

DORCHESTER PAWS
FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

**DORCHESTER PAWS
FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
Dorchester Paws
Summerville, South Carolina

We have reviewed the accompanying financial statements of Dorchester Paws (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of organization's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Dorchester Paws and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Report on 2020 Financial Statements

The December 31, 2020 financial statements were audited by us, and we expressed an unmodified opinion on them in our report dated July 6, 2021. We have not performed any auditing procedures since that date.

DCPAS, LLC dba Davis & Company CPAs

Mount Pleasant, South Carolina
April 4, 2022

DORCHESTER PAWS
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021

	<i>Reviewed</i>		
	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
Cash	\$ 284,823	\$ 92,599	\$ 377,422
Contributions receivable, net	75,947	-	75,947
Other receivable	36,349	-	36,349
Property and equipment, net	1,355,270	-	1,355,270
Investments - Board restricted endowment	989,842	-	989,842
TOTAL ASSETS	\$ 2,742,231	\$ 92,599	\$ 2,834,830
LIABILITIES AND NET ASSETS			
Accounts payable	\$ 12,300	\$ -	\$ 12,300
Accrued expenses	24,913	-	24,913
Deferred revenue	13,056	-	13,056
Total current liabilities	50,269	-	50,269
NET ASSETS			
Without donor restrictions			
Undesignated	1,702,120	-	1,702,120
Board designated endowment	989,842	-	989,842
Total without donor restrictions	2,691,962		2,691,962
With donor restrictions	-	92,599	92,599
TOTAL NET ASSETS	2,691,962	92,599	2,784,561
TOTAL LIABILITIES AND NET ASSETS	\$ 2,742,231	\$ 92,599	\$ 2,834,830

See accompanying notes.

DORCHESTER PAWS
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020

	<i>Audited</i>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
ASSETS			
Cash	\$ 316,736	\$ 470,792	\$ 787,528
Contributions receivable, net	-	273,894	273,894
Property and equipment, net	239,060	-	239,060
Investments - Board restricted endowment	935,785	-	935,785
TOTAL ASSETS	<u>\$ 1,491,581</u>	<u>\$ 744,686</u>	<u>\$ 2,236,267</u>
LIABILITIES AND NET ASSETS			
Accounts payable	\$ 6,240	\$ -	\$ 6,240
Accrued expenses	25,241	-	25,241
Deferred revenue	15,606	-	15,606
Total current liabilities	<u>47,087</u>	<u>-</u>	<u>47,087</u>
NET ASSETS			
Without donor restrictions			
Undesignated	508,709	-	508,709
Board designated endowment	935,785	-	935,785
Total without donor restrictions	<u>1,444,494</u>		<u>1,444,494</u>
With donor restrictions	-	744,686	744,686
TOTAL NET ASSETS	<u>1,444,494</u>	<u>744,686</u>	<u>2,189,180</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,491,581</u>	<u>\$ 744,686</u>	<u>\$ 2,236,267</u>

See accompanying notes.

**DORCHESTER PAWS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<i>Reviewed</i>		
	Without Donor	With Donor	
	Restrictions	Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions	\$ 590,094	\$ 573,496	\$ 1,163,590
Grants	98,615	-	98,615
Adoption and shelter services	365,475	-	365,475
Government service contract	193,246	-	193,246
Special events, net \$44,085 expense	64,034	-	64,034
In-kind contributions	26,229	-	26,229
Unrealized gain	66,509	-	66,509
Investment income, net of \$5,075 in investment fees	76,913	-	76,913
Total revenue	<u>1,481,115</u>	<u>573,496</u>	<u>2,054,611</u>
Net assets released from restriction	<u>1,225,583</u>	<u>(1,225,583)</u>	<u>-</u>
TOTAL REVENUES AND OTHER SUPPORT	<u>2,706,698</u>	<u>(652,087)</u>	<u>2,054,611</u>
EXPENSES			
Program services	987,411	-	987,411
Supporting services			
Management and general	184,829	-	184,829
Fundraising	286,990	-	286,990
TOTAL EXPENSES	<u>1,459,230</u>	<u>-</u>	<u>1,459,230</u>
CHANGE IN NET ASSETS	<u>1,247,468</u>	<u>(652,087)</u>	<u>595,381</u>
NET ASSETS, beginning of year	<u>1,444,494</u>	<u>744,686</u>	<u>2,189,180</u>
NET ASSETS, end of year	<u>\$ 2,691,962</u>	<u>\$ 92,599</u>	<u>\$ 2,784,561</u>

See accompanying notes.

