

GREENVILLE HUMANE SOCIETY
AUDITED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022

GREENVILLE HUMANE SOCIETY

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-16



INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Greenville Humane Society (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year 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 Greenville Humane Society as of December 31, 2022 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 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.

Changes in Accounting Principles

The Society adopted the requirements of FASB, ASU No. 2016-02, Leases (Topic 842). Our opinion is not modified with respect to these matters.

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

To the Board of Directors
Greenville Humane Society
June 23, 2023

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'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
June 23, 2023

GREENVILLE HUMANE SOCIETY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

<u>Assets</u>	
Current assets	
Cash and cash equivalents	\$ 5,213,417
Promises to give	5,000
Accounts Receivable	23,010
Prepaid expenses and other current assets	38,810
Total current assets	<u>5,280,237</u>
Non-current assets	
Investments	95,725
Beneficial interest in perpetual trusts	2,586,383
Property and equipment, net	5,380,181
Operating lease right-of-use asset, net	402,476
Total non-current assets	<u>8,464,765</u>
Total assets	<u>\$ 13,745,002</u>
<u>Liabilities and Net Assets</u>	
Liabilities	
Accounts payable	\$ 26,181
Accrued liabilities	56,317
Deferred revenue	7,000
Operating lease liability	508,992
Total liabilities	<u>598,490</u>
Net assets	
Without donor restrictions	10,459,404
With donor restrictions	2,687,108
Total net assets	<u>13,146,512</u>
Total liabilities and net assets	<u>\$ 13,745,002</u>

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

GREENVILLE HUMANE SOCIETY

**STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions	\$ 2,233,582	\$ 124,720	\$ 2,358,302
Fundraisers	174,331	-	174,331
Program service fees			
Adoptions	1,356,991	-	1,356,991
Vaccine Clinic	812,806	-	812,806
Microchip	62,238	-	62,238
Spay/Neuter Clinic	1,286,158	-	1,286,158
Admissions	1,038,975	-	1,038,975
Income on investments, net of fees	18,825	-	18,825
Change in value of beneficial interest in perpetual trust	-	(661,207)	(661,207)
Other	12,908	-	12,908
Net assets released from restrictions			
Restrictions satisfied by payments/reclassifications	124,768	(124,768)	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	<u>7,121,582</u>	<u>(661,255)</u>	<u>6,460,327</u>
EXPENSES			
Program services	5,418,644	-	5,418,644
Supporting services			
Management and general	343,778	-	343,778
Fundraising	405,009	-	405,009
TOTAL EXPENSES	<u>6,167,431</u>	<u>-</u>	<u>6,167,431</u>
 INCREASE IN NET ASSETS	 954,151	 (661,255)	 292,896
 NET ASSETS, BEGINNING OF YEAR	 <u>9,610,109</u>	 <u>3,348,363</u>	 <u>12,958,472</u>
 Prior period adjustment	 <u>(104,856)</u>	 <u>-</u>	 <u>(104,856)</u>
 NET ASSETS, BEGINNING OF YEAR - AS RESTATED	 <u>9,505,253</u>	 <u>3,348,363</u>	 <u>12,853,616</u>
 NET ASSETS, END OF YEAR	 <u><u>\$ 10,459,404</u></u>	 <u><u>\$ 2,687,108</u></u>	 <u><u>\$ 13,146,512</u></u>

