

SAVE-A-PET, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2022

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Save-A-Pet, Inc.
Grayslake, Illinois

Opinion

We have audited the accompanying financial statements of SAVE-A-PET, INC. (an Illinois nonprofit Organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses and 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 SAVE-A-PET, INC. 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. 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 SAVE-A-PET, INC. 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SAVE-A-PET, INC.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 SAVE-A-PET, INC.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SAVE-A-PET, INC.'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.

Warady & Davis LLP

August 3, 2023

STATEMENTS OF FINANCIAL POSITION

As of December 31	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,134,550	\$ 658,814
Investments, at Fair Value	5,538,307	6,483,604
Contributions Receivable	45,491	53,383
Pledges Receivable	40,000	14,200
Bequests Receivable	50,061	123,540
Employee Retention Credit Receivable	248,523	330,245
Inventory	3,399	3,959
Prepaid Expenses	42,252	16,527
Total Current Assets	<u>7,102,583</u>	<u>7,684,272</u>
NONCURRENT ASSETS		
Property and Equipment, net of Accumulated Depreciation and Amortization	1,466,106	1,522,295
Website, net of Accumulated Amortization	6,444	4,000
Total Noncurrent Assets	<u>1,472,550</u>	<u>1,526,295</u>
	<u>\$ 8,575,133</u>	<u>\$ 9,210,567</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 66,585	\$ 54,049
Accrued Expenses	1,828	1,048
Accrued Wages and Payroll Taxes	12,986	7,333
Accrued Vacation	18,944	16,777
Total Current Liabilities	<u>100,343</u>	<u>79,207</u>
NET ASSETS		
Without Donor Restrictions	8,020,973	8,600,945
With Donor Restrictions - Time and Purpose	398,457	525,393
With Donor Restrictions - Endowment	55,360	5,022
Total Net Assets	<u>8,474,790</u>	<u>9,131,360</u>
	<u>\$ 8,575,133</u>	<u>\$ 9,210,567</u>

STATEMENTS OF ACTIVITIES

For the Years Ended December 31

2022

2021

	2022				2021			
	Without Donor Restrictions	With Donor Restrictions		Total	Without Donor Restrictions	With Donor Restrictions		Total
		Time and Purpose Restrictions	Endowment			Time and Purpose Restrictions	Endowment	
REVENUES								
Support								
Contributions								
Donations and Grants	\$ 856,102	\$ 193,816	\$ 50,338	\$ 1,100,256	\$ 754,118	\$ 276,414	\$	\$ 1,030,532
Government Grants				—		531,470		531,470
Bequests	921,997			921,997	514,063			514,063
Donated Goods and Services	72,273			72,273	37,740			37,740
	<u>1,850,372</u>	<u>193,816</u>	<u>50,338</u>	<u>2,094,526</u>	<u>1,305,921</u>	<u>807,884</u>		<u>2,113,805</u>
Merchandise Sales	4,594			4,594	2,884			2,884
Less: Cost of Sales	<u>(3,163)</u>			<u>(3,163)</u>	<u>(2,705)</u>			<u>(2,705)</u>
	<u>1,431</u>			<u>1,431</u>	<u>179</u>			<u>179</u>
Special Event Revenue	<u>169,806</u>			<u>169,806</u>	129,374			129,374
Total Support	<u>2,021,609</u>	<u>193,816</u>	<u>50,338</u>	<u>2,265,763</u>	<u>1,435,474</u>	<u>807,884</u>		<u>2,243,358</u>
Program Services								
Animal-Related Fees	<u>115,367</u>			<u>115,367</u>	108,817			108,817
Other Revenues and Gains								
Investment Income (Loss), net of								
Investment Fees	(944,870)	34		(944,836)	454,946			454,946
Miscellaneous	<u>1,945</u>			<u>1,945</u>	185			185
Total Other Revenues, net	<u>(942,925)</u>	<u>34</u>		<u>(942,891)</u>	<u>455,131</u>			<u>455,131</u>
Net Assets Released from Restrictions								
Expiration of Purpose Restrictions	<u>320,786</u>	<u>(320,786)</u>		<u>—</u>	319,773	(319,773)		<u>—</u>
Total Support and Revenue	<u>1,514,837</u>	<u>(126,936)</u>	<u>50,338</u>	<u>1,438,239</u>	<u>2,319,195</u>	<u>488,111</u>		<u>2,807,306</u>
EXPENSES								
Animal Welfare Program	<u>1,492,860</u>			<u>1,492,860</u>	1,230,233			1,230,233
Supporting Services								
Management and General	339,739			339,739	297,615			297,615
Fundraising								
Development	195,358			195,358	144,570			144,570
Direct Expenses for Special Events	<u>66,852</u>			<u>66,852</u>	<u>55,279</u>			<u>55,279</u>
Total Supporting Services	<u>601,949</u>			<u>601,949</u>	<u>497,464</u>			<u>497,464</u>
Total Expenses	<u>2,094,809</u>			<u>2,094,809</u>	<u>1,727,697</u>			<u>1,727,697</u>
CHANGE IN NET ASSETS	(579,972)	(126,936)	50,338	(656,570)	591,498	488,111		1,079,609
Net Assets, Beginning of Year	8,600,945	525,393	5,022	9,131,360	8,009,447	37,282	5,022	8,051,751
NET ASSETS, ENDING	\$ <u>8,020,973</u>	\$ <u>398,457</u>	\$ <u>55,360</u>	\$ <u>8,474,790</u>	\$ <u>8,600,945</u>	\$ <u>525,393</u>	\$ <u>5,022</u>	\$ <u>9,131,360</u>