**DORCHESTER PAWS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<i>Audited</i>		
	Without Donor	With Donor	
	Restrictions	Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions	\$ 559,602	\$ 738,211	\$ 1,297,813
Grants	71,512	-	71,512
Adoption and shelter services	378,076	-	378,076
Government service contract	189,769	-	189,769
Special events, net \$32,060 expense	63,421	-	63,421
In-kind contributions	53,735	-	53,735
Unrealized gain	48,695	-	48,695
Investment income, net of \$3,933 in investment fees	28,296	-	28,296
Total revenue	<u>1,393,106</u>	<u>738,211</u>	<u>2,131,317</u>
Net assets released from restriction	<u>42,613</u>	<u>(42,613)</u>	<u>-</u>
TOTAL REVENUES AND OTHER SUPPORT	<u>1,435,719</u>	<u>695,598</u>	<u>2,131,317</u>
EXPENSES			
Program services	866,543	-	866,543
Supporting services			
Management and general	172,986	-	172,986
Fundraising	157,712	-	157,712
TOTAL EXPENSES	<u>1,197,241</u>	<u>-</u>	<u>1,197,241</u>
CHANGE IN NET ASSETS	238,478	695,598	934,076
NET ASSETS, beginning of year	<u>1,255,104</u>	<u>-</u>	<u>1,255,104</u>
Reclassification of net assets	<u>(49,088)</u>	<u>49,088</u>	<u>-</u>
NET ASSETS, end of year	<u>\$ 1,444,494</u>	<u>\$ 744,686</u>	<u>\$ 2,189,180</u>

See accompanying notes.

**DORCHESTER PAWS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<i>Reviewed</i>			
	Program Services	Management & General	Fund- raising	Total
COMPENSATION AND RELATED EXPENSES				
Salaries	\$ 592,786	\$ 123,388	\$ 55,000	\$ 771,174
Payroll taxes	44,172	3,522	9,769	57,463
Payroll service fees	3,028	630	281	3,939
Total compensation and related expenses	<u>639,986</u>	<u>127,540</u>	<u>65,050</u>	<u>832,576</u>
OTHER EXPENSES				
Animal care expenses	202,646	3,372	-	206,018
Professional fees	-	41,703	145,893	187,596
Public relations	3,000	-	43,689	46,689
Utilities	33,203	2,174	1,000	36,377
Insurance	33,761	-	-	33,761
Computer and equipment	7,757	1,015	18,146	26,918
Bank fees	7,602	200	9,250	17,052
Occupancy	11,426	1,777	928	14,131
Building & vehicle maintenance	10,490	-	-	10,490
Postage and printing	2,568	2,568	2,568	7,704
Licenses	3,024	239	-	3,263
Miscellaneous	250	1,387	-	1,637
Office expense	290	626	201	1,117
Professional development	-	874	-	874
TOTAL EXPENSES BEFORE DEPRECIATION	<u>956,003</u>	<u>183,475</u>	<u>286,725</u>	<u>1,426,203</u>
Depreciation	31,408	1,354	265	33,027
TOTAL FUNCTIONAL EXPENSES	<u><u>\$ 987,411</u></u>	<u><u>\$ 184,829</u></u>	<u><u>\$ 286,990</u></u>	<u><u>\$ 1,459,230</u></u>

See accompanying notes.

