

CHARLESTON ANIMAL SOCIETY
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

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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, 2025 and 2024, 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, 2025 and 2024, 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 Auditors' 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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.

DCLPAS, LLC dba Davis & Company CPAs

Mount Pleasant, South Carolina
April 06, 2026

CHARLESTON ANIMAL SOCIETY
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2025 AND 2024

ASSETS	2025	2024
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,598,826	\$ 1,310,089
Accounts receivable	535,714	61,855
Contributions receivable, net	1,092,591	426,521
Prepaid expense	115,738	118,481
Inventories	146,413	104,370
Total current assets	4,489,282	2,021,316
PROPERTY AND EQUIPMENT		
Land	2,566,000	2,566,000
Property and equipment, net	8,929,065	9,228,959
Total property and equipment	11,495,065	11,794,959
INVESTMENTS	22,230,631	18,805,605
OTHER ASSETS		
Beneficiary interest in perpetual trusts held by others	1,154,047	1,064,111
Operating lease right of use asset	20	-
Total other assets	1,154,067	-
TOTAL ASSETS	\$ 39,369,045	\$ 32,621,880
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 354,478	\$ 297,328
Payroll related liabilities	297,586	238,485
Deferred revenue	11,750	10,000
Line of credit	951,702	-
Current portion of notes payable	171,309	156,537
Current portion of lease liability	5	-
Total current liabilities	1,786,830	702,350
LONG-TERM LIABILITIES		
Notes payable - noncurrent	165,328	346,325
Lease liability - noncurrent	15	-
Total long-term liabilities	165,343	-
TOTAL LIABILITIES	1,952,173	702,350
NET ASSETS		
Without donor restrictions	19,006,226	14,671,818
Board Designated - Capacity Building Fund	11,494,065	11,794,959
Board Designated - Working Capital Fund	500,000	500,000
Board Designated - Quasi-endowment Fund	3,122,515	3,122,515
With donor restrictions	3,294,066	2,548,024
Total net assets	37,416,872	32,637,316
TOTAL LIABILITIES AND NET ASSETS	\$ 39,369,045	\$ 32,621,880

See accompanying notes

**CHARLESTON ANIMAL SOCIETY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2025**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUES			
Contributions and grants	\$ 4,867,130	\$ 1,065,647	\$ 5,932,777
Contributions of nonfinancial assets	465,184	-	465,184
Contributed revenue - use of property	-	689,975	689,975
Programs and services	2,617,549	-	2,617,549
Government vendor service contract	3,286,133	-	3,286,133
Special events, net of \$411,986 expense	1,140,031	-	1,140,031
Investment income, net of \$68,810 in fees	431,711	-	431,711
Realized gain on investments	456,657	-	456,657
Unrealized gain on investments	1,238,975	-	1,238,975
Change in value of beneficiary interest	-	89,194	89,194
Other income	34,639	-	34,639
	<u>14,538,009</u>	<u>1,844,816</u>	<u>16,382,825</u>
Net assets released from restrictions	<u>1,098,774</u>	<u>(1,098,774)</u>	<u>-</u>
Total support and revenues	15,636,783	746,042	16,382,825
EXPENSES			
Programs and services	9,619,430	-	9,619,430
Management	371,970	-	371,970
Fundraising	1,611,869	-	1,611,869
Total expenses	<u>11,603,269</u>	<u>-</u>	<u>11,603,269</u>
INCREASE IN NET ASSETS	4,033,514	746,042	4,779,556
NET ASSETS, beginning of year	<u>30,089,292</u>	<u>2,548,024</u>	<u>32,637,316</u>
NET ASSETS, end of year	<u>\$ 34,122,806</u>	<u>\$ 3,294,066</u>	<u>\$ 37,416,872</u>

