
| Increase (decrease) in net assets   | \$ (2,719,469) | \$ 2,578,759 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                |              |
| Depreciation  | 424,494        | 484,454      |
| Decrease (increase) in current assets:  |                |              |
| Accounts receivable   | (19,518)       | 91,539       |
| Contributions receivable  | (14,211)       | (287,019)    |
| Security deposits   | -              | 346          |
| Prepaid expenses  | (1,701)        | (35,512)     |
| Inventory   | (30,766)       | (22,873)     |
| Increase (decrease) in operating liabilities:   |                |              |
| Accounts payable  | 57,223         | (64,416)     |
| Payroll related liabilities   | 40,131         | 18,762       |
| Deferred revenue  | 15,000         | (84,495)     |
| Net cash provided(used) by operating activities   | (2,248,817)    | 2,679,545    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |                |              |
| Purchases of property and equipment   | (219,312)      | (111,297)    |
| Proceeds from sale of securities  | 1,371,569      | 1,689,003    |
| Unrealized loss (gain) on investments   | 2,887,948      | (1,077,928)  |
| Change in beneficiary interest in trust   | 233,566        | (68,819)     |
| Purchase of securities - net reinvested earnings  | (2,641,052)    | (4,484,670)  |
| Net cash provided (used) in investing activities  | 1,632,719      | (4,053,711)  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>  |                |              |
| Payments on note payable  | (149,692)      | (122,940)    |
| Proceeds from note payable  | 222,594        | -            |
| Net cash provided (used) in financing activities  | 72,902         | (122,940)    |
| Net decrease in cash and cash equivalents   | (543,196)      | (1,497,106)  |
| Cash and cash equivalents as of beginning of year   | 1,680,097      | 3,177,203    |
| Cash and cash equivalents as of end of year   | \$ 1,136,901   | \$ 1,680,097 |
| <b>Supplemental Disclosures:</b>  |                |              |
| Interest paid   | \$ 26,912      | \$ 24,863    |

See accompanying notes.

**CHARLESTON ANIMAL SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

**NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization**

Charleston Animal Society (the Society) is a nonprofit corporation organized in 1874 to prevent cruelty to animals. The Society is located in North Charleston, South Carolina in a state-of-the-art facility combining the shelter, clinic, and corporate offices in one location which enables the animals to receive the best care. The Society's purpose of preventing cruelty to animals is accomplished through a variety of programs:

Finding homes for homeless animals - this is accomplished through adoptions, return to owners and a free roaming cat initiative.

Fighting cruelty wherever it exists- assisting law enforcement with investigations and intervention in order to hold those responsible for their crimes.

Helping youth understand science through a veterinary science initiative which enables students to become involved in different areas of education.

Containing outbreaks of deadly diseases - by offering rabies vaccinations to animals in the community the Society helps to eradicate this disease at an affordable cost.

Reuniting animals with their owners through an in-depth lost and found program.

Preventing births of unwanted animals through a high-volume, high-quality affordable spay/neuter initiative.

Saving the lives of abused and abandoned animals through a holistic treatment regimen.

Guiding children to grow into humanitarians through a comprehensive humane education initiative.

Fighting hunger when food is unaffordable through a nonjudgmental pet-focused food bank.

**Basis of Accounting**

The financial statements of the Society have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

**Net Assets**

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

**Net Assets without Donor Restrictions**

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the board limits resulting from the nature of the organizations, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

**CHARLESTON ANIMAL SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

**NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

**Net Assets with Donor Restrictions**

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Society must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment are reported as net assets with donor restrictions until the specified asset is placed in service by the Society, unless the donor provides more specific directions about the period of its use.

**Board Designated Net Assets**

Board designated net assets are assets without donor restriction that the board has set aside for a specific purpose.

Property fund are resources restricted for building and property improvements, replacements and additions.  
Working capital fund are resources restricted for programs or expenses that need funding.  
Endowment fund are resources restricted for an endowment fund.

