

Humane Society of South Coastal Georgia, Inc.

Financial Reports

December 31, 2022 and 2021



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Humane Society of South Coastal Georgia, Inc.
Brunswick, Georgia

Opinion

We have audited the accompanying financial statements of the Humane Society of South Coastal Georgia, Inc. (the "Society"), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 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 audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Society and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 the Society's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 the 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 have identified during the audit.

M S Jiller LLC

Brunswick, Georgia
November 1, 2023

Humane Society of South Coastal Georgia, Inc.

Statements of Financial Position

December 31, 2022 and 2021

Assets

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 810,307	\$ 902,297
Investments, at fair value	1,314,713	1,323,814
Perpetual trust held by others	2,755,549	3,490,186
Inventories	8,724	17,649
Other current assets	3,597	2,597
Promises to give	77,993	120,000
Property and equipment, net	<u>1,484,424</u>	<u>1,517,090</u>
Total Assets	<u>\$ 6,455,307</u>	<u>\$ 7,373,633</u>

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 22,477	\$ 31,459
Accrued expenses	17,048	16,235
Advance from trust	<u>75,000</u>	<u>75,000</u>
Total liabilities	114,525	122,694

Net Assets

Without donor restrictions	3,409,489	3,715,753
With donor restrictions	<u>2,931,293</u>	<u>3,535,186</u>
Total net assets	<u>6,340,782</u>	<u>7,250,939</u>
Total Liabilities and Net Assets	<u>\$ 6,455,307</u>	<u>\$ 7,373,633</u>

See accompanying notes to the financial statements.

Humane Society of South Coastal Georgia, Inc.
 Statements of Activities and Changes in Net Assets
 For the Years Ended December 31, 2022 and 2021

	2022	2021
Net Assets without Donor Restrictions		
Revenues, gains and other support without donor restrictions		
Contributed financial assets	\$ 309,133	\$ 331,295
Contributed nonfinancial assets	68,944	167,863
Membership dues	3,753	5,150
Adoptions and surrenders	59,841	54,255
Microchip and rabies	20,226	20,373
Public spay and neuter	61,675	61,372
Special events	1,200	163,231
Kennel products	8,609	9,982
Memorials and sponsorships	43,006	36,624
Interest income	44,541	12,707
The Big Flea sales	73,429	127,251
Gains (losses) on investments	(132,776)	15,864
Other income	27,154	98,106
Total revenues, gains and other support without donor restrictions	588,735	1,104,073
Net assets released from restrictions	175,227	162,036
Total revenues, gains and other support without donor restrictions and net assets released from restrictions	\$ 763,962	\$ 1,266,109

See accompanying notes to the financial statements.

Humane Society of South Coastal Georgia, Inc.
 Statements of Activities and Changes in Net Assets
 For the Years Ended December 31, 2022 and 2021

	2022	2021
Expenses		
Program services	\$ 828,011	\$ 717,095
Supporting services:		
General and administrative	151,568	156,315
Fundraising	90,647	237,478
Total expenses	1,070,226	1,110,888
Increase (Decrease) in net assets without donor restrictions	(306,264)	155,221
Net Assets with Donor Restrictions		
Contributions and pledges	177,218	2,673
Change in value of perpetual trust held by others	(563,877)	462,280
Change in value of time restricted pledge receivable	(42,007)	-
Net assets released from restrictions	(175,227)	(162,036)
Increase (Decrease) in net assets with donor restrictions	(603,893)	302,917
Change in Net Assets	(910,157)	458,138
Net Assets, Beginning	7,250,939	6,792,801
Net Assets, Ending	\$ 6,340,782	\$ 7,250,939

See accompanying notes to the financial statements.

Humane Society of South Coastal Georgia, Inc.

