atlanta humane society

AND SOCIETY FOR PREVENTION OF CRUELTY TO ANIMALS, INC.

ATLANTA, GEORGIA

**AUDITED CONSOLIDATED
FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED
SEPTEMBER 30, 2022 AND 2021**

ATLANTA HUMANE SOCIETY AND SOCIETY FOR PREVENTION OF CRUELTY TO ANIMALS, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

Jones and Kolb
Certified Public Accountants
Atlanta, Georgia

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Atlanta Humane Society and Society for
Prevention of Cruelty to Animals, Inc.
Atlanta, Georgia

Opinion
We have audited the accompanying consolidated financial statements of Atlanta Humane Society and Society for Prevention of Cruelty to Animals, Inc. (a nonprofit organization) (the "Organization"), which comprise the consolidated statements of financial position as of September 30, 2022 and 2021, and the related consolidated statements of activities and net assets, functional expenses, and cash flows for the years 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 the Organization as of September 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated 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 consolidated 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 consolidated 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 Organization'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 consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Jones and Kolb

February 16, 2023

ATLANTA HUMANE SOCIETY AND SOCIETY FOR PREVENTION OF CRUELTY TO ANIMALS, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2022 AND 2021

ASSETS

	2022	2021
CURRENT ASSETS		
Cash and cash equivalents	$ 1,073,381	$ 7,047,611
Marketable securities	10,636,862	15,460,155
Promises to give, net	2,110,725	2,114,383
Other current assets	2,359,683	2,037,327
Right of use assets	110,309	-
Total current assets	16,290,960	26,659,476
PROPERTY AND EQUIPMENT, NET	31,236,140	19,789,327
OTHER ASSETS		
Right of use assets - long term	495,375	-
Promises to give, net - long term	1,615,982	907,670
Beneficial interests in perpetual trusts	3,502,815	4,528,120
Marketable securities - endowment	2,075,432	2,075,432
Total other assets	7,689,604	7,511,222
Total assets	$ 55,216,704	$ 53,960,025

LIABILITIES AND NET ASSETS

	2022	2021
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 2,052,138	$ 2,862,812
Operating lease obligations	106,703	-
Line of credit	2,500,000	-
Total current liabilities	4,658,841	2,862,812
OPERATING LEASE OBLIGATIONS - LONG TERM	524,170	-
NET ASSETS		
Without donor restrictions	31,565,986	37,493,547
With donor restrictions	18,467,707	13,603,666
Total net assets	50,033,693	51,097,213
Total liabilities and net assets	$ 55,216,704	$ 53,960,025

The accompanying notes to financial statements
are an integral part of these statements.

ATLANTA HUMANE SOCIETY AND SOCIETY FOR PREVENTION OF CRUELTY TO ANIMALS, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES AND NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING ACTIVITIES			
Support and revenues			
Program service revenues			
Shelter Services	$ 963,303	$ -	$ 963,303
Community Veterinary Services	700,969	-	700,969
Total program service revenues	1,664,272	-	1,664,272
Contributions	8,055,576	1,003,819	9,059,395
Capital campaign contributions	-	6,305,074	6,305,074
In-kind contributions	1,458,743	-	1,458,743
Special events (net of direct expenses of $274,631)	441,001	-	441,001
Investment spending allocation	1,008,000	-	1,008,000
Net assets released from restrictions	827,057	(827,057)	-
Total support and revenues	13,454,649	6,481,836	19,936,485
Expenses			
Program service expenses			
Shelter Services	8,392,903	-	8,392,903
Community and Education Services	1,778,364	-	1,778,364
Community Veterinary Services	1,801,959	-	1,801,959
Total program service expenses	11,973,226	-	11,973,226
Administrative and general expenses	1,310,184	-	1,310,184
Fundraising expenses	2,481,959	-	2,481,959
Total functional expenses	15,765,369	-	15,765,369
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	(2,310,720)	6,481,836	4,171,116
NON-OPERATING ACTIVITIES			
Net realized and unrealized loss on marketable securities and beneficial interests in perpetual trusts	(3,143,163)	(1,758,553)	(4,901,716)
Investment income, net	628,020	140,758	768,778
Interest expense	(16,959)	-	(16,959)
Loss on uncollectible pledges	(76,739)	-	(76,739)
Investment spending allocation	(1,008,000)	-	(1,008,000)
CHANGE IN NET ASSETS FROM NON-OPERATING ACTIVITIES	(3,616,841)	(1,617,795)	(5,234,636)
CHANGE IN NET ASSETS	(5,927,561)	4,864,041	(1,063,520)
NET ASSETS, Beginning of year	37,493,547	13,603,666	51,097,213
NET ASSETS, End of year	$ 31,565,986	$ 18,467,707	$ 50,033,693