DORCHESTER PAWS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<i>Audited</i>			
	Program Services	Management & General	Fund- raising	Total
COMPENSATION AND RELATED EXPENSES				
Salaries	\$ 491,108	\$ 111,318	\$ 52,385	\$ 654,811
Payroll taxes	38,689	8,769	4,127	51,585
Payroll service fees	1,850	419	197	2,466
Total compensation and related expenses	531,647	120,506	56,709	708,862
OTHER EXPENSES				
Animal care expenses	121,265	-	-	121,265
Professional fees	-	19,985	42,613	62,598
Veterinary care	53,235	-	-	53,235
Clinic expense	47,913	-	-	47,913
Public relations	-	-	45,518	45,518
Insurance	34,707	-	-	34,707
Utilities	23,976	3,896	2,098	29,970
Computer software and equipment	11,919	1,046	7,946	20,911
Bank fees	-	16,770	-	16,770
Postage and printing	4,427	1,829	1,829	8,085
Occupancy	5,295	864	-	6,159
Telephone	2,760	345	345	3,450
Building maintenance	3,295	-	-	3,295
Miscellaneous	512	2,139	-	2,651
Taxes	-	1,668	-	1,668
Office expense	408	894	267	1,569
Professional development	285	898	177	1,360
Licenses	-	1,072	-	1,072
TOTAL EXPENSES BEFORE DEPRECIATION	841,644	171,912	157,502	1,171,058
Depreciation	24,899	1,074	210	26,183
TOTAL FUNCTIONAL EXPENSES	<u>\$ 866,543</u>	<u>\$ 172,986</u>	<u>\$ 157,712</u>	<u>\$ 1,197,241</u>

See accompanying notes.

DORCHESTER PAWS
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	<i>Reviewed</i>	<i>Audited</i>
	<u>2021</u>	<u>2020</u>
Operating activities		
Change in net assets	\$ 595,381	\$ 934,076
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	33,027	26,183
Provision for allowance for doubtful accounts	8,465	8,935
(Increase) decrease in operating assets		
Contributions receivable	198,417	(282,829)
Other receivable	(36,349)	-
Prepaid expenses	-	1,787
Increase (decrease) in operating liabilities		
Accounts payable	6,060	5,905
Accrued expenses	(328)	12,104
Deferred revenue	(2,550)	(18,370)
Net cash provided (used) by operating activities	<u>802,123</u>	<u>687,791</u>
Investing activities		
Purchase of equipment	(69,548)	-
Purchase of land	(1,079,690)	-
Unrealized (gain)/loss	(66,509)	(48,695)
Realized gain/(loss)	(35,793)	(5,991)
Sale of investments	176,559	362,120
Purchase of investments	(137,248)	(384,717)
Net cash provided (used) in investing activities	<u>(1,212,229)</u>	<u>(77,283)</u>
Net increase(decrease) in cash and cash equivalents	(410,106)	610,508
Cash and cash equivalents as of beginning of year	<u>787,528</u>	<u>177,020</u>
Cash and cash equivalents as of end of year	<u>\$ 377,422</u>	<u>\$ 787,528</u>
Cash and cash equivalents, without donor restriction	\$ 284,823	\$ 316,736
Cash and cash equivalents, with donor restriction	<u>92,599</u>	<u>470,792</u>
	<u>\$ 377,422</u>	<u>\$ 787,528</u>

See accompanying notes.

DORCHESTER PAWS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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

Nature of Shelter

Dorchester Paws (the Shelter) is a 501(c)(3) non-profit shelter dedicated to improving the lives of animals in Dorchester County, South Carolina. The Shelter is the only open-admission shelter in Dorchester County, serving towns including Rosinville, Ridgeville, Oakbrook, St. George, Summerville and Grover. Partnering with Dorchester Code Enforcement, the Shelter takes in every lost, abandoned and abused animal and provides them with food, shelter and medical attention until they find their forever home.

The Shelter was established in 1972 as the Dorchester Society for Prevention of Cruelty to Animals, Dorchester County by Frances R. Willis with land donated by Kapstone. Dr. Brunson Westbury and Frances R. Willis worked to get the road built and land cleared to open the facility. Over the years, the shelter has been expanded, but continues to reach and exceed capacity because the community served is growing and the pet overpopulation crisis is not abating. In October 2017, the Shelter was renamed to Dorchester Paws.

