

**PAWS CHICAGO**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

## *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 together 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 average of 20,000 additional pets from under-resourced communities receive free and low-cost spay/neuter surgeries, medical care and other support including a Pet Food Pantry that distributed nearly 28,000 pounds of food and supplies to disaster sites and at the Pet Food Pantry in 2022.

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 over 92%. PAWS Chicago is able to save at-risk animals from 13 additional high kill states, and support animals impacted by natural disasters like 2022's Hurricane Ian in Florida.

In summary, 2022 results include 15,424 free and low-cost spay/neuter surgeries including 1,967 Trap-Neuter-Return spay/neuter surgeries for feral cats; 4,629 adoptions of homeless animals into new, loving families; a 98.04% save rate even while serving extremely vulnerable populations; 448 Special surgeries performed; 41,587 Free and low-cost vaccinations; 27,791 pounds of food and supplies delivered to disaster sites and at the Pet Food Pantry; 2,641 homeless animals placed in foster care; 95,386 hours worked by volunteers (the equivalent of 46 full-time employees); and Charity Navigator's highest 4-star rating consecutively since 2003.

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 addition to performing 15,424 spay/neuter procedures, veterinary surgeons performed 448 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. 2,174 animals went into foster care in 2022.

As the animal welfare movement continues to grow in Chicago, healthy animals are being saved in record numbers at the city impoundment facility, meaning the population of rescued animals increasingly require more significant medical resources.

While PAWS has been rescuing pets from natural disasters since Hurricane Katrina in 2005, a recently expanded Medical Center allowed growth in efforts to rescue animals with deeper medical needs during Hurricane Ian in September of 2022.

The PAWS Chicago Training Center has numerous full- and 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.

## **Prevention: The Spay/Neuter Solution**

PAWS Chicago remained the only local provider of high-volume spay/neuter surgeries, performing 15,424 in 2022. 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, the city pound, PAWS offers spay/neuter services where they are needed most and where they make the most impact. PAWS Chicago surpassed 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

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Building No Kill Communities

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 each year, TNR reduces the number of animals entering the shelter system while also saving kittens and finding them adoptive homes. In 2022, PAWS performed 1,967 spay/neuter surgeries on feral cats. These prevention efforts are critical to ending the killing of homeless pets. There has been a 92.5% 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 4,629 animals with loving homes in 2022.

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



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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.

## **Volunteers**

Volunteers are the life force behind PAWS Chicago's operations and an essential ingredient to building a No Kill Chicago. In 2022, volunteers dedicated 95,386 hours of service, the equivalent of 46 full-time employees. And this doesn't include foster families who took in and cared for 2,174 animals in need in 2022. 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 offsite 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 cursive script that reads "Paula Farsseas".

Chairman and Founder

**PAWS CHICAGO**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

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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 statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, of functional expenses and of cash flows for the years 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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Emphasis of Matter***

As discussed in Note 2 to the financial statements, during the year ended December 31, 2022, the Organization implemented new accounting guidance on contributed nonfinancial assets. Our opinion is not modified with respect to this matter.

### ***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.

***Responsibilities of Management for the Financial Statements (continued)***

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 generally accepted auditing standards, we:

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

Westchester, Illinois

November 1, 2023

# PAWS CHICAGO

## STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CASH	\$ 9,496,874	\$ 7,333,275
INVENTORIES	129,644	39,954
PREPAID EXPENSES AND OTHER ASSETS	279,282	193,245
INVESTMENTS - at fair value	69,264,129	81,536,133
PROPERTY AND EQUIPMENT - net	19,331,462	19,838,537
UNCONDITIONAL PROMISES TO GIVE - net	<u>1,258,918</u>	<u>1,850,910</u>
Total assets	<u>\$ 99,760,309</u>	<u>\$ 110,792,054</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 1,490,601	\$ 946,982
Accrued expenses	201,359	128,772
Deferred revenue	317,182	179,958
Paycheck Protection Program loans	<u>-</u>	<u>1,116,955</u>
Total liabilities	<u>2,009,142</u>	<u>2,372,667</u>
NET ASSETS		
Without donor restrictions	73,176,402	78,410,374
With donor restrictions	<u>24,574,765</u>	<u>30,009,013</u>
Total net assets	<u>97,751,167</u>	<u>108,419,387</u>
Total liabilities and net assets	<u>\$ 99,760,309</u>	<u>\$ 110,792,054</u>

See accompanying notes to financial statements.