In order for funds to be spent out of the funds there would need to be a vote of 52% by the board of directors.

**Classification of Transactions**

All revenues and net gains are reported as increases in net assets without donor restrictions in the statements of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses are reported as decreases in net assets without donor restrictions.

**Cash and Cash Equivalents**

For the purposes of the Statements of Cash Flows, the Society considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. This includes cash in banks and money market funds.

**Grants and Accounts Receivables**

The Society may from time to time have grants and accounts receivables from grantors. Grants and accounts receivable are considered to be fully collectible based on past experience. Accordingly, no allowance has been established for grants and accounts receivable.

**Contributions Receivable**

Contribution receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contribution receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of the promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contributions revenue. The Society uses the allowance method to determine uncollectible contributions when deemed necessary. The allowance is based on prior years' experience and management's analysis of specific accounts.

**CHARLESTON ANIMAL SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

**NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

**Investments**

The Society investments consist primarily of assets invested in marketable equity and debt securities, alternative investments, commodities, and money-market accounts. The Society accounts for investments in accordance with FASB ASC 958-320 and subsections. This standard requires that investments in equity securities with readily determinable fair values and all investments in debt securities be measured at fair value in the statements of financial position. Fair value of marketable equity and debt securities is based on quoted market prices.

Alternative investments are stated at the fair value of their underlying assets and allocated to the net asset funds in proportion to the fund's ownership percentage. The realized and unrealized gain or loss on investments is reflected in the Statements of Activities.

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the Statements of Financial Position.

Investment income is recorded net of investment expenses. Realized gains or losses on investments are determined by comparison of specific cost of acquisition to proceeds at the time of disposal. Unrealized gains or losses are calculated by comparing cost to market values at the statement of financial position date. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends, or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

**Property and Equipment**

Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at the approximate fair value at the date of donation. Expenditures for major additions and improvements, generally in excess of \$20,000, are capitalized and minor replacements, maintenance and repairs are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of the operations for the respective period. Depreciation is computed by the straight-line method over the estimated useful lives of the assets, ranging from 5 to 40 years. Construction in progress is stated at cost and is not depreciated until put into use. Costs associated with acquisition, development and construction of certain assets of the Society's facilities are capitalized including interest associated with a loan, if a loan was necessary for construction of the asset.

**Beneficial Interest in Perpetual Trusts**

Perpetual trusts are held by a third party under an arrangement where the Society has an irrevocable right to receive the income earned on the trust assets in perpetuity, but never receives the assets held in trust. The trust assets are recorded at fair value as beneficial interest in the trust, a long-term asset and contribution of new trust under support with donor restrictions, if donated to the Society or amounts held on behalf of the Society, depending on the terms. Annual distributions are reported as unrestricted contribution income or amounts raised on behalf of the Society. Trust assets are based on the lesser of the present value of future cash flows from the trusts or the fair value of the trusts' underlying investments. Change in value of beneficiary interests are recorded in perpetuity.

**CHARLESTON ANIMAL SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

**NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -  
(continued)**

**Endowment Funds**

For the year end December 31, 2008, South Carolina adopted the State Prudent Management of Institutional Funds Act (SPMIFA). The Board of Directors of the Society has interpreted SPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classifies as donor restricted net assets (a) the original gifts donated to the endowment, (b) subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in donor restricted net assets is classified as purpose restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Society
- (7) The investment policies of the Society

*Return Objectives and Risk Parameters*

The Society has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Society must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index or similar established broad market measures of return on investments.

*Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return objectives, the Society relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Society targets a diversified asset allocation that places an emphasis on equity-based investments and bond funds to achieve its long-term return objectives within prudent risk constraints.

