GREENVILLE HUMANE SOCIETY AND AFFILIATE

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

GREENVILLE HUMANE SOCIETY AND AFFILIATE

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Greenville Humane Society and Affiliate
Greenville, South Carolina

Opinion

We have audited the accompanying consolidated financial statements of Greenville Humane Society (a nonprofit organization) and Affiliate, which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Greenville Humane Society and Affiliate as of December 31, 2023 and the changes in its net assets and its cash flows for the year 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Greenville Humane Society and Affiliate and to meet our other ethical responsibilities in accordance with the 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 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 Greenville Humane Society and Affiliate's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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To the Board of Directors
Greenville Humane Society
August 27, 2024

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 judgment 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 Greenville Humane 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 Greenville Humane Society and Affiliate'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.

Phillips CPAs and Advisors
Greenville, South Carolina
August 27, 2024

GREENVILLE HUMANE SOCIETY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023

Assets		
Current assets		
Cash and cash equivalents	$	3,795,038
Accounts Receivable		12,047
Prepaid expenses and other current assets		42,579
Total current assets		3,849,664
Non-current assets		
Endowment Fund		1,061,504
Beneficial interest in perpetual trusts		2,819,140
Property and equipment, net		6,316,633
Operating lease right-of-use asset, net		385,503
Total non-current assets		10,582,780
Total assets	$	14,432,444
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$	30,482
Accrued liabilities		75,566
Deferred revenue		18,000
Operating lease liability		16,452
Total current liabilities		140,500
Non-current liabilities		
Operating lease liability		477,228
Total non-current liabilities		477,228
Total liabilities		617,728
Net assets		
Without donor restrictions- undesignated		9,934,072
Without donor restrictions- Board designated		1,061,504
With donor restrictions		2,819,140
Total net assets		13,814,716
Total liabilities and net assets	$	14,432,444

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

GREENVILLE HUMANE SOCIETY

CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	$ 2,034,919	$ 350,209	$ 2,385,128
Fundraisers	247,578	-	247,578
Program service fees			
Adoptions	1,243,941	-	1,243,941
Vaccine Clinic	833,813	-	833,813
Microchip	65,096	-	65,096
Spay/Neuter Clinic	1,287,229	-	1,287,229
Admissions	1,071,930	-	1,071,930
Income on investments, net of fees	224,304	-	224,304
Change in value of beneficial interest in perpetual trust	-	232,757	232,757
Other	51,660	-	51,660
Net assets released from restrictions			
Restrictions satisfied by payments/reclassifications	450,934	(450,934)	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	7,511,404	132,032	7,643,436
EXPENSES			
Program services	5,944,319	-	5,944,319
Supporting services			
Management and general	357,670	-	357,670
Fundraising	673,243	-	673,243
TOTAL EXPENSES	6,975,232	-	6,975,232
INCREASE (DECREASE) IN NET ASSETS	536,172	132,032	668,204
NET ASSETS, BEGINNING OF YEAR	10,459,404	2,687,108	13,146,512
NET ASSETS, END OF YEAR	$ 10,995,576	$ 2,819,140	$ 13,814,716

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

GREENVILLE HUMANE SOCIETY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2023

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Total
Employee compensation and related expenses				
Salaries	$ 2,995,191	$ 176,973	$ 166,956	$ 3,339,120
Employee benefits	108,901	6,434	6,070	121,405
Payroll taxes	224,842	13,285	12,533	250,660
Total employee compensation and related expenses	3,328,934	196,692	185,559	3,711,185
Other expenses				
Admissions	713,230	-	-	713,230
Adoptions expense	255,592	-	-	255,592
Animal food	15,745	-	-	15,745
Bad debt	-	-	5,000	5,000
Bank	-	96,583	-	96,583
Capital campaign	-	-	234,632	234,632
Clinic expense	230,398	-	-	230,398
Dues and licenses	16,728	-	-	16,728
Education	53,162	-	-	53,162
Healing Place expense	209,413	-	-	209,413
Fundraising	-	-	241,730	241,730
Insurance	79,595	-	-	79,595
IT/website	69,269	-	-	69,269
Office supplies and uniforms	45,536	-	-	45,536
Other	884	28,570	-	29,454
Professional fees	-	35,825	6,322	42,147
Rent	55,883	-	-	55,883
Repairs and maintenance	138,293	-	-	138,293
Telephone	9,479	-	-	9,479
Utilities	92,215	-	-	92,215
Veterinary supplies and services	367,980	-	-	367,980
Volunteer expense	5,984	-	-	5,984
Total expenses before depreciation	5,688,320	357,670	673,243	6,719,233
Depreciation	255,999	-	-	255,999
Total expenses	$ 5,944,319	$ 357,670	$ 673,243	$ 6,975,232