**PAWS CHICAGO**

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions			With Donor Restrictions			
	Operations	Board Designated	Total	Purpose Restricted	Perpetual In Nature	Total	Total
REVENUE							
Program service fees							
Adoption centers	\$ 989,159	\$ -	\$ 989,159	\$ -	\$ -	\$ -	\$ 989,159
Spay/neuter clinic	1,508,200	-	1,508,200	-	-	-	1,508,200
Training center	200,510	-	200,510	-	-	-	200,510
Contributions	8,535,884	2,809,843	11,345,727	375,002	2,864,539	3,239,541	14,585,268
Contributions - in kind	1,150,076	-	1,150,076	-	-	-	1,150,076
Investment (loss)	-	(9,932,611)	(9,932,611)	-	(6,019,541)	(6,019,541)	(15,952,152)
Special events - net	4,185,169	-	4,185,169	-	-	-	4,185,169
Gain on debt extinguishment	1,116,955	-	1,116,955			-	1,116,955
Reclassification due to donor intent	857,665	-	857,665	(857,665)	-	(857,665)	-
Net assets released from restrictions	1,796,583	-	1,796,583	(1,796,583)	-	(1,796,583)	-
Total revenue	20,340,201	(7,122,768)	13,217,433	(2,279,246)	(3,155,002)	(5,434,248)	7,783,185
EXPENSES							
Program services							
Animal health and behavior	6,982,261	-	6,982,261	-	-	-	6,982,261
Prevention- spay/neuter and community medicine	4,056,255	-	4,056,255	-	-	-	4,056,255
Adoption	2,230,779	-	2,230,779	-	-	-	2,230,779
Community outreach	603,133	-	603,133	-	-	-	603,133
Volunteer program	491,533	-	491,533	-	-	-	491,533
Community engagement	1,110,164	-	1,110,164	-	-	-	1,110,164
Total program services	15,474,125	-	15,474,125	-	-	-	15,474,125
Supporting services							
Management and general	739,115	-	739,115	-	-	-	739,115
Special events	1,380,334	-	1,380,334	-	-	-	1,380,334
Fundraising	857,831	-	857,831	-	-	-	857,831
Total supporting services	2,977,280	-	2,977,280	-	-	-	2,977,280
Total expenses	18,451,405	-	18,451,405	-	-	-	18,451,405
CHANGE IN NET ASSETS	1,888,796	(7,122,768)	(5,233,972)	(2,279,246)	(3,155,002)	(5,434,248)	(10,668,220)
NET ASSETS							
Beginning of year	34,669,734	43,740,640	78,410,374	3,435,797	26,573,216	30,009,013	108,419,387
End of year	\$ 36,558,530	\$ 36,617,872	\$ 73,176,402	\$ 1,156,551	\$ 23,418,214	\$ 24,574,765	\$ 97,751,167

See accompanying notes to financial statements.