Statement of Functional Expenses

For the Year Ended December 31, 2022

	<u>Supporting Services</u>				<u>Total</u>
	<u>Program Services</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>Supporting Services</u>	
Salaries	\$ 315,035	\$ 84,645	\$ 23,512	\$ 108,157	\$ 423,192
Payroll taxes	23,666	7,203	3,430	10,633	34,299
Employee expenses	6,896	600	-	600	7,496
Automobile expenses	898	93	131	224	1,122
Food	6,450	-	-	-	6,450
Kennel supplies	10,234	4,997	-	4,997	15,231
Veterinary expenses	109,442	879	-	879	110,321
Veterinary service	40,272	-	-	-	40,272
Repairs and maintenance	47,590	-	-	-	47,590
Utilities	48,782	2,568	3,883	6,451	55,233
Office expenses	34,090	4,907	-	4,907	38,997
Insurance	17,595	4,605	-	4,605	22,200
Professional fees	-	21,749	916	22,665	22,665
Publicity and education	-	14,475	-	14,475	14,475
Telephone	4,662	245	-	245	4,907
Taxes and licenses	-	687	-	687	687
Travel and training	-	1,170	-	1,170	1,170
Miscellaneous	13,693	-	-	-	13,693
Special events	-	-	54,335	54,335	54,335
Cost of goods sold	74,068	-	4,440	4,440	78,508
Bank charges	10,979	2,745	-	2,745	13,724
Total expenses					
before depreciation	764,352	151,568	90,647	242,215	1,006,567
Depreciation	63,659	-	-	-	63,659
Total Expenses	<u>\$ 828,011</u>	<u>\$ 151,568</u>	<u>\$ 90,647</u>	<u>\$ 242,215</u>	<u>\$ 1,070,226</u>

See accompanying notes to the financial statements.

Humane Society of South Coastal Georgia, Inc.

Statement of Functional Expenses

For the Year Ended December 31, 2021

	<u>Supporting Services</u>				
	<u>Program Services</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Total</u>
Salaries	\$ 321,693	\$ 87,826	\$ 24,396	\$ 112,222	\$ 433,915
Payroll taxes	23,956	7,291	3,472	10,763	34,719
Automobile expenses	314	78	-	78	392
Food	5,383	-	-	-	5,383
Kennel supplies	11,711	6,289	-	6,289	18,000
Veterinary expenses	98,227	75	-	75	98,302
Veterinary service	43,378	-	-	-	43,378
Repairs and maintenance	17,898	-	-	-	17,898
Utilities	46,527	2,449	4,364	6,813	53,340
Office expenses	36,920	3,802	-	3,802	40,722
Insurance	20,624	4,392	-	4,392	25,016
Professional fees	-	15,724	-	15,724	15,724
Publicity and education	200	24,465	-	24,465	24,665
Telephone	5,241	276	-	276	5,517
Taxes and licenses	-	730	-	730	730
Miscellaneous	5,677	182	-	182	5,859
Special events	-	-	77,995	77,995	77,995
Cost of goods sold	2,560	-	127,251	127,251	129,811
Bank charges	10,942	2,736	-	2,736	13,678
Total expenses					
before depreciation	651,251	156,315	237,478	393,793	1,045,044
Depreciation	65,844	-	-	-	65,844
Total Expenses	<u>\$ 717,095</u>	<u>\$ 156,315</u>	<u>\$ 237,478</u>	<u>\$ 393,793</u>	<u>\$ 1,110,888</u>

See accompanying notes to the financial statements.

Humane Society of South Coastal Georgia, Inc.

Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ (910,157)	\$ 458,138
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	63,659	65,844
Distribution from perpetual trust	170,760	159,364
Realized and unrealized (gains) losses on investments	132,776	(15,864)
Contributions of securities	(24,818)	
Changes in assets and liabilities:		
Inventories	8,925	(3,520)
Other current assets	(1,000)	(1,000)
Perpetual trust held by others	563,877	(462,281)
Promises to give	42,007	-
Accounts payable	(8,982)	24,051
Accrued expenses	813	1,491
<i>Net Cash Provided by Operating Activities</i>	37,860	226,223
Cash Flows from Investing Activities		
Purchases of investments	(948,318)	(1,423,655)
Proceeds from sale of investments	849,461	115,705
Purchases of property and equipment	(30,993)	(62,269)
<i>Net Cash Required by Investing Activities</i>	(129,850)	(1,370,219)
Net Change in Cash and Cash Equivalents	(91,990)	(1,143,996)
Cash and Cash Equivalents, Beginning	902,297	2,046,293
Cash and Cash Equivalents, Ending	\$ 810,307	\$ 902,297
Supplemental disclosure of non-cash information		
Value of in-kind contributions received	\$ 68,944	\$ 167,863

See accompanying notes to the financial statements.