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

GREENVILLE HUMANE SOCIETY

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	668,204
Adjustments to reconcile change in net assets		
to net cash provided by operating activities		
Depreciation		255,999
Change in value of beneficial interest in perpetual trust		(232,757)
Realized and unrealized (gains) losses on investments		(85,538)
(Increase) decrease in assets		
Accounts receivable		10,963
Prepaid expenses and other current assets		1,231
Operating lease right-of-use asset, net		16,973
Increase (decrease) in liabilities		
Accounts payable		4,300
Deferred revenue		11,000
Accrued liabilities		19,249
Operating lease liability		(15,312)
Net cash provided (used) by operating activities		654,312
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment		(1,192,450)
Purchase of investments		(950,006)
Net proceeds from sale of investments		93,069
Net cash provided (used) by investing activities		(2,049,387)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,395,075)
CASH AND CASH EQUIVALENTS, beginning of year		5,213,417
CASH AND CASH EQUIVALENTS, end of year	$	3,818,342
RECONCILIATION OF CASH		
Cash and cash equivalents	$	3,795,038
Cash equivalents in Endowment Fund		23,304
Total cash and cash equivalents	$	3,818,342

The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.

Note 1 – Summary of Significant Accounting Policies

Organization – The Greenville Humane Society (the "Society") was organized under the laws of the State of South Carolina in 1930 as a tax-exempt, not-for-profit organization to provide proper and effective means for the prevention of cruelty to animals. The Society maintains control of the Greenville Humane Society Endowment (the "Endowment"), established in 2022.

The Society's purposes are accomplished through various programs which include providing animals for public adoption and offering low-cost animal spay and neuter surgeries, as well as low-cost vaccines to the general public. The Society is supported through investment income on endowed assets, contributions from the general public and from fees charged to the general public for services performed.

Principles of Consolidation – The Greenville Humane Society Endowment was established as a separate legal entity 509(a)(3) supporting organization for the benefit of the Society. The Society has voting control over and an economic interest in the Endowment, which results in the accounts of the Endowment being consolidated with those of the Society in the accompanying consolidated financial statements. All intercompany balances and transactions have been eliminated in the consolidation. The Endowment was established to set aside assets to provide ongoing investment income for the Society into perpetuity. The Endowment may solicit and accept contributions that shall be used in support of the Society. The Society and the Endowment are hereinafter collectively referred to as the "Society."

Basis of Presentation – The accompanying consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

The Society has adopted ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities, as it relates to net asset classification and liquidity disclosure. This requires the Association to report donor contributions as unrestricted support or restricted support, in accordance with donor stipulations.

Net assets without donor restrictions represent resources whose use is not limited or restricted by donors. They generally arise as a result of exchange transactions, unrestricted contributions, or restricted contributions whose restrictions have expired. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Net assets with donor restrictions are those net assets whose use has been limited by donors to specified purposes or to later periods of time.

Contributions – Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as with donor restrictions that increase those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Society reports that support as without donor restriction.

Use of Estimates – The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions related to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may ultimately differ from those estimates. Management believes that these estimates and assumptions provide a reasonable basis for the fair presentation of the financial statements.

Concentration of Credit Risk – The Society maintains cash balances at three financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At various times during the year, the Society's bank balances may exceed insured limits. At December 31, 2023, the Society's uninsured cash balances totaled $549,366.

Cash Equivalents – The Society considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Contributed Services and In-kind Contributions – Local businesses and individuals contribute specific professional services and other items to the Humane Society. The items are reflected in the financial statements only when the donor provides documentation of the fair market value of the contribution.

Beneficial Interest in Perpetual Trust – The Society has beneficial interests in perpetual trusts, which are held by a third party. The Society recognizes contribution revenue equal to its proportionate share of the fair value of the trust assets upon notification and determination that its right to receive benefits under the agreement is unconditional and irrevocable. Changes in the fair value of the Society's interest in the trust assets are reflected as gains or losses in the statement of activities in the period they occur. The distributions are recognized as contribution income.