PAWS CHICAGO

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions			With Donor Restrictions			Total
	Operations	Board Designated	Total	Purpose Restricted	Perpetual In Nature	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	-	11,296,772	11,296,772	-	-	-	11,296,772
Special events - net	3,248,939	-	3,248,939	-	-	-	3,248,939
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	<u>1,252,341</u>	<u>-</u>	<u>1,252,341</u>	<u>(1,252,341)</u>	<u>-</u>	<u>(1,252,341)</u>	<u>-</u>
Total revenue	<u>13,752,854</u>	<u>5,325,164</u>	<u>19,078,018</u>	<u>(490,202)</u>	<u>14,539,228</u>	<u>14,049,026</u>	<u>33,127,044</u>
EXPENSES							
Program services							
Animal health and behavior	5,523,503	-	5,523,503	-	-	-	5,523,503
Prevention- spay/neuter and community medicine	2,907,840	-	2,907,840	-	-	-	2,907,840
Adoption	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 engagement	<u>1,058,506</u>	<u>-</u>	<u>1,058,506</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,058,506</u>
Total program services	<u>12,215,812</u>	<u>-</u>	<u>12,215,812</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,215,812</u>
Supporting services							
Management and general	616,797	-	616,797	-	-	-	616,797
Special events	963,438	-	963,438	-	-	-	963,438
Fundraising	<u>555,185</u>	<u>-</u>	<u>555,185</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>555,185</u>
Total supporting services	<u>2,135,420</u>	<u>-</u>	<u>2,135,420</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,135,420</u>
Total expenses	<u>14,351,232</u>	<u>-</u>	<u>14,351,232</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,351,232</u>
CHANGE IN NET ASSETS	(598,378)	5,325,164	4,726,786	(490,202)	14,539,228	14,049,026	18,775,812
NET ASSETS							
Beginning 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>
End of year	<u>\$ 34,669,734</u>	<u>\$ 43,740,640</u>	<u>\$ 78,410,374</u>	<u>\$ 3,435,797</u>	<u>\$ 26,573,216</u>	<u>\$ 30,009,013</u>	<u>\$ 108,419,387</u>

See accompanying notes to financial statements.

PAWS CHICAGO

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	Program Services							Supporting Services				
	Animal Health and Behavior	Prevention- Spay/Neuter And Community Medicine	Adoption	Community Outreach	Volunteer Program	Community Engagement	Total Program Services	Management And General	Special Events	Fund Raising	Total Supporting Services	Total
Compensation	\$ 3,976,480	\$ 2,217,778	1,146,298	\$ 398,087	\$ 343,223	\$ 338,534	\$ 8,420,400	\$ 157,376	\$ 279,438	\$ 131,129	\$ 567,943	\$ 8,988,343
