

The Anti-Cruelty Society

Financial Report
October 31, 2024

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Independent Auditor's Report

Board of Directors
The Anti-Cruelty Society

Opinion

We have audited the financial statements of The Anti-Cruelty Society (Anti-Cruelty), which comprise the statements of financial position as of October 31, 2024 and 2023, 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 accompanying financial statements present fairly, in all material respects, the financial position of Anti-Cruelty as of October 31, 2024 and 2023, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Anti-Cruelty 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 Anti-Cruelty's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

RSM US LLP

Chicago, Illinois
February 26, 2025

The Anti-Cruelty Society

**Statements of Financial Position
October 31, 2024 and 2023**

	2024	2023
Assets		
Cash and cash equivalents	\$ 3,111,193	\$ 4,074,997
Accrued interest and dividends receivable	162,934	141,550
Bequests and other receivables	440,610	781,280
Pledges receivable, net	627,231	806,635
Prepaid expense and other current assets	393,698	372,359
Property and equipment, net	6,504,686	6,671,918
Right-of-use-asset—finance lease	37,295	50,082
Investments	43,351,432	39,045,668
Investments—endowments	2,149,040	1,773,510
Beneficial interest in perpetual trusts	1,370,575	1,186,948
	<u>58,148,694</u>	<u>54,904,947</u>
Total assets	\$ 58,148,694	\$ 54,904,947
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 439,550	\$ 388,001
Accrued payroll and related	311,870	281,728
Accrued vacation	236,648	259,947
Lease liabilities—finance lease	35,957	47,176
Deferred revenue	281,828	205,179
Accrued expenses	171,365	209,754
Other liabilities	65,790	69,573
	<u>1,543,008</u>	<u>1,461,358</u>
Total liabilities	1,543,008	1,461,358
Net assets:		
Without donor restrictions:		
Undesignated	22,477,255	19,694,911
Board-designated:		
Capital reserve	5,000,000	5,000,000
Business continuity	25,000,000	25,000,000
	<u>52,477,255</u>	<u>49,694,911</u>
With donor restrictions	4,128,431	3,748,678
	<u>56,605,686</u>	<u>53,443,589</u>
Total net assets	56,605,686	53,443,589
	<u>\$ 58,148,694</u>	<u>\$ 54,904,947</u>
Total liabilities and net assets	\$ 58,148,694	\$ 54,904,947

See notes to financial statements.

The Anti-Cruelty Society

Statement of Activities Year Ended October 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support:			
Bequests, contributions, donations and gifts	\$ 6,828,090	\$ 308,404	\$ 7,136,494
Direct mail contributions, donations and gifts	1,339,085	-	1,339,085
Contributions of nonfinancial assets	40,634	-	40,634
Animal care shelter income and grants	15,420	-	15,420
Clinic income and grants	641,451	-	641,451
Adoption fees and grants	419,594	-	419,594
Community program fees and grants	169,543	-	169,543
Special events income, net	1,002,835	-	1,002,835
Retail sales, net of discounts	19,736	-	19,736
Investment return designated for operations	2,195,600	-	2,195,600
Net assets released from restriction	583,408	(583,408)	-
Total revenue and other support	13,255,396	(275,004)	12,980,392
Expenses:			
Salaries, benefits, recruitment and training	10,558,529	-	10,558,529
Animal expenses:			
Animal handling and cleaning	70,692	-	70,692
Animal food costs	229,564	-	229,564
Animal microchip and tags	86,414	-	86,414
Animal supplies and transportation	243,848	-	243,848
Clinic expenses and supplies	246,251	-	246,251
Pharmacy expenses	231,659	-	231,659
Program equipment and supplies	269,055	-	269,055
Animal disposition services	36,854	-	36,854
	1,414,337	-	1,414,337
Occupancy expenses:			
Supplies and repairs	226,756	-	226,756
Property insurance and permits	318,717	-	318,717
Utilities	289,864	-	289,864
	835,337	-	835,337

(Continued)

The Anti-Cruelty Society

**Statements of Activities (Continued)
Year Ended October 31, 2024**

	Without Donor Restrictions	With Donor Restrictions	Total
Expenses (continued):			
Branding and development expenses	\$ 92,167	\$ -	\$ 92,167
Corporate fees and expenses:			
Audit fees	72,297	-	72,297
Bank and service fees	119,895	-	119,895
Direct mail expenses	1,149,144	-	1,149,144
Leases	35,287	-	35,287
Legal fees	94,682	-	94,682
Liability insurance and permits	93,678	-	93,678
Fees and corporate expenses	262,378	-	262,378
	<u>1,827,361</u>	<u>-</u>	<u>1,827,361</u>
Other miscellaneous expenses	713,921	-	713,921
Depreciation and amortization	1,405,298	-	1,405,298
	<u>16,846,950</u>	<u>-</u>	<u>16,846,950</u>
Total expenses	16,846,950	-	16,846,950
Decrease in net assets before other income	(3,591,554)	(275,004)	(3,866,558)
Other income:			
Net Investment return less amount designated for operations	6,370,117	471,130	6,841,247
Increase in fair value of beneficial interest in perpetual trusts	-	183,627	183,627
Miscellaneous	3,781	-	3,781
Total other income	6,373,898	654,757	7,028,655
Increase in net assets	2,782,344	379,753	3,162,097
Net assets:			
Beginning of year	49,694,911	3,748,678	53,443,589
End of year	<u>\$ 52,477,255</u>	<u>\$ 4,128,431</u>	<u>\$ 56,605,686</u>

See notes to financial statements.

