

PAWS CHICAGO
FINANCIAL STATEMENTS
DECEMBER 31, 2023

PAWSCHICAGO®

Building No Kill Communities

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.

Our industry-leading Adoption Center, a state-of-the-art Medical Center, and the city's only remaining high-volume, low-cost spay/neuter clinic work together to address the needs of homeless and at-risk pets citywide. PAWS Chicago's lifesaving programs impact around 4,500 homeless pets and 17,500 additional pets from under-resourced communities who receive free and low-cost spay/neuter surgeries, medical care, and other support, including a Pet Food Pantry that distributed nearly 55,000 pounds of pet food in 2023.

PAWS Chicago's programs implement solutions to build No Kill communities, end pet overpopulation, and transform animal welfare, setting higher 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 90%. PAWS Chicago also saves at-risk animals from high-kill states and supports animals impacted by natural disasters, such as the devastating tornados that ripped across the Midwest and Mid-Atlantic states in April 2023.

In summary, 2023 results include: 16,587 free and low-cost spay/neuter surgeries, including 2,428 Trap-Neuter-Return spay/neuter surgeries for feral cats; 4,561 adoptions of homeless animals into new, loving families; a 98.62% save rate even while serving extremely vulnerable populations; 716 special surgeries; 39,432 free and low-cost vaccinations; 54,989 pounds of pet food distributed through our Pet Food Pantry; 1,921 homeless animals placed in foster care; 106,221 hours worked by volunteers (the equivalent of 51 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

PAWS Chicago's commitment 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 and injured animals, or those with behavioral needs.

In addition to performing 16,587 spay/neuter procedures, veterinary surgeons performed 716 advanced surgeries addressing orthopedic trauma and disorders, dental degeneration, hernia repair, mass removal, and other medical needs.

PAWSCHICAGO®

Building No Kill Communities

The PAWS Chicago Nan & Wayne Kocourek Medical Center is the first stop for homeless animals when they arrive at PAWS, and its world-class veterinary team treats cases on-site. In 2023, 38% of all transfers to rescues out of Chicago Animal Care and Control, the city impoundment facility, came to PAWS Chicago, including critical, time-sensitive, and at-risk of euthanasia cases.

A robust foster network cares for pets when they are stable and ready to recover in a home environment; 1,921 animals stayed in foster care in 2023.

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 animals 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 is the only remaining local provider of high-volume, low-cost spay/neuter surgeries, performing 16,587 in 2023. The majority of stray, feral, and unwanted pets originate in under-resourced communities. Through the PAWS Chicago Lurie Spay/Neuter Clinic in Little Village, located less than two miles from Chicago Animal Care and Control, PAWS offers spay/neuter services where they are needed most and where they make the most impact. In 2023, PAWS Chicago surpassed the milestone of 300,000 free and low-cost spay/neuter surgeries since the Lurie Clinic's opening in 2000, which has changed the landscape of pet homelessness citywide.

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 PAWS Community Outreach programming in 2014. Community Outreach staff and volunteers work to expand access to spay/neuter and essential pet resources in Chicago's most underserved communities.

Since launching in 2014, the primary neighborhood of focus has been Englewood, where more than 49% of the population lives below the poverty line. In recent years, PAWS has expanded services to include nearby West Englewood, Woodlawn, and Back of the Yards. Community Outreach programs serve as an animal welfare anchor through which PAWS provides even more preventative resources beyond free spay/neuter and transportation, such as vaccinations and microchipping. Additionally, PAWS has introduced a Community Medicine program that provides free veterinary care to sick, injured, and suffering pets who would otherwise never see a veterinarian.

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

PAWSCHICAGO®

Building No Kill Communities

kittens born each year, TNR reduces the number of animals entering the shelter system while also saving kittens and finding them adoptive homes. In 2023, PAWS performed 2,428 spay/neuter surgeries on feral cats. These prevention efforts are critical to ending the killing of homeless pets. There has been a 90.2% reduction in the 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 Center and innovative programming, PAWS united 4,561 animals with loving homes in 2023.