Benefits and taxes	210,595	242,018	75,375	28,216	23,805	22,004	602,013	20,591	20,843	12,382	53,816	655,829
Animal care supplies	313,466	42,299	18,641	597	135	-	375,138	23,197	-	-	23,197	398,335
Medical supplies	407,910	400,797	-	4,487	33	-	813,227	769	-	-	769	813,996
Merchandise cost	-	-	3,990	-	-	18,817	22,807	6,058	177,819	-	183,877	206,684
Professional fees	238,143	126,746	180,182	21,537	19,985	210,398	796,991	224,281	75,763	247,223	547,267	1,344,258
Bad debt	234,393	187,207	75,012	22,823	18,914	44,011	582,360	31,055	52,469	32,323	115,847	698,207
Office supplies	24,125	125,380	9,984	1,007	9,355	15,359	185,210	64,240	29,667	3,466	97,373	282,583
Advertising	-	-	7,369	-	-	32,124	39,493	2,095	13,830	-	15,925	55,418
Event catering and food	-	-	-	-	5,732	846	6,578	8,308	391,781	7,627	407,716	414,294
Expenses - in-kind	623,270	-	-	-	-	-	623,270	-	526,806	-	526,806	1,150,076
Dues and subscriptions	-	3,608	-	-	-	1,324	4,932	1,607	325	1,630	3,562	8,494
Conferences and seminars	-	-	199	-	-	-	199	1,045	-	-	1,045	1,244
Depreciation	355,966	173,689	331,428	31,103	7,250	14,499	913,935	22,162	14,500	3,625	40,287	954,222
Insurance	33,410	86,474	15,723	5,896	2,948	12,775	157,226	19,653	3,931	-	23,584	180,810
Technology	128,294	110,910	96,582	15,779	15,088	39,368	406,021	61,750	22,323	35,038	119,111	525,132
Printing and production	121,228	71,310	57,049	14,262	7,130	178,277	449,256	-	35,655	223,799	259,454	708,710
Postage	119,206	56,765	51,087	17,029	11,353	147,587	403,027	11,353	-	153,264	164,617	567,644
Repairs and maintenance	18,458	5,927	22	11,985	12,892	-	49,284	19,044	4,549	-	23,593	72,877
Telephone and internet	20,737	53,672	9,759	3,659	1,830	7,929	97,586	36,967	2,440	-	39,407	136,993
Travel, meals and auto	19,049	8,746	3,418	485	4,373	601	36,672	13,187	34,734	3,945	51,866	88,538
Occupancy	137,531	142,929	77,036	26,181	6,117	25,711	415,505	14,377	85,242	2,380	101,999	517,504
Training reimbursement	-	-	69,682	-	-	-	69,682	-	-	-	-	69,682
Rental fees	-	-	1,943	-	1,370	-	3,313	-	112,969	-	112,969	116,282
Total expenses by function	6,982,261	4,056,255	2,230,779	603,133	491,533	1,110,164	15,474,125	739,115	1,885,084	857,831	3,482,030	18,956,155
Cost of direct benefit to donor	-	-	-	-	-	-	-	-	(504,750)	-	(504,750)	(504,750)
Total expenses on statements of activities	\$ 6,982,261	\$ 4,056,255	\$ 2,230,779	\$ 603,133	\$ 491,533	\$ 1,110,164	\$ 15,474,125	\$ 739,115	\$ 1,380,334	\$ 857,831	\$ 2,977,280	\$ 18,451,405

