

AUDITED FINANCIAL STATEMENTS
PALMETTO ANIMAL ASSISTED LIFE SERVICES
Columbia, South Carolina

December 31, 2021

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CERTIFIED PUBLIC ACCOUNTANT

MEMBER
AMERICAN INSTITUTE OF CPA'S
S.C. ASSOCIATION OF CPA'S
PRIVATE COMPANIES PRACTICE SECTION

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Palmetto Animal Assisted Life Services
Columbia, South Carolina

We have audited the accompanying financial statements of Palmetto Animal Assisted Life Services (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities 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 Palmetto Animal Assisted Life Services as of December 31, 2021, 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 Palmetto Animal Assisted Life Services 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.

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; 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 Palmetto Animal Assisted Life Services ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility 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 an 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 judgement made by a reasonable user based on the financial statements.

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

1. Exercise professional judgement and maintain professional skepticism through the audit.
2. 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.
3. 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 Palmetto Animal Assisted Life Services internal control. Accordingly, no such opinion is expressed.
4. 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.
5. Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Palmetto Animal Assisted Life Services 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 7 and the schedule of special events on pages 14-15 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Kyle and Company, PC
Columbia, South Carolina

August 14, 2022

STATEMENT OF FINANCIAL POSITION
PALMETTO ANIMAL ASSISTED LIFE SERVICES

December 31, 2021

ASSETS	
CURRENT ASSETS	
Cash	\$ 353,261
Accounts receivable	3,073
Prepaid expenses	7,944
Investments-Note B	<u>389,824</u>
TOTAL CURRENT ASSETS	754,102
 FIXED ASSETS	
Land	39,100
Building	296,902
Leasehold improvements	21,245
Vehicles	20,000
Furniture and equipment	<u>17,715</u>
	394,962
Less: accumulated depreciation	<u>(87,077)</u>
TOTAL FIXED ASSETS	<u>307,885</u>
TOTAL ASSETS	<u><u>\$ 1,061,987</u></u>
 LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable	\$ 1,091
Accrued payroll and payroll taxes	<u>11,251</u>
TOTAL CURRENT LIABILITIES	12,342
 NET ASSETS	
With donor restrictions	5,000
Without donor restrictions	<u>1,044,645</u>
NET ASSETS	<u>1,049,645</u>
	<u><u>\$ 1,061,987</u></u>

See Notes to the Financial Statements.

STATEMENT OF ACTIVITIES

PALMETTO ANIMAL ASSISTED LIFE SERVICES

For the Year Ended December 31, 2021

	<u>Unrestricted</u>	<u>Donor Restricted</u>	<u>Total All Funds</u>
REVENUES AND GAINS			
Individual contributions	\$ 173,811	\$ -	\$ 173,811
Program revenue	12,150	-	12,150
Fundraising revenue	194,139	5,000	199,139
Grant income	84,217	-	84,217
Naming contributions	13,500	-	13,500
Indirect public support	1,702	-	1,702
In-Kind donations	2,701	-	2,701
Investment revenue	1,160	-	1,160
Realized gains	22,619	-	22,619
Unrealized gains	26,476	-	26,476
Other revenue	83,400	-	83,400
	<u>615,875</u>	<u>5,000</u>	<u>620,875</u>
EXPENSES AND LOSSES			
Program services	339,553	-	339,553
Fundraising	23,643	-	23,643
Management and general	7,777	-	7,777
	<u>370,973</u>	<u>-</u>	<u>370,973</u>
INCREASE IN NET ASSETS	244,902	5,000	249,902
Net assets beginning of year	<u>799,743</u>	<u>-</u>	<u>799,743</u>
NET ASSETS END OF YEAR	<u>\$ 1,044,645</u>	<u>\$ 5,000</u>	<u>\$ 1,049,645</u>

See Notes to the Financial Statements.