Humane Society of South Coastal Georgia, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations – The Humane Society of South Coastal Georgia, Inc. (the “Society”) is a not-for-profit independent animal shelter located in Brunswick, Georgia, providing a haven for stray, abandoned and injured animals. The Society’s services include animal adoptions, animal cruelty prevention and a spay and neutering program. The Society is governed by a Board of Directors consisting of fourteen to twenty members and derives its operating funds primarily through donor contributions. The Society was incorporated in the State of Georgia on December 29, 1967.

In 2018, the Society opened a retail thrift store, The Big Flea Quality Resale Store (“The Big Flea”). Sales from The Big Flea are used for fundraising purposes to support the mission and operations of the Society.

Basis of Presentation – The Society follows the provisions of generally accepted accounting principles in the United States of America (“GAAP”) for not-for-profit organizations which require the reporting of total assets, liabilities, and net assets in a statement of financial position; reporting the change in net assets in a statement of activities; and reporting the sources and uses of cash and cash equivalents in a statement of cash flows. To ensure observance of limitations and restrictions placed on the use of resources available to the Society, the resources are classified for accounting and reporting purposes into categories established according to their nature and purpose. Net assets and revenues, gains, expenses, and losses are classified as “net assets without donor restrictions” or “net assets with donor restrictions” as follows:

Net Assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Society.

Net Assets with donor restrictions – Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Society pursuant to those stipulations or that expire by the passage of time; or are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Accounting Standards – On January 1, 2022, the Society adopted FASB’s Accounting Standards Codification Topic 842, Leases, (“ASC 842”) using the modified retrospective approach. The Society assesses whether an arrangement qualifies as an operating or finance lease at inception based on whether the Society has the right to control the asset during the contract period and other facts and circumstances. The Society elected the short-term lease practical expedient to exclude leases with terms of twelve months or less from right-of-use assets and lease liabilities. The Society has determined that all of its leases are short-term operating leases January 1 and December 31, 2022, therefore, the adoption of ASC 842 had no impact on the Society’s net assets, change in net assets, or cash flows.

Humane Society of South Coastal Georgia, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

Revenue Recognition – The Society prepares its financial statements in accordance with the accrual method of accounting. Support, revenues, and expenses are recognized and reported in the accounting period when they are earned and incurred rather than when cash is received or paid.

Revenue related to adoptions, veterinary services, the sale of kennel products, and thrift store sales are recognized at the point of sale or when the services are performed. These transactions generally include a single performance obligation that is satisfied at a point in time and payment is due at the time of the service or sale. Obligations for returns, refunds, and warranties have not historically been significant.

Contributions received and promises to give are recognized when the donor makes a promise to give to the Society that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are recorded as increases in net assets with donor restrictions or increases in net assets without donor restrictions depending on the existence or nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Contributions that are expected to be received in future years are recorded at the present value of their estimated future cash flows. Amortization of the discounts is included in contributed financial assets in the accompanying statements of activities. Promises to give are reviewed for collectability and reserves are established for estimated uncollectable amounts based on prior years' experience and management's analysis of specific promises made. Management believes that all promises to give are collectible, and therefore, no allowances have been established. Discounts on unconditional promises to give were insignificant at December 31, 2022 and 2021. Revenue disaggregated by the timing of satisfaction of performance obligations is as follows for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Performance obligations satisfied at a point in time	\$ 223,780	\$ 273,233
Support not in the scope of ASC 606	<u>(63,711)</u>	<u>1,295,793</u>
Total revenues, gains, and other support	<u>\$ 160,069</u>	<u>\$ 1,569,026</u>

Donated Goods and Services – Contributions of services are recognized when received if such services (a) enhance nonfinancial assets or (b) require specialized skill, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. During the years ended December 31 2022 and 2021, the value of contributed services meeting the requirement for recognition in the financial statements was not material and has not been recorded.