The accompanying notes to financial statements are an integral part of this statement.

ATLANTA HUMANE SOCIETY AND SOCIETY FOR PREVENTION OF CRUELTY TO ANIMALS, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES AND NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING ACTIVITIES			
Support and revenues			
Program service revenues			
Shelter Services	$ 913,317	$ -	$ 913,317
Community Veterinary Services	969,399	-	969,399
Total program service revenues	1,882,716	-	1,882,716
Contributions	9,704,317	1,056,884	10,761,201
Capital campaign contributions	-	2,540,303	2,540,303
In-kind contributions	961,116	-	961,116
Special events (net of direct expenses of $34,775)	48,105	-	48,105
Investment spending allocation	1,080,000	-	1,080,000
Net assets released from restrictions	697,981	(697,981)	-
Total support and revenues	14,374,235	2,899,206	17,273,441
Expenses			
Program service expenses			
Shelter Services	6,495,561	-	6,495,561
Community and Education Services	1,652,166	-	1,652,166
Community Veterinary Services	1,451,626	-	1,451,626
Total program service expenses	9,599,353	-	9,599,353
Administrative and general expenses	1,262,304	-	1,262,304
Fundraising expenses	2,491,043	-	2,491,043
Total functional expenses	13,352,700	-	13,352,700
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	1,021,535	2,899,206	3,920,741
NON-OPERATING ACTIVITIES			
Net realized and unrealized gain on marketable securities and beneficial interests in perpetual trusts	2,040,944	954,056	2,995,000
Investment income, net	499,034	107,517	606,551
Loss on uncollectible pledges	(36,685)	-	(36,685)
Investment spending allocation	(1,080,000)	-	(1,080,000)
CHANGE IN NET ASSETS FROM NON-OPERATING ACTIVITIES	1,423,293	1,061,573	2,484,866
CHANGE IN NET ASSETS	2,444,828	3,960,779	6,405,607
NET ASSETS, Beginning of year	35,048,719	9,642,887	44,691,606
NET ASSETS, End of year	$ 37,493,547	$ 13,603,666	$ 51,097,213

The accompanying notes to financial statements are an integral part of this statement.

ATLANTA HUMANE SOCIETY AND SOCIETY FOR PREVENTION OF CRUELTY TO ANIMALS, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Shelter Services	Community and Education Services	Community Veterinary Services	Total Program Services	Administrative and General Expenses	Fundraising Expenses	Total Expenses
Salaries and related benefits	$ 3,889,331	$ 1,110,342	$ 939,634	$ 5,939,307	$ 997,093	$ 992,691	$ 7,929,091
Occupancy	1,676,557	5,246	120,095	1,801,898	16,760	21,737	1,840,395
Media and public awareness	112,583	142,815	5,372	260,770	1,422	1,093,514	1,355,706
Animal care supplies	1,258,455	-	33,940	1,292,395	-	-	1,292,395
Animal medical supplies and services	622,478	-	516,477	1,138,955	-	-	1,138,955
Professional services	-	441,505	-	441,505	87,432	87,137	616,074
Information technology	131,049	38,953	45,389	215,391	61,101	102,698	379,190
Bank and merchant service fees	28,642	-	17,721	46,363	32,999	110,411	189,773
Insurance	107,588	4,703	14,459	126,750	8,548	3,018	138,316
Employee professional development	42,410	6,172	8,407	56,989	16,960	10,432	84,381
Office supplies	17,891	4,886	8,775	31,552	7,421	43,578	82,551
Travel	32,347	12,755	10,499	55,601	14,090	2,313	72,004
Repairs and maintenance	42,736	-	8,032	50,768	943	-	51,711
Miscellaneous expenses	7,891	439	13,956	22,286	22,485	3,032	47,803
Cost of goods sold	28,604	-	-	28,604	-	-	28,604
Total expenses before depreciation	7,998,562	1,767,816	1,742,756	11,509,134	1,267,254	2,470,561	15,246,949
Depreciation	394,341	10,548	59,203	464,092	42,930	11,398	518,420
Total expenses	$ 8,392,903	$ 1,778,364	$ 1,801,959	$ 11,973,226	$ 1,310,184	$ 2,481,959	$ 15,765,369