STATEMENT OF FUNCTIONAL ALLOCATION OF EXPENSES

PALMETTO ANIMAL ASSISTED LIFE SERVICES

For the Year Ended December 31, 2021

	Program Services	Support Services		Total Support Services	Total All Services
		Management & General	Fundraising		
COMPENSATION					
Wages	\$ 207,930	\$ -	\$ -	\$ -	\$ 207,930
Employee benefits	6,409	-	-	-	6,409
Payroll taxes	15,879	-	-	-	15,879
Total Personnel	<u>230,218</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>230,218</u>
ANIMAL EXPENSE					
Veterinary	11,342	-	-	-	11,342
Food and supplies	3,510	-	-	-	3,510
Training facility	24,838	-	-	-	24,838
Other costs	500	-	-	-	500
Total Occupancy	<u>40,190</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,190</u>
GENERAL EXPENSES					
Office supplies	589	3,024	-	3,024	3,613
Computer hardware/software	11,394	307	-	307	11,701
Telephone	1,959	-	-	-	1,959
Postage	112	1,736	1,459	3,195	3,307
Vehicle expense	2,607	-	-	-	2,607
Travel and education	8,246	-	-	-	8,246
Insurance	4,099	2,049	-	2,049	6,148
Printing	20	153	4,429	4,582	4,602
Dues	6,821	508	-	508	7,329
Professional fees	4,800	-	7,895	7,895	12,695
Website and advertising	499	-	238	238	737
Special events	8,381	-	-	-	8,381
Depreciation	19,221	-	-	-	19,221
Merchant and bank fees	-	-	9,622	9,622	9,622
Other taxes	397	-	-	-	397
Total general expense	<u>69,145</u>	<u>7,777</u>	<u>23,643</u>	<u>31,420</u>	<u>100,565</u>
GRAND TOTAL	<u>\$ 339,553</u>	<u>\$ 7,777</u>	<u>\$ 23,643</u>	<u>\$ 31,420</u>	<u>\$ 370,973</u>

See Notes to the Financial Statements.

STATEMENT OF CASH FLOWS
PALMETTO ANIMAL ASSISTED LIFE SERVICES

For the Year Ended December 31, 2021

Cash in-flows (out-flows) from operating activities		\$ 244,902
Changes in net assets		244,902
Adjustments to reconcile changes in net assets to cash provided by operating activities		
Other assets		(1,060)
Net (gains) losses on investments		(49,095)
Depreciation		19,221
Changes in operating assets and liabilities		
Accrued expenses		<u>2,053</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		216,021
Cash in-flows (out-flows) from investing activities		
Purchase of fixed assets		(3,022)
Increase in investments account		<u>(52,746)</u>
NET CASH USED BY INVESTING ACTIVITIES		<u>(55,768)</u>
NET INCREASE IN CASH		160,253
Cash at beginning of year		<u>193,008</u>
CASH AT END OF YEAR		<u>\$ 353,261</u>

See Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS
PALMETTO ANIMAL ASSISTED LIFE SERVICES

December 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting principles followed by Palmetto Animal Assisted Life Services (PAALS) and the methods of applying those principles which materially affect the determination of the financial position, results of operations, changes in net assets, and cash flows are summarized as follows:

Nature of Operations

PAALS was established in 2006 as a non-profit corporation. The mission is to enrich and empower children and adults with physical, intellectual, and emotional disabilities by training service animals and providing animal assisted educational, therapeutic and recreational activities. The Organization accomplishes this by training puppies and young dogs as service animals and places them with individuals in need.

Financial Statement Presentation

The financial statements of PAALS have been prepared on the accrual basis of accounting, recognizing revenue when earned and expenses when the related liabilities are incurred.

The Organization has presented its financial statements in accordance with principles generally accepted in the United States of America. Under those principles, PAALS is required to report information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions – resources that are available for general operations and resources designated by the Board of Directors for approved expenditures.

Net Assets with Donor Restrictions – net assets with donor restrictions are resources that are subject to donor-imposed restriction. Some restrictions are temporary in nature, such as those that restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that resources must be maintained in perpetuity (endowment).