See accompanying notes.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2022

	Animal Welfare Program	Supporting Services			Total Supporting Services	Total Expenses
		Management and General	Development Fundraising	Direct Expenses to Special Event		
Salaries	\$ 647,550	\$ 207,785	\$ 136,667	\$ —	\$ 344,452	\$ 992,002
Payroll Taxes and Employee Benefits	73,948	21,596	15,043	—	36,639	110,587
Health, Food, and Other Shelter Supplies	136,334	—	—	—	—	136,334
Promotion/Advertising	—	21,065	—	2,641	23,706	23,706
Insurance	48,256	13,079	999	—	14,078	62,334
Office Expense and Supplies	5,456	1,635	3,819	11,175	16,629	22,085
Newsletter	18,510	487	487	—	974	19,484
Bank Charges and Credit Card Fees	—	5,949	14,004	—	19,953	19,953
Depreciation and Amortization Expense	111,525	2,935	2,935	—	5,870	117,395
Dues, Subscriptions, Licenses and Fees	—	1,480	—	510	1,990	1,990
Entertainment	—	—	—	1,650	1,650	1,650
Loss on Disposal of Property and Equipment	—	272	—	—	272	272
Postage	—	1,741	5,705	—	7,446	7,446
Professional Fees	—	45,304	7,570	—	52,874	52,874
Telephone	10,026	557	557	—	1,114	11,140
Rent/Venue	1,483	7,788	—	46,895	54,683	56,166
Repairs and Maintenance	35,501	5,917	5,917	—	11,834	47,335
Training	519	116	81	—	197	716
Transportation	2,716	1,254	—	—	1,254	3,970
Utilities	29,587	779	778	—	1,557	31,144
Veterinary Services	369,932	—	—	—	—	369,932
Miscellaneous	1,517	—	796	3,981	4,777	6,294
TOTAL EXPENSES	\$ 1,492,860	\$ 339,739	\$ 195,358	\$ 66,852	\$ 601,949	\$ 2,094,809

See accompanying notes.

STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

For the Year Ended December 31, 2021

	Animal Welfare Program	Supporting Services			Total Supporting Services	Total Expenses
		Management and General	Development Fundraising	Direct Expenses to Special Event		
Salaries	\$ 532,624	\$ 188,331	\$ 100,364	\$ —	\$ 288,695	\$ 821,319
Payroll Taxes and Employee Benefits	64,160	19,315	7,918	—	27,233	91,393
Health, Food, and Other Shelter Supplies	95,933	—	—	3,639	3,639	99,572
Promotion/Advertising	—	6,440	—	1,293	7,733	7,733
Insurance	37,244	7,412	957	—	8,369	45,613
Office Expense and Supplies	3,477	1,048	2,434	3,321	6,803	10,280
Newsletter	20,247	533	533	—	1,066	21,313
Bank Charges and Credit Card Fees	—	6,511	12,240	360	19,111	19,111
Depreciation and Amortization Expense	102,401	2,695	2,695	—	5,390	107,791
Dues, Subscriptions, Licenses and Fees	—	391	—	698	1,089	1,089
Entertainment	—	—	—	996	996	996
Postage	—	1,634	6,743	—	8,377	8,377
Professional Fees	—	41,028	—	—	41,028	41,028
Telephone	11,277	627	627	—	1,254	12,531
Rent	1,935	10,158	—	41,632	51,790	53,725
Repairs and Maintenance	35,747	6,526	8,211	—	14,737	50,484
Training	4,385	—	—	—	—	4,385
Transportation	4,162	1,015	—	—	1,015	5,177
Utilities	32,688	860	860	—	1,720	34,408
Veterinary Services	282,594	—	—	—	—	282,594
Miscellaneous	1,359	3,091	988	3,340	7,419	8,778
TOTAL EXPENSES	\$ 1,230,233	\$ 297,615	\$ 144,570	\$ 55,279	\$ 497,464	\$ 1,727,697

See accompanying notes.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	<u>\$ (656,570)</u>	<u>\$ 1,079,609</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	117,395	107,791
Loss on Disposal of Property and Equipment	272	—
Realized/Unrealized Net (Gains) Losses on Investments	1,033,358	(294,288)
Payroll Protection Program Loan Forgiveness	—	(203,771)
Donated Stock	(10,648)	(5,668)
Proceeds from Sale of Donated Stock	5,217	5,668
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in:		
Contributions Receivable	7,892	(5,347)
Pledges Receivable	(25,800)	(11,700)
Bequests Receivable	73,479	(112,054)
Employee Retention Credit Receivable	81,722	(330,245)
Inventory	560	532
Prepaid Expenses	(25,725)	13,954
Increase (Decrease) in:		
Accounts Payable	12,536	2,861
Accrued Expenses	780	(2,687)
Accrued Wages and Payroll Taxes	5,653	(472)
Accrued Vacation	2,167	(1,016)
Total Adjustments	<u>1,278,858</u>	<u>(836,442)</u>
Net Cash Provided by Operating Activities	<u>622,288</u>	<u>243,167</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales of Investments	888,654	2,970,362
Purchases of Investments	(525,793)	(2,926,951)
Reinvested Dividends and Interest	(87,587)	(118,832)
Change in Money Market and Uninvested Cash	(357,904)	(88,064)
Website Development Costs	(4,000)	(4,000)
Purchases of Property and Equipment	(60,272)	(84,186)
Proceeds from Sale of Property and Equipment	350	—
Net Cash Used by Investing Activities	<u>(146,552)</u>	<u>(251,671)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Payroll Protection Program Loan	—	203,771
NET INCREASE IN CASH AND CASH EQUIVALENTS	475,736	195,267
Cash and Cash Equivalents, Beginning	658,814	463,547
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 1,134,550</u>	<u>\$ 658,814</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Noncash Activities		
Donated Goods, Services and Facilities	<u>\$ 72,273</u>	<u>\$ 37,740</u>

NOTES TO FINANCIAL STATEMENTS

ORGANIZATION ACTIVITIES

Save-A-Pet, Inc. (the Organization) is an Illinois not-for-profit organization. The Organization was established for the purpose of maintaining an animal shelter (with a no-kill policy) for the aid, comfort, lodging, humane care, welfare and safety of animals. Major sources of revenues are contributions from the general public, fundraising events, bequests and program fees.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of management who is responsible for their integrity and objectivity. These accounting policies conform to U.S. generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

BASIS OF PRESENTATION

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

FINANCIAL STATEMENT PRESENTATION

The financial statement presentation follows the provisions of the FASB Codification topic related to Financial Statements of Not-for-Profit Organizations. This guidance requires the Organization to report information regarding its financial position and activities, based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations plus those resources for which donor-imposed purpose and time stipulations have been satisfied. Net assets without donor restrictions may otherwise be designated for specific purposes by action of the Board of Directors.