*Spending Policy and How the Investment Objectives Relate to Spending Policy*

The Society has a policy of appropriating for distribution each year four to five percent of its selected endowment fund's moving average fair value over the three years preceding the year in which the distribution is planned. In establishing this policy, the Society considered the long-term expected return on its endowment. Accordingly, over the long term, the Society expects the current spending policy to allow its endowment to grow at an average of four to five percent annually. This policy is consistent with the Society's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

**Fair Value of Financial Instruments**

The carrying amounts of financial instruments, including cash and cash equivalent, money market funds, receivables, beneficiary interest in trusts held by others and accounts payable approximate fair value because of the short maturity of those financial instruments.

**CHARLESTON ANIMAL SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

**NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

**Compensated Absences**

Employees earn vacation at various rates depending on their status as non-exempt and exempt, job classification and years of service. Vacation increases by five (5) days at each job classification after two (2) years and five (5) years. A maximum of 20 days may be carried over to the next year.

**Accounting of Contributions**

Contributions, including contributions receivable, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Contributions receivable with payments due in the future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contributions is clearly intended to support activities in the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until as conditions on which they depend are substantially met.

**Revenue Recognition Policy**

The Society derives revenues primarily from grants, contributions and program and services fees. The Society recognizes contributions when cash, securities or other assets, an unconditional promise to give (contribution receivable) or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and right of return – are not recognized until the conditions are met.

The Society recognizes program and services fees during the year in which the program or service is provided to the customer. The performance obligation of delivery these services is simultaneously received and consumed by the customer; therefore, revenue is recognized at the point in time of when the program or service is delivered. All amounts received prior to the commencement of the specific program or service are deferred to the applicable period.

**Contributed Nonfinancial Assets**

The Society records various types of contributed nonfinancial assets. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. Donated use of facilities is reported as contributions and as expenses at the estimated fair value of similar space for rent under similar conditions. If the use of the space is promised unconditionally for a period greater than one year, the contribution is reported as a contribution and an unconditional contribution receivable at the date of gift, and the expense is report over the term of the use. 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.

**CHARLESTON ANIMAL SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

**NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)**

**Expense Allocation**

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated amount the various functions benefited using a reasonable allocation method that is consistently applied as follows:

- Invoices are coded to departments when they are received.
- Utilities are allocated to Fundraising and Education using square footage estimates.
- Staff costs are allocated to departments based on area worked. Employees that have more than one area of responsibility are allocated based on time spent working in those areas.

**Advertising**

Cost of promotions and advertising are expensed as incurred. Advertising and promotion expense total \$220,621 and \$220,650 for the years ended December 31, 2022 and 2021, respectively.

**Income Tax Status**

The Society is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law as a charitable organization whereby only unrelated business income, as defined by Section 509(a)(1) of the Code is subject to federal income tax. The Society qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an association other than a private Society under Section 509(a)(2).

The Society files and Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report it's unrelated business taxable income. The Society is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax period in progress.

**Use of Estimates**

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

**Recent Accounting Pronouncements**

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958). The ASU changes the presentation and disclosure requirements for contributed nonfinancial assets guidance in U.S. GAAP. The Society adopted the new standard effective January 1, 2022, the first day of the Society's fiscal year, using the full retrospective method.

Analysis of various provisions of this standard resulted in no significant changes in the way the Society measures and recognizes contributed nonfinancial assets therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of contributed nonfinancial assets have been adjusted in accordance with the standard.



**CHARLESTON ANIMAL SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

**NOTE 2 - AVAILABILITY AND LIQUIDITY**

Financial assets available for general expenditure, that are without donor or other restrictions limiting their use within one year of the Statement of Financial Position date of December 31, 2022 and 2021, comprise of the following at December 31:

|  | <u>2022</u>         | <u>2021</u>         |
|--|---------------------|---------------------|
| Financials assets:   |                     |                     |
| Cash and cash equivalents, unrestricted                        | \$ 1,136,901        | \$ 1,680,097        |
| Accounts receivable  | 34,562              | 15,044              |
| Investments  | 14,284,738          | 15,903,203          |
| Other assets   | 944,768             | 1,178,334           |
| Contributions receivable, net                                  | <u>422,061</u>      | <u>407,850</u>      |
| Total financial assets   | 16,823,030          | 19,184,528          |
| Less financial assets held to meet donor-imposed restrictions: |                     |                     |
| Purpose-restricted net assets                                  | (1,593,691)         | (1,963,185)         |
| Less financial assets not available within one year:           |                     |                     |
| Board designated net assets - working capital                  | (500,000)           | (500,000)           |
| Board designated net assets - endowment fund                   | (3,122,515)         | (3,122,515)         |
| Board designated - property fund                               | (8,584,364)         | (8,789,546)         |
| Contributions receivable                                       | <u>(347,300)</u>    | <u>(309,089)</u>    |
| Amount available for general expenditures within one year      | <u>\$ 2,675,160</u> | <u>\$ 4,500,193</u> |

As part of its liquidity plan, the Society has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. The Society invests excess cash in short-term investments, including money market accounts, and has the ability to redeem certain investments as necessary to meet its obligations.

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**CHARLESTON ANIMAL SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

**NOTE 3 - CONTRIBUTIONS RECEIVABLE**

The Society held a fundraising campaign to establish a new initiative for No Kill No Harm and contributions were made. The contributions receivable are considered unrestricted as they are for an initiative to raise awareness for our No Kill No Harm movement. Allowance for bad debt has been estimated based on past history by management. A summary of the contribution's receivable are due as follows as of December 31:

|                                 | 2022       | 2021       |
|---------------------------------|------------|------------|
| Beginning contributions         |            |            |
| receivable balance              | \$ 476,586 | \$ 134,131 |
| Contribution commitments        | 347,400    | 544,360    |
| Contribution payments           | (303,673)  | (201,905)  |
|                                 | 520,313    | 476,586    |
| Less bad debt write-offs        | (21,551)   | (20,500)   |
| Less allowance for bad debt     | (76,701)   | (48,236)   |
| Ending contributions receivable |            |            |
| balance                         | \$ 422,061 | \$ 407,850 |

Contributions are receivable as follows:

|                    |            |
|--------------------|------------|
| Less than one year | \$ 173,013 |
| Two to five years  | 347,300    |
|                    | \$ 520,313 |

**NOTE 4 - INVESTMENTS**

Investments held by the Society are in various accounts at a national brokerage firm. Investment fees are netted against investment income. Investments are stated at fair market value and consist of the following at December 31, 2022 and 2021:

|                          | 2022          |               | 2021          |               |
|--------------------------|---------------|---------------|---------------|---------------|
|                          | FMV           | Cost          | FMV           | Cost          |
| Real estate partnerships | \$ 103,600    | \$ 97,371     | \$ 143,033    | \$ 97,371     |
| Money market             | 30,871        | 30,871        | 294,839       | 294,839       |
| Exchange traded funds    | 4,496,650     | 3,890,059     | 5,288,390     | 3,689,124     |
| Mutual funds             |               |               |               |               |
| Fixed income             | 283,492       | 299,005       | 421,543       | 410,985       |
| Equities                 | 3,942,953     | 2,796,065     | 4,780,510     | 2,506,434     |
| Bond Funds               | 3,098,174     | 3,533,968     | 2,916,326     | 2,969,298     |
| Equity Funds             | 1,854,926     | 2,108,567     | 2,058,562     | 2,064,300     |
|                          | \$ 13,810,666 | \$ 12,755,906 | \$ 15,903,203 | \$ 12,032,351 |

**CHARLESTON ANIMAL SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

**NOTE 5 - SUMMARY OF FAIR VALUE EXPOSURE**

ASC 820 defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e. an exit price. To estimate an exit price, a three-tier hierarchy is used to prioritize the inputs:

- Level 1: Quoted prices in active markets for identical securities
- Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc.)
- Level 3: Significant unobservable inputs (including the Society's own assumptions in determining the fair value of investments)

For the years ended December 31, 2022 and 2021, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