Using PAWS Chicago's 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 support.

Community Engagement

Community Engagement is the foundation for creating lasting change for animals, and it is the basis upon which all of PAWS Chicago's programs are built. People created 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 which can be replicated and scaled in any community, 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 the city's rescue groups and shelters by providing low-cost medical services at the Lurie 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.

PAWSCHICAGO®

Building No Kill Communities

Volunteers

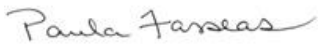
Volunteers are the life force behind PAWS Chicago's operations and are an essential ingredient to building a No Kill Chicago. In 2023, volunteers dedicated 106,221 hours of service, the equivalent of 51 full-time employees.

And that does not include the hours put in by foster families who took in and cared for 1,921 animals in need in 2023. 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 PAWS staff to amplify lifesaving. From shepherding the adoption process to attending to the needs of sick pets at the Medical Center to manning our off-site adoption and community events, 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 the mission of building No Kill communities.

Sincerely,



Founder and Executive Chair

PAWS CHICAGO
FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

CONTENTS

	PAGE
Report of Independent Auditors	1
Statements of Financial Position	3
Statement of Activities - Year Ended December 31, 2023	4
Statement of Activities - Year Ended December 31, 2022	5
Statement of Functional Expenses - Year Ended December 31, 2023	6
Statement of Functional Expenses - Year Ended December 31, 2022	7
Statements of Cash Flows	8
Notes to Financial Statements	9

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, 2023 and 2022, 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, 2023 and 2022, 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.

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 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 12, 2024

PAWS CHICAGO

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CASH	\$ 6,683,045	\$ 9,496,874
INVENTORIES	141,740	129,644
PREPAID EXPENSES AND OTHER ASSETS	233,312	279,282
INVESTMENTS - at fair value	92,968,791	69,264,129
PROPERTY AND EQUIPMENT - net	18,588,833	19,331,462
UNCONDITIONAL PROMISES TO GIVE - net	<u>5,890,715</u>	<u>1,258,918</u>
Total assets	<u>\$ 124,506,436</u>	<u>\$ 99,760,309</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 602,132	\$ 1,490,601
Accrued expenses	346,793	201,359
Deferred revenue	<u>458,422</u>	<u>317,182</u>
Total liabilities	<u>1,407,347</u>	<u>2,009,142</u>
NET ASSETS		
Without donor restrictions	85,015,841	73,176,402
With donor restrictions	<u>38,083,248</u>	<u>24,574,765</u>
Total net assets	<u>123,099,089</u>	<u>97,751,167</u>
Total liabilities and net assets	<u>\$ 124,506,436</u>	<u>\$ 99,760,309</u>

See accompanying notes to financial statements.