See accompanying notes to financial statements.

PAWS CHICAGO

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

	Program Services							Supporting Services				
	Animal Health and Behavior	Prevention- Spay/Neuter And Community Medicine	Adoption	Community Outreach	Volunteer Program	Community Engagement	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	72,020	45,564	183,042	300,626	1,194,302
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 expenses by function	5,523,503	2,907,840	1,974,970	363,960	387,033	1,058,506	12,215,812	616,797	1,458,815	555,185	2,630,797	14,846,609
Cost of direct benefit to donor	-	-	-	-	-	-	-	-	(495,377)	-	(495,377)	(495,377)
Total expenses on statements of activities	<u>\$ 5,523,503</u>	<u>\$ 2,907,840</u>	<u>\$ 1,974,970</u>	<u>\$ 363,960</u>	<u>\$ 387,033</u>	<u>\$ 1,058,506</u>	<u>\$ 12,215,812</u>	<u>\$ 616,797</u>	<u>\$ 963,438</u>	<u>\$ 555,185</u>	<u>\$ 2,135,420</u>	<u>\$ 14,351,232</u>

See accompanying notes to financial statements.

# PAWS CHICAGO

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 3,213,453	\$ 2,244,276
Cash received from contributors	15,741,608	14,241,296
Investment income received	1,747,946	3,531,858
Cash paid to employees and suppliers	<u>(15,906,628)</u>	<u>(13,173,359)</u>
Net cash provided by operating activities	<u>4,796,379</u>	<u>6,844,071</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investment securities	(6,915,505)	(37,959,700)
Sale of investment securities	1,865,332	30,657,880
Purchases of property and equipment	<u>(447,146)</u>	<u>(801,219)</u>
Net cash (used in) investing activities	<u>(5,497,319)</u>	<u>(8,103,039)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions restricted for long-term purposes	2,864,539	3,365,373
PPP loan proceeds	<u>-</u>	<u>1,116,955</u>
Net cash provided by financing activities	<u>2,864,539</u>	<u>4,482,328</u>
<b>INCREASE IN CASH</b>	<b>2,163,599</b>	<b>3,223,360</b>
<b>CASH</b>		
Beginning of year	<u>7,333,275</u>	<u>4,109,915</u>
End of year	<u>\$ 9,496,874</u>	<u>\$ 7,333,275</u>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH OPERATING AND FINANCING ACTIVITIES</b>		
In-kind contributions	<u>\$ 1,150,077</u>	<u>\$ 913,948</u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Change in net assets	<u>\$ (10,668,220)</u>	<u>\$ 18,775,812</u>
Adjustments		
Net depreciation (appreciation) in investments	17,700,098	(7,804,602)
Depreciation	954,222	697,118
Bad debt expense	698,207	-
Contributions restricted for long-term purposes	(2,864,539)	(3,365,373)
Contributed investments received	(377,921)	(1,324,481)
(Gain) on debt forgiveness	(1,116,955)	(1,153,803)
(Increase) decrease in		
Unconditional promises to give	(106,215)	774,719
Inventories	(89,690)	2,971
Prepaid expenses	(86,037)	(5,542)
Increase (decrease) in:		
Accounts payable	543,617	81,294
Accrued expenses	72,588	23,148
Deferred revenue	<u>137,224</u>	<u>142,810</u>
Total adjustments	<u>15,464,599</u>	<u>(11,931,741)</u>
Net cash provided by operating activities	<u>\$ 4,796,379</u>	<u>\$ 6,844,071</u>

See accompanying notes to financial statements.

# PAWS CHICAGO

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

### 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.

**New Accounting Pronouncement** - In September 2020, the Financial Accounting Standards Board issued ASU 2020-07, Presentation and Disclosures by *Not-for-Profit Entities for Contributed Nonfinancial Assets*. This new standard requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The new standard is to be applied retrospectively and as implemented by the Organization at January 1, 2021. The presentation and disclosures have been enhanced in accordance with the standard.

**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.

**Board Designated Net Assets** - Board designated net assets are net assets without donor restrictions designated by the Board for various activities. These designations are based on Board actions, which can be altered or revoked at a future time by the Board. At December 31, 2022 and 2021, the Organizations had net assets of \$36,617,872 and \$43,740,640 respectively, designated for projects of their choosing.

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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.

**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 life are capitalized by the Organization. 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

## **NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**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.

**Special Events** - PAWS receives revenue from individuals who purchase tickets for special events held throughout the year. Attendees of the event will also contribute through participating in auctions and paddle raises (Bid to Save Lives). Ticket prices for the event vary depending on the events. 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.

## **NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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, 2022 and 2021, 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.

**Contributions - In-kind** - The Organization received various forms of gifts-in-kind including animal food, auction, and giveaway items for special events. Contributed goods are recorded as contributions at their estimated fair market value at the date of donation. Gifts-in-kind are valued based upon estimates of fair market that would be received for selling the goods in their principal markets. During the years ended December 31, 2022 and 2021, the Organization received \$1,050,076 and \$913,948 in contributed goods, respectively, and was not considered to be restricted.

**Functional Expenses** - The cost of providing various program and supporting services have been summarized on a functional basis in the statements 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. Deferred revenue totaled \$317,182, \$179,958, and \$37,148 at December 31, 2022, December 31, 2021 and December 31, 2020, respectively.

**Advertising** - The Organization recognizes advertising expenditures as they are incurred. Advertising expense totaled \$55,418 and \$9,093 for the years ended December 31, 2022 and 2021, respectively.

