

PAWS CHICAGO
FINANCIAL STATEMENTS
DECEMBER 31, 2021

Letter to Pet Lovers, Customers, and Friends:

PAWS Chicago is a national leader in the No Kill animal welfare movement, and the Midwest's largest comprehensive No Kill animal welfare organization. An industry-leading Adoption Center, a state-of-the-art Medical Center, and a high-volume Spay/Neuter Clinic work synchronously to address the needs of homeless and at-risk pets citywide. Lifesaving programs impact around 5,000 homeless pets in a standard year and an additional 20,000 pets from under-resourced communities receiving free and low-cost spay/neuter surgeries, medical care and other support including a Pet Food Pantry that distributed nearly 24,000 pounds of food in 2021.

PAWS Chicago's programs implement solutions to build No Kill communities, end pet overpopulation and transform animal welfare by setting standards that are used as a model by other organizations. Since PAWS Chicago's founding in 1997, the number of pets killed each year in Chicago has been reduced by 91.06%. PAWS Chicago is able to save at-risk animals from 13 additional high kill states, and support animals impacted by natural disasters like 2021's Hurricane Ida in Louisiana.

In summary, 2021 results include 12,272 free and low-cost spay/neuter surgeries; 4,046 adoptions of homeless animals into new, loving families (a reduction from a typical year due to a virtual adoption process in response to pandemic for the first half of the year); a 97.71% save rate even while serving extremely vulnerable populations; 8,646 medical diagnoses treated; 23,856 pounds of food and supplies distributed through the Pet Food Pantry; 2,641 homeless animals placed in foster care; 96,035 hours worked by volunteers (the equivalent of 46 full-time employees); and the 19th consecutive year of Charity Navigator's highest 4-star rating.

All of PAWS Chicago's programs work toward building No Kill communities through the comprehensive No Kill Model. The foundation of the No Kill Model is Community Engagement. Atop this foundation are PAWS Chicago's mission-critical programs—the pillars of Prevention, Animal Health & Behavior, Adoption and Volunteers. Detailed program information follows.

Animal Health & Behavior

Committing to saving each treatable pet and providing all the medical treatment and behavioral enrichment needed to optimize health and wellbeing are two of the most critical elements of the No Kill Model. Due to our expert veterinary and behavior teams, PAWS Chicago is one of the few shelters in the country that can treat and rehabilitate a large volume of sick, injured and behaviorally challenged animals. In 2021, 8,646 separate medical diagnoses were treated, including 1,098 respiratory illnesses; 969 GI conditions like parasites and worms; 443 musculoskeletal abnormalities; 154 abnormal heart conditions; 78 heartworm-positive canines and 29 neurologic conditions. In addition to performing 12,272 spay/neuter procedures, veterinary surgeons performed 304 advanced surgeries addressing orthopedic, dental, hernia repair, mass removal and other medical needs.

The Medical Center—the first stop for homeless animals when they arrive at PAWS—and its world-class veterinary team treat the most serious cases on site. A robust foster network cares for pets when they are stable and ready to recover in a home environment. 2,641 animals went into foster care in 2021.

As the animal welfare movement continues to grow in Chicago, healthy animals are being saved in record



Building No Kill Communities

numbers at the city impoundment facility, meaning the population of rescued animals increasingly require more significant medical resources. PAWS recently conducted a major expansion of its Medical Center and shelter medicine program to increase its capacity to save sick and injured animals, with 90 isolation suites to manage contagious diseases that would be a death sentence in traditional shelters. While PAWS has been rescuing pets from natural disasters since Hurricane Katrina in 2005, the new space allowed growth in efforts to rescue animals with deeper medical needs during Hurricane Ida in September of 2021.

The PAWS Chicago Training Center has four full-time and numerous part-time trainers who lead an innovative dog training and enrichment program for PAWS Chicago's homeless animals, PAWS adopters, and members of the public. For PAWS homeless pets, a team of behavior professionals and trained volunteers provide abused, neglected, and under-socialized homeless dogs with one-on-one and group training as well as behavior enrichment to help them build confidence and communication, which leads to successful adoptions. PAWS trainers led 68 in-person classes with 513 dogs in 2021. They also conducted 89 group and one-on-one zoom training classes with 663 dogs both before and after pandemic restrictions were lifted.

Prevention: The Spay/Neuter Solution

Despite the continued effects of the pandemic slowing down businesses across the country and forcing massive changes to operations, PAWS Chicago remained the only local provider of high-volume spay/neuter surgeries, performing 12,272 in 2021. The majority of stray, feral and unwanted pets originate in under-resourced communities. Through the PAWS Chicago Lurie Clinic in Little Village, located less than two miles from Chicago's Animal Care & Control, PAWS offers spay/neuter services where they are needed most and where they make the most impact. PAWS Chicago is nearing the milestone of 300,000 low-cost and free spay/neuter surgeries since the Lurie Clinic's opening in 2000, which has changed literally the landscape of pet homelessness.

Preventing unwanted pets from being born is key to building a No Kill Chicago. A single female cat and her offspring can theoretically produce 420,000 kittens in seven years. For dogs, the number is 96,000.

Spay/neuter surgeries are the solution to pet overpopulation, and as such, are at the core of PAWS prevention initiatives.

As an ancillary service to the Lurie Clinic, PAWS Chicago launched the PAWS For Life door-to-door Outreach Program in 2014, and opened the Englewood Outreach Center in 2019. Program staff and volunteers expand access to spay/neuter and pet resources in Chicago's most underserved communities. Of the pets PAWS for Life meets, 95% are unaltered. Simply by removing barriers, PAWS achieves a spay/neuter conversion rate of 83%.

Since launching in 2014, the primary neighborhood of focus has been Englewood, where more than 49% of the population lives below the poverty line, but services have in recent years expanded to nearby West Englewood and Back of the Yards as well. The Englewood Outreach Center serves as an animal welfare anchor, enabling PAWS to provide even more preventative resources beyond free spay/neuter and transportation. This important new location has expanded services to include a Community Medicine program that provides veterinary care to sick, injured and suffering pets who would otherwise never see a veterinarian. It also acts as a hub for the Pet Food Pantry, volunteer orientations, feral cat shelter building assistance, Trap-Neuter-Return support, educational sessions and more.