See accompanying notes

CHARLESTON ANIMAL SOCIETY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUES			
Contributions and grants	\$ 3,347,598	\$ 1,439,826	\$ 4,787,424
Contributions of nonfinancial assets	623,236	-	623,236
Programs and services	2,399,400	-	2,399,400
Government vendor service contract	2,325,000	-	2,325,000
Special events, net of \$372,062 expense	1,389,074	-	1,389,074
Investment income, net of \$60,727 in fees	442,005	-	442,005
Realized gain on investments	103,782	-	103,782
Unrealized gain on investments	1,713,697	-	1,713,697
Change in value of beneficiary interest	-	41,975	41,975
Other income	28,575	-	28,575
Bingo income	37,235	-	37,235
	<u>12,409,602</u>	<u>1,481,801</u>	<u>13,891,403</u>
Net assets released from restrictions	<u>1,823,924</u>	<u>(1,823,924)</u>	<u>-</u>
 Total support and revenues	 14,233,526	 (342,123)	 13,891,403
 EXPENSES			
Programs and services	8,770,946	-	8,770,946
Management	374,533	-	374,533
Fundraising	1,871,748	-	1,871,748
	<u>11,017,227</u>	<u>-</u>	<u>11,017,227</u>
 Total expenses	 11,017,227	 -	 11,017,227
 INCREASE (DECREASE) IN NET ASSETS	 3,216,299	 (342,123)	 2,874,176
 NET ASSETS, beginning of year	 <u>26,872,993</u>	 <u>2,890,147</u>	 <u>29,763,140</u>
 NET ASSETS, end of year	 <u>\$ 30,089,292</u>	 <u>\$ 2,548,024</u>	 <u>\$ 32,637,316</u>

See accompanying notes

**CHARLESTON ANIMAL SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2025**

	<u>Program and Services</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total</u>
COMPENSATION AND RELATED EXPENSES				
Salaries	\$ 4,221,529	\$ 242,285	\$ 582,911	\$ 5,046,725
Employee benefits	499,261	19,456	59,820	578,537
Payroll taxes	270,817	67,964	35,153	373,934
Total compensation and related expenses	<u>4,991,607</u>	<u>329,705</u>	<u>677,884</u>	<u>5,999,196</u>
OTHER EXPENSES				
Animal care and protection expenses	1,470,265	-	523	1,470,788
Marketing	184,706	-	674,402	859,108
Veterinary care expenses	366,372	-	-	366,372
Utilities	230,640	8,738	47,800	287,178
Contract services	194,881	-	30,155	225,036
Building maintenance	187,425	-	-	187,425
Computer and equipment	61,767	-	81,074	142,841
Insurance	124,776	-	-	124,776
Professional fees	110,579	2,467	2,467	115,513
Bank fees	52,784	3,848	40,115	96,747
Office expenses	63,177	1,589	14,284	79,050
Employee training	44,938	3,012	10,227	58,177
Miscellaneous	52,796	22,611	9,468	84,875
Interest	41,664	-	-	41,664
Automobile	45,395	-	-	45,395
Credit losses	-	-	21,910	21,910
Education expenses	13,999	-	-	13,999
Travel and entertainment	1,757	-	1,560	3,317
Berkeley Campus Expenses	895,141	-	-	895,141
TOTAL EXPENSES BEFORE DEPRECIATION	<u>9,134,669</u>	<u>371,970</u>	<u>1,611,869</u>	<u>11,118,508</u>
Depreciation	484,761	-	-	484,761
TOTAL FUNCTIONAL EXPENSES	<u>\$ 9,619,430</u>	<u>\$ 371,970</u>	<u>\$ 1,611,869</u>	<u>\$ 11,603,269</u>