The accompanying notes to financial statements are an integral part of this statement.

ATLANTA HUMANE SOCIETY AND SOCIETY FOR PREVENTION OF CRUELTY TO ANIMALS, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Shelter Services	Community and Education Services	Community Veterinary Services	Total Program Services	Administrative and General Expenses	Fundraising Expenses	Total Expenses
Salaries and related benefits	$ 3,003,677	$ 1,251,686	$ 770,616	$ 5,025,979	$ 987,607	$ 818,521	$ 6,832,107
Occupancy	1,230,399	5,906	30,611	1,266,916	19,964	7,108	1,293,988
Media and public awareness	189,578	200,336	-	389,914	1,533	1,426,439	1,817,886
Animal care supplies	657,669	300	32,438	690,407	112	131	690,650
Animal medical supplies and services	470,039	466	490,665	961,170	-	-	961,170
Professional services	122,168	132,149	17,167	271,484	75,608	27,038	374,130
Information technology	128,413	24,851	30,015	183,279	52,260	78,927	314,466
Bank and merchant service fees	25,286	-	21,761	47,047	40,902	70,289	158,238
Insurance	102,470	4,522	10,360	117,352	7,030	2,548	126,930
Employee professional development	24,134	5,113	7,172	36,419	12,468	5,572	54,459
Office supplies	17,448	5,002	5,196	27,646	12,723	34,260	74,629
Travel	41,169	5,645	113	46,927	3,916	2,864	53,707
Repairs and maintenance	21,345	1,472	7,629	30,446	4,127	67	34,640
Miscellaneous expenses	30,195	9,205	1,989	41,389	17,249	8,489	67,127
Cost of goods sold	20,070	-	-	20,070	-	-	20,070
Total expenses before depreciation	6,084,060	1,646,653	1,425,732	9,156,445	1,235,499	2,482,253	12,874,197
Depreciation	411,501	5,513	25,894	442,908	26,805	8,790	478,503
Total expenses	$ 6,495,561	$ 1,652,166	$ 1,451,626	$ 9,599,353	$ 1,262,304	$ 2,491,043	$ 13,352,700

The accompanying notes to financial statements
are an integral part of this statement.

ATLANTA HUMANE SOCIETY AND SOCIETY FOR PREVENTION OF CRUELTY TO ANIMALS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (1,063,520)	$ 6,405,607
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH AND CASH EQUIVALENTS USED IN OPERATING ACTIVITIES:		
Capital campaign contributions	(6,305,074)	(2,540,303)
Contributions for perpetual endowment	-	(50,000)
Contributions of marketable securities	(258,833)	(113,759)
Depreciation	518,420	478,503
Loss on uncollectible pledges	76,739	36,685
Realized and unrealized loss (gain) on marketable securities	3,876,411	(2,486,293)
Loss (gain) in fair value of beneficial interests in perpetual trusts	1,025,305	(508,707)
Decrease (increase) in promises to give, net	901,408	(1,474,716)
Increase in other current assets	(322,356)	(1,551,220)
Increase in right of use assets	(605,684)	-
(Decrease) increase in accounts payable and accrued expenses	(810,674)	1,557,826
Increase in operating lease obligations	630,873	-
Total adjustments	(1,273,465)	(6,651,984)
Net cash and cash equivalents used in operating activities	(2,336,985)	(246,377)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for the purchase of property and equipment	(11,965,233)	(5,764,525)
Purchases of marketable securities	(875,994)	(1,284,979)
Proceeds from sales of marketable securities	2,081,709	9,901,184
Net cash and cash equivalents (used in) provided by investing activities	(10,759,518)	2,851,680
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital campaign contributions	4,622,273	2,269,699
Proceeds from line of credit	2,500,000	-
Net cash and cash equivalents provided by financing activities	7,122,273	2,269,699
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(5,974,230)	4,875,002
CASH AND CASH EQUIVALENTS, Beginning of year	7,047,611	2,172,609
CASH AND CASH EQUIVALENTS, End of year	$ 1,073,381	$ 7,047,611