PAWS CHICAGO

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2023

	Without Donor Restrictions			With Donor Restrictions			Total
	Operations	Board Designated	Total	Purpose Restricted	Perpetual In Nature	Total	
REVENUE							
Program service fees							
Adoption centers	\$ 991,034	\$ -	\$ 991,034	\$ -	\$ -	\$ -	\$ 991,034
Spay/neuter clinic	1,544,651	-	1,544,651	-	-	-	1,544,651
Training center	198,757	-	198,757	-	-	-	198,757
Contributions	9,653,479	4,512,486	14,165,965	210,500	8,107,908	8,318,408	22,484,373
Contributions - in kind	1,210,534	-	1,210,534	-	-	-	1,210,534
Investment income	-	9,735,115	9,735,115	-	5,594,986	5,594,986	15,330,101
Special events - net	3,322,628	-	3,322,628	-	-	-	3,322,628
Reclassification due to donor intent	-	-	-	(229,541)	229,541	-	-
Net assets released from restrictions	404,911	-	404,911	(404,911)	-	(404,911)	-
Total revenue	<u>17,325,994</u>	<u>14,247,601</u>	<u>31,573,595</u>	<u>(423,952)</u>	<u>13,932,435</u>	<u>13,508,483</u>	<u>45,082,078</u>
EXPENSES							
Program services							
Animal health and behavior	8,183,748	-	8,183,748	-	-	-	8,183,748
Spay/neuter clinic	4,000,027	-	4,000,027	-	-	-	4,000,027
Adoption	2,288,793	-	2,288,793	-	-	-	2,288,793
Community outreach	477,901	-	477,901	-	-	-	477,901
Volunteer program	576,187	-	576,187	-	-	-	576,187
Community engagement	1,233,534	-	1,233,534	-	-	-	1,233,534
Total program services	<u>16,760,190</u>	<u>-</u>	<u>16,760,190</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,760,190</u>
Supporting services							
Management and general	786,260	-	786,260	-	-	-	786,260
Special events	1,262,612	-	1,262,612	-	-	-	1,262,612
Fundraising	925,094	-	925,094	-	-	-	925,094
Total supporting services	<u>2,973,966</u>	<u>-</u>	<u>2,973,966</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,973,966</u>
Total expenses	<u>19,734,156</u>	<u>-</u>	<u>19,734,156</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,734,156</u>
CHANGE IN NET ASSETS	(2,408,162)	14,247,601	11,839,439	(423,952)	13,932,435	13,508,483	25,347,922
NET ASSETS							
Beginning of year	<u>36,558,530</u>	<u>36,617,872</u>	<u>73,176,402</u>	<u>1,156,551</u>	<u>23,418,214</u>	<u>24,574,765</u>	<u>97,751,167</u>
End of year	<u>\$ 34,150,368</u>	<u>\$ 50,865,473</u>	<u>\$ 85,015,841</u>	<u>\$ 732,599</u>	<u>\$ 37,350,649</u>	<u>\$ 38,083,248</u>	<u>\$ 123,099,089</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 income (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
Spay/neuter clinic	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 FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2023