See Accompanying Notes

CHARLESTON ANIMAL SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Program and Services</u>	<u>Management</u>	<u>Fund raising</u>	<u>Total</u>
COMPENSATION AND RELATED EXPENSES				
Salaries	\$ 4,059,024	\$ 242,900	\$ 538,808	\$ 4,840,732
Employee benefits	424,352	8,446	68,290	501,088
Payroll taxes	262,559	68,930	29,311	360,800
Total compensation and related expenses	<u>4,745,935</u>	<u>320,276</u>	<u>636,409</u>	<u>5,702,620</u>
OTHER EXPENSES				
Animal expenses	1,584,549	-	-	1,584,549
Public relations	201,880	-	965,448	1,167,328
Veterinary care expenses	404,249	-	-	404,249
Contract services	305,520	-	37,600	343,120
Utilities	221,101	9,891	51,666	282,658
Building maintenance	237,024	1,539	1,539	240,102
Insurance	157,974	-	-	157,974
Computer and equipment	65,024	1,301	79,164	145,489
Professional fees	104,791	1,429	2,307	108,527
Bank fees	52,728	(1,535)	49,625	100,818
Miscellaneous	29,266	37,369	5,125	71,760
Office expense	51,885	878	18,316	71,079
Automobile	69,754	-	-	69,754
Employee training	43,989	3,385	8,681	56,055
Interest	27,684	-	-	27,684
Education expenses	18,708	-	-	18,708
Credit losses	-	-	15,293	15,293
Travel and entertainment	1,390	-	575	1,965
TOTAL EXPENSES BEFORE DEPRECIATION	<u>8,323,451</u>	<u>374,533</u>	<u>1,871,748</u>	<u>10,569,732</u>
Depreciation	447,495	-	-	447,495
TOTAL FUNCTIONAL EXPENSES	<u>\$ 8,770,946</u>	<u>\$ 374,533</u>	<u>\$ 1,871,748</u>	<u>\$ 11,017,227</u>

See accompanying notes

CHARLESTON ANIMAL SOCIETY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 4,779,556	\$ 2,874,176
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	484,761	447,495
Contributed non-financial asset	-	(74,475)
Realized loss (gain) on investments	(456,657)	-
Unrealized loss (gain) on investments	(1,238,975)	(1,713,697)
Decrease (increase) in current assets:		
Accounts receivable	(473,859)	165,574
Contributions receivable	(666,070)	90,430
Prepaid expenses	2,743	21,675
Inventory	(42,043)	9,564
Increase (decrease) in operating liabilities:		
Accounts payable	57,150	104,652
Payroll related liabilities	59,101	(37,835)
Deferred revenue	1,750	
Net cash provided by operating activities	2,507,457	1,887,559
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(4,904,029)	(1,436,031)
Proceeds from sale of securities	4,719,155	1,830,128
Change in beneficiary interest in trust	(89,936)	(41,975)
Purchase of securities - net of reinvested earnings	(1,729,388)	(2,592,077)
Net cash used in investing activities	(2,004,198)	(2,239,955)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on note payable	(166,224)	(509,751)
Proceeds from Line of credit	951,702	-
Net cash provided (used) by financing activities	785,478	(509,751)
Net increase (decrease) in cash and cash equivalents	1,288,737	(862,147)
CASH AND CASH EQUIVALENTS, beginning of year	1,310,089	2,172,236
CASH AND CASH EQUIVALENTS, end of year	\$ 2,598,826	\$ 1,310,089
Supplemental Disclosures:		
Non cash donation - lease	\$ 689,975	\$ -
Cash interest paid	\$ 41,664	\$ 27,684

See accompanying notes

CHARLESTON ANIMAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

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

Nature of Organization

Charleston Animal Society (the “Society”), originally founded as The South Carolina Society for the Prevention of Cruelty to Animals, is a nonprofit corporation established in 1874 to prevent cruelty to animals. As the oldest animal welfare organization in South Carolina and one of the earliest in North America, the Society serves as a leading provider of animal care, protection, and community-based lifesaving programs.

The Society is headquartered in North Charleston, South Carolina, and operates additional campuses in Ravenel, South Carolina (feral cat sanctuary and canine behavioral transition center), and Moncks Corner, South Carolina (Berkeley County Animal Center). Through these facilities, the Society provides care in accordance with industry-leading practices, with the objective of achieving a live and/or humane outcome for animals entering its care.