The Anti-Cruelty Society

Statement of Activities Year Ended October 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support:			
Bequests, contributions, donations and gifts	\$ 8,515,828	\$ 806,635	\$ 9,322,463
Direct mail contributions, donations and gifts	1,341,190	-	1,341,190
Contributions of nonfinancial assets	32,464	-	32,464
Animal care shelter income and grants	36,251	-	36,251
Clinic income and grants	792,880	-	792,880
Adoption fees and grants	469,648	-	469,648
Community program fees and grants	199,370	-	199,370
Special events income, net	259,044	-	259,044
Retail sales, net of discounts	41,883	-	41,883
Investment return designated for operations	2,100,000	-	2,100,000
Total revenue and other support	13,788,558	806,635	14,595,193
Expenses:			
Salaries, benefits, recruitment and training	10,187,224	-	10,187,224
Animal expenses:			
Animal handling and cleaning	91,577	-	91,577
Animal food costs	237,281	-	237,281
Animal microchip and tags	73,938	-	73,938
Animal supplies and transportation	127,947	-	127,947
Clinic expenses and supplies	221,754	-	221,754
Pharmacy expenses	183,611	-	183,611
Program equipment and supplies	329,688	-	329,688
Animal disposition services	24,272	-	24,272
	1,290,068	-	1,290,068
Occupancy expenses:			
Supplies and repairs	231,583	-	231,583
Property insurance and permits	105,805	-	105,805
Utilities	276,886	-	276,886
	614,274	-	614,274

(Continued)

The Anti-Cruelty Society

**Statement of Activities (Continued)
Year Ended October 31, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
Expenses (continued):			
Branding and development expenses	\$ 87,505	\$ -	\$ 87,505
Corporate fees and expenses:			
Audit fees	88,137	-	88,137
Bank and service fees	89,013	-	89,013
Direct mail expenses	933,971	-	933,971
Leases	36,674	-	36,674
Legal fees	308,483	-	308,483
Liability insurance and permits	29,011	-	29,011
Fees and corporate expenses	506,155	-	506,155
	<u>1,991,444</u>	<u>-</u>	<u>1,991,444</u>
Other miscellaneous expenses	670,869	-	670,869
Depreciation and amortization	1,820,293	-	1,820,293
	<u>16,661,677</u>	<u>-</u>	<u>16,661,677</u>
Total expenses	16,661,677	-	16,661,677
(Decrease) increase in net assets before other income	(2,873,119)	806,635	(2,066,484)
Other income:			
Net Investment return less amount designated for operations	184,966	81,044	266,010
Increase in fair value of beneficial interest in perpetual trusts	-	30,983	30,983
Miscellaneous	3,548	-	3,548
Total other income	188,514	112,027	300,541
(Decrease) increase in net assets	(2,684,605)	918,662	(1,765,943)
Net assets:			
Beginning of year	52,379,516	2,830,016	55,209,532
End of year	<u>\$ 49,694,911</u>	<u>\$ 3,748,678</u>	<u>\$ 53,443,589</u>

See notes to financial statements.

The Anti-Cruelty Society

Statement of Functional Expenses Year Ended October 31, 2024

	Program Services			Total Program Services	Supporting Services		Total Support Services	Total
	Animal Care and Shelter	Clinical and Veterinary Services	Community Engagement		Development	General and Administrative		
Salaries, benefits, recruitment and training	\$ 3,361,384	\$ 3,428,877	\$ 2,291,661	\$ 9,081,922	\$ 686,743	\$ 789,864	\$ 1,476,607	\$ 10,558,529
Animal handling and cleaning	70,692	-	-	70,692	-	-	-	70,692
Animal food costs	229,025	-	539	229,564	-	-	-	229,564
Animal microchip and tags	2,299	82,126	1,989	86,414	-	-	-	86,414
Animal supplies and transportation	241,126	-	2,722	243,848	-	-	-	243,848
Clinic expenses and supplies	-	240,232	6,019	246,251	-	-	-	246,251
Pharmacy expenses	-	231,659	-	231,659	-	-	-	231,659
Program equipment and supplies	18,770	21,119	219,306	259,195	9,860	-	9,860	269,055
Animal disposition services	36,854	-	-	36,854	-	-	-	36,854
Supplies and repairs	96,045	42,695	78,817	217,557	4,878	4,321	9,199	226,756
Property insurance and permits	134,773	59,799	110,640	305,212	7,203	6,302	13,505	318,717
Utilities	122,602	54,413	100,643	277,658	6,505	5,701	12,206	289,864
Branding and development expenses	29,926	30,936	19,403	80,265	11,902	-	11,902	92,167
Audit fees	-	-	-	-	-	72,297	72,297	72,297
Bank and service fees	-	-	20,147	20,147	75,603	24,145	99,748	119,895
Direct mail expenses	-	-	-	-	1,149,144	-	1,149,144	1,149,144
Leases	35,287	-	-	35,287	-	-	-	35,287
Legal fees	-	-	-	-	5,302	89,380	94,682	94,682
Liability insurance and permits	102	-	-	102	-	93,576	93,576	93,678
Fees and corporate expenses	71,350	55,374	58,570	185,294	63,486	13,598	77,084	262,378
Other miscellaneous expenses	229,568	174,235	134,001	537,804	117,207	58,910	176,117	713,921
Depreciation and amortization	599,339	258,604	490,326	1,348,269	30,373	26,656	57,029	1,405,298
	<u>\$ 5,279,142</u>	<u>\$ 4,680,069</u>	<u>\$ 3,534,783</u>	<u>\$ 13,493,994</u>	<u>\$ 2,168,206</u>	<u>\$ 1,184,750</u>	<u>\$ 3,352,956</u>	<u>\$ 16,846,950</u>