	Program Services						Supporting Services					Total
	Animal Health and Behavior	Spay/Neuter Clinic	Adoption	Community Outreach	Volunteer Program	Community Engagement	Total Program Services	Management And General	Special Events	Fund Raising	Total Supporting Services	
Compensation	\$ 4,408,373	\$ 2,351,874	1,340,402	\$ 369,767	\$ 436,852	\$ 415,124	\$ 9,322,392	\$ 331,897	\$ 430,995	\$ 147,229	\$ 910,121	\$ 10,232,513
Benefits and taxes	324,865	172,777	89,651	26,891	30,896	30,735	675,815	22,168	32,403	9,989	64,560	740,375
Animal care supplies	377,920	102,132	-	-	-	-	480,052	-	-	-	-	480,052
Medical supplies	706,111	252,461	14,109	-	-	-	972,681	-	-	-	-	972,681
Merchandise cost	-	-	-	-	-	287	287	-	116,291	863	117,154	117,441
Professional fees	334,984	189,331	247,360	25,483	26,126	272,825	1,096,109	229,812	114,162	374,276	718,250	1,814,359
Office supplies	25,691	12,076	11,203	715	12,208	31,145	93,038	33,941	40,231	5,628	79,800	172,838
Advertising	-	-	2,690	-	-	84,472	87,162	-	13,490	-	13,490	100,652
Event catering and food	681	74	-	-	7,495	114	8,364	-	453,900	4,634	458,534	466,898
Expenses - in-kind	807,011	-	-	-	-	-	807,011	-	403,523	-	403,523	1,210,534
Dues and subscriptions	3,304	3,625	-	-	-	1,977	8,906	1,764	250	994	3,008	11,914
Depreciation	326,692	288,620	239,606	-	-	53,140	908,058	3,098	32,525	-	35,623	943,681
Insurance	102,593	88,143	21,675	5,780	7,225	10,115	235,531	24,564	5,780	13,005	43,349	278,880
Technology	256,239	200,561	49,312	13,150	16,437	23,012	558,711	83,309	13,150	29,587	126,046	684,757
Printing and production	87,547	51,498	41,199	10,300	5,149	128,746	324,439	-	25,749	164,795	190,544	514,983
Postage	116,726	55,584	50,025	16,675	11,117	144,517	394,644	11,117	-	150,076	161,193	555,837
Repairs, maintenance and rental fees	111,058	102,508	79,357	7	-	17,600	310,530	6,254	10,772	-	17,026	327,556
Telephone and internet	45,534	39,121	9,620	2,565	3,207	4,489	104,536	10,902	2,565	5,772	19,239	123,775
Travel, meals and auto	48,740	3,068	2,609	5,768	17,311	142	77,638	22,989	17,370	16,447	56,806	134,444
Occupancy	99,679	86,574	65,671	800	2,164	15,094	269,982	4,445	261,330	1,799	267,574	537,556
Training reimbursement	-	-	24,304	-	-	-	24,304	-	-	-	-	24,304
Total expenses by function	8,183,748	4,000,027	2,288,793	477,901	576,187	1,233,534	16,760,190	786,260	1,974,486	925,094	3,685,840	20,446,030
Cost of direct benefit to donor	-	-	-	-	-	-	-	-	(711,874)	-	(711,874)	(711,874)
Total expenses on statements of activities	\$ 8,183,748	\$ 4,000,027	\$ 2,288,793	\$ 477,901	\$ 576,187	\$ 1,233,534	\$ 16,760,190	\$ 786,260	\$ 1,262,612	\$ 925,094	\$ 2,973,966	\$ 19,734,156