PAWS Chicago's feral cat Trap-Neuter-Return (TNR) program is another critical aspect of the Prevention pillar. By proactively sterilizing and managing the free-roaming cat population, the source of thousands of unwanted kittens born

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Building No Kill Communities

each year, TNR reduces the number of animals entering the shelter system while also saving kittens and finding them adoptive homes. In 2021, PAWS performed 1,602 spay/neuter surgeries on feral cats. These prevention efforts are critical to ending the killing of homeless pets. There has been a 91.06% reduction in killing of homeless pets in Chicago since 1997 and two-thirds of this reduction is the result of fewer pets entering shelters.

Adoption

Rescuing homeless pets and uniting them with their new families connects the public with the plight of homeless pets on the deepest level. Through PAWS Chicago's adoption centers and innovative programming, PAWS united 4,046 animals with loving homes in 2021.

On June 28, 2021, after more than a year of conducting virtual adoptions, PAWS Chicago was able to reopen for in-person adoptions. Using our proprietary ComPETibility quiz, PAWS uses technology to match pets with prospective adopters based on their lifestyle needs, ensuring a lasting commitment.

Our trainers offer on-site support and advice, conducting resident pet introductions and ensuring a smooth transition into the home. Our volunteers offer detailed adoption counseling and follow-up.

Community Engagement

Community Engagement is the foundation for creating lasting change for animals and is the basis upon which all of PAWS Chicago's programs are built. People cause the pet overpopulation problem and people have the power to solve it; animals are the voiceless victims. The way to inspire and create real change for animals is to mobilize people to be their caretakers and advocates, and provide needed support in under-resourced communities.

When PAWS Chicago was founded in 1997, the mass killing of homeless pets was a hidden crisis. The public had no idea that more than 42,000 homeless cats and dogs would be euthanized in the city of Chicago that year. PAWS Chicago was founded to bring attention to the plight of these vulnerable animals and to mobilize public support to develop humane solutions and build No Kill communities.

Shining a light on pet overpopulation and homelessness—and the resultant killing—has mobilized tens of thousands of people to get involved in the cause by adopting, fostering, volunteering, advocating for and donating to homeless pets.

With its No Kill Model in action, PAWS Chicago is leading a movement that ripples throughout the country. Every year, PAWS Chicago welcomes shelters, rescue groups and individuals nationwide to shadow its operations. PAWS Chicago also helps start-up adoption/rescue groups and spay/neuter clinics around the world. In Chicago, PAWS helps Chicago-area rescue groups and shelters by providing low-cost medical services at the Lurie Spay/Neuter Clinic and by increasing exposure of their homeless animals through Angels with Tails adoption events.

By raising awareness about pet homelessness and engaging people in lifesaving efforts, PAWS Chicago makes lasting change for animals.



Building No Kill Communities

Volunteers

Volunteers are the life force behind PAWS Chicago's operations and an essential ingredient to building a No Kill Chicago. In 2021, volunteers dedicated 96,035 hours of service, the equivalent of 46 full-time employees. And this doesn't include foster families who took in and cared for 2,641 animals in need in 2021. In addition to the time volunteers commit to PAWS Chicago, they are also ambassadors, reaching new people and engaging new communities in the cause of homeless animals through their everyday interactions.

Animal welfare is incredibly labor-intensive work, and volunteers work alongside our staff to amplify our lifesaving. From shepherding the adoption process to attending to the needs of sick pets at our Medical Center to manning our off-site adoption and community events, our volunteers support the work of every department.

Only through volunteers is PAWS Chicago able to execute all elements of the comprehensive No Kill Model and advance on the mission of building No Kill communities.

Sincerely,

A handwritten signature in black ink that reads "Paula Farselas". The signature is fluid and cursive, with a long, sweeping underline.

Chairman and Founder

PAWS CHICAGO
FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
PAWS Chicago

Opinion

We have audited the accompanying financial statements of PAWS Chicago (the Organization), which comprise the statement of financial position as of December 31, 2021, and the related statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PAWS Chicago 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 (GAAS). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter - 2020 Financial Statements

The financial statements of PAWS Chicago as of and for the year ended December 31, 2020, were audited by other auditors whose report dated November 19, 2021, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Management is also responsible 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 the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 GAAS 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 financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 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.

Legacy Professionals LLP

Chicago, Illinois

January 6, 2023

PAWS CHICAGO
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 7,333,275	\$ 4,109,915
Inventories	39,954	42,925
Prepaid expenses and other assets	193,245	187,703
Investments, at fair value	81,536,133	65,105,230
Property and equipment, net	19,838,537	19,734,436
Unconditional promises to give, net	<u>1,850,910</u>	<u>2,625,629</u>
Total assets	<u>\$ 110,792,054</u>	<u>\$ 91,805,838</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 946,982	\$ 827,021
Accrued expenses	128,772	144,291
Deferred revenue	179,958	37,148
Paycheck Protection Program loans	<u>1,116,955</u>	<u>1,153,803</u>
Total liabilities	<u>2,372,667</u>	<u>2,162,263</u>
NET ASSETS		
Without donor restrictions	78,410,374	73,683,588
With donor restrictions	<u>30,009,013</u>	<u>15,959,987</u>
Total net assets	<u>108,419,387</u>	<u>89,643,575</u>
Total liabilities and net assets	<u>\$ 110,792,054</u>	<u>\$ 91,805,838</u>

See accompanying notes to financial statements.