Effective July 1, 2025, the Society entered into a management agreement with Berkeley County to operate a County-owned animal sheltering and veterinary clinic facility, formerly known as the Berkeley County Animal Center, further expanding its role in managing large-scale public animal sheltering systems. Beyond its direct operations, the Society plays a central leadership role in advancing animal welfare across South Carolina. Its mission to prevent cruelty to animals is pursued through three primary impact areas:

- (1) Reducing the unnecessary euthanasia of companion animals,
- (2) Addressing the overpopulation of dogs and cats, and
- (3) Preventing and responding to animal cruelty.

These objectives are executed through a comprehensive and integrated framework of programs and services, including:

- Facilitating placement of animals through adoption, owner reunification, return-to habitat programs for free-roaming cats, and transfers to partner organizations
- Reducing unwanted litters through high-volume, high-quality, and accessible spay/neuter services
- Delivering humane and compassion-based education programs that promote responsible and humane behavior toward animals and people
- Supporting law enforcement agencies in the investigation and prosecution of animal cruelty cases
- Administering preventative vaccinations to mitigate the spread of disease and protect public and animal health
- Providing advanced medical and behavioral treatment to abused, abandoned, ill, and injured animals
- Assisting pet owners through a pet food bank to address barriers to pet retention
- Providing sanctuary and long-term care for free-roaming and feral cats
- Operating foster programs to provide individualized, in-home care for the most at risk animals.
- Leading a statewide initiative, No Kill South Carolina, which provides coordination, training, and resource support to animal shelters and communities with the goal of improving outcomes and reducing euthanasia across the state

Through its direct services, public-private partnerships, and statewide leadership initiatives, the Society serves as a central driver of animal welfare advancement in South Carolina.

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.

**CHARLESTON ANIMAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

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

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.

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

- Capacity Building 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.
- Quasi-endowment fund created to reserve funds to supplement operations when necessary as well as generate consistent investment income to support current operations.

In order for funds to be spent out of the funds there would need to be a vote of at least 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.

CHARLESTON ANIMAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

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

Accounts Receivables

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

Contributions Receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions 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 historical loss experience, current conditions, and reasonable and supportable forecasts affecting the collectability of these receivables.

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.

Inventories

Inventories includes supplies necessary for the care of animals, including food, bedding, medicine and medical supplies, and other essentials as well as items for retail sale to the community. Purchased inventory is stated at the lower of cost or net realizable value and determined using the Last-In, First-Out (LIFO) method. Donated items are not included in inventory. They are recognized as revenue at their estimated fair value upon receipt and are expensed directly to the appropriate program or activity when utilized.

CHARLESTON ANIMAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

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

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.

Beneficiary 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.

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 net assets with donor restrictions (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

**CHARLESTON ANIMAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

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

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.

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.

CHARLESTON ANIMAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

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

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 (contributions 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. Contributed nonfinancial assets are utilized in the Society's programs and supporting activities and are not monetized. The Society does not have a policy to monetize contributed nonfinancial assets. Donated use of facilities is reported as contributions and as expenses at the estimated fair value of similar space for rent under similar conditions, and such use is included within program and supporting activities based on the nature of utilization. If the use of space is promised unconditionally for a period greater than one year, the contribution is recognized as contribution revenue and an unconditional contributions receivable at the date of gift, and the related expense is recognized over the term of use. The amounts reflected in the accompanying financial statements as contributed nonfinancial assets are offset by corresponding amounts included in expenses or additions to property and equipment.

Leases

The Organization determines whether an arrangement contains a lease at inception. Lease liabilities represent the Organization's obligation to make lease payments and are recognized at the present value of future minimum lease payments over the lease term at the commencement date. Right-of-use assets represent the Organization's right to use an underlying asset for the lease term and are recognized at the amount of the lease liability, adjusted for lease payments made prior to commencement and any lease incentives received.

At the commencement date, the Organization classifies leases as either operating or finance leases. Operating leases are included in operating lease right-of-use assets and operating lease liabilities in the statements of financial position. Lease cost for operating leases is recognized on a straight-line basis over the lease term. All of the Organization's leases were classified as operating leases as of and for the year ended December 30, 2025 and 2024.