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

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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 November 1, 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, 2022 and 2021 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>2022</u>	<u>2021</u>
Total assets	\$ 99,760,309	\$ 110,792,054
Less nonfinancial assets		
Inventories	(129,644)	(39,954)
Prepaid expenses and other assets	(279,282)	(193,245)
Property and equipment, net	(19,331,462)	(19,838,537)
Unconditional promises to give - greater than a year	(387,385)	(631,772)
	<u>(20,127,773)</u>	<u>(20,703,508)</u>
Financial assets	<u>79,632,536</u>	<u>90,088,546</u>
Less assets not available for general expenditures within one year due to:		
Contractual or donor imposed restrictions		
Restrictions that are perpetual in nature	23,418,214	26,573,216
Purpose restricted	1,156,551	3,435,797
Board designations set aside for liquidity needs that exceed one year	<u>36,617,872</u>	<u>43,740,640</u>
	<u>61,192,637</u>	<u>73,749,653</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 18,439,899</u>	<u>\$ 16,338,893</u>

**NOTE 4. LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)**

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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Money market funds	\$ 5,017,893	\$ 5,827,685
Mutual funds	50,072,060	59,302,071
Common Stocks	13,451,176	16,406,377
Real estate	<u>723,000</u>	<u>-</u>
Total investments	<u>\$ 69,264,129</u>	<u>\$ 81,536,133</u>

Investment income (loss) for the years ended December 31, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Interest and dividend income	\$ 1,801,139	\$ 3,531,858
Realized gain	294,444	1,202,453
Unrealized gain (loss)	(17,994,542)	6,602,149
Investment expenses	<u>(53,193)</u>	<u>(39,688)</u>
Total investment income (loss)	<u>\$ (15,952,152)</u>	<u>\$ 11,296,772</u>

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 Financial Accounting Standards Board 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.

The following tables set forth by level within the fair value hierarchy the Organization's investment assets at fair value as of December 31, 2022 and 2021. 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.

**NOTE 7. FAIR VALUE MEASUREMENTS (CONTINUED)**

		Fair Value Measurements at 12/31/22 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	\$ 3,159,096	\$ 3,159,096	\$ -	\$ -
Fixed income	8,527,093	8,527,093	-	-
Global equity	6,061,584	6,061,584	-	-
International equity	4,948,829	4,948,829	-	-
Large cap blend	4,682,097	4,682,097	-	-
Large cap growth	8,115,324	8,115,324	-	-
Large cap value	7,689,605	7,689,605	-	-
Mid cap blend	3,630,403	3,630,403	-	-
Real estate	1,587,671	1,587,671	-	-
Small cap growth	1,670,357	1,670,357	-	-
Common stocks				
Consumer defensive	225,563	225,563	-	-
Entertainment	40,449	40,449	-	-
Financial	2,060,930	2,060,930	-	-
Healthcare	1,666,169	1,666,169	-	-
Industrial	1,021,976	1,021,976	-	-
Information technology	8,305,984	8,305,984	-	-
Real estate	130,106	130,106	-	-
Money market funds	5,017,893	-	5,017,893	-
Real estate	<u>723,000</u>	<u>-</u>	<u>-</u>	<u>723,000</u>
Total	<u>\$ 69,264,129</u>	<u>\$ 63,523,236</u>	<u>\$ 5,017,893</u>	<u>\$ 723,000</u>

## NOTE 7. FAIR VALUE MEASUREMENTS (CONTINUED)

		Fair Value Measurements at 12/31/21 Using		
		Quoted Prices		
		in Active	Significant	Significant
		Markets for	Other	Unobservable
		Identical	Observable	Inputs
		Assets	Inputs	Inputs
		(Level 1)	(Level 2)	(Level 3)
	Total			
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	-	-
Industrial	974,954	974,954	-	-
Information technology	10,981,798	10,981,798	-	-
Real estate	155,570	155,570	-	-
Money market funds	5,827,685	-	5,827,685	-
Total	\$ 81,536,133	\$ 75,708,448	\$ 5,827,685	\$ -

### 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 7. FAIR VALUE MEASUREMENTS (CONTINUED)**

Level 3 Measurements

The Organizations real estate property is a house located in Beverly Shores, Indiana and is valued at estimated fair value by an independent source. The latest value reviewed was May 2022 at the time of contribution.