See accompanying notes to financial statements.

PAWS CHICAGO

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	Program Services						Supporting Services					Total
	Animal Health and Behavior	Spay/Neuter Clinic	Adoption	Community Outreach	Volunteer Program	Community Engagement	Total Program Services	Management And General	Special Events	Fund Raising	Total Supporting Services	
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, maintenance and rental fees	18,458	5,927	1,965	14,035	14,262	-	54,647	21,380	188,260	-	209,640	264,287
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	24,131	6,117	25,711	413,455	12,041	14,500	2,380	28,921	442,376
Training reimbursement	-	-	69,682	-	-	-	69,682	-	-	-	-	69,682
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	<u>\$ 6,982,261</u>	<u>\$ 4,056,255</u>	<u>\$ 2,230,779</u>	<u>\$ 603,133</u>	<u>\$ 491,533</u>	<u>\$ 1,110,164</u>	<u>\$ 15,474,125</u>	<u>\$ 739,115</u>	<u>\$ 1,380,334</u>	<u>\$ 857,831</u>	<u>\$ 2,977,280</u>	<u>\$ 18,451,405</u>

See accompanying notes to financial statements.

PAWS CHICAGO

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 2,078,822	\$ 3,213,453
Cash received from contributors	11,572,767	15,741,608
Investment income received	1,817,006	1,747,946
Cash paid to employees and suppliers	<u>(18,289,100)</u>	<u>(15,906,628)</u>
Net cash (used in) provided by operating activities	<u>(2,820,505)</u>	<u>4,796,379</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investment securities	(10,148,699)	(6,915,505)
Sale of investment securities	2,248,520	1,865,332
Purchases of property and equipment	<u>(201,053)</u>	<u>(447,146)</u>
Net cash (used in) investing activities	<u>(8,101,232)</u>	<u>(5,497,319)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for long-term purposes	<u>8,107,908</u>	<u>2,864,539</u>
CHANGE IN CASH	(2,813,829)	2,163,599
CASH		
Beginning of year	<u>9,496,874</u>	<u>7,333,275</u>
End of year	<u><u>\$ 6,683,045</u></u>	<u><u>\$ 9,496,874</u></u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH OPERATING AND FINANCING ACTIVITIES		
In-kind contributions	<u>\$ 1,210,534</u>	<u>\$ 1,150,077</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	<u>\$ 25,347,922</u>	<u>\$ (10,668,220)</u>
Adjustments		
Net depreciation (appreciation) in investments	(13,513,096)	17,700,098
Depreciation	943,681	954,222
Bad debt expense	-	698,207
Contributions restricted for long-term purposes	(8,107,908)	(2,864,539)
Contributed investments received	(2,291,387)	(377,921)
(Gain) on debt forgiveness	-	(1,116,955)
(Increase) decrease in		
Unconditional promises to give	(4,631,797)	(106,215)
Inventories	(12,096)	(89,690)
Prepaid expenses	45,970	(86,037)
Increase (decrease) in:		
Accounts payable	(888,468)	543,617
Accrued expenses	145,434	72,588
Deferred revenue	<u>141,240</u>	<u>137,224</u>
Total adjustments	<u>(28,168,427)</u>	<u>15,464,599</u>
Net cash (used in) provided by operating activities	<u><u>\$ (2,820,505)</u></u>	<u><u>\$ 4,796,379</u></u>

See accompanying notes to financial statements.

PAWS CHICAGO

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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 June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments - Credit Losses* (Topic 326), which is effective for the year ended December 31, 2023. This new standard provides financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The standard replaced the incurred loss impairment model with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The standard had no material effect on the financial statements.

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, 2023 and 2022, the Organizations had net assets of \$50,865,473 and \$36,617,872 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 event. 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, 2023 and 2022, 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, 2023 and 2022, the Organization received \$1,210,534 and \$1,150,076 in contributed goods, respectively, and was not considered to be restricted. Animal food received was used at the medical center and adoption centers to feed the animals which represents \$807,011 and \$632,270 of gift-in-kind for the years ended December 31, 2023 and 2022, respectively. Contributed goods are used at auctions or as giveaways to donors during special events which represents \$403,523 and \$526,806 of gift-in-kind for the years ended December 31, 2023 and 2022, respectively. No contributed gifts-in-kind remain at year end.

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 \$458,422, \$317,182, and \$179,958 at December 31, 2023, December 31, 2022 and December 31, 2021, respectively.

Advertising - The Organization recognizes advertising expenditures as they are incurred. Advertising expense totaled \$100,652 and \$55,418 for the years ended December 31, 2023 and 2022, respectively.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 November 12, 2024, 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, 2023 and 2022 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>2023</u>	<u>2022</u>
Total assets	\$ 124,506,436	\$ 99,760,309
Less nonfinancial assets		
Inventories	(141,740)	(129,644)
Prepaid expenses and other assets	(233,312)	(279,282)
Property and equipment, net	(18,588,833)	(19,331,462)
Unconditional promises to give - greater than a year	(2,363,717)	(387,385)
	<u>(21,327,602)</u>	<u>(20,127,773)</u>
Financial assets	<u>103,178,834</u>	<u>79,632,536</u>
Less assets not available for general expenditures within one year due to:		
Contractual or donor imposed restrictions		
Restrictions that are perpetual in nature	37,350,649	23,418,214
Purpose restricted	732,599	1,156,551
Board designations set aside for liquidity needs that exceed one year	<u>50,865,473</u>	<u>36,617,872</u>
	<u>88,948,721</u>	<u>61,192,637</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 14,230,113</u>	<u>\$ 18,439,899</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 a 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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Money market funds	\$ 11,991,737	\$ 5,017,893
Mutual funds	61,613,670	50,072,060
Common Stocks	18,626,884	13,451,176
Real estate	<u>736,500</u>	<u>723,000</u>
Total investments	<u>\$ 92,968,791</u>	<u>\$ 69,264,129</u>