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

GREENVILLE HUMANE SOCIETY

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Employee compensation and related expenses				
Salaries	\$ 2,723,346	\$ 162,804	\$ 151,903	\$ 3,038,053
Employee benefits	72,760	4,299	4,056	81,115
Payroll taxes	205,185	12,123	11,437	228,745
Total employee compensation and related expenses	3,001,291	179,226	167,396	3,347,913
Other expenses				
Admissions	739,620	-	-	739,620
Adoptions expense	277,883	-	-	277,883
Animal food	14,816	-	-	14,816
Bank	-	101,864	-	101,864
Clinic expense	198,147	-	-	198,147
Dues and licenses	14,191	-	-	14,191
Education	48,960	-	-	48,960
Healing Place expense	127,856	-	-	127,856
Fundraising	-	-	230,018	230,018
Insurance	16,904	-	-	16,904
IT/website	61,814	-	-	61,814
Office supplies and uniforms	50,656	-	-	50,656
Other	693	22,409	-	23,102
Professional fees	-	40,279	7,595	47,874
Rent	55,883	-	-	55,883
Repairs and maintenance	136,058	-	-	136,058
Telephone	9,625	-	-	9,625
Utilities	82,886	-	-	82,886
Veterinary supplies and services	340,486	-	-	340,486
Volunteer expense	6,049	-	-	6,049
Total expenses before depreciation	5,183,818	343,778	405,009	5,932,605
Depreciation	234,826	-	-	234,826
Total expenses	\$ 5,418,644	\$ 343,778	\$ 405,009	\$ 6,167,431

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

GREENVILLE HUMANE SOCIETY

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 292,896
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	234,826
Change in value of beneficial interest in perpetual trust	661,207
(Increase) decrease in assets	
Accounts receivable	(23,010)
Prepaid expenses and other current assets	(5,207)
Operating lease right-of-use asset, net	15,834
Increase (decrease) in liabilities	
Accounts payable	11,476
Deferred revenue	1,000
Accrued liabilities	16,472
Operating lease liability	(14,174)
	<hr/>
Net cash provided by operating activities	1,191,320

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of property and equipment	(141,789)
Net decrease in value of investments	48
	<hr/>
Net cash (used in) investing activities	(141,741)

NET INCREASE IN CASH AND CASH EQUIVALENTS

1,049,579

CASH AND CASH EQUIVALENTS, beginning of year

4,163,838

CASH AND CASH EQUIVALENTS, end of year

\$ 5,213,417

RECONCILIATION OF CASH

Cash and cash equivalents	\$ 5,213,417
	<hr/>
Total cash and cash equivalents	<u><u>\$ 5,213,417</u></u>

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

GREENVILLE HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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’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.

Basis of Presentation – The accompanying 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, 2022, the Society’s uninsured cash balances totaled \$877,522.

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

GREENVILLE HUMANE SOCIETY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

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 in which 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 \$1,000 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. The current portion of the receivable of \$5,000 represents the amount of unconditional promises to give expected to be collected during the next fiscal year.

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

GREENVILLE HUMANE SOCIETY

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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.

Adoption of New Accounting Standards - During the year ended December 31, 2022, the Society adopted the requirements of FASB ASU No. 2020-07, *Not-for-Profit Entities* (Topic 958). This update increases the transparency about the measurement of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure.

Effective January 1, 2022, the Society also adopted the requirements of FASB ASC 842, *Leases*. This new 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.

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	\$ 5,213,417
	<u>\$ 5,213,417</u>

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 – Promises to Give

During the year ended December 31, 2017, the Society began a Capital Campaign in an effort to raise funds to be used for a new shelter facility. In accordance with FASB ASC 958-605, any non-current promises to give have been discounted to present value using a 5% discount rate.

The current portion of the capital campaign receivable represents the amount of unconditional promises to give expected to be collected during the next fiscal year. The non-current portion of capital campaign receivable represents pledges expected to be collected between one and five years.

Current and long-term receivables are as follows:	
Due within one year	<u>\$ 5,000</u>

GREENVILLE HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 4 – 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, 2022, based on the level of input utilized to measure fair value:

GREENVILLE HUMANE SOCIETY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Short-term investments				
Money market funds	\$ 95,725	\$ -	\$ -	\$ 95,725
Total investments	<u>\$ 95,725</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 95,725</u>
Beneficial interest in perpetual trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,586,383</u>	<u>\$ 2,586,383</u>

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, 2022:

	<u>Beneficial interest in perpetual trusts</u>
Fair value as of December 31, 2021	\$ 3,247,590
Change in value of beneficial interest in perpetual trust	<u>(661,207)</u>
Fair value as of December 31, 2022	<u>\$ 2,586,383</u>

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, 2022.