The accompanying notes to financial statements are an integral part of these statements.

ATLANTA HUMANE SOCIETY AND SOCIETY FOR PREVENTION OF CRUELTY TO ANIMALS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Atlanta Humane Society and Society for Prevention of Cruelty to Animals, Inc. (the "Society"), is a not-for-profit organization that promotes the humane treatment of animals. The principal services performed by the Society are housing, alteration and adoption of homeless animals, public veterinary services including high volume spay and neuter surgeries and community outreach programs. Services are funded through contributions, program service revenues and special events. The Society is exempt from income taxes under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986.

B. On May 5, 2022, the Society acquired 100% controlling interest in Saint Francis Pet Care, Inc. ("St. Francis"), a not-for-profit corporation providing animal care services in the state of Florida. At the date of acquisition, St. Francis had assets, liabilities and net assets of approximately $567,000, $5,000 and $562,000, respectively. The acquisition will enable the Society to expand affordable veterinary services to rural and underserved areas.

C. The consolidated financial statements include the accounts of the Society and St. Francis (collectively, the "Organization"). The 2021 financial statements have been restated to include St. Francis' assets, liabilities and results of operations. All intercompany transactions and balances have been eliminated in these consolidated financial statements.

D. The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles 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 consolidated financial statements and the reported amounts of support and revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. The Organization classifies net assets, revenues, gains and losses based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor or grantor restrictions.

Net assets with donor restrictions - Net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature; for example, restrictions that may or will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature; for example, stipulating that those resources be maintained in perpetuity. The donors of these assets permit the Organization to use all of the income earned on related investments for general or specific purposes. More specifically, items included in net assets with donor restrictions are gifts for which restrictions have not been met.

When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities and Net Assets as "net assets released from restrictions." The Organization's policy is to record contributions received with restrictions and expended in the same period as contributions without donor restrictions.

Contributions that the donor requires to be used to acquire long-lived assets are reported as contributions with restrictions. Once the asset has been placed in service, the Organization reflects the expiration of the donor-imposed restriction as net assets released from restrictions.

F. The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

G. At times, the Organization's cash balances are in excess of the federally insured limit. However, given the strength of the financial institutions where the deposits are held, management believes such excess deposits do not create any significant loss exposure. Management periodically reviews the financial viability of the financial institutions and does not anticipate nonperformance.

H. Marketable securities and beneficial interests in perpetual trusts are recorded at fair value net of all fees, paid or accrued. Marketable securities include investments in equity and fixed income funds. Realized and unrealized gains and losses on marketable securities are computed using the specific identification method. Beneficial interests in perpetual trusts include only the Organization's proportional share of the perpetual trusts.

I. Promises to give that are expected to be collected within one year are recorded at net realizable value. Promises to give that are expected to be collected in future years are initially recorded at fair value, estimated by discounting them to their present value of estimated future cash flows at a risk-adjusted rate. The discount rates are computed using risk-free interest rates applicable to the years in which the promises were received, which were 1.75% to 6.00% for the years ended September 30, 2022 and 2021. Amortization of the discounts, if any, is included in contributions in the accompanying Consolidated Statements of Activities and Net Assets.

J. Trade accounts receivable, which are included in other current assets in the accompanying Consolidated Statements of Financial Position, are recorded at the amounts of cash estimated as realizable. The Society provides reserves for uncollectible accounts when specific accounts are deemed uncollectible. Trade accounts receivable balances are considered delinquent based upon how recently payments have been received. At September 30, 2022 and 2021, the Organization considered all trade accounts receivable collectible.