Humane Society of South Coastal Georgia, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

During the years ended December 31 2022 and 2021, the Society received the following contributed nonfinancial assets, which are reflected in the accompanying statements of activities:

	<u>2022</u>	<u>2021</u>
Fur Ball auction items	\$ -	\$ 37,092
Big Flea merchandise donations	<u>68,944</u>	<u>130,771</u>
Total contributed nonfinancial assets	<u>\$ 68,944</u>	<u>\$ 167,863</u>

Contributions of non-cash assets are recognized at the estimated fair value at the date of donation. The Society reports donated assets as support without donor restrictions unless explicit donor stipulations specify how the donated items must be used. The estimated fair value of donated auction and merchandise items is calculated based on auction sales and annual Big Flea merchandise sales, respectively.

Cash and Cash Equivalents – The Society considers all highly liquid investments that are readily convertible into cash with maturity of three months or less when purchased to be cash and cash equivalents.

On occasion, the Society maintains cash balances on deposit with financial institutions in excess of federally insured limits. Management continually monitors the soundness of these financial institutions and believes the exposure of loss to be minimal.

Investments – Investments in mutual funds, exchange traded funds, and common stocks are carried at fair value based on quoted market prices. Investments in bonds are carried at fair value based on other observable inputs, including market interest rate curves, and credit spreads, where applicable.

Investment securities are exposed to various risks, such as interest rate risk, market risk, credit risk, and liquidity risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the accompanying financial statements.

Investment transactions are recorded on a trade-date basis. Realized gains and losses on sales of investments are determined on the specific identification basis. Investment income and gains and losses on investments are recorded as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

The Society maintains a custody account with a major custodian institution. Although the Society monitors and believes that it is a proper custodian, there is no guarantee that the custodian, or any other custodian the Society may use, will not become insolvent.

Humane Society of South Coastal Georgia, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

Inventory – Inventory consists of merchandise in the Society’s retail store and is stated at the lower of cost or market on a first in, first out basis (FIFO). The Society also receives contributions of goods and materials and processes these contributions as merchandise available for sale in its retail thrift store. The inventory at year end is calculated by taking 1/12th of the estimated fair value of the goods donated for sale during the year.

Perpetual Trust Held by Others – The Society is the sole beneficiary of the Humane Society of South Coastal Georgia Consolidated Trust (the “Consolidated Trust”), a perpetual irrevocable trust held and administered by independent trustees. Under the terms of the Consolidated Trust, the Society has the right to petition the Consolidated Trust for distributions, but the aggregate amount of annual distributions generally cannot exceed 5% of the net fair market value of the assets of the Consolidated Trust as of the first day of each applicable year. The fair value of the beneficial interest in the Consolidated Trust was recognized as an asset and as a restricted contribution at the date the Consolidated Trust was established. The Society’s estimate of fair value is based on fair value information received from the trustee. The Consolidated Trust assets are not subject to the control or direction by the Society. Gains and losses, which are not distributed by the Consolidated Trust are reflected as a change in value of perpetual trust held by others in the statements of activities.

Property and Equipment – Property and equipment are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the individual assets. Donated property and equipment are recorded at the estimated fair market value on the date received. Maintenance and repairs are charged to expense as incurred. Major repairs and improvements are capitalized and depreciated at the applicable straight-line rates. The cost and accumulated depreciation of property retired, sold or disposed of are removed from the related accounts with any gain or loss credited or charged to income. Estimated useful lives of assets are as follows:

<u>Type of Property</u>	<u>Estimated Useful Life</u>
Fencing and paving	10-20 years
Building improvements	5-40 years
Equipment	5-25 years

Functional Allocation of Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management and are primarily based on direct allocation, headcount, and time devoted to each category. Fundraising activities involve encouraging potential donors to contribute money, securities, services, materials, facilities, other assets, or time. They include publicizing and conducting fundraising campaigns, maintaining donor mailing lists, conducting special fundraising events, operating costs of The Big Flea, and conducting other activities involved with soliciting contributions from individuals, foundations, and others.

Humane Society of South Coastal Georgia, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

Income Taxes –The Society is a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code, and as such, generally is not subject to income taxes except for income for unrelated business activity.

The Society files informational returns in the U.S. federal jurisdiction and one state jurisdiction. Interest and penalties are expensed as incurred. There were no interest and penalties charged to expense for the years ended December 31, 2022 and 2021.