PAWS CHICAGO

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions			With Donor Restrictions			
	Operations	Board Designated	Total	Purpose Restricted	Perpetual In Nature	Total	Total
REVENUE							
Program service fees							
Adoption centers	\$ 847,760	\$ -	\$ 847,760	\$ -	\$ -	\$ -	\$ 847,760
Admission centers	965	-	965	-	-	-	965
Spay/neuter clinic	1,240,021	-	1,240,021	-	-	-	1,240,021
Training center	184,243	-	184,243	-	-	-	184,243
Contributions	10,100,126	-	10,100,126	762,139	3,365,373	4,127,512	14,227,638
Contributions - in kind	913,948	-	913,948	-	-	-	913,948
Investment income	3,531,858	-	3,531,858	-	-	-	3,531,858
Net gain on investments	7,804,602	-	7,804,602	-	-	-	7,804,602
Special events	3,744,316	-	3,744,316	-	-	-	3,744,316
Gain on debt extinguishment	1,153,803	-	1,153,803	-	-	-	1,153,803
Other income	12,955	-	12,955	-	-	-	12,955
Reclassification due to donor intent	(11,173,855)	-	(11,173,855)	-	11,173,855	11,173,855	-
Designation of net assets	(5,202,247)	5,202,247	-	-	-	-	-
Net assets released from restrictions	1,252,341	-	1,252,341	(1,252,341)	-	(1,252,341)	-
Total revenue	14,410,836	5,202,247	19,613,083	(490,202)	14,539,228	14,049,026	33,662,109
EXPENSES							
Program services							
Rescue and recovery center	5,523,503	-	5,523,503	-	-	-	5,523,503
Spay/neuter clinic	2,907,840	-	2,907,840	-	-	-	2,907,840
Adoption centers	1,974,970	-	1,974,970	-	-	-	1,974,970
Community outreach	363,960	-	363,960	-	-	-	363,960
Volunteer program	387,033	-	387,033	-	-	-	387,033
Community development	1,058,506	-	1,058,506	-	-	-	1,058,506
	12,215,812	-	12,215,812	-	-	-	12,215,812
Supporting services							
Management and general	656,485	-	656,485	-	-	-	656,485
Special events	1,458,815	-	1,458,815	-	-	-	1,458,815
Fundraising	555,185	-	555,185	-	-	-	555,185
	2,670,485	-	2,670,485	-	-	-	2,670,485
Total expenses	14,886,297	-	14,886,297	-	-	-	14,886,297
CHANGE IN NET ASSETS	(475,461)	5,202,247	4,726,786	(490,202)	14,539,228	14,049,026	18,775,812
NET ASSETS							
Beginning of year	35,268,112	38,415,476	73,683,588	3,925,999	12,033,988	15,959,987	89,643,575
End of year	\$ 34,792,651	\$ 43,617,723	\$ 78,410,374	\$ 3,435,797	\$ 26,573,216	\$ 30,009,013	\$ 108,419,387

See accompanying notes to financial statements.

PAWS CHICAGO

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions			With Donor Restrictions			
	Operations	Board Designated	Total	Purpose Restricted	Perpetual In Nature	Total	Total
REVENUE							
Program service fees							
Adoption centers	\$ 842,435	\$ -	\$ 842,435	\$ -	\$ -	\$ -	\$ 842,435
Spay/neuter clinic	697,692	-	697,692	-	-	-	697,692
Training center	172,069	-	172,069	-	-	-	172,069
Contributions	8,654,980	-	8,654,980	1,365,256	1,635,570	3,000,826	11,655,806
Contributions - in kind	1,116,789	-	1,116,789	-	-	-	1,116,789
Investment income	2,152,381	-	2,152,381	-	-	-	2,152,381
Net gain on investments	7,968,546	-	7,968,546	-	-	-	7,968,546
Special events	2,360,205	-	2,360,205	-	-	-	2,360,205
Other income	5,544	-	5,544	-	-	-	5,544
Designation of net assets	(7,003,502)	7,003,502	-	-	-	-	-
Net assets released from restrictions	<u>3,532,307</u>	<u>-</u>	<u>3,532,307</u>	<u>(3,532,307)</u>	<u>-</u>	<u>(3,532,307)</u>	<u>-</u>
Total revenue	<u>20,499,446</u>	<u>7,003,502</u>	<u>27,502,948</u>	<u>(2,167,051)</u>	<u>1,635,570</u>	<u>(531,481)</u>	<u>26,971,467</u>
EXPENSES							
Program services							
Rescue and recovery center	4,425,478	-	4,425,478	-	-	-	4,425,478
Spay/neuter clinic	1,805,322	-	1,805,322	-	-	-	1,805,322
Adoption center - North Shore	-	-	-	-	-	-	-
Training - internal	0	-	-	-	-	-	-
Volunteer program	357,791	-	357,791	-	-	-	357,791
Community development	<u>917,436</u>	<u>-</u>	<u>917,436</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>917,436</u>
	<u>10,159,398</u>	<u>-</u>	<u>10,159,398</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,159,398</u>
Supporting services							
Management and general	743,879	-	743,879	-	-	-	743,879
Special events	1,234,190	-	1,234,190	-	-	-	1,234,190
Fundraising	<u>475,332</u>	<u>-</u>	<u>475,332</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>475,332</u>
	<u>2,453,401</u>	<u>-</u>	<u>2,453,401</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,453,401</u>
Total expenses	<u>12,612,799</u>	<u>-</u>	<u>12,612,799</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,612,799</u>
CHANGE IN NET ASSETS	7,886,647	7,003,502	14,890,149	(2,167,051)	1,635,570	(531,481)	14,358,668
NET ASSETS							
Beginning of year	<u>27,381,465</u>	<u>31,411,974</u>	<u>58,793,439</u>	<u>6,093,050</u>	<u>10,398,418</u>	<u>16,491,468</u>	<u>75,284,907</u>
End of year	<u>\$ 35,268,112</u>	<u>\$ 38,415,476</u>	<u>\$ 73,683,588</u>	<u>\$ 3,925,999</u>	<u>\$ 12,033,988</u>	<u>\$ 15,959,987</u>	<u>\$ 89,643,575</u>

See accompanying notes to financial statements.