- *Equities*: The Society's equity securities are readily marketable and have fair values which are determined by obtaining quoted market prices in active markets. (Level 1 inputs- market approach).
- *Fixed income securities*: Fair values of U.S. Government and corporate securities reflect closing prices reported in the active markets in which the securities are traded. (Level 1 inputs -market approach).
- *Money market*: The fair value of investments money market funds that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (level 1 inputs- market approach).
- *Real estate*: Society real estate holdings consist of an investment in a publicly traded real estate investment trust. The fair value of this investment is readily marketable and is determined by obtaining quoted prices on a nationally recognized securities exchange (level 1 inputs- market approach).
- *Beneficial interest in assets held by others*: The fair value of beneficial interests in trust assets was determined based upon the present value of future cash flows from the trusts, an amount no greater than the asset value of the trust. The trust cannot be redeemed by management. (Level 3 inputs- income approach)
- *Exchange-traded funds*: Determined by the published closing price on the last business day of the fiscal year.

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**CHARLESTON ANIMAL SOCIETY**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

**NOTE 5 - SUMMARY OF FAIR VALUE EXPOSURE - (continued)**

The following tables provide fair value measurement information for financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2022 and 2021:

|  | December 31, 2022 |         |            |               |
|--|-------------------|---------|------------|---------------|
|  | Level 1           | Level 2 | Level 3    | Total         |
| Real estate mutual funds                               | \$ 103,600        | \$ -    | \$ -       | \$ 103,600    |
| Money market   | 30,871            | -       | -          | 30,871        |
| Mutual funds   | 9,179,545         | -       | -          | 9,179,545     |
| Exchange traded funds                                  | 4,496,650         | -       | -          | 4,496,650     |
| Beneficiary interest in perpetual trust held by others | -                 | -       | 944,768    | 944,768       |
|  | \$ 13,810,666     | \$ -    | \$ 944,768 | \$ 14,755,434 |

|  | December 31, 2021 |         |              |               |
|--|-------------------|---------|--------------|---------------|
|  | Level 1           | Level 2 | Level 3      | Total         |
| Real estate mutual funds                               | \$ 143,033        | \$ -    | \$ -         | \$ 143,033    |
| Money market   | 294,839           | -       | -            | 294,839       |
| Mutual funds   | 10,176,941        | -       | -            | 10,176,941    |
| Exchange traded funds                                  | 5,288,390         | -       | -            | 5,288,390     |
| Beneficiary interest in perpetual trust held by others | -                 | -       | 1,178,334    | 1,178,334     |
|  | \$ 15,903,203     | \$ -    | \$ 1,178,334 | \$ 17,081,537 |

The inputs and methodology used for valuing the Society's financial assets and liabilities are not indicators of the risks associated with those instruments.

The following is a reconciliation of the beginning and ending balances for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the years ended December 31, 2022 and 2021:

|                                  | 2022         | 2021         |
|----------------------------------|--------------|--------------|
| Beginning balance                | \$ 1,178,334 | \$ 1,109,515 |
| Contribution transfer            | (51,000)     | (46,000)     |
| Beneficiary interest gain (loss) | (182,566)    | 114,819      |
|                                  | \$ 944,768   | \$ 1,178,334 |

**CHARLESTON ANIMAL SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

**NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS**

The Society has net assets with donor restrictions that are available for the following purposes as of December 31, 2022 and 2021.