Investment income (loss) for the years ended December 31, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Interest and dividend income	\$ 1,862,931	\$ 1,801,139
Realized gain	777,968	294,444
Unrealized gain (loss)	12,735,128	(17,994,542)
Investment expenses	<u>(45,926)</u>	<u>(53,193)</u>
Total investment income (loss)	<u>\$ 15,330,101</u>	<u>\$ (15,952,152)</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, 2023 and 2022. 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 12/31/23 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	\$ 3,975,758	\$ 3,975,758	\$ -	\$ -
Fixed income	9,390,672	9,390,672	-	-
Global equity	6,414,934	6,414,934	-	-
International equity	6,466,027	6,466,027	-	-
Large cap blend	4,557,437	4,557,437	-	-
Large cap growth	13,031,164	13,031,164	-	-
Large cap value	9,568,799	9,568,799	-	-
Mid cap blend	4,322,342	4,322,342	-	-
Real estate	1,842,839	1,842,839	-	-
Small cap growth	2,043,698	2,043,698	-	-
Common stocks				
Consumer defensive	221,512	221,512	-	-
Entertainment	54,288	54,288	-	-
Financial	2,187,800	2,187,800	-	-
Healthcare	2,026,546	2,026,546	-	-
Industrial	1,288,121	1,288,121	-	-
Information technology	12,689,422	12,689,422	-	-
Real estate	159,195	159,195	-	-
Money market funds	11,991,737	-	11,991,737	-
Real estate	736,500	-	-	736,500
Total	<u>\$ 92,968,791</u>	<u>\$ 80,240,554</u>	<u>\$ 11,991,737</u>	<u>\$ 736,500</u>

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	723,000	-	-	723,000
Total	<u>\$ 69,264,129</u>	<u>\$ 63,523,236</u>	<u>\$ 5,017,893</u>	<u>\$ 723,000</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 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 December 31, 2023.

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 a \$13,500 increase in the fair value of the real estate property for the year ended December 31, 2023. Subsequent to year-end, the property was sold for \$1,100,000.

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, 2023 and 2022.

Unconditional promises to give include the following:

	<u>2023</u>	<u>2022</u>
Promises to give beginning of year	\$ 1,369,267	\$ 1,982,479
Amount pledged during the year	8,009,039	330,000
Amount collected during the year	(3,121,264)	(564,852)
Pledges written off	<u>(75,248)</u>	<u>(378,360)</u>
Promises to give end of year	6,181,794	1,369,267
Less:		
Discounts to present value	(221,079)	(40,349)
Allowance for doubtful promises	<u>(70,000)</u>	<u>(70,000)</u>
Net promises to give	<u>\$ 5,890,715</u>	<u>\$ 1,258,918</u>
	<u>2023</u>	<u>2022</u>
Less than one year	\$ 3,818,077	\$ 981,882
One to five years	<u>2,363,717</u>	<u>387,385</u>
	<u>\$ 6,181,794</u>	<u>\$ 1,369,267</u>

NOTE 9. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Land	\$ 3,874,619	\$ 3,874,619
Buildings	18,571,513	18,514,874
Leasehold Improvements	183,725	183,725
Furniture fixtures and improvements	2,045,302	2,045,301
Equipment	1,089,261	1,077,096
Computer equipment	598,906	505,313
Software	321,888	283,233
Vehicles	550,556	550,556
	<u>27,235,770</u>	<u>27,034,717</u>
Less accumulated depreciation	<u>(8,646,937)</u>	<u>(7,703,255)</u>
Total	<u>\$ 18,588,833</u>	<u>\$ 19,331,462</u>

Depreciation expense for the years ended December 31, 2023 and 2022 was \$943,681 and \$954,222 respectively.

Subsequent to year end, PAWS Chicago entered into a contingent contract to purchase a 20-acre property in Hawthorn Woods for a Suburban Adoption Center.

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

NOTE 10. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

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.