The following table represents qualitative information about the significant unobservable inputs used in the fair value measurement of the real estate property as of December 31, 2022. Significant changes in any of the inputs in isolation would result in significant change in fair value measurement.

Valuation Technique	Unobservable Inputs	Rate
Sales comparison	Sales of similar properties	Price per square foot

There was no change in the fair value of the real estate property for the year ended December 31, 2022.

## 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, 2022 and 2021.

Unconditional promises to give include the following:

	<u>2022</u>	<u>2021</u>
Promises to give beginning of year	\$ 1,982,479	\$ 2,817,759
Amount pledged during the year	330,000	365,312
Amount collected during the year	(564,852)	(1,200,592)
Pledges written off	<u>(378,360)</u>	<u>-</u>
Promises to give end of year	1,369,267	1,982,479
Less:		
Discounts to present value	(40,349)	(61,569)
Allowance for doubtful promises	<u>(70,000)</u>	<u>(70,000)</u>
Net promises to give	<u>\$ 1,258,918</u>	<u>\$ 1,850,910</u>
	<u>2022</u>	<u>2021</u>
Less than one year	\$ 981,882	\$ 1,350,707
One to five years	<u>387,385</u>	<u>631,772</u>
	<u>\$ 1,369,267</u>	<u>\$ 1,982,479</u>

## NOTE 9. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Land	\$ 3,874,619	\$ 3,874,619
Buildings	18,514,874	18,155,307
Leasehold Improvements	183,725	183,725
Furniture fixtures and improvements	2,045,301	1,971,398
Equipment	1,077,096	1,055,471
Computer equipment	505,313	505,313
Software	283,233	283,233
Vehicles	<u>550,556</u>	<u>550,556</u>
	27,034,717	26,579,622
Less accumulated depreciation	(7,703,255)	(6,749,034)
Construction in progress	<u>-</u>	<u>7,949</u>
Total	<u>\$ 19,331,462</u>	<u>\$ 19,838,537</u>

## **NOTE 9. PROPERTY AND EQUIPMENT (CONTINUED)**

Depreciation expense for the years ended December 31, 2022 and 2021 was \$954,222 and \$697,118 respectively.

During 2021, the Organization began a project to renovate the Blazer Building Basement and 2<sup>nd</sup> floor office space. The Blazer Building renovation was completed in May 2022.

## **NOTE 10. 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 10. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

Changes in net assets with donor restrictions as of December 31, 2022 and 2021 were as follows:

	December 31, 2022		
	<u>Perpetual in Nature</u>	<u>Purpose Restricted</u>	<u>Total</u>
Beginning of year	\$ 26,573,216	\$ 3,435,797	\$ 30,009,013
Contributions	2,864,539	375,002	3,239,541
Investment (loss)	(6,019,541)	-	(6,019,541)
Appropriated for expenditure	<u>-</u>	<u>(2,654,248)</u>	<u>(2,654,248)</u>
End of year	<u>\$ 23,418,214</u>	<u>\$ 1,156,551</u>	<u>\$ 24,574,765</u>

  

	December 31, 2021		
	<u>Perpetual in Nature</u>	<u>Purpose Restricted</u>	<u>Total</u>
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>

**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. The donor restricted endowment fund's perpetuity balance was \$18,263,900 and \$15,399,361, as of December 31, 2022 and 2021, respectively. Following is a summary of funds that have restrictions that are perpetual in nature as of December 31:

	<u>2022</u>	<u>2021</u>
Free-spay/neuter program	\$ 1,718,912	\$ 2,124,731
Lincoln-Park Adoption Center	16,047,300	18,178,534
Medial assistance for dogs with treatable illness	698,010	862,803
Medical Center Campaign Fund Endowment	498,176	615,791
Medical treatment of animals under 6 months old	253,030	312,768
Medical treatment of kittens	1,116,815	1,380,484
General endowment	<u>3,085,971</u>	<u>3,098,105</u>
Total	<u>\$ 23,418,214</u>	<u>\$ 26,573,216</u>