PAWS CHICAGO
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Program Services							Supporting Services				
	Rescue and Recovery Center	Spay/Neuter Clinic	Adoption Centers	Community Outreach	Volunteer Program	Community Development	Total Program Services	Management And General	Special Events	Fund Raising	Total Supporting Services	Total
Compensation	\$ 2,966,013	\$ 1,656,031	\$ 919,827	\$ 175,797	\$ 252,669	\$ 419,837	\$ 6,390,174	\$ 275,293	\$ 153,855	\$ 51,285	\$ 480,433	\$ 6,870,607
Benefits and taxes	434,410	212,809	105,465	19,510	46,829	27,076	846,099	22,696	7,542	3,367	33,605	879,704
Animal care supplies	118,699	16,017	707	65	-	-	135,488	-	-	-	-	135,488
Medical supplies	427,291	419,840	-	12,191	-	-	859,322	-	-	-	-	859,322
Merchandise cost	46	-	-	-	-	15,124	15,170	-	118,420	2,285	120,705	135,875
Professional fees	269,180	139,973	193,809	21,535	21,534	247,645	893,676	111,708	45,564	183,042	340,314	1,233,990
Office supplies	109,010	35,392	45,646	1,840	5,100	43,088	240,076	135,694	126,665	24,585	286,944	527,020
Advertising	708	354	1,505	3,275	-	4	5,846	-	3,010	237	3,247	9,093
Event catering and food	124	-	-	-	1,498	18,237	19,859	-	317,349	-	317,349	337,208
Expenses - in-kind	501,367	-	-	-	-	-	501,367	-	412,581	-	412,581	913,948
Dues and subscriptions	5,174	2,840	507	-	15	44	8,580	684	15	960	1,659	10,239
Conferences and seminars	-	1,500	-	-	-	-	1,500	-	-	78	78	1,578
Depreciation	175,030	111,556	320,472	30,075	7,010	14,020	658,163	21,430	14,020	3,505	38,955	697,118
Insurance	56,983	30,628	28,270	27,508	13,843	10,116	167,348	13,021	9,900	1,628	24,549	191,897
Technology	122,655	59,056	99,941	13,628	13,628	31,799	340,707	49,970	22,714	40,885	113,569	454,276
Printing and production	84,549	49,734	39,788	9,947	4,973	124,337	313,328	-	24,867	159,151	184,018	497,346
Postage	64,268	30,604	27,543	9,181	6,121	79,569	217,286	6,121	-	82,630	88,751	306,037
Repairs and maintenance	77,187	19,644	64,302	3,157	1,114	2,228	167,632	4,457	3,343	-	7,800	175,432
Telephone and internet	53,233	18,631	31,939	9,316	1,331	5,323	119,773	6,654	5,323	1,331	13,308	133,081
Travel, meals and auto	17,628	841	1,042	12,022	6,692	10,852	49,077	1,008	2,937	216	4,161	53,238
Occupancy	36,309	102,191	52,182	7,499	4,610	8,942	211,733	6,228	12,682	-	18,910	230,643
Training reimbursement	-	-	41,100	-	-	-	41,100	-	-	-	-	41,100
Rental fees	3,639	199	925	7,414	66	265	12,508	1,521	178,028	-	179,549	192,057
Total	\$ 5,523,503	\$ 2,907,840	\$ 1,974,970	\$ 363,960	\$ 387,033	\$ 1,058,506	\$ 12,215,812	\$ 656,485	\$ 1,458,815	\$ 555,185	\$ 2,670,485	\$ 14,886,297

See accompanying notes to financial statements.

PAWS CHICAGO
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	Program Services							Supporting Services				
	Rescue and Recovery Center	Spay/Neuter Clinic	Adoption Centers	Community Outreach	Volunteer Program	Community Development	Total Program Services	Management And General	Special Events	Fund Raising	Total Supporting Services	Total
Compensation	\$ 2,198,937	\$ 1,140,166	\$ 970,089	\$228,716	\$263,084	\$ 422,093	\$ 5,223,085	\$ 341,826	\$ 185,579	\$ 54,367	\$ 581,772	\$ 5,804,857
Benefits and taxes	334,078	164,785	145,522	35,355	40,061	61,171	780,972	62,235	25,639	6,206	94,080	875,052
Animal care supplies	65,345	9,587	187	1,652	-	-	76,771	-	-	-	-	76,771
Medical supplies	558,964	30,421	100	90,716	-	-	680,201	85	-	-	85	680,286
Merchandise cost	3,698	1,849	5,548	-	-	39,130	50,225	371	47,199	185	47,755	97,980
Professional fees	170,109	88,930	116,023	13,779	10,678	153,959	553,478	109,334	46,839	114,729	270,902	824,380
Bad debt	-	-	100,000	25,000	-	-	125,000	15,000	-	32,993	47,993	172,993
Office supplies	110,626	34,430	56,119	2,074	5,423	13,058	221,730	116,068	126,139	45,253	287,460	509,190
Advertising	1,015	507	2,244	-	-	4,760	8,526	-	4,358	51	4,409	12,935
Event catering and food	584	407	407	54	267	5,475	7,194	9	87,998	-	88,007	95,201
Expenses - in-kind	551,629	-	-	-	-	-	551,629	-	565,160	-	565,160	1,116,789
Dues and subscriptions	373	1,969	751	-	8	160	3,261	1,438	63	4	1,505	4,766
Conferences and seminars	3,482	2,016	206	-	14	657	6,375	650	18	2	670	7,045
Depreciation	99,437	108,300	313,022	27,627	4,689	15,980	569,055	25,025	15,507	2,032	42,564	611,619
Insurance	25,529	16,116	14,020	9,329	3,943	5,529	74,466	7,061	4,724	561	12,346	86,812
Technology	96,490	47,264	82,080	10,659	9,699	26,354	272,546	41,730	20,286	34,614	96,630	369,176
Printing and production	71,374	41,704	35,050	8,605	4,126	101,369	262,228	793	19,498	130,220	150,511	412,739
Postage	41,243	19,376	16,854	6,215	3,452	50,993	138,133	-	4,472	51,887	56,359	194,492
Repairs and maintenance	21,996	20,660	76,055	2,407	1,667	2,595	125,380	5,905	3,401	378	9,684	135,064
Telephone and internet	30,082	17,841	50,725	8,919	3,506	4,707	115,780	6,424	4,484	287	11,195	126,975
Travel, meals and auto	13,888	1,177	1,801	11,334	4,045	3,222	35,467	3,638	1,686	1,254	6,578	42,045
Occupancy	22,226	57,560	129,664	4,663	3,086	5,933	223,132	4,498	2,535	278	7,311	230,443
Training reimbursement	-	-	40,600	-	-	-	40,600	-	-	-	-	40,600
Rental fees	4,373	257	1,110	8,090	43	291	14,164	1,789	68,605	31	70,425	84,589
Total	<u>\$ 4,425,478</u>	<u>\$ 1,805,322</u>	<u>\$ 2,158,177</u>	<u>\$495,194</u>	<u>\$357,791</u>	<u>\$ 917,436</u>	<u>\$ 10,159,398</u>	<u>\$ 743,879</u>	<u>\$ 1,234,190</u>	<u>\$ 475,332</u>	<u>\$ 2,453,401</u>	<u>\$ 12,612,799</u>