Changes in net assets with donor restrictions as of December 31, 2023 and 2022 were as follows:

	December 31, 2023		
	<u>Perpetual in Nature</u>	<u>Purpose Restricted</u>	<u>Total</u>
Beginning of year	\$ 23,418,214	\$ 1,156,551	\$ 24,574,765
Contributions	8,107,908	210,500	8,318,408
Investment gain	5,594,986	-	5,594,986
Change in donor intent	229,541	(229,541)	-
Appropriated for expenditure	<u>-</u>	<u>(404,911)</u>	<u>(404,911)</u>
End of year	<u>\$ 37,350,649</u>	<u>\$ 732,599</u>	<u>\$ 38,083,248</u>

	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>

NOTE 10. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

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 principle 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 \$26,601,349 and \$18,263,900, as of December 31, 2023 and 2022, respectively. Following is a summary of funds that have restrictions that are perpetual in nature as of December 31:

	<u>2023</u>	<u>2022</u>
Free-spay/neuter program	\$ 1,977,887	\$ 1,718,912
Lincoln-Park Adoption Center	21,104,316	16,047,300
Medial assistance for dogs with treatable illness	803,174	698,010
Medical Center Campaign Fund Endowment	7,924,226	498,176
Medical treatment of animals under 6 months old	291,152	253,030
Medical treatment of kittens	1,285,077	1,116,815
General endowment	<u>3,964,817</u>	<u>3,085,971</u>
Total	<u>\$ 37,350,649</u>	<u>\$ 23,418,214</u>

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.

NOTE 10. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**Donor-Restricted - Purpose Restricted**

Following is a summary of the activity in purpose restricted net assets for the years ended December 31, 2023 and 2022:

	2023			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Assets Released</u>	<u>Ending Balance</u>
Adoption program	\$ 242,500	\$ -	\$ 150,000	\$ 92,500
GUS Mobile	366,394	-	-	366,394
Sick and insured/shelter medicine	177,816	-	99,911	77,905
Strategic initiatives growth fund	229,541	-	229,541	-
Other timing restrictions	140,300	210,500	155,000	195,800
Total	<u>\$ 1,156,551</u>	<u>\$ 210,500</u>	<u>\$ 634,452</u>	<u>\$ 732,599</u>

	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	55,001	377,912	177,816
Spay/neuter clinic	107,116	-	107,116	-
Strategic initiatives growth fund	1,126,212	1	896,672	229,541
Other timing restrictions	178,565	220,000	258,265	140,300
Total	<u>\$ 3,435,797</u>	<u>\$ 375,002</u>	<u>\$ 2,654,248</u>	<u>\$ 1,156,551</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, 2023 and 2022.

Composition of and changes in board-designated endowment net assets for the years ended December 31, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Beginning designated balance	\$ 36,617,872	\$ 43,740,640
Net appreciation (depreciation) on investments	9,735,115	(9,932,611)
Contributions	4,512,486	2,809,843
Ending designated balance	<u>\$ 50,865,473</u>	<u>\$ 36,617,872</u>

NOTE 12. EMPLOYEE BENEFIT PLAN

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, 2023 and 2022, the employer match contribution was \$87,679 and \$86,301, respectively, 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. GAIN ON DEBT EXTINGUISHMENT

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.

The Organization obtained forgiveness during 2022 for the second loan installment. 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 statements of activities and the full amount was recognized as revenue during the years ended December 31, 2022.

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, 2023 and 2022. Net special events for the years ended December 31, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Contributions/sponsorships	\$ 3,771,537	\$ 4,345,255
Ticket sales	262,965	344,664
Total event expenses	<u>(711,874)</u>	<u>(504,750)</u>
Net special events revenue	<u>\$ 3,322,628</u>	<u>\$ 4,185,169</u>

NOTE 17. MAJOR CONTRIBUTOR

For the year ended December 31, 2023, one major contributor accounted for 21% of total contribution revenue to the Organization. There were no major contributors noted for the year ended December 31, 2022. Subsequent to year end, PAWS Chicago received a major contribution of \$3.7M with no donor restrictions.