Basis of Accounting

The financial statements of the Shelter have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions that are placed by its donors, as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the board limits resulting for the nature of the Shelter, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with others that are entered into in the course of its operations.

Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Shelter must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Classification of Transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses are reported as decreased in net assets without donor restrictions.

Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, the Shelter considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. This includes cash in banks and money market funds.

DORCHESTER PAWS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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

Contributions Receivable

Contributions receivable are recognized as revenues in the period in which the promise is received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional contributions receivable are recognized when the conditions on which they depend are substantially met.

Other Receivable

Other receivable includes amounts due from the Internal Revenue Service for amounts erroneously withheld from the investment earnings.

Investments

The Shelter investments consist primarily of assets invested in mutual funds and fixed income securities, and money-market funds. The Shelter accounts for investments in accordance with FASB ASC 958-320 and subsections. This standard requires that investments in equity securities with readily determinable fair values and all investments in debt securities be measured at fair value in the statement of financial position. Fair value of marketable equity and debt securities is based on quoted market prices.

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Financial Position.

Investment income is recorded net of investment expenses. Realized gains or losses on investments are determined by comparison of specific cost of acquisition to proceeds at the time of disposal. Unrealized gains or losses are calculated by comparing cost to market values at the statement of financial position date. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Board Designated Endowment Funds

The Shelter's endowment funds consist of funds without donor restrictions functioning as endowment through designation by the Board. The earnings of the Shelter's endowment fund support the mission of the Shelter. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Return Objectives and Risk Parameters

The Shelter has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Shelter 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 Shelter targets a diversified asset allocation that places an emphasis on equity-based investments and mutual funds to achieve its long-term objectives within prudent risk constraints.

DORCHESTER PAWS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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

Board Designated Endowment Funds - Continued

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Shelter has a policy of appropriating the distribution for each year not to exceed 4.75% of its selected endowment fund's trailing average market value over the three years preceding the year in which the distribution is planned. In establishing this policy, the Shelter considered the long-term expected return on its endowment. Accordingly, over the long term, the Shelter expects the current spending policy to allow its endowment to grow at an average of 5 to 8 percent annually.

Property and Equipment

Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at the approximate fair value at the date of donation. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance and repairs are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of the operations for the respective period. Depreciation is computed by the straight-line method over the estimated useful lives of the assets, ranging from 3 to 39 years.

Deferred Revenue

The Shelter records revenues from exchange transactions as increases in net assets without donor restrictions to the extent that the earning process is complete. These transactions primarily include restricted contributions and grants. Resources received in exchange transactions are recognized as deferred revenue to the extent that the earning process has not been complete. The resources are recorded as revenues without donor restrictions when the related obligations have been satisfied.

Fair Value of Financial Instruments

The carrying amounts of financial instruments, including cash and cash equivalents, money market funds and accounts payable approximate fair value because of the short maturity of those financial instruments.

Accounting of Contributions

Contributions, including contributions receivable, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specially reported as increases in net assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Contributions receivable with payments due in the future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contributions is clearly intended to support activities in the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until as conditions on which they depend are substantially met. It is the Shelter's policy to record restricted contributions received and released in the same year as support without donor restrictions.

Gifts-In-Kind Contributions

The Shelter records various types of in-kind contributions. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. Donated use of facilities are reported as contributions and as expenses at the estimated fair value of similar space for rent under similar conditions. If the use of the space is promised unconditionally

DORCHESTER PAWS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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

Gifts-In-Kind Contributions - Continued

for a period greater than one year, the contribution is reported as a contribution and an unconditional contribution receivable at the date of gift, and the expense is report over the term of the use. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

No amounts have been reflected in the financial statements for donated services. The Shelter pays for most services requiring specific expertise. However, a substantial number of volunteers have donated significant amounts of their time to the Shelter's program services and its fundraising campaigns, the value of which is not recorded in the accompanying financial statements.