K. The Organization capitalizes property and equipment over $1,000 with expected useful lives greater than one year. Purchased property and equipment are capitalized at cost and depreciated on the straight-line basis over the estimated useful lives of the assets, ranging from three to forty years. Donated assets are capitalized at the fair market value of the asset on the date of contribution. Additions and replacements are charged to property accounts, while repairs and maintenance are charged to expense as incurred.

L. The majority of the Organization's revenues are from contributions, program services and special events. Contributions are recognized as revenue when cash, securities or other assets, or an unconditional promise to give is received. Program service revenues are accounted for as exchange transactions and are recognized as revenue when the service such as an adoption or a veterinary visit is completed. Special events ticket sales and sponsorships are recognized as revenue when the event takes place.

M. Donated materials and services are reflected as contributions in the accompanying consolidated statements at their estimated value at date of receipt. During the years ended September 30, 2022 and 2021, the Organization recorded donated materials and services totaling $1,458,743 and $961,116, respectively. Donated materials, which were primarily animal food and medical supplies, were valued at approximate fair market value at the date of receipt. Donated services include space rental and web advertising services, which were valued using estimated prices for similar products or services. Unpaid volunteers have made significant contributions of time to the Organization. The value of this contributed time is not reflected in the accompanying statements since it does not create or enhance non-financial assets or require specialized skills.

N. The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, general office and occupancy, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimated time and effort.

O. In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842), which replaced existing lease accounting guidance. The new standard is intended to provide enhanced transparency and comparability by requiring lessees to record right-of-use assets ("ROU assets") and corresponding lease obligations on the Consolidated Statements of Financial Position. ROU assets represent the Organization's right to use an underlying asset for the lease term and lease obligations represent the Organization's obligation to make lease payments arising from the lease. The new guidance requires the Organization to continue to classify leases as either an operating or finance lease, with classification affecting the pattern of expense recognition in the Consolidated Statements of Activities and Net Assets. In addition, the new standard requires enhanced disclosure surrounding the amount, timing and uncertainty of cash flows arising from leasing agreements.

In July 2018, FASB issued ASU No. 2018-11, which provided entities with an additional transition method. Under the new transition method, an entity initially applies the new standard at the adoption date, versus at the beginning of the earliest period presented, and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. During the year ended September 30, 2022, the Organization adopted Topic 842 using a modified retrospective approach. Comparative prior period information has not been adjusted and continues to be reported in accordance with previous lease accounting guidance in Accounting Standards Codification ("ASC") Topic 840 — Leases. Upon adoption, the Organization recognized approximately $705,000 of ROU assets and operating lease obligations.

In September 2020, FASB issued ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958), which is effective for fiscal years beginning after June 15, 2021, with early adoption permitted, and is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the Consolidated Statement of Activities and Net Assets, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. Management does not expect this ASU to have a significant impact on the Organization's financial statements.

P. Certain prior year amounts have been reclassified to conform to the current year consolidated financial statements presentation.

Q. Subsequent events have been evaluated by management through February 16, 2023, the date these consolidated financial statements were available to be issued.

2. LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the Consolidated Statements of Financial Position date, comprise the following as of September 30:

	2022	2021
Financial assets:		
Cash and cash equivalents	$ 1,073,381	$ 7,047,611
Pledges and other receivables, net	5,520,199	4,603,306
Investment securities	12,712,294	17,535,587
Beneficial interests in perpetual trusts	3,502,815	4,528,120
Total financial assets, at year end	22,808,689	33,714,624
Less amounts unavailable for general expenditure:		
Long term promises to give, net	(1,615,982)	(907,670)
Donor restrictions for specified purposes	(11,273,478)	(6,092,444)
Donor restrictions for perpetual purposes	(5,578,247)	(6,603,552)
Total financial assets available for general expenditure	$ 4,340,982	$ 20,110,958

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Additionally, the Organization has a $5,000,000 line of credit that can be drawn upon if needed (see Note 7).