See notes to financial statements.

The Anti-Cruelty Society

Statement of Functional Expenses Year Ended October 31, 2023

	Program Services			Total Program Services	Supporting Services		Total Support Services	Total
	Animal Care and Shelter	Clinical and Veterinary Services	Community Engagement		Development	General and Administrative		
Salaries, benefits, recruitment and training	\$ 3,102,046	\$ 3,369,271	\$ 2,607,194	\$ 9,078,511	\$ 573,777	\$ 534,936	\$ 1,108,713	\$ 10,187,224
Animal handling and cleaning	91,577	-	-	91,577	-	-	-	91,577
Animal food costs	197,150	-	40,131	237,281	-	-	-	237,281
Animal microchip and tags	-	73,938	-	73,938	-	-	-	73,938
Animal supplies and transportation	122,753	-	5,194	127,947	-	-	-	127,947
Clinic expenses and supplies	545	213,232	7,977	221,754	-	-	-	221,754
Pharmacy expenses	-	183,611	-	183,611	-	-	-	183,611
Program equipment and supplies	63,448	17,798	248,442	329,688	-	-	-	329,688
Animal disposition services	24,272	-	-	24,272	-	-	-	24,272
Supplies and repairs	78,937	64,437	77,489	220,863	3,828	6,892	10,720	231,583
Property insurance and permits	36,064	29,439	35,403	100,906	1,749	3,150	4,899	105,805
Utilities	94,379	77,043	92,647	264,069	4,576	8,241	12,817	276,886
Branding and development expenses	28,538	27,304	19,761	75,603	11,902	-	11,902	87,505
Audit fees	-	-	-	-	-	88,137	88,137	88,137
Bank and service fees	-	-	-	-	45,923	43,090	89,013	89,013
Direct mail expenses	-	-	-	-	933,971	-	933,971	933,971
Leases	22,500	-	-	22,500	-	14,174	14,174	36,674
Legal fees	-	-	-	-	-	308,483	308,483	308,483
Liability insurance and permits	202	-	-	202	-	28,809	28,809	29,011
Fees and corporate expenses	62,960	60,872	69,431	193,263	280,801	32,091	312,892	506,155
Other miscellaneous expenses	200,409	138,582	152,065	491,056	132,701	47,112	179,813	670,869
Depreciation and amortization	660,558	499,163	607,890	1,767,611	12,953	39,729	52,682	1,820,293
	<u>\$ 4,786,338</u>	<u>\$ 4,754,690</u>	<u>\$ 3,963,624</u>	<u>\$ 13,504,652</u>	<u>\$ 2,002,181</u>	<u>\$ 1,154,844</u>	<u>\$ 3,157,025</u>	<u>\$ 16,661,677</u>

See notes to financial statements.

The Anti-Cruelty Society

Statements of Cash Flows Years Ended October 31, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 3,162,097	\$ (1,765,943)
Adjustments to reconcile increase (decrease) in net assets to net cash (used in) operating activities:		
Depreciation	1,405,298	1,820,293
Realized and unrealized gain on investments, net	(8,011,537)	(1,481,728)
Noncash donations of investments	(310,551)	(279,073)
Increase in fair value of beneficial interest in trust	(183,627)	(30,983)
Amortization of right-of-use assets	12,787	13,853
Interest on lease liability	2,955	2,411
Changes in operating assets and liabilities:		
Accrued interest and dividends receivable	(21,384)	(31,898)
Bequests and other receivables	340,670	149,250
Pledge receivable	179,404	(806,635)
Prepaid expenses and other current assets	(21,339)	(180,510)
Accounts payable	(189,451)	(74,428)
Accrued payroll and related	30,142	57,457
Accrued vacation	(23,299)	208
Deferred revenue	76,649	(258,354)
Accrued expenses	(38,389)	88,083
Other liabilities	(3,783)	(3,550)
Net cash used in operating activities	(3,593,358)	(2,781,547)
Cash flows from investing activities:		
Purchases of property and equipment	(997,066)	(503,246)
Proceeds from the sales of investments	35,326,416	43,539,497
Purchases of investments	(31,685,622)	(38,420,495)
Net cash provided by investing activities	2,643,728	4,615,756
Net cash from financing activities:		
Cash paid for finance leases	(14,174)	(14,174)
Net cash used in financing activities	(14,174)	(14,174)
Net (decrease) increase in cash and cash equivalents	(963,804)	1,820,035
Cash and cash equivalents:		
Beginning of year	4,074,997	2,254,962
End of year	\$ 3,111,193	\$ 4,074,997
Supplemental disclosure of non-cash investing and financing activity:		
Accounts payable for property and equipment	\$ 241,000	\$ -

See notes to financial statements.