Revenue Recognition Policy

The Shelter derives revenues primarily from grants, contributions and program and services fees. The Shelter recognizes contributions when cash, securities or other assets, an unconditional promise to give (contribution receivable) is received. Conditional promises to give – that is, those with a measurable performance or other barrier and right of return – are not recognized until the conditions are met.

The Shelter recognizes program and services fees during the year in which the program or service is provided to the customer. The performance obligation of delivery these services is simultaneously received and consumed by the customer; therefore, revenue is recognized at the point in time of when the program or service is delivered. All amounts received prior to the commencement of the specific program or service are deferred to the applicable period.

Expense Allocation

The costs of providing various programs and other activities have been summarized in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries, wages and payroll taxes are allocated based on activity reports prepared by key personnel.
- Depreciation expenses are based upon the usage of the square footage of the property.
- Direct expenses are charged to their specific area of activity.

Advertising

Cost of promotions and advertising are expensed as incurred. Advertising and promotion expense total \$7,069 and \$8,891 for the years ended December 31, 2021 and 2020, respectively.

Income Tax Status

The Shelter is a not-for-profit Shelter that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law as a charitable Shelter whereby only unrelated business income, as defined by Section 509(a)(1) of the Code is subject to federal income tax. The Shelter qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an association other than a private Shelter under Section 509(a)(2).

Management has evaluated the tax positions of the Shelter and does not believe that any uncertain tax positions or unrecognized tax benefits exist for the year ended December 31, 2021. The Shelter's policy is to report accrued interest related to unrecognized tax benefits, when applicable, as interest expense and to report penalties as other expense. The Shelter currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded. The Shelter is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax period in progress.

DORCHESTER PAWS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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

Compensated Absences

Employees earn vacation at various rates depending on their status as non-exempt and exempt, job classification and years of service. Vacation increases by five (5) days at each job classification after two (2) years and five (5) years. Unused vacation carryover is allowed.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - AVAILABILITY AND LIQUIDITY

Financial assets available for general expenditure, that are without donor or other restrictions limited their use within one year of the Statement of Financial Position date of December 31, 2020 and 2019, comprise of the following at December 31, 2021 and 2020:

	<i>Reviewed</i> <u>2021</u>	<i>Audited</i> <u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 377,422	\$ 787,528
Contributions receivable, net	75,947	273,894
Other receivable	36,349	
Investments	<u>989,842</u>	<u>935,785</u>
Total financial assets	1,479,560	1,997,207
Less financial assets held to meet donor-imposed restrictions:		
Purpose-restricted net assets	(92,599)	(744,686)
Board designated net assets	<u>(989,842)</u>	<u>(935,785)</u>
Amount available for general expenditures within one year	<u>\$ 397,119</u>	<u>\$ 316,736</u>

As part of its liquidity plan, the Shelter has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due.

NOTE 3 - RESTRICTED CASH

Included in cash for the fiscal years ended December 31, 2021 and 2020 is restricted cash of \$92,599 and \$470,792, respectively, which represents funds held by the Shelter for the capital campaign to build a new facility.

DORCHESTER PAWS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 4 - CONTRIBUTIONS AND OTHER RECEIVABLE

Contributions receivable consisted of the following as of December 31:

	<i>Reviewed</i> 2021	<i>Audited</i> 2020
Contributions receivable, gross	\$ 84,412	\$ 282,829
Other receivable, gross	\$ 36,349	\$ 282,829
Less: allowance for uncollectible receivables	<u>(8,465)</u>	<u>(8,935)</u>
Contributions receivable, net	<u>\$ 112,296</u>	<u>\$ 273,894</u>

The Shelter intends to collect the remaining balance during the year ended December 31, 2022.