Grants and Contributions

Unconditional grants and contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net asset without donor restrictions and reported in the statement of activities as net assets released from restrictions. Conditional contributions received are reported as refundable advances until the conditions have been substantially met or explicitly waived by the donor. Revenue is recognized on the date that the condition is met.

NOTES TO FINANCIAL STATEMENTS

PALMETTO ANIMAL ASSISTED LIFE SERVICES

December 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Cash

PAALS considers cash and cash equivalents to include all cash and money market funds including those held within its investment account.

Financial Instruments

PAALS' financial instruments are cash and cash equivalents, accounts receivable and investments. The recorded values of cash and cash equivalents approximate their fair values based on their short term nature. Fair value of long-term investments are based on quoted market prices or pricing models using prevailing financial market information as of December 31, 2021

Property and Equipment

It is PAALS's policy to capitalize property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment are capitalized at cost, if purchased at fair market value or at the date of the donation, if contributed. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donations must be maintained, PAALS reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Depreciation is provided using straight line method over the useful estimated life of the asset. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation expense for the year ended December 31, 2021 is \$19,221.

Contributed Services

Donated services are recognized as contributions if the services (a) created or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. During the year ended December 31, 2021, the value of services donated by professionals meeting the requirements for recognition in the financial statements was not material. In addition, many individuals volunteer their time and perform a variety of tasks that assist PAALS at its' facilities, but these services do not meet the criteria for recognition as contributed services. PAALS receives more than 35,000 volunteer hours per year.

Investments

Investments in marketable securities with readily determinable fair values and all investment in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met either by the passage of time or by use in the reporting period in which the income and gains are recognized. Investment expense for the period ended December 31, 2021 is \$3,509. This amount is used to offset income.

NOTES TO FINANCIAL STATEMENTS
PALMETTO ANIMAL ASSISTED LIFE SERVICE

December 31, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued

Income Taxes

PAALS is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities and is not considered a “private foundation” by the Internal Revenue Service.

PAALS required that a tax position be recognized or derecognized based on a “more-likely-than-not” threshold. This applies to positions taken or expected to be taken in a tax return. The Organization does not believe its financial statements include, or reflect, any uncertain tax positions.

PAALS form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the taxing authorities generally for three years from the date of filing.

Use of Estimates

PAALS uses estimates and assumptions in preparing its financial statements in accordance with generally accepted accounting principles in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Functional Allocation of Expenses

The costs of providing programs and supporting services have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and the supporting services benefited. These expenses required allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation, employee benefits, and general expenses, which are allocated on the basis of estimated time and effort by employees. Expenses directly identifiable to specific programs and supporting activities are presented accordingly.

NOTES TO FINANCIAL STATEMENTS
PALMETTO ANIMAL ASSISTED LIFE SERVICE

December 31, 2021

NOTE B - FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

ASC Topic 820 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC Topic 820 are described as follows:

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

Level 2 - Inputs to the valuation methodology include

1. Quoted prices for similar assets or liabilities in active markets;
2. Quoted prices for identical or similar assets or liabilities in inactive markets;
3. Inputs other than quoted prices that are observable for the asset or liability;

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.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

PAALS used the following methods and assumptions to estimate the fair value of each class of financial statements for which it is practicable to estimate such value:

Cash and short term investments - The carrying amount approximates fair value because of the short maturity of those instruments. (Level 1)

Investments - The carrying amount of the investment is at quoted market prices for identical assets in active markets. (Level 1)

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although PAALS 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.

NOTES TO FINANCIAL STATEMENTS

PALMETTO ANIMAL ASSISTED LIFE SERVICE

December 31, 2021

NOTE C - INVESTMENTS

Investments consist of the unrestricted assets which are recorded at market value for financial statements presentation. All investments are valued using level 1 inputs. See Note C.