See accompanying notes to financial statements.

PAWS CHICAGO

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 2,244,276	\$ 1,181,038
Cash received from contributors	14,241,296	12,539,574
Investment income received	3,531,858	2,152,381
Cash paid to employees and suppliers	<u>(13,173,359)</u>	<u>(10,911,954)</u>
Net cash provided by operating activities	<u>6,844,071</u>	<u>4,961,039</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investment securities	(37,959,700)	(6,784,047)
Sale of investment securities	30,657,880	3,220,937
Purchases of property and equipment	<u>(801,219)</u>	<u>(2,945,176)</u>
Net cash (used in) investing activities	<u>(8,103,039)</u>	<u>(6,508,286)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for long-term purposes	3,365,373	1,635,570
PPP loan proceeds	<u>1,116,955</u>	<u>1,153,803</u>
Net cash provided by financing activities	<u>4,482,328</u>	<u>2,789,373</u>
INCREASE IN CASH	3,223,360	1,242,126
CASH		
Beginning of year	<u>4,109,915</u>	<u>2,867,789</u>
End of year	<u>\$ 7,333,275</u>	<u>\$ 4,109,915</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH OPERATING AND FINANCING ACTIVITIES		
In-kind contributions	<u>\$ 913,948</u>	<u>\$ 1,116,789</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	<u>\$ 18,775,812</u>	<u>\$ 14,358,668</u>
Adjustments		
Net (appreciation) in investments	(7,804,602)	(7,968,546)
Depreciation	697,118	611,619
Provision for doubtful accounts	-	172,993
Contributions restricted for long-term purposes	(3,365,373)	(1,635,570)
Contributed investments received	(1,324,481)	(1,748,534)
(Gain) on debt forgiveness	(1,153,803)	-
(Increase) decrease in		
Unconditional promises to give	774,719	1,328,072
Inventories	2,971	39,143
Prepaid expenses	(5,542)	142,936
Increase (decrease) in:		
Accounts payable	81,294	(44,720)
Accrued expenses	23,148	(164,921)
Deferred revenue	<u>142,810</u>	<u>(130,101)</u>
Total adjustments	<u>(11,931,741)</u>	<u>(9,397,629)</u>
Net cash provided by operating activities	<u>\$ 6,844,071</u>	<u>\$ 4,961,039</u>

See accompanying notes to financial statements.

PAWS CHICAGO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

NOTE 1. DESCRIPTION OF THE ORGANIZATION

The mission of PAWS Chicago (the Organization) is to build No Kill communities, ending pet overpopulation and transforming animal welfare by setting higher standards. Since the Organization's founding in 1997, the number of pets killed each year in Chicago has been significantly reduced. The Organization operates adoption centers, a medical center, and a training center along with a robust network of foster homes to provide treatment, medical care and enrichment for homeless cats and dogs until they can be adopted into loving homes.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting.

Basis of Presentation - In order to conform to provisions of generally accepted accounting principles, the Organization, as a not-for-profit entity, is required to report information regarding its financial position and activities in two classes of net assets: without donor restrictions and with donor restrictions.

Net Assets without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions and available to finance the general operations of the Organization. The only limits on the use of net assets without donor restriction are the broad limits resulting from the nature of the Organization, the environment in which it operates and the purposes specified in its articles of incorporation.

Net Assets with Donor Restrictions - Net assets subject to donor or grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Promises to Give - Unconditional promises to give are recognized as assets and revenue in the period the promise is received. Promises to give are recorded at net realizable value if expected to be collected in the current year at fair value, which is measured at the present value of their estimated future cash flows, if expected to be collected in more than one year. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the year in which the promises are received. Amortization of the discounts is included in contribution income. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Inventories - Inventories are stated at the lower of cost (determined on a first-in, first-out basis) or net realizable value.

Property and Equipment - Property and equipment are carried at cost. Property and equipment purchases in excess of \$1,000 and more than two years of estimated useful. Donated property and equipment are recorded at fair market value at the date of acquisition. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the restriction is considered to have expired when the assets are placed in service. The Organization reclassifies the net assets with donor restrictions to net assets without donor restrictions at that time.

Major additions are capitalized while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are expensed currently. Depreciation is computed by the straight-line method over the following estimated useful lives of the related assets:

Buildings	5 years
Leasehold improvements	5 years
Furniture fixtures and improvements	2 - 20 years
Equipment	5 - 10 years
Computer equipment	3 - 10 years
Software	3 - 7 years
Vehicles	5 - 10 years

Investments - Investments are reported at fair value. The fair value of a financial instrument is the amount that would be received to sell that asset (or paid to transfer a liability) in an orderly transaction between market participants at the measurement date (the exit price).

Purchases and sales of the investments are reflected on a trade-date basis. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Interest income is recorded on the accrual basis.