3. PROMISES TO GIVE

Promises to give are due as follows at September 30:

	2022	2021
Receivable in less than one year	$ 2,110,725	$ 2,039,693
Receivable in one to five years	1,799,736	1,057,050
Total promises to give	3,910,461	3,096,743
Reserve for uncollectible accounts	(82,967)	(29,829)
Discount to present value	(100,787)	(44,861)
Promises to give, net	$ 3,726,707	$ 3,022,053

Promises to give consisted of the following at September 30:

	2022	2021
Capital campaign pledges	$ 3,113,707	$ 1,430,906
Other	613,000	1,591,147
Promises to give, net	$ 3,726,707	$ 3,022,053

4. FAIR VALUE MEASUREMENTS

U.S. generally accepted accounting principles establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Level 1 within the hierarchy states that valuations are based on unadjusted quoted market prices for identical assets or liabilities in active markets. Level 2 within the hierarchy states that valuations are based on observable inputs other than Level 1 prices, such as quoted market prices for similar assets, quoted market prices in inactive markets and other inputs that may be corroborated by observable market data. Level 3 within the hierarchy states that valuations are based upon unobservable inputs. At September 30, 2022 and 2021, the only assets or liabilities that are measured at fair value on a recurring basis in periods subsequent to initial recognition are marketable securities and beneficial interests in perpetual trusts.

Equity, fixed income and money market funds are valued at the closing price reported on the active market on which the individual securities are traded. Beneficial interests in perpetual trusts are valued utilizing net asset valuation of the underlying funds, which value securities and other financial instruments on a mark-to-market basis of accounting.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, 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 fair value measurement at the reporting date.

The following presents by level, within the fair value hierarchy, the Organization's marketable securities and beneficial interests in perpetual trusts at fair value at September 30:

	2022		
Description	**Level 1**	**Level 3**	**Total**
Marketable securities			
Equity funds	$ 8,194,103	$ -	$ 8,194,103
Fixed income funds	4,517,444	-	4,517,444
Money market funds	747	-	747
Total marketable securities	12,712,294	-	12,712,294
Beneficial interests in perpetual trusts	-	3,502,815	3,502,815
Total	$ 12,712,294	$ 3,502,815	$ 16,215,109

	2021		
Description	**Level 1**	**Level 3**	**Total**
Marketable securities			
Equity funds	$ 11,516,788	$ -	$ 11,516,788
Fixed income funds	6,013,768	-	6,013,768
Money market funds	5,031	-	5,031
Total marketable securities	17,535,587	-	17,535,587
Beneficial interests in perpetual trusts	-	4,528,120	4,528,120
Total	$ 17,535,587	$ 4,528,120	$ 22,063,707

The table below sets forth a summary of changes in the fair value of the Organization's Level 3 assets, which consist of beneficial interests in perpetual trusts, for the years ended September 30:

	2022	2021
Balance, beginning of year	$ 4,528,120	$ 4,019,413
Net realized and unrealized gain	(1,025,305)	508,707
Balance, end of year	$ 3,502,815	$ 4,528,120

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

	2022	2021
Buildings	$ 8,017,151	$ 7,982,948
Land	6,844,959	6,844,959
Furniture and equipment	2,156,469	1,503,783
Construction in progress	16,714,985	6,313,144
Information technology	944,453	777,758
Automotive equipment	527,044	527,044
Leasehold improvements	886,021	176,215
Land improvements	140,515	140,515
Total	36,231,597	24,266,366
Less accumulated depreciation	(4,995,457)	(4,477,039)
Property and equipment, net	$ 31,236,140	$ 19,789,327

As of September 30, 2022 and 2021, the Society was in the process of constructing a new building located on Perry Boulevard in Atlanta, Georgia ("Animal Care Center") to replace the Howell Mill campus. Land and land improvement costs incurred were approximately $5 million as of September 30, 2021. During the year ended September 30, 2021, the Society entered into a construction contract for the construction of the Animal Care Center for approximately $17 million. The cost of the Animal Care Center has been funded by the proceeds from the sale of the Howell Mill campus and capital campaign contributions. The Animal Care Center was completed and put in use in October 2022.