The lease term includes the non-cancelable period of the lease and any renewal or termination options that are reasonably certain to be exercised. The Organization considers economic incentives, business needs, and contractual penalties when determining whether renewal or termination options are reasonably certain to be exercised.

The Organization has elected the short-term lease practical expedient for leases with an initial term of 12 months or less. Such leases are not recorded on the Statement of Financial Position, and lease expense is recognized on a straight-line basis over the lease term. In determining the present value of lease payments, the Organization uses the rate implicit in the lease when readily determinable; otherwise, the Organization has elected to use a risk-free rate based on U.S. Treasury instruments with a maturity similar to the lease term.

CHARLESTON ANIMAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

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 \$106,528 and \$144,070 for the years ended December 31, 2025 and 2024, 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 foundation under Section 509(a)(2).

The Society files an 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.

Reclassification

Certain prior period amounts have been reclassified to conform to current period presentation. These reclassifications have no impact on the overall change in net assets.

CHARLESTON ANIMAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE 2 - AVAILABILITY AND LIQUIDITY

Financial assets available for general expenditures, that are without donor or other restrictions limiting their use within one year of the Statement of Financial Position date of December 31, 2025 and 2024, comprise of the following at December 31:

	2025	2024
Financial assets:		
Cash and cash equivalents	\$ 2,598,826	\$ 1,310,089
Accounts receivable	535,714	61,855
Investments	22,230,631	18,805,605
Other assets	1,154,067	1,064,111
Contributions receivable, net	1,092,591	426,521
Total financial assets	27,611,829	21,668,181
Less financial assets held to meet donor-imposed restrictions:		
Purpose-restricted net assets	(2,673,086)	(2,548,024)
Less financial assets not available within one year:		
Board designated net assets - Working Capital Fund	(500,000)	(500,000)
Board designated net assets – Quasi-endowment Fund	(3,122,515)	(3,122,515)
Board designated - Building Capacity Fund	(11,494,065)	(11,794,959)
Contributions receivable	(900,539)	(365,124)
Amount available for general expenditures within one year	\$ 8,921,624	\$ 3,337,559

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.

NOTE 3 - CONTRIBUTIONS RECEIVABLE

The Society held a fundraising campaign to establish a new initiative for No Kill South Carolina 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 credit loss has been estimated based on past history by management. A summary of the contributions receivable are due as follows as of December 31:

	2025	2024
Beginning contributions		
receivable balance	\$ 586,489	\$ 636,626
Contribution commitments	1,068,912	216,496
Contribution payments	(371,431)	(266,633)
	1,283,970	586,489
Less write off for credit losses	(102,191)	(94,190)
Less allowance for credit losses	(89,188)	(65,778)
Ending contributions receivable		
balance	\$ 1,092,591	\$ 426,521

CHARLESTON ANIMAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE 4 - INVENTORIES

The Society maintains an inventory of supplies necessary for the care of animals, including food, bedding, medical supplies, and other essentials as well as items for retail sale to the community. Inventory is valued at the lower of cost or net realizable value. The shelter utilizes the Last-In, First-Out (LIFO) method to value its inventory.

As of December 31, inventory balances were as follows:

	<u>2025</u>	<u>2024</u>
Charleston Campus	\$ 171,309	\$ 37,543
Retail	102,152	25,594
Sam Greer Clinic	29,738	41,233
Berkeley Campus	30,601	-
Bear Greer Sanctuary	4,833	-
Total Inventory	<u>\$ 338,633</u>	<u>\$ 104,370</u>

Donated items, which are a significant source of supplies for the shelter, are not included in the inventory balances presented above. Donated items are recognized as revenue at their estimated fair value upon receipt and are expensed directly to the appropriate program or activity when utilized.

Management regularly assesses the inventory for obsolescence or impairment. Any obsolete or impaired inventory is written down to its estimated net realizable value, and the corresponding loss is recognized in the statement of activities.