	Market Value	Cost	Unrealized Appreciation (Depreciation)
Equities	\$ 17,235	\$ 1,166	\$ 16,070
Mutual Funds-various	<u>372,589</u>	<u>331,068</u>	<u>41,630</u>
	<u>\$ 389,824</u>	<u>\$ 332,224</u>	<u>\$ 57,600</u>

NOTE D – LIQUIDITY AND AVAILABILITY OF RESOURCES

PAALS has \$743,000 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of substantially cash of \$353,000 and marketable investments of \$390,000. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position. PAALS has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. PAALS has a goal to maintain financial assets to be on hand to meet 90 days of normal operating expense, which are on average approximately \$100,000.

NOTE E – CONDITIONAL CONTRIBUTIONS AND PPP REFUNDABLE ADVANCE

During the year ended December 31, 2020 and again during the year ended December 31, 2021, PAALS received Small Business Administration (SBA) loans in the of \$42,000 and \$41,400, respectively. The PPP provided cash flow assistance through 100% federally guaranteed loans to eligible recipients to maintain payroll during the COVID-19 public health emergency and cover certain other expenses. If an Organization maintained its workforce and met certain requirements, up to 100% of the loan was forgivable. Loans under the PPP have an interest rate of 1% and may negotiate to a five year maturity if not forgiven. PAALS met the criteria for loan forgiveness in 2021 for both advances. The total loan amount of \$83,400 have been recorded as other income for the year ended December 31, 2021.

NOTES TO FINANCIAL STATEMENTS

PALMETTO ANIMAL ASSISTED LIFE SERVICE

December 31, 2021

NOTE F – CONTINGENCIES

The spread of COVID-19 (coronavirus disease) has had a disruptive impact on daily life and operations of individuals, businesses, and non-profits around the world. There continues to be uncertainty about financial and economic impacts in all sectors of the economy. The financial markets have experienced significant volatility amid rapid inflation, and this may continue for an extended period of time. In light of these circumstances, management continues to assess how best to continue to adapt to changed circumstances.

NOTE G – EVALUATION OF SUBSEQUENT EVENTS

The management of PAALS has evaluated subsequent events through August 14, 2022, the date which the financial statements were available to be issued.

During 2021, PAALS was made aware of a decedents' gift of \$100,000. The gift will most likely be recognized during 2022 when the estate is processed and closed out.

SUPPLEMENTAL INFORMATION

SCHEDULE OF SPECIAL EVENTS
PALMETTO ANIMAL ASSISTED LIFE SERVICES

For the Year Ended December 31, 2021

	Misc Event	Bark Brew Spokedog	PAALS Pack	Midland Gives
REVENUE				
Contributions	\$ -	\$ 1,000	\$ 18,466	\$ 85,694
Donor Restricted	5,000	-	-	-
Event revenue	4,626	40,273	150	-
Program Revenue	-	-	-	-
	<u>9,626</u>	<u>41,273</u>	<u>18,616</u>	<u>85,694</u>
EXPENSES				
Costs of goods sold	-	-	-	-
Marketing	-	50	-	-
Special events food	-	-	-	125
Special events other	-	246	-	-
Postage and printing	-	450	-	-
Other expenses	-	3,644	-	2,111
	<u>-</u>	<u>4,390</u>	<u>-</u>	<u>2,236</u>
	<u>\$ 9,626</u>	<u>\$ 36,883</u>	<u>\$ 18,616</u>	<u>\$ 83,458</u>

<u>Graduation</u>	<u>Paaloween</u>	<u>Year-End Campaign</u>	<u>Total</u>
\$ -	\$ -	\$ 6,450	\$ 111,610
-	-	-	5,000
7,722	24,888	29,428	107,087
-	-	-	-
<u>7,722</u>	<u>24,888</u>	<u>35,878</u>	<u>223,697</u>
-	-	-	-
-	-	138	188
-	112	-	237
14,448	1,108	-	15,802
618	16	4,804	5,888
-	603	-	6,358
<u>15,066</u>	<u>1,839</u>	<u>4,942</u>	<u>28,473</u>
<u>\$ (7,344)</u>	<u>\$ 23,049</u>	<u>\$ 30,936</u>	<u>\$ 195,224</u>

See Accountant's Report.