Donated securities are recorded at market value on the date received or at a nominal value when the market value is not readily determinable.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition - The Organization receives a significant portion of its operating revenue from contributions, adoptions centers, spay/neuter clinic, training center, special events, and services in-kind. Contributions received are recorded in various categories including grants and contributions; foundations, fellowships and others.

Adoption Centers - PAWS Chicago receives revenue from the adoption of a cat or dog from one of their adoption centers. Customers pay PAWS at the time of the adoption which completes the transaction. Adoption fees vary depending on the type of animal, age of the animal and promotional opportunities offered by PAWS. Adoption revenue is recognized the day of the adoption of the animal.

Training Centers - PAWS receives revenue from individuals who enroll in one of their various training programs. Customers enroll in a training program and pay a fee to PAWS for the services to be provided by the training course. Fees can vary depending on the type of training offered and the length of the training program. Training revenue is recognized when the training program is completed.

Spay/Neuter Clinic - PAWS receives revenue from individuals who bring in their cat/dog for a Spay/Neuter service. Customers pay PAWS after completion of the procedure which completes the transaction. Spay/Neuter fees vary depending on the length of the operation and medical services needed to complete the operation. Spay/Neuter Clinic revenue is recognized when the Spay/Neuter operation is completed.

Services in-kind include services rendered at no charge to the Organization. Contributions of donated services that create or enhance non-financial assets, or that require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

General Contributions - The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. As such, until the conditions are met, any unexpended conditional grant funds received are recorded as deferred revenue. At December 31, 2021 and 2020, there were no conditional contributions.

Unconditional contributions received are recorded as with donor restriction or without donor restriction depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), with donor restriction net assets are reclassified to without donor restriction and reported in the statements of activities as net assets released from restrictions. Investment income and realized and unrealized gains and losses resulting from contributions are reported as with donor restriction or without donor restriction, as directed by the donor.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses - The cost of providing various program and supporting services have been summarized on a functional basis in the statement of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The allocated expenses are allocated based on a square footage basis or on estimates of time and effort.

Deferred Revenue - Revenue collected for program service fees are recognized when the services are performed. Revenue collected for program service fees of the succeeding year are classified as deferred revenue.

Advertising - The Organization recognizes advertising expenditures as they are incurred. Advertising expense totaled \$9,093 and \$12,935 for the years ended December 31, 2021 and 2020, respectively.

Reclassifications - Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Subsequent Events - Subsequent events have been evaluated through January 6, 2023, which is the date the financial statements were available to be issued.

NOTE 3. TAX STATUS

PAWS Chicago is an organization described in Section 501(c)(3) of the Internal Revenue Code and thus is generally exempt from federal income tax.

Accounting principles generally accepted in the United States of America require the Organization to evaluate tax positions taken and recognize a tax liability if the Organization has taken uncertain tax positions that more likely than not would not be sustained upon examination by tax authorities. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

NOTE 4. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure within one year at December 31, 2021 and 2020 comprise the following. Due to the nature of restrictions from contributions received from donors, the Organization has omitted all restricted contributions. General expenditures consist of amounts paid in relation rescue and recovery, spay/neuter clinic, adoption centers, community outreach, volunteer and community development programs.

	<u>2021</u>	<u>2020</u>
Total assets	\$ 110,792,054	\$ 91,805,838
Less nonfinancial assets		
Prepaid expenses and other assets	193,245	187,703
Property and equipment, net	<u>19,838,537</u>	<u>19,734,436</u>
	<u>20,031,782</u>	<u>19,922,139</u>
Financial assets	<u>90,760,272</u>	<u>71,883,699</u>
Less assets not available for general expenditures within one year due to:		
Contractual or donor imposed restrictions		
Restrictions that are perpetual in nature	26,573,216	12,033,988
Purpose restricted	2,666,580	2,514,424
Board designations set aside for liquidity needs that exceed one year	<u>43,617,723</u>	<u>38,415,476</u>
	<u>72,857,519</u>	<u>52,963,888</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 17,902,753</u>	<u>\$ 18,919,811</u>

As a part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization has board designated endowment as noted above. Although the Organization does not intend to spend from its board designated endowment, amounts could be made available if necessary.

NOTE 5. CONCENTRATION OF CREDIT RISK

Cash consists of monies held in checking and savings accounts and highly liquid interest-bearing accounts without significant withdrawal restrictions. The Organization maintains its cash balances in financial institutions deemed to be creditworthy. Balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per financial institution. Balances may at times exceed insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 6. INVESTMENTS

Investments at fair value are comprised of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Money market funds	\$ 5,827,685	\$ 4,946,588
Mutual funds	59,302,071	51,133,490
Money market funds	<u>16,406,377</u>	<u>9,025,152</u>
Total investments	<u>\$ 81,536,133</u>	<u>\$ 65,105,230</u>

During the years ended December 31, 2021 and 2020 the Organization's investments, including those bought, sold, as well as held during the year appreciated in fair value by \$7,804,602 and \$7,968,546 respectively.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect net assets and the amounts reported in the statement of activities.

NOTE 7. FAIR VALUE MEASUREMENTS

The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification established 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 are described below:

Basis of Fair Value Measurement

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities
- Level 2 Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly
- Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable

The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization 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.

NOTE 7. FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables set forth by level within the fair value hierarchy the Organization's investment assets at fair value as of December 31, 2021 and 2020. As required, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Fair Value Measurements at 12/31/21 Using				
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	<u>Total</u>			
Mutual funds:				
Emerging markets	\$ 4,111,626	\$ 4,111,626	\$ -	\$ -
Fixed income	8,283,537	8,283,537	-	-
Global equity	3,361,023	3,361,023	-	-
International equity	6,119,384	6,119,384	-	-
Large cap blend	6,995,623	6,995,623	-	-
Large cap growth	12,134,032	12,134,032	-	-
Large cap value	9,602,534	9,602,534	-	-
Mid cap blend	4,190,103	4,190,103	-	-
Real estate	2,091,810	2,091,810	-	-
Small cap growth	2,412,399	2,412,399	-	-
Common stocks:				
Consumer defensive	112,655	112,655	-	-
Entertainment	17,954	17,954	-	-
Financial	2,365,004	2,365,004	-	-
Healthcare	1,798,442	1,798,442	-	-
Industrials	974,954	974,954	-	-
Information technology	10,981,798	10,981,798	-	-
Real Estate	155,570	155,570	-	-
Money market funds	<u>5,827,685</u>	<u>-</u>	<u>5,827,685</u>	<u>-</u>
Total	<u>\$ 81,536,133</u>	<u>\$ 75,708,448</u>	<u>\$ 5,827,685</u>	<u>\$ -</u>