Net Assets With Donor Restrictions - Amounts that are stipulated by donors for specific operating purposes, the acquisition of equipment/kennel renovations or use in future periods. When a donor restriction expires (i.e., when a stipulated time restriction ends or purpose restriction is accomplished), these net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

In addition, certain amounts are stipulated by donors to be maintained in perpetuity. Investment income, including realized and unrealized gains and losses, are classified as time restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

RECOGNITION OF SUPPORT AND REVENUES

The Organization accounts for contributions received and unconditional promises to give, including bequests under the provisions of the FASB Codification topic related to contributions made and received. In accordance with the Codification, contributions are recognized as support or revenue when received. Unconditional promises to give are recognized at the estimated present value of future cash flows, net of allowances. All contributions are considered available for use unless specifically restricted by the donor or by laws and regulations.

NOTES TO FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**RECOGNITION OF SUPPORT AND REVENUES (Continued)**

The Organization's program service fees are comprised of animal adoption fees. The Organization's revenues received from such fees are recognized when the Organization's performance obligations are satisfied which is generally the point in time when the animal is adopted and sent home with its new owner. Amounts are billed and payment is due at the time of adoption. Amounts are not collected in advance, thus there are no program service fees deemed to be deferred revenue on the statements of financial position. There are no contracts which contain variable consideration and there are very few, if any, contract modifications.

Special events revenue, which includes registration fees, sponsorships and purchases of auction items or raffle tickets, is recorded as revenue when the event occurs. If the amount is received in advance, the amount considered a direct benefit is deferred until the event occurs and presented in deferred revenue on the statements of financial position, while the contribution portion, the excess amount paid over the direct benefit, is recorded when received.

The Employee Retention Credit (ERC) was enacted in 2020 under the CARES Act and was significantly expanded and extended for the first three quarters of 2021 by the American Rescue Plan Act. The purpose of this refundable credit is to help businesses keep employees on payroll by offsetting some of the associated costs. ERC is conditional on the Organization meeting certain employer eligibility criteria, as well as incurring qualifying expenses with specific per-employee caps. As such, the Organization is accounting for the ERC as a conditional government grant under ASC 958-605. For the year ended December 31, 2021, the Organization met the conditions on eligibility and incurred qualified costs, which entitled it to an ERC of \$327,699 plus \$2,546 of related accrued interest which is reported in government grants with donor restrictions on the statements of activities and Employee Retention Credit receivable of \$330,245. In the year ended December 31, 2022, the Organization received repayment of \$92,075 of which \$89,878 represents ERC payments, \$2,515 is interest and a reduction of \$318 which was applied to underpayment of FICA taxes. The amount of \$248,523, which includes accrued interest of \$10,702 is reported in Employee Retention Credit receivable on the statements of financial position as of December 31, 2022. The Organization considers the entire amount to be fully collectible and was in fact received in May 2023.

CASH AND CASH EQUIVALENTS

For purposes of the statements of cash flows, the Organization considers all highly liquid instruments purchased with original maturities of three months or less to be cash equivalents.

INVESTMENTS

The Organization follows the provisions of the FASB Codification for accounting for investments held by not-for-profit organizations. This standard requires that investments in marketable securities be accounted for at fair value. Fair value is based on quoted market prices. Realized gains and losses are the differences between the proceeds received and the cost of investments sold. Unrealized gains and losses are the differences between the fair value and the cost of investments and are included in the change in net assets.

The Organization's investments are comprised of mutual funds, exchange traded and closed-end funds and money market funds. Interest and dividend income and realized and unrealized gains and losses on investments are recognized in the statements of activities.

NOTES TO FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
INVENTORY

Inventory consists of merchandise purchased for sale at the shelter and items donated for auction at various events which remained in the Organization's possession at December 31, 2022 and 2021. Inventory is measured at the lower of cost or net realizable value. Purchased inventory is reflected at cost determined on the first-in, first-out (FIFO) method.

PROPERTY AND EQUIPMENT

Property and equipment are carried at cost when purchased or fair value as of the date of the gift, if donated. The Organization's policy is to capitalize all purchases of property and equipment greater than \$1,000. Depreciation and amortization are calculated on the straight-line method over the estimated useful lives of the assets as follows:

<u>Asset</u>	<u>Years</u>
Building and Building and Land Improvements.....	5 - 40
Furniture and Equipment.....	3 - 7
Vehicles	5
Computers and Software.....	3 - 5

WEBSITE

In 2022 and 2021, the Organization incurred total website development costs of \$4,000 each year for a total of \$8,000 which were amortized at December 31, 2022 over 3 years when put in service. Accumulated amortization was \$1,556 for 2022 and \$-0- for 2021.