**NOTE 10. 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, 2022 and 2021:

	2022			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Assets Released</u>	<u>Ending Balance</u>
Adoption program	\$ 1,156,783	\$ 100,000	\$ 1,014,283	\$ 242,500
GUS Mobile	366,394	-	-	366,394
Sick and insured/shelter medicine	500,727	55,000	377,912	177,815
Spay/neuter clinic	107,116	-	107,116	-
Strategic initiatives growth fund	1,126,212	2	896,672	229,542
Other timing restrictions	<u>178,565</u>	<u>220,000</u>	<u>258,265</u>	<u>140,300</u>
Total	<u>\$ 3,435,797</u>	<u>\$ 375,002</u>	<u>\$ 2,654,248</u>	<u>\$ 1,156,551</u>

  

	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>
Total	<u>\$ 3,925,999</u>	<u>\$ 762,139</u>	<u>\$ 1,252,341</u>	<u>\$ 3,435,797</u>

**NOTE 11. 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 ended December 31, 2022 and 2021.

**NOTE 11. BOARD-DESIGNATED ENDOWMENTS (CONTINUED)**

Composition of and changes in board-designated endowment net assets for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Beginning designated balance	\$ 43,740,640	\$ 38,415,476
Net appreciation (depreciation) on investments	(9,932,611)	122,917
Contributions	2,809,843	-
Current designation	<u>-</u>	<u>5,202,247</u>
Ending designated balance	<u>\$ 33,808,029</u>	<u>\$ 43,740,640</u>

**NOTE 12. 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. The plan was terminated as of December 31, 2021.

In 2022, the Organization began maintaining a 403(b) Plan covering substantially all employees that have completed the service requirement. Employer contributions to the Plan are discretionary. For the year ended December 31, 2022, the employer match contribution was \$86,301, equal to 50% of the participant's deferral, up to 3% of the participant's annual compensation. The employer match is contributed every pay period.

**NOTE 13. LOANS PAYABLE (COVID-19 RELIEF FUNDS)**

In April 2020, the Organization received a loan pursuant to the Paycheck Protection Program (PPP), a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security (CARES) 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 PPP upon the Organization's request to the extent that the PPP loan proceeds are used to pay expenses permitted by the PPP.

In February 2021, the Organization received loan proceeds in the amount of \$1,116,955 under PPP. PPP was established as a part of the 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.

**NOTE 13. LOANS PAYABLE (COVID-19 RELIEF FUNDS) (CONTINUED)**

The Organization obtained forgiveness during 2021 for the first loan installment and in 2022 for the second loan installment. When the loan was forgiven in 2021 and 2022, respectively, the debt and accrued interest were reduced to zero and a gain on debt extinguishment was recorded in the statements of activities. and the full amount was recognized as revenue during the years ended December 31, 2022 and 2021.

**NOTE 14. COMMITMENTS AND CONTINGENCIES**

The Organization has entered into contracts for services for events. These contracts may include penalty clauses, which would require the Organization to pay certain amounts if the event was to be canceled.

**NOTE 15. LITIGATION**

The Organization is subject to claims and legal actions that arise in the ordinary course of business. In the opinion of management, the outcome of these matters will not have a material effect on the Organization's financial position.

**NOTE 16. SPECIAL EVENTS**

The Organization held multiple fundraisers benefitting the general operations of the Organization during the years ended December 31, 2022 and 2021. Net special events for the years ended December 31, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Contributions/sponsorships	\$ 4,345,255	\$ 3,530,220
Ticket sales	344,664	214,096
Total event expenses	<u>(504,750)</u>	<u>(495,377)</u>
Net special events revenue	<u>\$ 4,185,169</u>	<u>\$ 3,248,939</u>