|   | <u>2022</u>         | <u>2021</u>         |
|---|---------------------|---------------------|
| Purpose restrictions,<br>available for spending:  |                     |                     |
| Spay/neuter   | \$ 262,100          | \$ 243,750          |
| Education   | -                   | 9,215               |
| No kill campaign  | 92,875              | 109,177             |
| ASPCA emergency response  | 10,158              | -                   |
| Maddie's fund   | -                   | 20,000              |
| Memorial garden   | 96,584              | 96,584              |
| Bunny area renovations  | 15,000              | -                   |
| Outreach  | 53,061              | 8                   |
| Veterinary care   | -                   | 13,800              |
| Play yard and behavior evaluation area  | 119,145             | 199,160             |
| ASCPA disaster response   | -                   | 13,157              |
| Relocation transfers  | -                   | 30,000              |
| Petco love stories  | -                   | 50,000              |
| Beneficiary trust   | <u>944,768</u>      | <u>1,178,334</u>    |
| Total purpose restrictions  | 1,593,691           | 1,963,185           |
| <br>  |                     |                     |
| <u>Time restrictions:</u>   |                     |                     |
| Contribution receivables not restricted by donors,<br>but are unavailable for expenditure until due | <u>422,061</u>      | <u>407,850</u>      |
| Total time restrictions   | <u>422,061</u>      | <u>407,850</u>      |
| <br>  |                     |                     |
| Total net assets with donor restrictions  | <u>\$ 2,015,752</u> | <u>\$ 2,371,035</u> |

**CHARLESTON ANIMAL SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

**NOTE 7 - ENDOWMENT AND DONOR RESTRICTED NET ASSETS**

The Society's endowment consists of three individual funds established for the support of their mission. The endowment includes donor restricted net assets. As required by U.S. 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.

Endowment net asset composition by type of fund as of December 31, 2022 and 2021 are as follows:

|                                       |           | 2022                 |                          |                              |                   |
|---------------------------------------|-----------|----------------------|--------------------------|------------------------------|-------------------|
| Restricted Net Assets                 | Purpose   | Beginning<br>Balance | Contribution<br>Transfer | Beneficiary<br>Interest Loss | Ending<br>Balance |
| Wells Fargo Smith<br>Trust Benefits   |           |                      |                          |                              |                   |
| Receivable                            | Operating | \$ 298,903           | \$ (13,000)              | \$ (49,577)                  | \$ 236,326        |
| Wells Fargo Jantzen<br>Trust Benefits |           |                      |                          |                              |                   |
| Receivable                            | Operating | 879,431              | (38,000)                 | (132,989)                    | 708,442           |
|                                       |           | \$ 1,178,334         | \$ (51,000)              | \$ (182,566)                 | \$ 944,768        |
|                                       |           | 2021                 |                          |                              |                   |
| Restricted Net Assets                 | Purpose   | Beginning<br>Balance | Contribution             | Beneficiary<br>Interest Gain | Ending<br>Balance |
| Wells Fargo Smith<br>Trust Benefits   |           |                      |                          |                              |                   |
| Receivable                            | Operating | \$ 279,465           | \$ (10,000)              | \$ 29,438                    | \$ 298,903        |
| Wells Fargo Jantzen<br>Trust Benefits |           |                      |                          |                              |                   |
| Receivable                            | Operating | 830,050              | (36,000)                 | 85,381                       | 879,431           |
|                                       |           | \$ 1,109,515         | \$ (46,000)              | \$ 114,819                   | \$ 1,178,334      |

Change in endowment net assets for the years ended December 31, 2022 and 2021 are as follows:

|                                 | 2022         | 2021         |
|---------------------------------|--------------|--------------|
| Beginning restricted net assets | \$ 1,178,334 | \$ 1,109,515 |
| Change in value                 | (182,566)    | 114,819      |
| Distribution                    | (51,000)     | (46,000)     |
| Ending restricted net assets    | \$ 944,768   | \$ 1,178,334 |

Donor restricted net assets include the endowment fund assets; to be held indefinitely. The income from the assets may be used to support the Society's activities, subject to donor-imposed restrictions. The Society's policy for determining the portion of endowment earnings permitted to be included in operations is controlled by the trustees of the funds, generally 4% to 5 % of a three-year moving average of the trust's market value; these funds are distributed from the trustee to the Society. Only the donor restricted corpus remains in the endowment. Endowment beneficiary interest in perpetual trust transferred \$51,000 and \$46,000 in 2022 and 2021. These distributions were recognized in contributions.