DONATED GOODS AND SERVICES

Gifts of securities, property, equipment and other non-monetary assets are recorded at estimated fair value on the date of the gift using either the principal market (or most advantageous market) by utilizing publicly available website valuations for selling identical or similar products.

Donated services create or enhance nonfinancial assets, or require specialized skills, are performed by people with those skills, and would otherwise have to be purchased. In-kind donations and contributed services are reflected as donated goods and services, and the expenses are recorded in the corresponding functional expense category in the accompanying statements of activities.

The Organization also receives a significant amount of donated services from unpaid volunteers who assist in its programs in the furtherance of its purposes. No amounts have been recognized in the statements of activities because the criteria for recognition under the FASB Codification topic related to contributions made and received have not been satisfied.

NOTES TO FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing various programs and other activities are presented on a functional basis in the statements of activities. Accordingly, certain expenses have been allocated among the programs and supporting services benefited, based on direct charges or appropriate methods determined by management. These allocation methods include allocation of personnel and any other costs deemed to be related to time and efforts expended by employees on the different functional categories and allocation of occupancy and related costs using space utilization percentages occupied by the various functions.

NOTE 2—TAX-EXEMPT STATUS

The Organization is a not-for-profit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is similarly classified by the State of Illinois. The Organization has been classified as other than a private foundation by the Internal Revenue Service. Accordingly, the accompanying financial statements do not reflect income tax expense. The Organization files annual informational returns with the Internal Revenue Service and the Illinois Attorney General.

The Organization follows the guidance in the FASB Codification topic related to uncertainty in income taxes which prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements uncertain tax positions that the Organization has taken or expects to take in its tax returns. Under the guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is "more likely than not" that it is sustainable, based on its technical merits. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority having full knowledge of all relevant information. The Organization believes that it has appropriate support for the positions taken on its returns.

NOTE 3—LIQUIDITY AND AVAILABILITY OF RESOURCES

	<u>2022</u>	<u>2021</u>
Cash.....	\$ 1,134,550	\$ 658,814
Investments.....	5,538,307	6,483,604
Contributions Receivable	45,491	53,383
Pledges Receivable.....	40,000	14,200
Bequests Receivable	50,061	123,540
Employee Retention Credit Receivable.....	248,523	330,245
Less: Donor Restricted Net Assets – Time and Purpose.....	(398,457)	(525,393)
Less: Donor Restricted Net Assets – Endowment.....	<u>(55,360)</u>	<u>(5,022)</u>
	<u>\$ 6,603,115</u>	<u>\$ 7,133,371</u>

As part of its liquidity management plan, the Organization maintains sufficient cash to meet current operating needs and invests excess cash in its investment portfolio. The Organization also maintains a \$280,000 available line of credit (see Note 8), which it can draw upon if there was a cash flow need. As indicated in the above chart, the Organization has more than sufficient liquid assets to meet at least one year of expenses.

NOTES TO FINANCIAL STATEMENTS

NOTE 4—INVESTMENTS

Investments at fair value consist of the following for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Mutual Funds:		
Fixed Income.....	\$ 1,528,544	\$ 2,359,197
Equity – Small Cap	196,891	482,826
Equity – Mid Cap	251,986	836,170
Equity – Large Cap	1,346,413	—
Alternatives.....	284,078	228,911
Foreign Growth.....	—	611,144
Diversified Emerging Markets	—	302,322
Global Funds.....	—	515,794
Index Funds	—	379,608
Equity Income.....	<u>1,007,785</u>	<u>513,299</u>
Total Mutual Funds	<u>4,615,697</u>	<u>6,229,271</u>
Exchange Traded and Closed-End Funds:		
All Equity Funds	—	18,473
US Qual Funds	55,871	—
International Funds	<u>266,681</u>	<u>—</u>
Total Exchange Traded and Closed-End Funds.....	<u>322,552</u>	<u>18,473</u>
Common Stock	5,372	—
Money Market Funds	<u>568,914</u>	<u>216,597</u>
Total Investments at Fair Value	5,512,535	6,464,341
Uninvested Cash.....	<u>25,772</u>	<u>19,263</u>
	<u>\$ 5,538,307</u>	<u>\$ 6,483,604</u>