NOTE 7. FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value Measurements at 12/31/20 Using				
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Total			
Mutual funds:				
Emerging markets	\$ 4,308,900	\$ 4,308,900	\$ -	\$ -
Fixed income	5,597,183	5,597,183	-	-
Global equity	1,180,384	1,180,384	-	-
International equity	5,786,730	5,786,730	-	-
Large cap blend	9,152,854	9,152,854	-	-
Large cap growth	14,153,921	14,153,921	-	-
Large cap value	4,797,364	4,797,364	-	-
Mid cap blend	2,257,928	2,257,928	-	-
Real estate	1,573,777	1,573,777	-	-
Small cap growth	2,186,160	2,186,160	-	-
Small cap value	138,289	138,289	-	-
Common stocks:			-	-
Consumer defensive	2,590	2,590	-	-
Financial	784,421	784,421	-	-
Healthcare	857,199	857,199	-	-
Industrials	759,312	759,312	-	-
Information technology	6,486,780	6,486,780	-	-
Telecommunications	134,850	134,850	-	-
Money market funds	4,946,588	-	4,946,588	-
Total	<u>\$ 65,105,230</u>	<u>\$ 60,158,642</u>	<u>\$ 4,946,588</u>	<u>\$ -</u>

Level 1 Measurements

The fair values of mutual funds are determined by reference to the funds' underlying assets, which are principally marketable equity and fixed income securities. Shares held in mutual funds are traded on national securities exchanges and are valued at the net asset value as of the last business day of each period presented.

Common stocks are valued at the closing price reported on the active market on which the individual securities are traded.

Level 2 Measurements

Money market funds are carried at cost which approximates market value.

NOTE 8. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give have been received in support of the spay/neuter clinic, the adoption center, and the endowment fund. Carrying value of unconditional promises to give is determined by calculating the present values of estimated future pledge payments expected to be received, over the expected term of the agreements, using a risk-adjusted discount rate of 3.25% at December 31, 2021 and 2020.

Unconditional promises to give include the following:

	<u>2021</u>	<u>2020</u>
Promises to give beginning of year	\$ 2,817,759	\$ 4,425,387
Amount pledged during the year	365,312	931,601
Amount collected during the year	(1,200,592)	(2,366,236)
Pledges written off	<u>-</u>	<u>(172,993)</u>
Promises to give end of year	1,982,479	2,817,759
Less:		
Discounts to present value	(61,569)	(122,130)
Allowance for doubtful promises	<u>(70,000)</u>	<u>(70,000)</u>
Net promises to give	<u>\$ 1,850,910</u>	<u>\$ 2,625,629</u>
Less than one year	\$ 1,350,707	\$ 1,810,299
One to five years	<u>631,772</u>	<u>1,007,460</u>
	<u>\$ 1,982,479</u>	<u>\$ 2,817,759</u>

NOTE 9. INVENTORIES

Inventories at December 31, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Merchandise	\$ 10,674	\$ 13,047
Medical supplies	<u>29,280</u>	<u>29,878</u>
Total	<u>\$ 39,954</u>	<u>\$ 42,925</u>

NOTE 10. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2021 and 2020 consists of the following:

	<u>2021</u>	<u>2020</u>
Land	\$ 3,874,619	\$ 3,874,619
Buildings	18,155,307	9,832,875
Leasehold Improvements	183,725	183,725
Furniture fixtures and improvements	1,971,398	1,764,979
Equipment	1,055,471	617,181
Computer equipment	505,313	486,089
Software	283,233	283,233
Vehicles	<u>550,556</u>	<u>550,556</u>
	26,579,622	17,593,257
Less accumulated depreciation	(6,749,034)	(6,051,915)
Construction in progress	<u>7,949</u>	<u>8,193,094</u>
Total	<u>\$ 19,838,537</u>	<u>\$ 19,734,436</u>

Depreciation expense for the years ended December 31, 2021 and 2020 was \$697,118 and \$611,619 respectively.

During 2021, the Organization began a project to renovate the Blazer Building Basement and 2nd Floor office space. The final cost of the construction for the project is approximately \$125,000. The Blazer Building renovation was completed in May 2022.

NOTE 11. LEASE RELATED PARTY TRANSACTION COMMITMENT

The Organization installed leasehold improvements on a site in Indiana owned by a related party. The site will be used for extended therapy and additional care for certain pets. A lease for this space is expected to be executed in 2023.

NOTE 12. MAJOR CONTRIBUTOR

For the years ended December 31, 2021 and 2020, one major contributor accounted for 11% and 18%, respectively, of total contribution revenue to the Organization.

NOTE 13. NET ASSETS WITH DONOR RESTRICTIONS

The Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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 retains in perpetuity (a) the original value of gifts, and (b) the original value of subsequent gifts, and (c) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization 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 organization 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
- (7) The investment policies of the organization

The Organization has adopted investment and spending policies that accept prudent levels of short and long-term volatility consistent with the near-term cash flow needs, funding level, and long-term liability structure of the investment portfolio. To achieve 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. The Organization appropriates for expenditure all of the investment income of the funds. This is consistent with the objective to provide income for its programs, preserve endowment assets without subjecting them to substantial risk, and provide additional real growth through new gifts.