The Anti-Cruelty Society

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Founded in 1899, The Anti-Cruelty Society (Anti-Cruelty) is Chicago's oldest and largest, private, nonprofit, open-admission humane society, chartered in Illinois. With a mission of building a healthy and happy community where pets and people thrive together, its comprehensive programs and services help over 18,000 animals and humans every year and include adoption, charity veterinary clinic, low- or no-cost spay/neuter clinic, cruelty investigations and rescue, humane education and community outreach, free behavior helpline, the Bruckner Rehabilitation & Treatment Center, the Virginia Butts Berger Cat Clinic and the Dog Rehabilitation Center. Anti-Cruelty provides community support to keep people and their pets together through safety net services such as the pop-up pet food pantry program, wellness fairs, emergency pet boarding, senior citizen pet owner support and community education programs. The vision is to build a more humane Chicago for pets and people. Anti-Cruelty is located in Chicago and its services and programs include the following:

Animal care and shelter: As an open-door shelter that cares for any animal in need, regardless of breed, age or health, Anti-Cruelty works to provide best care for animals in its care and to find placements in a forever home. Staff are trained to care for animals and provide behavioral and enrichment support while maintaining the best care possible for each animal. Anti-Cruelty has placed 3,900 animals in homes in 2024.

Clinical and veterinary services: In addition to caring for more than 6,000 shelter animals annually to help prepare them for adoption, Anti-Cruelty maintains a veterinary staff to support both internal needs as well as provide a community low-cost spay/neuter program for owned pets. Anti-Cruelty also operates a community care clinic providing services to clients who cannot afford these vital services for their companion animals, while supporting community outreach efforts such as Wellness Fairs across the city of Chicago.

Community engagement: Anti-Cruelty's commitment to animal welfare extends beyond the shelter to provide education and access to care in Chicago's most under-resourced communities. Anti-Cruelty's field services team investigates reports of animal cruelty and abuse and provides pick up and rescue of neglected, abused, injured, and stray or unwanted animals. These humane investigations help educate the public on responsible pet ownership, encourage relinquishment of animals in untenable situations, and ultimately rescue hundreds of abused and traumatized animals each year. A number of safety net services are offered to keep pets and people together, including monthly pop-up pet food pantries, emergency sheltering, wellness fairs and vaccination clinics to bring access to vet care into under resourced communities. Community engagement (formerly known as mission impact) also includes educational programs for all ages to help people become animal advocates. A strong volunteer program supports the work and activities of the shelter, including 1,000 and 1,800 approved foster homes who cared for 2,200 and 1,700 foster animals in 2024 and 2023, respectively. This program expands the care for animals by providing a respite from a shelter environment.

In celebration of Anti-Cruelty's 125th anniversary in 2024, its board of directors approved the 500 Day Journey Plan to enhance Open Door and BEST Care for Animals operations through a major gift initiative. This initiative builds upon the Community Immersion Pilot project launched in 2021. With a continued focus on animals, pet owners, and communities, the plan prioritizes improving shelter and care for animals at the River North location, directly supporting pet owners in under-resourced areas of Chicago's South Side to address pet food and health challenges, partnering with human services organizations to connect people with pet health care and other resources, and expanding adoption outreach to place more animals in loving homes. An anniversary gala benefit was a significant special event in 2024.

The Anti-Cruelty Society

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Anti-Cruelty follows accounting standards established by the Financial Accounting Standards Board (FASB) to ensure consistent reporting of financial position, results of activities, and cash flows. References to accounting principles generally accepted in the United States of America (U.S. GAAP) in these footnotes are to the FASB Accounting Standards Codification (ASC).

Cash and cash equivalents: Anti-Cruelty maintains its cash, including money market accounts, in bank deposit accounts, which at times may exceed federally insured limits. Anti-Cruelty has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk on its cash.

Bequests and other receivables: Anti-Cruelty is the beneficiary of various wills and trusts. Such amounts are recorded when a clear title is established (when will is declared valid) and the proceeds are clearly measurable. Anti-Cruelty records bequests receivable as unconditional promises to give at net realizable value and are generally expected to be collected within one year.

Pledge receivables: Pledges receivable consist of unconditional promises to give and are recorded at the present value of estimated future cash flows. Pledges have been discounted using rates that approximate the risk associated with the ultimate collection of the receivable. The discount is amortized using an effective yield over the expected collection period of the receivable. Management writes off receivable balances when they are deemed uncollectible. Management considers pledges receivable to be fully collectible at October 31, 2024 and 2023. Accordingly, no allowance for uncollectible accounts is recorded.