Investment income (loss) for the years ended December 31 includes:

	<u>2022</u>	<u>2021</u>
Dividend and Interest Income	\$ 122,793	\$ 197,569
Net Realized Gains (Losses).....	(207,530)	412,753
Net Unrealized Losses.....	(825,828)	(118,465)
Investment Expense	<u>(34,271)</u>	<u>(36,911)</u>
	<u>\$ (944,836)</u>	<u>\$ 454,946</u>

NOTE 5—PLEDGES RECEIVABLE

The Organization anticipates collection of outstanding pledges receivable at December 31, 2022 and 2021 as follows:

	<u>2022</u>	<u>2021</u>
Less than One Year	<u>\$ 40,000</u>	<u>\$ 14,200</u>

The Organization believes these pledges to be fully collectible, thus no allowance was deemed necessary at December 31, 2022 and 2021.

NOTES TO FINANCIAL STATEMENTS

NOTE 6—FAIR VALUE MEASUREMENTS

The FASB Codification provides a framework for measuring fair value using a 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:

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

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2022 and 2021.

Level 1 Fair Value Measurements

Fair values for the Organization's mutual funds, exchange traded and closed-end funds and money market funds were based on quoted market prices and are valued using level one inputs at December 31, 2022 and 2021.

Level 2 Fair Value Measurements

The Organization has no level 2 investments at December 31, 2022 and 2021.

Level 3 Fair Value Measurements

The Organization has no level 3 investments at December 31, 2022 and 2021.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 7—PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2022</u>	<u>2021</u>
Land.....	\$ 174,941	\$ 174,941
Building.....	1,729,402	1,729,402
Building and Land Improvements.....	1,086,986	1,078,133
Furniture and Equipment.....	284,109	247,592
Vehicles	55,571	55,571
Computers and Software.....	60,076	42,449
Office Equipment.....	8,649	8,649
Construction in Progress.....	-	5,067
	<u>3,399,734</u>	<u>3,341,804</u>
Accumulated Depreciation and Amortization.....	<u>1,933,628</u>	<u>1,819,509</u>
	<u>\$ 1,466,106</u>	<u>\$ 1,522,295</u>
Depreciation and Amortization Expense	<u>\$ 115,839</u>	<u>\$ 107,791</u>

NOTE 8—LINE OF CREDIT

In 2016, the Organization entered into a 2-year \$280,000 revolving line of credit, collateralized by the assets of the Organization. The line of credit has been renewed every two years since the initial agreement. On July 15, 2020, the line was renewed and matured on July 25, 2022. The line was again renewed on May 11, 2022, and matures on July 25, 2024. Interest is payable monthly at prime (3.25% at December 31, 2022). The amount outstanding was \$-0- at December 31, 2022 and 2021 and there were no borrowings in 2022 or 2021.

NOTE 9—PAYROLL PROTECTION PROGRAM LOAN FORGIVENESS

The Organization was awarded a second \$203,771 Payroll Protection Program (“PPP”) loan in January 2021 through the U.S. Small Business Administration to help keep their workforce employed during the Coronavirus (COVID-19) pandemic. The loan bears interest at a fixed rate of 1.00%. All payments of principal and interest are deferred for 10 months after the end of the borrower’s loan forgiveness covered period. The loan matures in January, 2023.

As permitted under accounting principles in accordance with U.S. GAAP, the Organization is treating the loan as a conditional grant under ASC 958-605 which will be recognized as government grant revenue when the conditions have been met which means the forgivable payroll, occupancy and other related costs have been incurred. and the federal agency lender legally forgives the loan. The Organization had the full balance of the loan forgiven on July 30, 2021 and the revenue is reflected in government grants with donor restrictions and fully released in the expiration of purpose restrictions on the statements of activities as of December 31, 2021.