NOTE 5 - INVESTMENTS

Investments held by the Shelter are in various accounts at a national brokerage firm. Investment fees are netted against investment income. Investments are stated at fair market value and consist of the following at December 31, 2021 and 2020:

	<i>Reviewed</i> December 31, 2021		<i>Audited</i> December 31, 2020	
	FMV	Cost	FMV	Cost
Money market	\$ 33,827	\$ 33,827	\$ 5,016	\$ 5,016
Mutual funds	925,110	632,382	898,024	672,014
Fixed income securities	<u>30,905</u>	<u>24,679</u>	<u>32,744</u>	<u>24,679</u>
	<u>\$ 989,842</u>	<u>\$ 690,888</u>	<u>\$ 935,784</u>	<u>\$ 701,709</u>

NOTE 6 - SUMMARY OF FAIR VALUE EXPOSURE

ASC 820 defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e. an exit price. To estimate an exit price, a three-tier hierarchy is used to prioritize the inputs:

- Level 1: Quoted prices in active markets for identical securities
- Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc.)
- Level 3: Significant unobservable inputs (including the Shelter's own assumptions in determining the fair value of investments)

For the year ended December 31, 2021, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

- *Money market:* The fair value of investments money market funds that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs- market approach).
- *Mutual funds:* The Shelter equity securities are readily marketable and have fair values which are determined by obtaining quoted market prices in active markets. (Level 1 inputs- market approach).
- *Fixed income securities:* Fair values of U.S. Government and corporate securities reflect closing prices reported in the active markets in which the securities are traded. (Level 1 inputs -market approach).

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NOTE 6 - SUMMARY OF FAIR VALUE EXPOSURE - CONTINUED

The following tables provide fair value measurement information for financial assets and liabilities measured at fair value on a recurring basis as of:

<i>Reviewed</i>				
December 31, 2021				
	Level 1	Level 2	Level 3	Total
Money market	\$ 33,827	\$ -	\$ -	\$ 33,827
Mutual funds	925,110	-	-	925,110
Fixed income securities	30,905	-	-	30,905
	<u>\$ 989,842</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 989,842</u>

<i>Audited</i>				
December 31, 2020				
	Level 1	Level 2	Level 3	Total
Money market	\$ 5,016	\$ -	\$ -	\$ 5,016
Mutual funds	898,024	-	-	898,024
Fixed income securities	32,744	-	-	32,744
	<u>\$ 935,784</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 935,784</u>

The inputs and methodology used for valuing the Shelter's financial assets and liabilities are not indicators of the risks associated with those instruments.

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31:

	<i>Reviewed</i>	<i>Audited</i>
	2021	2020
Depreciable assets:		
Furniture and equipment	\$ 38,159	\$ 38,159
Vehicles	87,758	18,211
Building and improvements	<u>647,671</u>	<u>647,671</u>
Total depreciable assets	773,588	704,041
Less: accumulated depreciation	<u>(498,008)</u>	<u>(464,981)</u>
	275,580	239,060
Non depreciable assets:		
Land	<u>1,079,690</u>	<u>-</u>
Total property and equipment	<u>\$ 1,355,270</u>	<u>\$ 239,060</u>

Depreciation expense for the years ended December 31, 2021 and 2020 is \$33,027 and \$26,183, respectively.

DORCHESTER PAWS
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NOTE 8 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Shelter to concentrations of credit risk consist of cash in banks; investments managed by brokerage firms and promises to give. The Shelter places its cash and investments with reputable financial institutions and limits the amount of credit exposure for cash to any one financial institution. Accounts held by banking institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000 and cash in investment accounts is insured by the brokers insurance. As of December 31, 2021 and 2020, the Shelter had uninsured cash of \$-0- and \$330,902, respectively.

NOTE 9 - OTHER CONCENTRATION RISK

The Shelter has a vendor contract with the Dorchester County for the humane disposition of animals in Dorchester County. In 2021, the Shelter received 3,613 animals from animal control agencies and Dorchester County citizens, which represents 100% of the animal intake for the Shelter. The Shelter received \$193,246 from Dorchester County under the contract. The concentration of animal intake from Dorchester County related to one vendor contract is a risk to the Shelter.

The Shelter has a vendor contract with the Dorchester County for the humane disposition of animals in Dorchester County. In 2020, the Shelter received 2,828 animals from animal control agencies and Dorchester County citizens, which represents 100% of the animal intake for the Shelter. The Shelter received \$189,457 from Dorchester County under the contract. The concentration of animal intake from Dorchester County related to one vendor contract is a risk to the Shelter.