Investments: Investments are carried at fair value. Investment gains and losses and investment income are reported in the statements of activities as increases or decreases in net assets. Realized gains and losses resulting from the sale of investments are reported in the statements of activities as of the trade date. Contributions of investments are recorded at fair value at the date of the gift.

Anti-Cruelty's investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to these risk factors, it is reasonably possible that changes in the value of investments will occur in the near term and could materially affect the amounts reported in the financial statements.

Beneficial interests in perpetual trust: Anti-Cruelty has been named as an irrevocable beneficiary of several perpetual trusts held and administered by independent trustees. Perpetual trusts provide for the distribution of the net income of the trusts to Anti-Cruelty. At the date Anti-Cruelty receives notice of a beneficial interest, a contribution with donor restrictions of a perpetual nature is recorded in the statements of activities, and a beneficial interest in perpetual trust is recorded in the statements of financial position at the fair value of the underlying trust assets. Thereafter, beneficial interests in the trust are reported at the fair value of the trusts' assets in the statements of financial position, with trust distributions and changes in fair value recognized in the statements of activities.

Property and equipment: Property and equipment, with an initial value of \$5,000 and an estimated useful life of at least two years, is recorded at cost when purchased and is being depreciated on a straight-line basis over its estimated useful life. Costs of maintenance and repairs are charged to expense when incurred.

The Anti-Cruelty Society

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Leases: Anti-Cruelty accounts for leases according to ASC Topic 842. Society determines if an arrangement is a lease at inception of the contract. Under ASC 842, a lease is a contract, or part of a contract, that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Anti-Cruelty's contracts determined to be or contain a lease include explicitly or implicitly identified assets where Anti-Cruelty has the right to obtain substantially all of the economic benefits of the assets and has the ability to direct how and for what purpose the assets are used during the lease term.

Leases are classified as either operating or finance. For both operating and finance leases, Anti-Cruelty recognizes a lease liability equal to the present value of the remaining lease payments, and a right-of-use asset equal to the lease liability, subject to certain adjustments, such as for prepaid rents. The lease term may include options to extend or terminate the lease when it is reasonably certain that Anti-Cruelty will exercise such option. When the rate implicit in the lease is not readily determinable, Anti-Cruelty has made a policy election to use a risk-free rate, based on the United States Treasury rates, to determine the present value of the lease payments for all classes of assets.

Anti-Cruelty defines a short-term lease as any lease arrangement with a lease term of 12 months or less that does not include an option to purchase the underlying asset. Anti-Cruelty has made a policy election to not recognize right-of-use assets and lease liabilities for short-term leases.

Operating leases result in a straight-line lease expenses, while finance leases result in front-loaded expense patterns. Anti-Cruelty's lease agreements do not contain residual value guarantees or restrictive covenants.

Net assets: Anti-Cruelty classifies its net assets, revenue, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Anti-Cruelty are reported as follows:

Without donor restrictions: Net assets are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for the general purpose of Anti-Cruelty.

Net assets without donor restrictions include board-designated funds intended for business continuity and capital assets. The business continuity reserve is maintained at a minimum level of \$25,000,000 in investments and is intended to support current operations during catastrophic times.

The capital asset reserve is maintained at a level of \$5,000,000 and is intended to provide funding for the annual capital budget at a rate of 5.25%. This reserve can be used to repair or acquire buildings and address system failures and furniture fixtures and equipment necessary for effective operation of the organization and programs. The opportunity reserve was intended to fund large opportunities and enable the organization to pursue opportunities of strategic importance, consists of any funds in excess of \$30,000,000. The opportunity reserve and the other reserve are considered to be and are classified as part of undesignated net assets for financial reporting purposes.

With donor restrictions: Net assets are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Anti-Cruelty or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains and losses on donor restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

The Anti-Cruelty Society

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Contributions: Contributions of cash, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Conditional contributions are not recognized until the conditions on which they depend have been substantially met.

Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the period in which the gift is received are both reported as without donor restrictions. Other restricted gifts are reported as with donor restrictions.

During the year ended October 31, 2023, Anti-Cruelty received approximately \$1,009,000 in multiyear pledge contributions from board members. Anti-Cruelty did not receive additional multiyear pledge contributions from board members for the year ended October 31, 2024.

Contributions of nonfinancial assets: Certain donated services and materials are recognized as support in the statements of activities at fair value. Contributed legal and professional services are determined based on hours of service provided at estimated market rates. Contributed animal food and supplies are estimated based on the wholesale value of items donated. For the year ended October 31, 2024, Anti-Cruelty recorded in-kind legal services totaling \$4,250. The Society recorded donated animal food and supplies totaling \$36,384 and \$32,464 for the years ended October 31, 2024 and 2023, respectively.

A number of individual volunteers have donated time to Anti-Cruelty and perform a variety of tasks that assist Anti-Cruelty with its programs and administration. These services are not reflected in the financial statements because the services do not meet the criteria for recognition under U.S. GAAP.

Special event income: Special event revenue is recognized in the period the event occurs. Direct event expenses are netted against event income on the statements of activities.