Investments – Investments consist primarily of assets invested in government and corporate bond funds, equity funds, and money-market accounts. The Society accounts for investments in accordance with FASB ASC 958-320 and subsections. This standard requires that investments in debt securities be measured at fair value in the statement of financial position. Fair value of marketable equity and debt securities is based on quoted market prices. The realized and unrealized gain or loss on investments is reflected in the statement of changes in net assets.

Property, Plant, and Equipment – Property, plant, and equipment are stated at cost less accumulated depreciation. Depreciation is calculated by applying the straight-line method over the useful lives of the long-lived assets. Useful lives are 7 years on equipment, furniture, and fixtures and from 15 to 25 years on buildings and leasehold improvements.

Asset Capitalization Policy – The Society both purchases goods and receives in-kind donations of goods and services which will benefit more than one fiscal period. Goods purchased or received which have a cost of less than $500 on an individual basis or less than $2,500 on an aggregate basis for like-kind items are expensed in the respective period(s) the expenses occur.

Promises to Give – Promises to give represent the amount of unconditional promises to give expected to be collected during the next two fiscal years. In accordance with FASB ASC 958-605, the promises to give have been discounted to present value using a 5% discount rate. At December 31, 2023 there were no unconditional promises to give.

Income Tax Status – The Society has obtained exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as an organization which is not a private foundation as well as an eleemosynary corporation recognized in South Carolina. Therefore, no provision for income taxes has been included in the financial statements.

The Financial Accounting Standards Board (FASB) ASC 740-10 prescribes a comprehensive model for how an organization should measure, recognize, present, and disclose in its financial statements uncertain tax positions that the Society has taken or expects to take on a tax return.

In accordance with ASC 740-10, the Society recognizes the tax benefits from uncertain tax positions only if it is more-likely-than-not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The Society's income tax filings are subject to audit by various taxing authorities. Management believes there was no significant impact on the Society's financial statements as a result of ASC 740-10.

Fair Value of Financial Instruments - The carrying values of cash and cash equivalents, promises to give, accounts payable and accrued liabilities approximate fair value because of the terms and relative short maturity of these financial instruments. The carrying values, which are the fair value of investments, are based on values provided by an external investment manager or comparison to quoted market values.

The carrying value of long-term pledges receivable has been discounted to present value using a 5% discount rate. The carrying value of long-term debt approximates fair value based on discounting the projected cash flows using market rates available for similar maturities. None of the financial instruments are held for trading purposes.

Right-of-Use Leased Asset and Lease Liability - Effective January 1, 2022, the Society adopted the requirements of FASB ASC 842, *Leases*. This standard establishes a right-of-use ("ROU") model that requires a lessee to record an ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. Leases with a term of less than 12 months will not record a ROU asset and lease liability and the payments will be recognized into profit or loss on a straight-line basis over the lease term. The Society reports the lease for the land and building that houses the Society as a right-of-use leased asset, along with its related lease liability.

Note 2 – Liquidity and Availability of Funds

The Society's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, are as follows:

Cash and cash equivalents	$ 3,795,038
	$ 3,795,038

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

Note 3 – Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosures*, establishes a single authoritative definition of fair value, establishes a consistent framework for measuring fair value in accordance with GAAP, and expands disclosure requirements about fair value measurements. The pronouncement defines fair value and establishes a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The hierarchy is broken down into three levels based on inputs that market participants would use in valuing the asset or liability based on market data obtained from sources independent of the Society as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Society has the ability to access.

Level 2 - Inputs to the valuation methodology include:
- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or by other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Inputs refer broadly to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics and other factors. The Society is required by the pronouncement to maximize the use of observable inputs (Levels 1 and 2) and minimize the use of unobservable inputs (Level 3). The Society considers observable data to be that market data, which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Society's perceived risk of that instrument.