6. RIGHT OF USE ASSETS AND OPERATING LEASE OBLIGATIONS

The Organization has two non-cancelable leases for a veterinary center and a warehouse. The veterinary center lease is an 87-month lease with annual rent escalation of approximately four percent, and three months of rent abatement at inception. The warehouse lease is a 62-month lease with annual rent escalation of approximately three percent, and two months of rent abatement at inception. The veterinary center and warehouse leases expire in November 2028 and January 2027, respectively. Upon adoption of ASU No. 2016-02, ROU assets and operating lease obligations were recorded at the present value of future payments using an incremental annual borrowing rate of 1.32%. The ROU assets are amortized over the life of the leases and is considered rent expense. Rent expense also includes additional amounts to cover related operating expenses and storage space.

Total rent expense under the lease agreements was $210,828 and $91,914 for the years ended September 30, 2022 and 2021, respectively. ROU assets and operating lease obligations at September 30, 2022 were $605,684 and $630,873, respectively.

Future minimum rental payments for the Organization are as follows at September 30:

Year	Amount	Discount	Lease Obligation
2023	$ 114,457	$ (7,754)	$ 106,703
2024	118,476	(6,296)	112,180
2025	122,639	(4,764)	117,875
2026	126,952	(3,156)	123,796
2027	89,073	(1,633)	87,440
Thereafter	83,568	(689)	82,879
Total	$ 655,165	$ (24,292)	$ 630,873

7. LINE OF CREDIT

The Organization has a $5 million line of credit with a bank. The line of credit, which is collateralized by a portion of the Organization's marketable securities, matures on September 25, 2024. Interest accrues on the outstanding balance at the one-month LIBOR plus 1.10% per annum, which was 4.9% and 1.20% at September 30, 2022 and 2021, respectively. The outstanding balance at September 30, 2022 was $2,500,000. There was no balance due on this line of credit at September 30, 2021.

8. NET ASSETS

Net assets were released from restrictions as follows for the years ended September 30:

	2022	2021
Accessible veterinarian care	$ 238,627	$ 65,994
Animal welfare	100,000	-
Cruelty investigation	-	50,000
Mansell Adoption Center	-	161,987
Medical supplies	34,000	-
Statewide shelter support	454,430	420,000
Total net assets released from restrictions	$ 827,057	$ 697,981

Net assets with donor restrictions are restricted for the following purposes or periods as follows at September 30:

	2022	2021
Subject to expenditure for specified purpose:		
Accessible veterinarian care	$ 200,587	$ 432,762
Capital campaign	11,091,268	4,786,193
Animal welfare	94,364	100,000
Cruelty and dog fighting investigation	87,676	87,676
Medical supplies	45,000	34,000
Statewide shelter support	870,570	467,000
	12,389,465	5,907,631
Undistributed endowment earnings, subject to appropriation:		
For use without restriction	274,241	503,781
Mansell Adoption Center	-	243,320
Veterinary care for unowned animals	165,532	259,471
Veterinarian extern	60,222	85,911
	499,995	1,092,483
Subject to endowment spending policy and appropriation:		
Beneficial interests in perpetual trusts	3,502,815	4,528,120
Endowment for Mansell Adoption Center	1,500,000	1,500,000
Endowment for veterinary care for unowned animals	242,498	242,498
Endowment for veterinarian extern	51,356	51,356
Endowment without restrictions on income	281,578	281,578
	5,578,247	6,603,552
	$ 18,467,707	$ 13,603,666

9. GOVERNMENT GRANTS

During the year ended September 30, 2021, the Organization received a Paycheck Protection Program ("PPP") loan in the amount of $1,100,355 from the Small Business Administration ("SBA"). The loan accrued interest at 1.00% per annum, with no required payments for ten months after funding of the loan. The entire loan was forgiven since the Society used the funds for its intended purposes; therefore, the Organization has recorded the entire amount as contributions revenue on the Consolidated Statement of Activities and Net Assets for the year ended September 30, 2021.