GAAP provides guidance for how uncertain tax positions should be recognized, measured, presented, and disclosed in the Society’s financial statements. Management has evaluated the implications of these standards and has not identified any uncertain tax positions for the Society; therefore, no tax expense or accruals for uncertain tax positions are included in the accompanying financial statements.

Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of support, revenues and expenses during the reported period. Actual results could differ from those estimates.

NOTE 2 – PROMISES TO GIVE

Promises to give at December 31, 2022 and 2021 consisted of a pledge for \$77,993 and \$120,000, respectively, which is expected to be paid in April 2023.

NOTE 3 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Perpetual trust held by others	\$ 2,755,549	\$ 3,490,186
Time-restricted promises to give	250,744	120,000
Capital campaign liability, net of pledges	<u>(75,000)</u>	<u>(75,000)</u>
	<u>\$ 2,931,293</u>	<u>\$ 3,535,186</u>

Humane Society of South Coastal Georgia, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

NOTE 4 – PERPETUAL TRUST HELD BY OTHERS

Summary of the assets of the Consolidated Trust at December 31 as provided to the Society by the trustee:

	2022		2021	
	Market	Cost	Market	Cost
Equities	\$ 1,914,292	\$ 1,267,269	\$ 2,539,198	\$ 1,326,266
Fixed income	628,251	708,090	766,248	765,331
Total investments	2,542,543	1,975,359	3,305,446	2,091,597
Money market funds	138,006	138,006	107,007	107,007
Note receivable	75,000	75,000	75,000	75,000
Accrued interest income	-	-	2,733	-
Total account balance	<u>\$ 2,755,549</u>	<u>\$ 2,188,365</u>	<u>\$ 3,490,186</u>	<u>\$ 2,273,604</u>

NOTE 5 – INVESTMENTS

Investments were comprised of the following at December 31:

	2022	2021
Equities	\$ 676,769	\$ 658,294
Mutual funds	79,453	97,886
Exchange-traded products	222,855	244,172
Fixed income	335,636	323,462
	<u>\$ 1,314,713</u>	<u>\$ 1,323,814</u>

NOTE 6 - FAIR VALUE MEASUREMENTS

In accordance with the authoritative guidance on fair value measurements and disclosures under GAAP, the Society discloses and recognizes the fair value of its assets and liabilities using a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The guidance establishes three levels of fair value as follows:

Level 1 — Valuation is based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical investments.

Humane Society of South Coastal Georgia, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

Level 2 — Valuation is based on inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 — Valuation is based on unobservable inputs as they trade infrequently or not at all.

When available, the Society uses unadjusted quoted market prices to determine the fair value of investment securities and they are included in Level 1. When quoted market prices are unobservable, the Society uses other observable inputs, including market interest rate curves, and credit spreads, where applicable. These investments are included in Level 2 and primarily consist of corporate bonds. The Society's Level 3 assets subject to fair value measurement on a recurring basis consist of beneficial interest in the Consolidated Trust. The Society relies on fair value information provided by the trustees to measure and report the fair value of its beneficial interest in the Consolidated Trust. The inputs or methodology used for valuing the Society's beneficial interest in the Consolidated Trust are not necessarily an indication of the risk associated with the underlying investments held by the Consolidated Trust.

Assets as of December 31, 2022 measured at fair value are summarized below:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Perpetual trust held by others	\$ -	\$ -	\$ 2,755,549	\$ 2,755,549
Investments, at fair value	<u>979,077</u>	<u>335,636</u>	<u>-</u>	<u>1,314,713</u>
Total	<u>\$ 979,077</u>	<u>\$ 335,636</u>	<u>\$ 2,755,549</u>	<u>\$ 4,070,262</u>

Assets as of December 31, 2021 measured at fair value are summarized below:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Perpetual trust held by others	\$ -	\$ -	3,490,186	\$ 3,490,186
Investments, at fair value	<u>1,000,352</u>	<u>323,462</u>	<u>-</u>	<u>1,323,814</u>
Total	<u>\$ 1,000,352</u>	<u>\$ 323,462</u>	<u>\$ 3,490,186</u>	<u>\$ 4,814,000</u>