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 fixed income 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 adjustment applied.

Equity Investments - Investments in equity vehicles are comprised of daily traded mutual funds. Securities held in 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.

GREENVILLE HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 5 – Investments

Investments are summarized as follows as of December 31:

	2022	
	Cost	Fair Value
Short-term investments		
Money market funds	\$ 95,725	\$ 95,725
Total investments	<u>\$ 95,725</u>	<u>\$ 95,725</u>

Note 6 – 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, 2022 is \$2,586,383 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 \$118,693 for the year ended December 31, 2022, and are included in contribution income in the accompanying statement of activities.

Note 7 – 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:

	2022
Land	\$ 48,000
Leasehold improvements	6,227,044
Machinery and equipment	308,548
Furniture and fixtures	257,542
Vehicles	<u>88,944</u>
	6,930,078
Less: accumulated depreciation	<u>(1,549,897)</u>
	<u>\$ 5,380,181</u>

Depreciation expense for the year ended December 31, 2022 was \$234,826.

Note 8 – 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 through the term of the lease.

GREENVILLE HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

The following are operating lease future minimum payments:

Year Ending December 31,	
2023	\$ 15,312
2024	16,542
2025	17,870
2026	27,734
2027	29,961
Thereafter	401,573
	<u>\$ 508,992</u>

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, 2022, right-of-use assets relating to operating leases were as follows:

Right-of-use assets	
Cost	\$ 551,318
Less: accumulated amortization	<u>(148,842)</u>
	<u>\$ 402,476</u>

At the adoption of ASC 842, the Society made a prior period adjustment to record the lease as shown below:

	<u>Prior Period Adjustment</u>
Beginning balance, as previously reported December 31, 2021	<u>\$ 12,958,472</u>
Prior period adjustment:	
Operating lease right of use asset	418,310
Operating lease liability	<u>(523,165)</u>
	<u>(104,856)</u>
Net position, as restated at January 1, 2022	<u>\$ 12,853,616</u>

Note 9 – Endowment Assets

At December 31, 2022, the Society's endowment consists of five individual donor-restricted endowment funds. 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.

GREENVILLE HUMANE SOCIETY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022

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, 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2021	\$ -	\$ 3,343,363	\$ 3,343,363
Investment return:			
Change in value of beneficial interest in perpetual trust	-	(661,207)	(661,207)
Contributions	-	-	-
Fees	-	(48)	(48)
Endowment net assets, December 31, 2022	\$ -	\$ 2,682,108	\$ 2,682,108

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, 2022.

GREENVILLE HUMANE SOCIETY

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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.

Strategies Employed for Achieving Objectives

To address 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). At December 31, 2022, \$2,586,383 of the endowment funds are held in perpetual trusts, the investment of which is determined by the trustees rather than the Society.

Endowment Investment and Spending Policies

The Society's spending policy appropriates for distribution each year a certain percentage of its endowment funds' average fair value for the prior three years through the fiscal yearend preceding the fiscal year in which the distribution is planned. In establishing this policy, the Society considered the expected return on its endowment. 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 10 – Net Assets

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

	<u>2022</u>
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	<u>\$ 2,586,383</u>
Total	<u><u>\$ 2,586,383</u></u>
	<u>2022</u>
Net assets not held in perpetuity	
The portion of endowment funds subject to a time restriction either by explicit donor stipulation or under UPMIFA:	
With purpose restrictions for spending	<u>\$ 95,725</u>
Total	<u>95,725</u>
Capital Campaign:	
Promises to give, net	<u>5,000</u>
Total Capital Campaign	<u>5,000</u>
Total	<u><u>\$ 100,725</u></u>

GREENVILLE HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 11 – 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 12 – 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 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.