**CHARLESTON ANIMAL SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

**NOTE 7 - ENDOWMENT AND DONOR RESTRICTED NET ASSETS - (continued)**

The investment income related to the donor restricted funds has been accounted for within the donor restrictions investment earnings on the Statements of Activities. There were no contributions to the with donor restrictions corpus during years ended December 31, 2022 and 2021.

**NOTE 8 - PROPERTY & EQUIPMENT**

Property and equipment consist of the following as of December 31, 2022 and 2021:

|                                | 2022         | 2021         |
|--------------------------------|--------------|--------------|
| Depreciable assets:            |              |              |
| Furniture and equipment        | \$ 1,673,896 | \$ 1,562,599 |
| Vehicles                       | 347,142      | 347,142      |
| Building                       | 10,867,812   | 10,867,812   |
| Total property and equipment   | 12,888,850   | 12,777,553   |
| Less: accumulated depreciation | (5,127,758)  | (4,703,264)  |
|                                | 7,761,092    | 8,074,289    |
| Non depreciable assets:        |              |              |
| Construction in progress       | 108,015      | -            |
| Land                           | 715,257      | 715,257      |
| Total property and equipment   | \$ 8,584,364 | \$ 8,789,546 |

Depreciation expense for the years ended December 31, 2022 and 2021 are \$424,494 and \$484,454.

Construction in progress was \$108,015 and \$0 as of December 31, 2022 and 2021, respectively, and consisted of construction of a new play yard and behavior evaluation area. The estimated cost at completion for the project is \$279,000 and the project is expected to be completed by the end of 2023.

**NOTE 9 - NOTES PAYABLE**

The Society entered into a \$1,300,000 non-revolving line of credit in June of 2016. Draws on the line may be made through March 2017. Beginning April 30, 2017 interest rate will be 3% and monthly payments will be made based on the outstanding balance as of March 31, 2017 with payments amortized over 10 years. On April 30, 2017, the line of credit was transferred to a 10-year term loan for the amount of \$1,290,934. Monthly payments are \$12,317 including principle and interest. Interest is calculated at 3.00%. The loan matures on June 30, 2027.

On January 31, 2022, the Society entered into a \$222,594 loan with an interest rate of 2.81%. Monthly payments, including interest, are \$2,596. The loan matures on January 31, 2030.

**CHARLESTON ANIMAL SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

**NOTE 9 - NOTES PAYABLE - (continued)**

The debt maturity for the next five years ended December 31 is as follows:

|            |    |                |
|------------|----|----------------|
| 2023       | \$ | 156,537        |
| 2024       |    | 161,260        |
| 2025       |    | 166,235        |
| 2026       |    | 171,308        |
| 2027       |    | 102,185        |
| Thereafter |    | 65,038         |
|            | \$ | <u>822,563</u> |

**NOTE 10 - CONTRIBUTED NONFINANCIAL ASSETS**

For the years ended December 31, contributed nonfinancial assets recognized within the statements of activities included:

|                                    | 2022              | 2021              |
|------------------------------------|-------------------|-------------------|
| Advertising                        | \$ 188,599        | \$ 131,674        |
| Animal supplies and food           | 164,391           | 92,343            |
| Entertainment                      | 400               | -                 |
| Event rentals                      | 13,504            | -                 |
| Food and beverages                 | 2,276             | 7,380             |
| Medication and veterinary supplies | 130,797           | 158,037           |
| Repairs to vehicles                | 500               | 477               |
| Supplies                           | -                 | 5,081             |
| Veterinary services                | 8,943             | 13,737            |
|                                    | <u>\$ 509,410</u> | <u>\$ 408,729</u> |

The Society recognized contributed nonfinancial assets within revenue, including contributed advertising, animal supplies and food, entertainment, event rentals, food and beverages, medications and veterinary supplies, repairs to vehicles, supplies and veterinary services. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed advertising was used to promote fundraising and awareness of the animals in the shelter. Advertising is valued and reported at the estimated fair value in the financial statements based on the current rates for similar advertising space.