The following table summarizes the valuation of the Society's financial assets and liabilities measured at fair value as of December 31, 2023, based on the level of input utilized to measure fair value:

	Level 1	Level 2	Level 3	Total
Beneficial interest in perpetual trusts	$ -	$ -	$ 2,819,140	$ 2,819,140
Short-term cash reserves	23,304	-	-	23,304
Equity securities	167,495	-	-	167,495
Common stocks	497,922	-	-	497,922
Fixed income securities	-	94,331	-	94,331
Corporate bonds	-	262,989	-	262,989
Other exchange traded funds	15,463	-	-	15,463
	$ 704,184	$ 357,320	$ 2,819,140	$ 3,880,644

The table below sets forth a summary of changes in the fair value of the Society's Level 3 assets for the year ended December 31, 2023:

	Beneficial interest in perpetual trusts
Fair value as of December 31, 2022	$ 2,586,383
Change in value of beneficial interest in perpetual trust	232,757
Fair value as of December 31, 2023	$ 2,819,140

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value. There have been no changes in the methodologies used at December 31, 2023.

Short-term investments - The fair value of short-term investments, consisting primarily of money market funds, is classified as Level 1.

Debt Investments - Investments in debt instruments are comprised of corporate bonds and notes and fixed income daily traded mutual funds which are classified as Level 2, based on multiple sources of information. These sources may include market data for assets from markets that are not active and/or quoted market prices for the same or similar assets in active markets. To estimate fair value, the Society used an industry standard valuation model which is based on a market approach.

Equity Investments - Investments in equity vehicles are comprised of corporate stocks and daily traded mutual funds. Securities held in corporate stocks and daily traded mutual funds are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets, and are accordingly categorized as Level 1, with no valuation adjustments applied.

Beneficial interest in perpetual trust – The Society's beneficial interests in perpetual trust held by third party is valued using the fair value of the assets in the trust as a practical expedient, unless facts and circumstances indicate that the fair values of the assets in the trust differ from the fair value of the beneficial interests. Perpetual trust held by third parties is classified within Level 3 of the fair value hierarchy.

While the Society believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Note 4 – Investments

Investments are summarized as follows as of December 31, 2023:

	Fair Value	Cost	Unrealized Appreciation (Depreciation)
Short-term cash reserves	$ 23,304	$ 23,304	$ -
Equity securities	167,495	152,220	15,275
Common stocks	497,922	426,091	71,831
Fixed income securities	94,331	92,049	2,282
Corporate bonds	262,989	260,476	2,513
Other exchange traded funds	15,463	17,042	(1,579)
	$ 1,061,504	$ 971,182	$ 90,322

The composition of investment return for the year ended December 31, 2023 is as follows:

Interest and dividends	$ 143,003
Fees	(4,237)
Unrealized/realized gains	85,538
	$ 224,304

Note 5 – Beneficial Interest in Perpetual Trust

The Society is the income beneficiary of three perpetual trusts. The trust funds are held and controlled by a third-party trustee. The Society is entitled to a specified percentage, as defined in the trust agreements, of the annual income distributions from the trusts. The Society will also be entitled to a specified percentage of the total amount of the corpus assets that will be distributed if the trusts are ever dissolved. The Society estimates the fair value of its beneficial interest in perpetual trusts at December 31, 2023 is $2,819,140 and the estimate is based upon the Society's respective interest in the value of the underlying assets held by the trusts. The trusts consist entirely of marketable equity securities and mutual funds, fixed income securities and temporary cash investments. Distributions from the perpetual trusts totaled $95,725 for the year ended December 31, 2023, and are included in contribution income in the accompanying statement of activities.

Note 6 – Property and Equipment

Property and equipment consist of land, leasehold improvements, equipment, furniture and fixtures. The following represents property and equipment owned by the Society at December 31:

	2023
Land	$ 48,000
Buildings	1,095,060
Leasehold improvements	6,227,044
Machinery and equipment	311,489
Furniture and fixtures	351,992
Vehicles	88,944
	8,122,529
Less: accumulated depreciation	(1,805,896)
	$ 6,316,633

In 2023, the Society purchased property for $1,095,060 for a new campus which will include a veterinary clinic, a public-use pavilion, and office space. The Society has begun a capital campaign to fund the construction of these facilities.

Depreciation expense for the year ended December 31, 2023 was $255,999.

Note 7 – Lease Obligations

The Society has entered into a non-cancelable operating lease for the land and building which houses the Society operations. The lease expires in December 2035 and requires monthly payments ranging from $4,519 to $5,976 per month through the term of the lease. This lease has been recorded at the present value of the future minimum lease payments as of the date of adoption of *FASB ASC 842*. The lease liability is measured at a discount rate of 8% which is the Society's long-term borrowing rate at the date of the FASB ASC 842 implementation.