NOTE 13. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Changes in net assets with donor restrictions as of December 31, 2021 and 2020 are as follows:

	December 31, 2021		
	Perpetual in Nature	Purpose Restricted	Total
Beginning of year	\$ 12,033,988	\$ 3,925,999	\$ 15,959,987
Contributions	3,365,373	762,139	4,127,512
Current designation	11,173,855	-	11,173,855
Appropriated for expenditure	<u>-</u>	<u>(1,252,341)</u>	<u>(1,252,341)</u>
End of year	<u>\$ 26,573,216</u>	<u>\$ 3,435,797</u>	<u>\$ 30,009,013</u>

	December 31, 2020		
	Perpetual in Nature	Perpetual in Nature	Total
Beginning of year	\$ 10,398,418	\$ 6,093,050	\$ 16,491,468
Contributions	1,635,570	1,365,256	3,000,826
Appropriated for expenditure	<u>-</u>	<u>(3,532,307)</u>	<u>(3,532,307)</u>
End of year	<u>\$ 12,033,988</u>	<u>\$ 3,925,999</u>	<u>\$ 15,959,987</u>

Donor-Restricted - Perpetual in Nature

The Organization's net assets with donor restrictions include seven donor-restricted endowment funds. Contributions to the endowment fund are subject to donor restrictions that stipulate the original principal of the gift to be held and invested by the Organization indefinitely, and income from the fund is to be expended for program services. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Following is a summary of funds that have restrictions that are perpetual in nature as of December 31:

	<u>2021</u>	<u>2020</u>
Free-spay/neuter program	\$ 1,231,296	\$ 1,231,296
Lincoln-Park Adoption Center	21,708,441	8,534,586
Medial assistance for dogs with treatable illness	500,000	500,000
Medical Center Campaign Fund Endowment	356,855	356,855
Medical treatment of animals under 6 months old	181,251	181,251
Medical treatment of kittens	800,000	800,000
General endowment	<u>1,795,373</u>	<u>430,000</u>
	<u>\$ 26,573,216</u>	<u>\$ 12,033,988</u>

NOTE 13. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

When donors amend or clarify intent for applicable gifts and contributions reported in a previous fiscal year, revisions are separately reflected as donor designated changes within the statements of activities.

Donor-Restricted - Purpose Restricted

Following is a summary of the activity in purpose restricted net assets for the years ended December 31, 2021 and 2020:

	2021			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Assets Released</u>	<u>Ending Balance</u>
Adoption program	\$ 1,566,684	\$ -	\$ 409,901	\$ 1,156,783
GUS Mobile	366,394	-	-	366,394
Sick and insured/shelter medicine	599,582	23,810	122,665	500,727
Spay/neuter clinic	25,040	177,893	95,817	107,116
Strategic initiatives growth fund	1,118,456	212,426	204,670	1,126,212
Other timing restrictions	<u>249,843</u>	<u>348,010</u>	<u>419,288</u>	<u>178,565</u>
	<u>\$ 3,925,999</u>	<u>\$ 762,139</u>	<u>\$ 1,252,341</u>	<u>\$ 3,435,797</u>

	2020			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Assets Released</u>	<u>Ending Balance</u>
Adoption program	\$ 1,578,670	\$ 500	\$ 12,486	\$ 1,566,684
GUS Mobile	374,196	-	7,802	366,394
Sick and insured/shelter medicine	693,482	6,100	100,000	599,582
Spay/neuter clinic	-	27,040	2,000	25,040
Strategic initiatives growth fund	2,905,591	866,518	2,653,653	1,118,456
Other timing restrictions	<u>541,111</u>	<u>465,098</u>	<u>756,366</u>	<u>249,843</u>
	<u>\$ 6,093,050</u>	<u>\$ 1,365,256</u>	<u>\$ 3,532,307</u>	<u>\$ 3,925,999</u>

NOTE 14. BOARD-DESIGNATED ENDOWMENTS

The Board of Directors has designated a portion of net assets without donor restrictions as a general endowment fund to support the mission of the Organization. Since this resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions. The Organization determines annually any allocation of contributions, investment income, and gains or losses from investments, as well as any appropriation of its board-designated endowments for expenditure. There were no appropriations during the years 2021 and 2020.

NOTE 14. BOARD-DESIGNATED ENDOWMENTS (CONTINUED)

Composition of and changes in board-designated endowment net assets for the years ended December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Beginning designated balance	\$ 38,415,476	\$ 31,411,974
Current designation	<u>5,202,247</u>	<u>7,003,502</u>
Ending designated balance	<u>\$ 43,617,723</u>	<u>\$ 38,415,476</u>

NOTE 15. EMPLOYEE BENEFIT PLAN

The Organization maintains a 401(k) savings plan covering substantially all employees that have completed the service requirement. For each year, the Board of Directors determines the amount of the discretionary contribution to be made to the Plan. No employer contributions were made for 2021 or 2020. The plan was terminated as of December 31, 2021.

NOTE 16. LOANS PAYABLE (COVID-19 RELIEF FUNDS)

In April 2020, the Organization received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from the Organization's financial institution, for an aggregate principal amount of \$1,153,803 (PPP Loan). The PPP Loan bears interest at a fixed rate of 1% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Organization's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program.

In February 2021, the Organization received loan proceeds in the amount of \$1,116,955 under the Paycheck Protection Program ("PPP"). The PPP was established as a part of the *Coronavirus Aid, Relief and Economic Security Act* ("CARES Act"). It provided for loans to qualifying organizations for amounts of up to 2.5 times of the average monthly payroll expenses of the qualifying organization. The loans and accrued interest at 1% are forgivable between eight and twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels.

The Organization obtained forgiveness during 2022. When the loan was forgiven in 2022, the debt and accrued interest were reduced to zero and a gain on debt extinguishment was recorded in the statement of activities. and the full amount was recognized as revenue in 2022.

NOTE 17. IMPACT OF COVID-19 AND NEWLY ENACTED LEGISLATION

As a result of the spread of COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact the Organization, though the potential impact and duration is unknown as of the date the financial statements were available to be issued.

Several major legislative relief packages were enacted in response to the coronavirus outbreak, which among other things contains numerous tax, emergency funding and other regulatory provisions. The Organization continues to evaluate the impact of newly enacted legislation on its operations and cash flows.