NOTES TO FINANCIAL STATEMENTS

NOTE 10—RESTRICTED NET ASSETS

Time and purpose restricted net assets at December 31 were as follows:

	<u>2022</u>	<u>2021</u>
Training.....	\$ 2,436	\$ 4,065
Bequests - Time Restricted	50,061	123,540
Fire Doors and Computers	—	3,389
Medical Care	10,000	—
Specific Pet Care	500	—
Care of Long-Term Residents	77,653	50,000
Capital Campaign		
Dog Park	—	2,500
Van	14,500	—
Cat Room.....	4,352	—
Time Restricted (Pledges Receivable)	—	10,000
Feline Care.....	1,100	4,200
Employee Retention Credit.....	237,821	327,699
Unappropriated Endowment Fund Earnings – Special Needs.....	<u>34</u>	<u>—</u>
	<u>\$ 398,457</u>	<u>\$ 525,393</u>

Satisfaction of restrictions for the years ended December 31 were for the following:

	<u>2022</u>	<u>2021</u>
Training.....	\$ 2,329	\$ 1,807
Bequests – Time Restricted	123,540	11,486
Animal Medical and Healthcare.....	13,100	32,450
Specific Pet Care	1,260	6,530
Care of Long-Term Residents	22,346	—
Capital Campaign		
Fire Doors and Door Painting.....	3,389	14,244
Dog Park	21,545	—
Cat Room.....	1,619	—
Special Needs.....	135	30,325
Shed Buildout	—	4,160
Landscaping.....	—	15,000
Payroll Protection Program Loan Forgiveness	—	203,771
Feline Care.....	41,645	—
Employee Retention Credit.....	<u>89,878</u>	<u>—</u>
	<u>\$ 320,786</u>	<u>\$ 319,773</u>

Net assets in perpetuity of \$55,360 and \$5,022 at December 31, 2022 and 2021 are restricted for endowment investment, the income from which is expendable to benefit the animals.

NOTES TO FINANCIAL STATEMENTS

NOTE 11—ENDOWMENT FUNDS

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 classifies as net assets in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in perpetuity is classified as time restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, 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 various funds, (2) the purposes of the donor-restricted endowment funds, (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, and (7) the Organization's investment policies.

On December 7, 2022, the Organization entered into an endowment gift agreement with a donor to establish a fund in perpetuity, the annual distribution from which is to support special needs animals with an initial gift of \$50,000. As agreed upon between the donor and the Organization, an annual distribution of 4-5% of the fair market value of the endowment will be distributed annually. The distribution, which may from time to time exceed the net income (interest, dividend, and any other current income less applicable expenses) generated by the fund, will be distributed annually, and will be so distributed in full even if the fair market value of the Fund falls below its historic dollar value unless the Organization's board makes a determination to the contrary.

It is the Organization's policy to utilize a Moving Average Spending rate which is calculated by taking the average year-end portfolio value in the last 3 years and multiplying it by the spending rate of up to 4.5%. In the first few years following establishment of the endowment funds, the distribution will be calculated based on available year-end portfolio values, which may be less than 3 years. At December 31, 2022, no distributions were made out of the endowment.

Endowment net asset composition by type of fund as of December 31, 2022 is as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Time Restriction</u>	<u>With Donor Restriction in Perpetuity</u>	<u>Total</u>
Donor-Restricted				
Endowment Funds	\$ —	\$ 34	\$ 55,360	\$ 55,394

NOTES TO FINANCIAL STATEMENTS

NOTE 11—ENDOWMENT FUNDS (Continued)

Changes in endowment net assets as of December 31, 2022 are as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Time Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment Net Assets, January 1, 2022	\$ —	\$ —	\$ 5,022	\$ 5,022
Contributions			50,338	50,338
Investment Income	—	2	—	2
Net Unrealized Gains.....	—	34	—	34
Amounts Appropriated for Expenditure.....	<u>—</u>	<u>(2)</u>	<u>—</u>	<u>(2)</u>
Endowment Net Assets, December 31, 2022	<u>\$ —</u>	<u>\$ 34</u>	<u>\$ 55,360</u>	<u>\$ 55,394</u>

Endowment net asset composition by type of fund as of December 31, 2021 is as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Time Restriction</u>	<u>With Donor Restriction in Perpetuity</u>	<u>Total</u>
Donor-Restricted Endowment Funds	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 5,022</u>	<u>\$ 5,022</u>