The Organization qualified for $1,576,362 of Employer Retention Credit to offset certain payroll taxes for qualifying wages paid as provided for in the Coronavirus Aid, Relief, and Economic Security Act. The Organization recorded the amount as contributions revenue for the year ended September 30, 2021. The receivable, which totaled $1,484,855 and $1,576,362 at September 30, 2022 and 2021, respectively, is included other current assets on the Consolidated Statements of Financial Position.

10. IN-KIND CONTRIBUTIONS

In-kind contributions consisted of the following for the years ended September 30:

	2022	2021
Food supplies	$ 1,148,390	$ 588,128
Medical supplies	162,752	178,964
Online advertising services	75,871	107,329
Other miscellaneous items and space	71,730	86,695
Total in-kind contributions	$ 1,458,743	$ 961,116

The Organization's in-kind contributions were valued using estimated average prices of identical or similar services or products using pricing data of similar services or products under a "like-kind" methodology, considering the utility of the services and goods at the time of the contribution. No in-kind contributions were restricted. The Organization does not sell donated gifts-in-kind and only uses the goods and services for its own program or supporting service activities.

11. EMPLOYEE BENEFIT PLANS

The Organization sponsors a 401(k) plan for the benefit of its employees. The Organization matches 100% of employee contributions up to six percent of the employee's salary. Employer contributions to the plan totaled $129,517 and $209,191 for the years ended September 30, 2022 and 2021, respectively.

The Organization sponsors a deferred compensation plan under Section 457(b) of the Internal Revenue Code ("IRC") to provide certain key employees with supplemental retirement benefits. Under the plan, key employees may elect to defer a portion of their compensation not to exceed the amount allowed by the IRC. The deferred contributions are deposited into an account that is owned by the Organization until the assets are distributed to the employee in accordance with the plan document. The Organization formerly sponsored a deferred compensation plan under IRC Section 457(f) that was frozen effective December 31, 2017.

At September 30, 2022 and 2021, the Organization's liability under the 457(b) and 457(f) plans totaled $215,531 and $212,328, respectively. The amounts are included in other current assets and accounts payable and accrued expenses on the accompanying Consolidated Statements of Financial Position.

12. ENDOWMENT

At September 30, 2022 and 2021, the Organization's endowment consisted of four donor-restricted funds. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions. The Board of Directors of the Society has interpreted the Georgia Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund as permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified as perpetual in nature is restricted until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. The Board of Directors will appropriate funds from the endowment funds based on specific needs and budgeting requirements from year to year. UPMIFA does not apply to beneficial interests in perpetual trusts.

In accordance with UPMIFA, 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 Organization; and,
(7) The investment policies of the Society.

The composition of and changes in endowment net assets are as follows:

	Available for Expenditure	Perpetual in Nature	Total
Balance at September 30, 2021	$ 1,092,484	$ 2,075,432	$ 3,167,916
Contribution	-	-	-
Investment return:			
Investment income, net	140,758	-	140,758
Net realized and unrealized gain	(733,247)	-	(733,247)
Balance at September 30, 2022	$ 499,995	$ 2,075,432	$ 2,575,427

	Available for Expenditure	Perpetual in Nature	Total
Balance at September 30, 2020	$ 701,605	$ 2,025,432	$ 2,727,037
Contribution	-	50,000	50,000
Investment return:			
Investment income, net	107,517	-	107,517
Net realized and unrealized gain	445,349	-	445,349
Appropriated for expenditure	(161,987)	-	(161,987)
Balance at September 30, 2021	$ 1,092,484	$ 2,075,432	$ 3,167,916

The Organization has adopted investment and spending policies that provide support to operating and capital funding while not eroding the value of endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that meet or exceed common benchmarks for a balanced portfolio, while assuming a moderate level of risk.

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

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments) due to fluctuation of investments. At September 30, 2022, endowment funds with original gift values of $2,075,432, fair values of $1,985,238, and deficiencies of $90,194 were reported in net assets with donor restrictions.

13. SUPPLEMENTAL CASH FLOW DISCLOSURE

Interest of $16,959 was paid during the year ended September 30, 2022.