The Society believes that the LIFO method provides a reasonable basis for valuing its inventory, considering the nature of its operations and the types of inventory items held.

NOTE 5 - 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, 2025 and 2024:

	<u>2025</u>		<u>2024</u>	
	<u>FMV</u>	<u>Cost</u>	<u>FMV</u>	<u>Cost</u>
Money market	\$ 463,346	\$ 463,346	\$ 419,629	\$ 419,629
Exchange traded funds	7,388,935	4,535,362	6,359,763	4,371,985
Mutual funds				
Fixed income	837,776	800,291	924,771	945,000
Equities	6,505,327	3,253,251	5,829,265	2,866,396
Equity Funds	7,035,246	7,122,755	5,272,177	5,560,961
	<u>\$ 22,230,630</u>	<u>\$ 16,175,005</u>	<u>\$ 18,805,605</u>	<u>\$ 14,163,971</u>

**CHARLESTON ANIMAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 6 - 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, 2025 and 2024, 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.

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, 2025 and 2024:

	December 31, 2025			
	Level 1	Level 2	Level 3	Total
Money market	\$ 463,346	\$ -	\$ -	\$ 463,346
Mutual funds	14,378,349	-	-	14,378,349
Exchange traded funds	7,388,935	-	-	7,388,935
Beneficiary interest in perpetual trust held by others	-	-	1,154,047	1,154,047
	\$ 22,230,630	\$ -	\$ 1,154,047	\$ 23,384,677

(continued)

CHARLESTON ANIMAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE 6 - SUMMARY OF FAIR VALUE EXPOSURE - (continued)

December 31, 2024								
		Level 1		Level 2		Level 3		Total
Real estate mutual funds	\$	419,629	\$	-	\$	-	\$	419,629
Mutual funds		12,026,213		-		-		12,026,213
Exchange traded funds		6,359,763		-		-		6,359,763
Beneficiary interest in perpetual trust held by others		-		-		1,064,111		1,064,111
	\$	18,805,605	\$	-	\$	1,064,111	\$	19,869,716

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, 2025 and 2024:

		2025		2024
Beginning balance	\$	1,064,111	\$	1,022,136
Contribution transfer		(50,004)		(47,027)
Beneficiary interest gain		139,198		89,002
	\$	1,153,305	\$	1,064,111

**CHARLESTON ANIMAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

The Society has net assets with donor restrictions that are available for the following purposes as of December 31, 2025 and 2024.

	2025	2024
<u>Purpose restrictions, available for spending:</u>		
Spay/neuter	\$ 318,500	\$ 221,815
Education	-	5,000
No Kill South Carolina	291,572	-
Sadie's Memorial Garden	10,888	33,160
Car Raffle 2025	-	77,151
Outreach (PFL and HHRP)	-	11,909
Campus expansion	478,291	558,447
Mt. Pleasant Sheltering	-	150,000
Use of property - donated lease	620,980	-
Endowments held in beneficiary trusts	1,153,305	1,064,111
Total purpose restrictions	2,873,536	2,121,593
<u>Time restrictions:</u>		
Total time restrictions	420,530	426,521
	420,530	426,521
 Total net assets with donor restrictions	 \$ 3,294,066	 \$ 2,548,114

NOTE 8 - 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 quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

CHARLESTON ANIMAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024

NOTE 8 - ENDOWMENT AND DONOR RESTRICTED NET ASSETS – (continued)

Endowment net asset composition by type of fund as of December 31, 2025 and 2024 are as follows:

		2025			
Restricted Net Assets	Purpose	Beginning Balance	Contribution Transfer	Beneficiary Interest Gain	Ending Balance
Wells Fargo Smith Trust Smith trust Benefits	Operating	\$ 264,001	\$ (12,344)	\$ 31,313	\$ 282,970
Wells Fargo Jantzen Trust Jantzen Trust Benefits	Operating	<u>800,110</u>	<u>(37,660)</u>	<u>107,885</u>	<u>870,335</u>
		<u>\$ 1,064,111</u>	<u>\$ (50,004)</u>	<u>\$ 139,198</u>	<u>\$ 1,153,305</u>
		2024			
Restricted Net Assets	Purpose	Beginning Balance	Contribution Transfer	Beneficiary Interest Gain	Ending Balance
Wells Fargo Smith Trust Benefits Receivable	Operating	\$ 251,450	\$ (11,027)	\$ 23,578	\$ 264,001
Wells Fargo Jantzen Trust Benefits Receivable	Operating	<u>770,686</u>	<u>(36,000)</u>	<u>65,424</u>	<u>800,110</u>
		<u>\$ 1,022,136</u>	<u>\$ (47,027)</u>	<u>\$ 89,002</u>	<u>\$ 1,064,111</u>

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 \$50,004 and \$47,027 in 2025 and 2024 , respectively. These distributions were recognized in contributions.

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, 2025 and 2024.

**CHARLESTON ANIMAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 9 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2025 and 2024:

	2025	2024
Depreciable assets:		
Furniture and equipment	\$ 2,294,611	\$ 2,007,274
Vehicles	627,231	376,637
Building	12,280,273	11,004,531
Total property and equipment	15,202,115	13,388,442
Less: accumulated depreciation	(6,273,050)	(5,382,594)
	8,929,065	8,005,848
Non depreciable assets:		
Land	2,566,000	2,566,000
Total property and equipment	\$ 11,495,065	\$ 10,571,848

Depreciation expense for the years ended December 31, 2025 and 2024 are \$484,761 and \$447,495.

NOTE 10 - LINE OF CREDIT

During the year ended December 31, 2024, the Society had a revolving line of credit of \$500,000 with a local bank. The line was renewed on November 18, 2024 and matured on November 18, 2025. During the year ended December 31, 2024, the Society did not draw on the line and made principal payments of \$286,898, resulting in an outstanding balance of \$0 as of December 31, 2024.

On March 25, 2025, the bank modified the existing line of credit to increase the borrowing limit to \$2,000,000, effective the same date. The interest rate on the line is 6.875%. During the year ended December 31, 2025, the Society borrowed \$951,702 on the line. As no principal payments were made during the year, the outstanding balance on the line was \$951,702 as of December 31, 2025.

NOTE 11 - NOTES PAYABLE

The Society entered into a \$1,300,000 non-revolving line of credit in June of 2016. 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 is fully amortizing and matures on January 31, 2030.

**CHARLESTON ANIMAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 11 - NOTES PAYABLE – (continued)

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

2026	\$	171,309
2027		102,152
2028		29,738
2029		30,601
2030		4,833
	\$	338,633

NOTE 12 – LEASE COMMITMENTS

On July 1, 2025, the Organization entered into a ground lease agreement with Berkeley County which provided the use of premises located at 131 Central Berkeley Drive to operate and manage the Berkeley Animal Center. The lease term is for an initial period of one year ending June 30, 2026, with automatic annual renewals for up to five years unless terminated by either party with appropriate notice.

The agreement requires annual lease payments of \$5, which are considered nominal. Accordingly, the Organization has recognized the use of property at the difference between estimated fair rental value and the lease payments as a restricted contribution receivable to be recognized over the lease term on a straight line basis in accordance with applicable accounting standards. The related right-of-use asset and lease liability have been recognized based on the nominal contractual lease payments.

Future minimum lease payments for operating leases are as follows as of the year ended December 31, 2025:

Year		Amount
2026	\$	5
2027		5
2028		5
2029		5
	\$	20

**CHARLESTON ANIMAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 13 - CONTRIBUTED NONFINANCIAL ASSETS

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

	<u>2025</u>	<u>2024</u>
Advertising	\$ 159,723	\$ 240,187
Animal supplies and food	189,182	162,500
Event rentals and supplies	92,145	112,432
Use of property	689,975	-
Vehicles	-	74,475
Medication and veterinary supplies	19,119	17,147
Veterinary services	5,015	16,495
Total contributed nonfinancial assets	<u>\$ 1,155,159</u>	<u>\$ 623,236</u>

The Society recognized contributed nonfinancial assets within revenue, including use of property, contributed advertising, animal supplies and food, appraisal services, food and beverages, medications and veterinary supplies, 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 sheltering system. 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.