Changes in endowment net assets as of December 31, 2021 are as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Time Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment Net Assets, January 1, 2021	\$ —	\$ —	\$ 5,022	\$ 5,022
Investment Income	—	2	—	2
Amounts Appropriated for Expenditure.....	<u>—</u>	<u>(2)</u>	<u>—</u>	<u>(2)</u>
Endowment Net Assets, December 31, 2021	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 5,022</u>	<u>\$ 5,022</u>

NOTE 12—CONCENTRATION OF CREDIT AND MARKET RISK

The Organization maintains cash and cash equivalents in various financial institutions, for which the balances may exceed federally insured limits at various times during the year. The Organization has not experienced any losses in such accounts and management does not believe it is exposed to any significant credit risk on cash and cash equivalents.

NOTES TO FINANCIAL STATEMENTS

NOTE 12—CONCENTRATION OF CREDIT AND MARKET RISK (Continued)

The Organization's investments are exposed to various risks, such as interest rate and credit risks and overall market volatility. Due to these risk factors, it is at least reasonably possible that changes in the fair value of investments will occur in the near-term and that such changes could materially affect the amounts reported in the financial statements. Due to the market instability in 2022, the Organization experienced a significant decline in the market value of its investments at December 31, 2022.

Credit risk associated with contributions, pledges and bequests receivable is considered to be limited due to high historical collection rates and because a significant portion of the outstanding amounts are due from individuals supportive of the Organization's mission.

NOTE 13—DONATED GOODS AND SERVICES

The Organization has recorded in-kind contributions for the year ended December 31, 2022 and 2021, as follows:

	<u>2022</u>	<u>2021</u>
Donated Goods		
Pet Food in Program Health, Food and Other Shelter Supplies..... \$	37,203	\$ 12,603
Medical and Program Health in Health, Food and Other Shelter Supplies	4,411	1,133
Shelter Supplies in Program Health, Food and Other Shelter Supplies	16,514	10,469
Maintenance Supplies in Repairs and Maintenance	—	872
Office Supplies in Management and General Office Expense and Supplies	141	87
Brochures, Flyers and Signs in Fundraising Promotion/Advertising.	94	—
Promotional Items in Special Events Promotion/Advertising	333	—
Supplies in Special Events Office Expense and Supplies.....	500	—
Raffle and Auction Items in Special Events Miscellaneous Expenses	423	1,249
Total Donated Goods	59,619	26,413
Donated Services		
Veterinary	1,734	2,819
Training	—	2,420
Legal in Professional Fees	5,295	3,363
Accounting in Professional Fees.....	5,625	2,725
Total Donated Services.....	12,654	11,327
	\$ 72,273	\$ 37,740

NOTES TO FINANCIAL STATEMENTS

NOTE 13—DONATED GOODS AND SERVICES (Continued)

The value of donated goods items are recorded at the retail value of the in-kind contribution as stated by the zero invoice received by the donor. The above chart also shows in what line item on the statements of functional expenses the donated goods are categorized. All goods that are categorized as program expenses on the statements of functional expenses were used in the Organization's programs. The remainder such as maintenance and office supplies, brochures, flyers and signs, promotional items, special event supplies and the raffle and auction items were used for either management and general, fundraising or special event supporting services. Items sold at the Organization's special event auction are recorded as contributions at the gross selling price received.

Donated professional services include veterinary, training, legal and accounting services. Donated veterinary and training are based on the stated fair market value of the service received on the donor's in-kind invoice and are recorded in program expense on the statements of functional expenses as they were part of the Organization's program activities. Donated legal services consist of reviews of grant applications and general counsel. These services were recorded at the estimated fair value based on the current rates for similar legal, accounting services in the Chicagoland area. There were no donor-imposed restrictions associated with the donated professional services and they are recorded in management and general expense on the statements of functional expenses as they are a supporting service.

NOTE 14—RELATED PARTY TRANSACTIONS

Donations of \$10,382 in 2022 and \$3,706 in 2021 were received from Board members.

NOTE 15—RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to current year presentation.

NOTE 16—SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 3, 2023, the date which the consolidated financial statements were available for issue.

Except for the collection of the ERC receivable noted in Note 1 there were no additional subsequent events which require disclosure.