The following are operating lease future minimum payments:

2024	$	54,222
2025		54,222
2026		62,356
2027		62,356
2028		62,356
Thereafter		545,614
		841,126
Less interest		(347,446)
Total operating lease liability		493,680
Less current portion		(16,452)
Noncurrent Portion	$	477,228

Amounts recognized as right-of-use assets related to operating leases are included in property and equipment on the statement of financial position.

As of December 31, 2023, right-of-use assets relating to operating leases were as follows:

Right-of-use assets		
Cost	$	551,318
Less: accumulated amortization		(165,815)
	$	385,503

Note 8 – Endowment Assets

At December 31, 2023, the Society's endowment consists of three individual donor-restricted endowment funds, and one Board designated fund. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Society has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") enacted July 1, 2008 in the State of South Carolina as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classifies as perpetual in duration (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulation of earnings required to be added to the permanent endowment as stipulated by the donor-applicable donor gift instrument.

The remaining portion of the donor-restricted endowment fund that is not classified in perpetual duration is classified as with donor restricted net assets until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, 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 Society 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.

Changes in endowment net assets for the year ending December 31, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2022	$ -	$ 2,682,108	$ 2,682,108
Investment return:			
Investment income	115,735	-	115,735
Change in value of beneficial interest in perpetual trust	-	232,757	232,757
Contributions	950,006	-	950,006
Disbursements	-	(95,725)	(95,725)
Fees	(4,237)	-	(4,237)
Endowment net assets, December 31, 2023	$ 1,061,504	$ 2,819,140	$ 3,880,644

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Society to retain as a fund of perpetual duration. Deficiencies of this nature result from unfavorable market fluctuations and would be included in unrestricted net assets. There were no such deficiencies as of December 31, 2023.

Return Objectives and Risk Parameters

The Society has adopted investment and spending policies for endowment assets that attempt to provide a relatively predictable, stable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. As authorized by Board-approved policies, these assets are invested to maximize long-term returns, while simultaneously mitigating risk through maintaining a diversified portfolio. A multi-generational window not only allows for the typical diversification across asset classes, but also for time diversification across both up and down markets.

The long-term objective is to attain, within acceptable risk parameters, an average annual total return that exceeds the sum of the Society’s approved payout rate plus inflation, plus investment management and related fees plus the endowment growth rate. The objective is expected to be obtained over time but not in each and every reporting period.

Strategies Employed for Achieving Objectives

To address its long-term rate-of-return objectives in Board designated endowment funds, 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). At December 31, 2023, $2,819,140 of the endowment funds are held in perpetual trusts, the investment of which is determined by the trustees rather than the Society.

Distribution Policy

Distributions for the Board designated endowment are at the discretion of the Board in alignment with the Society's annual distribution goal limit which is calculated as 4% of the average year-end market values of the Endowment on a trailing 3-year basis. The annual distribution will be made quarterly at the end of each calendar quarter. Prior to attaining 3 years of history for the account, each annual distribution will be calculated based on the prior year-end market value. The timing of distributions will be quarterly. There were no distributions for the year ended December 31, 2023.

The goal of such a spending policy is to allow the endowment to maintain its purchasing power, achieve a reasonable degree of stability and predictability in income availability for operations and to achieve a balance between present and future needs. Real growth is achieved through new gifts and any excess investment return.

Note 9 – Net Assets

Description of amounts classified as net assets with donor restrictions is as follows:

	2023
Net assets held in perpetuity	
The portion of endowment funds that is required to be retained in perpetuity either by explicit donor stipulation or by UPMIFA	
Beneficial interest in perpetual trust	$ 2,819,140
Total	$ 2,819,140

Note 10 – Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, all costs have been allocated among the program and supporting services benefited.

Note 11 – Risk and Uncertainties

The Society's investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with these investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Note 12- Commitments

In 2023, the Society entered into a contract for the architectural design of a new campus that will include a veterinary clinic, a public-use pavilion, and office space. As of December 31, 2023, approximately $2,800,000 remains on the commitments. The commitments are funded by a capital campaign.

Note 13 – Subsequent Events

Subsequent events have been evaluated through the date of the auditor's report, which is the date the financial statements were available to be issued. Events after the date of the auditor's report have not been evaluated to determine whether a change in the financial statements would be required.