Functional allocation of expenses: Costs of providing the program and support services have been reported on a functional basis in the statements of functional expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses required allocation on a reasonable basis that is consistently applied.

Employee fringe benefits, staff training, office services, IT services, executive office, business administration and operations office expenses are allocated based on full-time equivalent employees. Depreciation, utilities and maintenance are allocated based on square footage.

Costs have been allocated between the various programs and support services based on estimates, as determined by management.

Income taxes: Anti-Cruelty is a nonprofit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law, except for taxes pertaining to unrelated business income, if any.

The Anti-Cruelty Society

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, Anti-Cruelty may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of Anti-Cruelty and various positions related to the potential sources of unrelated business taxable income (UBIT). There were no unrecognized tax benefits identified or recorded as liabilities for the reporting period presented in these financial statements.

Anti-Cruelty files Form 990 in the U.S. federal jurisdiction and a related return in the State of Illinois and various other states.

Contingencies: From time to time, Anti-Cruelty may be named in various lawsuits arising in the ordinary course of business. Despite the inherent uncertainties around litigation, Anti-Cruelty is not aware of any litigatory matters that may have a material adverse impact on the financial condition of Anti-Cruelty.

Subsequent events: Anti-Cruelty has evaluated subsequent events for potential recognition and/or disclosure through February 26, 2025, the date the financial statements were available to be issued.

Note 2. Liquidity and Availability of Resources

The following reflects Anti-Cruelty's financial assets as of October 31, 2024 and 2023, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

	2024	2023
Cash and cash equivalents	\$ 3,111,193	\$ 4,074,997
Accrued interest and dividends receivable	162,934	141,550
Bequests and other receivables	440,610	781,280
Pledges receivable, net	627,231	806,635
Investments	43,351,432	39,045,668
Investments—endowments	2,149,040	1,773,510
Beneficial interest in perpetual trusts	1,370,575	1,186,948
Financial assets at year-end	<u>51,213,015</u>	<u>47,810,588</u>
Less those unavailable for general expenditures within one year:		
Board-designated net assets, capital reserve	5,000,000	5,000,000
Board-designated net assets, business continuity	25,000,000	25,000,000
Investments—endowments	2,149,040	1,773,510
Pledges receivable not due within one year	328,000	532,337
Beneficial interest in perpetual trusts	1,370,575	1,186,948
	<u>33,847,615</u>	<u>33,492,795</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 17,365,400</u>	<u>\$ 14,317,793</u>

The Anti-Cruelty Society

Notes to Financial Statements

Note 2. Liquidity and Availability of Resources (Continued)

Anti-Cruelty has a goal to maintain financial assets, consisting of cash and short-term investments, on hand to meet 45 days of normal operating expenses, which are, on average, approximately \$1,900,000 and \$1,850,000 for 2024 and 2023, respectively. Anti-Cruelty has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Additionally, as part of its liquidity management, Anti-Cruelty invests cash in excess of 45-day requirements in its portfolio until needed. Currently, Anti-Cruelty has a spending policy from the portfolio of 6.25% of \$40,000,000 of the market value on an annual basis. Monthly withdrawals from the portfolio are added to cash for operations and capital purchases. Anti-Cruelty has no lines of credit.

Note 3. Investments and Fair Value Measurements

The Fair Value Measurements and Disclosures topic of the Codification defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under the Fair Value Measurements and Disclosures topic as assumptions market participants would use in pricing an asset or liability.

The three levels of the fair value hierarchy under the Fair Value Measurements and Disclosures topic are described below:

Level 1: Quoted market prices in active markets, such as the New York Stock Exchange, for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

For the years ended October 31, 2024 and 2023, the application of valuation techniques applied to similar assets and liabilities has been consistent with the previous year. The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis:

Investment securities: The fair value of publicly traded fixed-income securities, equity mutual funds, and common stocks are based upon market quotations of national security exchanges.

Beneficial interest in perpetual trusts: Perpetual trusts are recorded at fair value based on Anti-Cruelty's interest in the fair value of the underlying trust assets.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. Anti-Cruelty's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The Anti-Cruelty Society

Notes to Financial Statements

Note 3. Investments and Fair Value Measurements (Continued)

The following tables present information about Anti-Cruelty's assets measured at fair value on a recurring basis at October 31, 2024 and 2023, and the valuation techniques used by Anti-Cruelty to determine those fair values.