The Shelter must use reserves, donations and grants to fund the shortfall annually which creates a risk to the Shelter.

During the years ended December 31, 2021 and 2020, 70% and 94% of outstanding contributions receivables are from three and two sources.

NOTE 10 - RELATED PARTIES TRANSACTIONS

The Shelter received contributions from members of its Board of Directors for the years ended December 31, 2021 and 2020, respectively.

During the year ended December 31, 2021, three board members are key employees of vendors involving payments for HVAC services in the amount of \$16, software services in the amount of \$18,145 and IT services in the amount of \$2,154.

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

The Shelter has net assets with donor restrictions that are available for the capital campaign to build a new facility in the amount of \$88,061 and \$744,686 as of December 31, 2021 and 2020, respectively. In addition, the Shelter has net assets with donor restrictions for washer repairs in the amount of \$4,538 as of December 31, 2021.

NOTE 12 - LEASE COMMITMENTS

The Shelter has an operating lease obligation for office equipment under a five-year lease dated January 31, 2017. For the years ended December 31, 2021 and 2020, total lease payments were \$6,173 and \$6,488, respectively. The lease ends in January 31, 2022.

DORCHESTER PAWS
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NOTE 13 - BOARD RESTRICTED ENDOWMENT

In 2003, the Board approved the formation of an endowment fund to be known as the Dorchester Shelter for Prevention of Cruelty to Animals Endowment Fund per the terms of an Endowment Agreement. The Endowment Board must vote and approve the disbursement of any funds. Generally, these funds are meant for projects to improve or repair the Shelter. As required by generally accepted accounting principles, 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. Endowment net assets composition by type of fund as of December 31, 2021 and 2020 are as follows:

<i>Reviewed</i>			
December 31, 2021			
	<i>Without Donor</i>	<i>With Donor</i>	
	<u>Restrictions</u>	<u>Restrictions</u>	<u>Total</u>
Board-designated funds	\$ 989,842	\$ -	\$ 989,842
Total endowment	<u>\$ 989,842</u>	<u>\$ -</u>	<u>\$ 989,842</u>
<i>Audited</i>			
December 31, 2020			
	<i>Without Donor</i>	<i>With Donor</i>	
	<u>Restrictions</u>	<u>Restrictions</u>	<u>Total</u>
Board-designated funds	\$ 935,785	\$ -	\$ 935,785
Total endowment	<u>\$ 935,785</u>	<u>\$ -</u>	<u>\$ 935,785</u>

	<i>Reviewed</i>	<i>Audited</i>
	<u>2021</u>	<u>2020</u>
Endowment net assets, beginning of year	\$ 935,785	\$ 858,502
Contributions	177,313	571
Interest/dividends	46,623	25,959
Realized gain	35,793	5,991
Unrealized gain	66,509	48,695
Management fees	(5,075)	(3,933)
Withdrawals/distributions	(267,106)	-
Endowment net assets, end of year	<u>\$ 989,842</u>	<u>\$ 935,785</u>

The investment income related to the donor restricted funds has been accounted for within the donor restrictions investment earnings on the Statements of Activities. There were no contributions to the with donor restrictions corpus during years ended December 31, 2021 and 2020, respectively.

NOTE 14 - RISKS AND UNCERTAINTIES

COVID-19 – The impact on the accompanying financial statements of the COVID-19 outbreak cannot be readily determined. Financial markets, distribution networks and the ultimate impact of this outbreak of the financial operations of the Shelter are difficult to assess and predict. The Shelter is taking steps to mitigate the impact of the outbreak, but the ultimate success of this endeavor cannot be predicted at this time.

DORCHESTER PAWS
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NOTE 15 - LEGAL PROCEEDINGS

A complaint was filed against the Shelter and no monetary amounts for damages have been stated and are determinable as of December 31, 2021. The Shelter considers the claim baseless and intends to contest it.

NOTE 16 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the report date of the financial statements and has concluded no significant subsequent events meet the criteria of professional accounting standards to be recognized or disclosed in the financial statements.