Contributed animal supplies and food was utilized in the shelter. Contributed medications and veterinary supplies was utilized in the clinic and shelter. In valuing animal supplies, food, medication and veterinary supplies, the Society estimated the fair value on the basis of estimates of wholesale value that would be paid for purchasing similar products.



**CHARLESTON ANIMAL SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

**NOTE 11 - CONCENTRATION OF CREDIT RISK**

Financial instruments that potentially subject the Society to concentrations of credit risk consist of cash in banks; investments managed by brokerage firms and promise to give. The Society places its cash and investments with reputable financial institutions and limits the amount of credit exposure for cash to any one financial institution. Accounts held by banking institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000 and cash in investment accounts is insured by the brokers insurance. As of December 31, 2022 and 2021, the Society had uninsured cash of \$626,380 and \$1,027,135.

**NOTE 12 - OTHER CONCENTRATION RISK**

The Society has a vendor contract with the Charleston County for the humane disposition of animals in Charleston County. In 2022, the Society received 8,190 animals from animal control agencies and Charleston County citizens, which represents 92% of the animal intake for the organization. The Society received \$2,100,000 from Charleston County under the contract which is 56% of the actual cost (\$4,687,054) of animal disposition. The concentration of animal intake from Charleston County related to one vendor contract is a risk to the organization. Actual cost of animal disposition for 2022 was \$525 per animal of which Charleston County paid \$256 per animal disposition. The Society must use reserves, donations and grants to fund the shortfall annually which creates a risk to the organization.

In 2021, the Society received 6,304 animals from animal control agencies and Charleston County citizens, which represents 87% of the animal intake for the organization. The Society received \$2,079,000 from Charleston County under the contract which is 65% of the actual cost (\$3,194,684) of animal disposition. The concentration of animal intake from Charleston County related to one vendor contract is a risk to the organization. Actual cost of animal disposition for 2021 was \$592 per animal of which Charleston County paid \$330 per animal disposition. The Society must use reserves, donations and grants to fund the shortfall annually which creates a risk to the organization.

**NOTE 13 - RETIREMENT PLAN**

The Society adopted a 401(k) Profit Sharing Plan effective January 1, 2019. The Society will match the employees' contributions 100% of the salary deferrals up to 3%. The Plan was restated effective February 1, 2021 to increase the Society's match to 100% of the salary deferrals up to 4%. Employees may contribute to the plan once they become eligible at the age of 18. The Society's retirement expense for the years ended December 31, 2022 and 2021 were \$105,672 and \$108,143, respectively.

**NOTE 14 - RELATED PARTIES TRANSACTIONS**

The Society received \$838,967 and \$857,542 in contributions and pledges from members of its Board of Directors for years ended December 31, 2022 and 2021, respectively. The outstanding balance of promises to give from the Board members at December 31, 2022 and 2021 was \$23,350 and \$158,000, respectively.

**NOTE 15 - LEGAL PROCEEDINGS**

During 2018, a complaint was filed against Charleston Animal Society and others alleging several issues including civil conspiracy, violation of civil rights, tortious interference with business relations and slander/libel/defamation. No monetary amounts for damages have been stated and are not determinable as of December 31, 2022. The plaintiff's objectives are for a judgment against the defendant(s) for both actual and punitive damages in the amount determined by a jury and for attorney's fees to be determined by the Court. The motion by defendant(s) to dismiss the claim, including all 4 causes of action was granted on May 12, 2022. The Plaintiff appealed the dismissal. Charleston Animal Society considers this claim baseless and intends to contest it.

**CHARLESTON ANIMAL SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

**NOTE 16 - SUBSEQUENT EVENTS**

In accordance with ASC 855, the Society evaluated subsequent events through the report date and has concluded no significant subsequent events which meet the criteria of the professional accounting standards to be recognized or not recognized, but disclosed, in these financial statements.