	2024			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Operating investments at fair value:				
Fixed-income securities	\$ 10,591,790	\$ 7,200,994	\$ -	\$ 17,792,784
Equity mutual funds	8,804,277	-	-	8,804,277
Common stocks	16,754,371	-	-	16,754,371
	<u>36,150,438</u>	<u>7,200,994</u>	<u>-</u>	<u>43,351,432</u>
Endowment investments at fair value:				
Equity mutual funds	2,149,040	-	-	2,149,040
Other assets at fair value:				
Beneficial interest in trusts	-	-	1,370,575	1,370,575
Total assets	<u>\$ 38,299,478</u>	<u>\$ 7,200,994</u>	<u>\$ 1,370,575</u>	<u>\$ 46,871,047</u>
	2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Operating investments at fair value:				
Fixed-income securities	\$ 9,861,333	\$ 6,587,039	\$ -	\$ 16,448,372
Equity mutual funds	7,530,588	-	-	7,530,588
Common stocks	15,066,708	-	-	15,066,708
	<u>32,458,629</u>	<u>6,587,039</u>	<u>-</u>	<u>39,045,668</u>
Endowment investments at fair value:				
Equity mutual funds	1,773,510	-	-	1,773,510
Other assets at fair value:				
Beneficial interest in trusts	-	-	1,186,948	1,186,948
Total assets	<u>\$ 34,232,139</u>	<u>\$ 6,587,039</u>	<u>\$ 1,186,948</u>	<u>\$ 42,006,126</u>

The Anti-Cruelty Society

Notes to Financial Statements

Note 3. Investments and Fair Value Measurements (Continued)

For the years ended October 31, 2024 and 2023, investment return (loss) was composed as follows:

	2024	2023
Interest and dividend income, net of investment fees	\$ 1,025,310	\$ 884,282
Realized and change in unrealized gain on investments, net	8,011,537	1,481,728
	<u>\$ 9,036,847</u>	<u>\$ 2,366,010</u>

Investment return as presented in the statements of activities is as follows:

	2024	2023
Net Investment return designated for operations	\$ 2,195,600	\$ 2,100,000
Investment return less amount designated for operations	6,841,247	266,010
	<u>\$ 9,036,847</u>	<u>\$ 2,366,010</u>

Note 4. Beneficial Interest in Perpetual Trusts

Anti-Cruelty has interests in beneficial interest in perpetual trusts in various percentages ranging from 0.045% to 33.30%.

For the years ended October 31, 2024 and 2023, beneficial interest in perpetual trusts is as follows:

	2024	2023
Beneficial interest in perpetual trusts, beginning of year	\$ 1,186,948	\$ 1,155,965
Change in fair value of perpetual trusts	183,627	30,983
Beneficial interest in perpetual trusts, end of year	<u>\$ 1,370,575</u>	<u>\$ 1,186,948</u>

Net increases in fair value of perpetual trusts of \$183,627 and \$30,983 are reported in the statements of activities for the years ended October 31, 2024 and 2023, respectively.

The Anti-Cruelty Society

Notes to Financial Statements

Note 5. Property and Equipment

Property and equipment is summarized by major classification, net of accumulated depreciation as follows:

	Depreciable Life—Years	2024 Amount	2023 Amount
Land and improvements	15	\$ 215,648	\$ 215,648
Buildings and improvements	15-50	30,353,456	30,370,852
Furniture and equipment	3-7	1,295,551	1,202,430
Vehicles	5	348,000	348,000
Films and media	5	530,092	530,092
Construction in progress		241,000	318,883
Total cost		32,983,747	32,985,905
Accumulated depreciation		(26,479,061)	(26,313,987)
Net property and equipment		<u>\$ 6,504,686</u>	<u>\$ 6,671,918</u>

Depreciation expense for the years ended October 31, 2024 and 2023, was \$1,405,298 and \$1,820,293, respectively.

Note 6. Leases

Anti-Cruelty entered into a contract to lease office equipment on October 10, 2022. The term of the lease payments is five years. This lease includes renewal, termination or purchase options. Under ASC 842, the lease term at the lease commencement date is determined based on the noncancelable period for which Anti-Cruelty has the right to use the underlying assets, together with any periods covered by an option to extend the lease if Anti-Cruelty is reasonably certain to exercise that option, periods covered by an option to terminate the lease if Anti-Cruelty is reasonably certain to not exercise that option, and periods covered by an option to extend (or to terminate) the lease in which the exercise of the option is controlled by the lessor.

Anti-Cruelty reviewed the reassessment and remeasurement requirements and did not identify any events or conditions during the fiscal year ended October 31, 2024, that required a reassessment or remeasurement. In addition, there were no impairment indicators identified during fiscal year 2024 that required an impairment test for Anti-Cruelty's right-of-use assets in accordance with ASC 360-10.

The components of lease expense related to the lease for the fiscal years ended October 31, 2024 and 2023, is as follows:

Finance lease cost	\$ 14,174
Short-term lease cost	22,500

The remaining lease term as of October 31, 2024, was three years with a discount rate of 4.27%.

The Anti-Cruelty Society

Notes to Financial Statements

Note 6. Leases (Continued)

As of October 31, 2024, maturities of Anti-Cruelty's lease liability is as follows:

Years ending October 31:		
2025	\$	14,174
2026		14,174
2027		12,993
Total lease payments		<u>41,341</u>
Less imputed interest		<u>(5,384)</u>
Total lease obligation	\$	<u><u>35,957</u></u>

Note 7. Retirement Plans

Anti-Cruelty maintains a Section 403(b) tax sheltered annuity plan for substantially all employees. Under this plan, participants may contribute amounts subject to the limitations contained in the Tax Reform Act of 1986. Anti-Cruelty will match eligible participants' contributions up to a maximum of between 3% and 10% of compensation depending upon years of completed service and the participant's level of contributions. Total contributions by Anti-Cruelty are \$290,769 and \$260,726 for the years ended October 31, 2024 and 2023, respectively.