Contributed use of property represents the Society's right to use the premises located at 131 Central Berkeley Drive to operate and manage the Berkeley Animal Center. The premises are used to support animal housing, care, and clinic operations in accordance with the terms of the agreement with Berkeley County. The contributed use of property is recognized at its estimated fair value in the financial statements based on prevailing market rental rates for similar properties in comparable locations.

NOTE 14 - 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, 2025 and 2024, the Society had uninsured cash of \$1,959,812 and \$604,725 respectively.

**CHARLESTON ANIMAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 15 - OTHER CONCENTRATION RISK

During the year ended December 31, 2024, the Society operated under a vendor contract with Charleston County for the intake of animals within Charleston County. During 2024, the Society received 7,153 animals from the Charleston County Sheriff's Office and Charleston County citizens, representing approximately 72% of total animal intake. The Society received \$2,325,000 under the contract, which represented approximately 63% of the actual contracted intake costs of \$3,671,691, requiring the Society to fund the remaining costs through reserves, donations, and grants. This concentration of animal intake and funding from a single vendor contract represented a risk to the organization.

The Charleston County contract remained in effect for a substantial portion of the year ended December 31, 2025 but was not in place for the entire year and ultimately ended in November 2025. During 2025, the Society entered into additional government agreements with the City of Charleston, the City of North Charleston, the Town of Mount Pleasant, and Berkeley County. As a result of these additional agreements, the Society did not have a similar concentration of animal intake or funding from a single government contract during the year ended December 31, 2025.

NOTE 16 - 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, 2025 and 2024 were \$118,245 and \$92,764, respectively.

NOTE 17 - RELATED PARTIES TRANSACTIONS

The Society received \$558,089 and \$719,040 in contributions, gifts-in-kind and pledges from members of its Board of Directors for years ended December 31, 2025 and 2024, respectively. The outstanding balance of promises to give from the Board members at December 31, 2025 and 2024 was \$115,829 and \$49,000, respectively.

NOTE 18 - 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, 2025. The plaintiff's objectives were for a judgment against the defendant(s) for both actual and punitive damages in an amount to be 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 four causes of action, was granted on May 12, 2022. The plaintiff appealed the dismissal. Subsequently, the petition filed with the Supreme Court was dismissed, thereby upholding the prior rulings in favor of the defendants. Charleston Animal Society considers this matter to be concluded and the claims to be without merit.

**CHARLESTON ANIMAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

NOTE 19 - SUBSEQUENT EVENTS

In accordance with ASC 855, the Society evaluated subsequent events through the April 06, 2026, the date the financials were available to be issued.

During 2018, a complaint was filed against Charleston Animal Society and others alleging civil conspiracy, violation of civil rights, tortious interference with business relations, and slander/libel/defamation. The defendants filed a motion to dismiss all claims, which was granted on May 12, 2022. The plaintiff subsequently appealed the dismissal. Subsequent to year-end, the appeal was considered by the Supreme Court of South Carolina. Based on the Court's order dated March 11, 2026, the petition for a writ of certiorari was denied, thereby upholding the prior dismissal of the case.

Additionally, subsequent to year-end, Charleston Animal Society was identified in the Consolidated Appropriations Act, 2026 as an eligible recipient of a Congressionally Funded Community Project (CFCP) grant administered by the U.S. Department of Education. The grant, in the amount of approximately \$1,052,000, is intended to support the state-wide workforce development initiative. As of April 06, 2026, the Organization has been requested to confirm its point of contact and begin the application process. However, no funds have been received and no formal grant award has been finalized.