Humane Society of South Coastal Georgia, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

Changes in assets measured at fair value using Level 3 inputs are as follows:

Balance at December 31, 2020	\$ 3,187,269
Distributions received from the Consolidated Trust	(159,364)
Total gains and losses, net of fees	<u>462,281</u>
Balance at December 31, 2021	3,490,186
Distributions received from the Consolidated Trust	(170,760)
Total gains and losses, net of fees	<u>(563,877)</u>
Balance at December 31, 2022	<u>\$ 2,755,549</u>

Investment fees for the years ending December 31, 2022 and 2021 were \$37,711 and \$38,070, respectively.

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Land	\$ 152,822	\$ 152,822
Fencing & paving	17,143	17,143
Building improvements	1,895,572	1,834,652
Equipment	123,142	103,129
Vehicles	33,000	33,000
Construction in progress	<u>-</u>	<u>49,939</u>
Total	2,221,679	2,190,685
Less: accumulated depreciation	<u>(737,255)</u>	<u>(673,595)</u>
Property & Equipment, net	<u>\$ 1,484,424</u>	<u>\$ 1,517,090</u>

Depreciation expense as of December 31, 2022 and 2021 totaled \$63,659 and \$65,844, respectively.

NOTE 8 – ADVANCE FROM PERPETUAL TRUST

During 2011, the Consolidated Trust made special distributions to the Society in the aggregate amount of \$450,000. The special distributions were made to provide advance funding for construction of a new animal shelter. Under a capital campaign to raise funds for the animal shelter construction, the Society had received or anticipated receiving pledges from donors earmarked for the animal shelter construction. Under the original terms of the special distribution, the Society is required to repay from capital campaign pledge collections the

Humane Society of South Coastal Georgia, Inc.

Notes to Financial Statements

December 31, 2022 and 2021

amount of the advance funding received from the Consolidated Trust. For the years ended December 31, 2022 and 2021, the total capital campaign pledge receivable balance is not sufficient to cover the balance of the loan. As of December 31, 2022 and 2021, the loan balance was \$75,000. At December 31, 2022 and 2021, there was no outstanding pledge balance earmarked for animal shelter construction. The remaining balance of the note is expected to be paid out of the Society's operating account. There is no stated interest rate and the balance is due on demand.

NOTE 9 – LIQUIDITY AND AVAILABILITY OF FINANCIAL NET ASSETS

The Society has a policy to manage its liquidity and reserves following three guiding principles: operating within a prudent range of financial stability; maintaining adequate liquidity to fund near-term operations; and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. Financial assets available for general expenditure, that is, without donor or other restrictions limiting use, comprise the following:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 810,307	\$ 902,297
Investment account	1,314,713	1,323,814
Perpetual trust held by others	2,755,549	3,490,186
Promises to give	<u>77,993</u>	<u>120,000</u>
Total financial assets at year-end	4,958,562	5,836,297
Less amounts not available to be used within one year:		
Perpetual trust held by others	2,755,549	3,490,186
Time-restricted promises to give	<u>77,993</u>	<u>120,000</u>
Total amounts not available to be used within one year	2,833,542	3,610,186
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 2,125,020</u>	<u>\$ 2,226,111</u>

NOTE 10 – PPP PROCEEDS

In January 2021, the Society issued notes payable totaling \$87,406 to a lender pursuant to the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act’s Paycheck Protection Program (“PPP”). The loans were unsecured and interest on the outstanding balance accrued at 1.00% per annum.

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In July 2021, the Society received forgiveness of the PPP note issued in January 2021. Management has elected to include the PPP note in Other Income on the accompanying statement of activities and is included in the change in net assets on the statement of cash flows for the period ending December 31, 2021.

NOTE 11 - SUBSEQUENT EVENTS

The Society has evaluated subsequent events occurring after December 31, 2022 through November 1, 2023, which is the date on which the financial statements were available for issuance.

On February 25, 2023, the Society entered into an operating lease agreement for retail space for The Big Flea. The term of the lease is two years and requires monthly payments of \$2,200.

No other significant events occurred subsequent to the statement of financial position date but prior to the issuance that would have a material impact on the financial statements or disclosures.