Anti-Cruelty maintains a Section 457(f) nonqualified deferred compensation plan for certain employees. The plan assets are held in Anti-Cruelty's name and are invested in a portfolio of investments. Contributions to the plan totaled \$0 and \$69,235 for the years ended October 31, 2024 and 2023, respectively. Anti-Cruelty recorded an accrued liability of \$58,111 and \$58,890 at October 31, 2024 and 2023, respectively, which is included in accrued expenses in the statements of financial position. Funds are set aside and held in an account, which is the property of Anti-Cruelty and are subject to the claims of the general creditors. Amounts totaled \$58,901 and \$59,012 at October 31, 2024 and 2023, respectively, and are included in other assets on the statements of financial position. The funds are invested in mutual funds which are measured at fair value and are classified as Level 1 investments.

Note 8. Net Assets With Donor Restrictions

Net assets with donor restrictions were as follows for the years ended October 31:

	<u>2024</u>	<u>2023</u>
Subject to Anti-Cruelty's spending policy and appropriation:		
Donor-restricted endowment funds invested in perpetuity, including accumulated gains of \$309,769 and accumulated losses of \$65,761, respectively	\$ 2,130,625	\$ 1,755,095
Not subject to spending policy or appropriations:		
Beneficial interests in perpetual trusts	1,370,575	1,186,948
Pledge receivable—time restriction	627,231	806,635
	<u>\$ 4,128,431</u>	<u>\$ 3,748,678</u>

Net asset releases from donor restriction during the year ended October 31, 2024 were \$583,408, including \$487,808 from time-restricted pledges and \$95,600 from the appropriation of endowment assets (no releases in 2023).

The Anti-Cruelty Society

Notes to Financial Statements

Note 9. Endowment Net Assets

Endowment net assets are included in net assets with donor restrictions and are endowment funds which are restricted in perpetuity. Net assets with donor restrictions associated with Anti-Cruelty's endowment funds are classified and reported based on the existence of donor-imposed restrictions. Donors have restricted the earnings of certain endowment funds for educational and scholarship purposes.

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) governs endowment funds in the State of Illinois. UPMIFA eliminates the historic dollar value rule with respect to endowment fund spending, updates the prudence standard for the management and investment of charitable funds, and amends the provisions governing the release and modification of restrictions on charitable funds.

Anti-Cruelty's management has interpreted the Illinois 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, Anti-Cruelty classifies as net assets with donor restrictions: (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.

In accordance with UPMIFA, Anti-Cruelty considers the following factors in making a determination to appropriate or accumulate earnings on donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of Anti-Cruelty 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 Anti-Cruelty
7. The investment policies of Anti-Cruelty

Anti-Cruelty's endowment composition is as follows for the years ended October 31:

	2024	2023
Donor-restricted endowment funds:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	\$ 1,820,856	\$ 1,820,856
Accumulated investment gains (losses)	309,769	(65,761)
	<u>\$ 2,130,625</u>	<u>\$ 1,755,095</u>

The Anti-Cruelty Society

Notes to Financial Statements

Note 9. Endowment Net Assets (Continued)

Changes in endowment net assets for 2024 and 2023 are as follows:

	2024	2023
Endowment net assets, beginning of year	\$ 1,755,095	\$ 1,674,051
Net Investment return	471,130	81,044
Appropriation of endowment assets for expenditure	(95,600)	-
Endowment net assets, end of year	<u>\$ 2,130,625</u>	<u>\$ 1,755,095</u>

Endowment net assets at October 31, 2024 and 2023 are equivalent to the balance of invested funds (reflected as investments-endowments on the statements of financial position) less an interfund balance.

Underwater endowment funds: From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires Anti-Cruelty to retain as a fund of perpetual duration. Anti-Cruelty has interpreted UPMIFA to permit spending from funds with deficiencies in accordance with prudent measures required under the law. Deficiencies of this nature are reported in net assets with donor restrictions. As of October 31, 2024, there were no deficiencies of this nature. As of October 31, 2023, funds with original gift values totaling \$1,820,856 had deficiencies of \$65,761.

Return objectives and risk parameters: Anti-Cruelty has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while achieving a total rate of return in excess of inflation over the preceding five-year period. Endowment assets include those assets of donor restricted funds that Anti-Cruelty must hold in perpetuity.

Strategies employed for achieving objectives: To satisfy its long-term rate of return objectives, Anti-Cruelty 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). Anti-Cruelty 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.

Spending policy and how the investment objectives relate to spending policy: Anti-Cruelty has a policy of appropriating for distribution each year up to 5% of its endowment fund's rolling average fair value over the prior 10 years ended October 31. In establishing this policy, Anti-Cruelty considered the long-term expected rate of return on its endowment. Based on the long-term objectives stated above, Anti-Cruelty will only spend the endowment fund to support the spay and neuter clinic or for educational purposes while preserving the related principal. In fiscal year 2024, a distribution of \$95,600 was approved by the board of directors during the annual budget process and taken. No distribution was taken in fiscal year 2023.