The Anti-Cruelty Society

Financial Report
October 31, 2021

Contents

Independent Auditor's Report

Board of Directors
The Anti-Cruelty Society

Report on the Financial Statements
We have audited the accompanying financial statements of The Anti-Cruelty Society, which comprise the statement of financial position as of October 31, 2021, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Anti-Cruelty Society as of October 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Chicago, Illinois
March 7, 2022

The Anti-Cruelty Society

Statement of Financial Position
October 31, 2021

Assets	
Cash and cash equivalents	$ 2,286,058
Accrued interest and dividends	93,149
Bequests and other receivables	2,413,435
Prepaid expense and other current assets	245,932
Property and equipment, net	9,690,339
Investments	48,356,221
Investments—endowments	2,006,986
Beneficial interest in perpetual trusts	1,504,321
Total assets	$ 66,596,441
Liabilities and Net Assets	
Liabilities:	
Accounts payable	$ 171,619
Accrued payroll and related	119,775
Accrued vacation	182,924
Deferred revenue	357,447
Accrued expenses	145,873
Other liabilities	76,769
Total liabilities	1,054,407
Net assets:	
Without donor restrictions	
Undesignated	6,361,514
Board-designated:	
Capital reserve	5,288,575
Opportunity reserve	15,587,380
Business continuity	20,875,956
Other	13,917,302
	62,030,727
With donor restrictions	3,511,307
Total net assets	65,542,034
Total liabilities and net assets	$ 66,596,441

See notes to financial statements.

The Anti-Cruelty Society

Statement of Activities
Year Ended October 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support:			
Bequests, contributions, donations and gifts	$ 4,710,655	$ -	$ 4,710,655
Direct mail contributions, donations and gifts	1,615,290	-	1,615,290
In-kind donations	241,648	-	241,648
Animal care shelter income and grants	88,960	-	88,960
Clinic income and grants	140,740	-	140,740
Adoption fees and grants	557,370	-	557,370
Community program fees and grants	93,517	-	93,517
Marketing revenues	32,361	-	32,361
Special events income, net	281,286	-	281,286
Retail sales, net of discounts	7,547	-	7,547
Investment return designated for operations	2,443,500	-	2,443,500
Net assets released from restriction	422,906	(422,906)	-
Total revenue and other support	10,635,780	(422,906)	10,212,874
Expenses:			
Salaries, benefits, recruitment and training	6,812,497	-	6,812,497
Animal expenses:			
Animal handling and cleaning	109,271	-	109,271
Animal food costs	107,755	-	107,755
Animal microchip and tags	61,968	-	61,968
Animal supplies and transportation	115,114	-	115,114
Hospital expenses and supplies	111,654	-	111,654
Pharmacy expenses	117,236	-	117,236
Program equipment and supplies	277,321	-	277,321
Animal disposition services	22,486	-	22,486
	922,805	-	922,805
Occupancy expenses:			
Supplies and repairs	208,734	-	208,734
Property insurance and permits	62,176	-	62,176
Utilities	227,014	-	227,014
	497,924	-	497,924

(Continued)

The Anti-Cruelty Society

Statement of Activities (Continued)
Year Ended October 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Expenses (continued):			
Branding and development expenses	65,504	-	65,504
Corporate fees and expenses:			
Audit fees	36,900	-	36,900
Bank and service fees	68,267	-	68,267
Direct mail expenses	834,676	-	834,676
Leases	36,417	-	36,417
Legal fees	225,202	-	225,202
Liability insurance and permits	60,427	-	60,427
Fees and corporate expenses	78,112	-	78,112
	1,340,001	-	1,340,001
Other miscellaneous expenses	394,858	-	394,858
Depreciation and amortization	2,082,679	-	2,082,679
Total expenses	12,116,268	-	12,116,268
Decrease in net assets before other income	(1,480,488)	(422,906)	(1,903,394)
Other income:			
Investment return less amount designated for operations	5,471,444	277,130	5,748,574
Increase in fair value of beneficial interest in perpetual trusts	-	245,932	245,932
Paycheck Protection Program loan forgiveness	2,365,250	-	2,365,250
Miscellaneous	5,308	-	5,308
Total other income	7,842,002	523,062	8,365,064
Increase in net assets	6,361,514	100,156	6,461,670
Net assets:			
November 1, 2020	55,669,213	3,411,151	59,080,364
October 31, 2021	$ 62,030,727	$ 3,511,307	$ 65,542,034

See notes to financial statements.

The Anti-Cruelty Society

Statement of Functional Expenses
Year Ended October 31, 2021

	Program Services					Supporting Services			
	Animal Care and Shelter	Clinical and Veterinary Services	Mission Impact	Retail Services	Total Program Services	Development	General and Administrative	Total Support Services	Total
Salaries, benefits, recruitment and training	$ 2,435,541	$ 1,702,226	$ 1,719,231	$ 47,165	$ 5,904,163	$ 335,875	$ 572,459	$ 908,334	$ 6,812,497
Animal handling and cleaning	104,606	-	4,665	-	109,271	-	-	-	109,271
Animal food costs	107,455	-	300	-	107,755	-	-	-	107,755
Animal microchip and tags	400	61,568	-	-	61,968	-	-	-	61,968
Animal supplies and transportation	112,105	-	3,009	-	115,114	-	-	-	115,114
Hospital expenses and supplies	-	106,548	5,106	-	111,654	-	-	-	111,654
Pharmacy expenses	-	117,236	-	-	117,236	-	-	-	117,236
Program equipment and supplies	19,802	1,171	229,752	26,596	277,321	-	-	-	277,321
Animal disposition services	22,486	-	-	-	22,486	-	-	-	22,486
Supplies and repairs	66,232	55,920	69,383	1,461	192,996	7,723	8,015	15,738	208,734
Property insurance and permits	19,728	16,657	20,667	435	57,487	2,301	2,388	4,689	62,176
Utilities	72,033	60,817	75,459	1,589	209,898	8,399	8,717	17,116	227,014
Branding and development expenses	16,743	19,682	15,088	940	52,453	13,051	-	13,051	65,504
Audit fees	-	-	-	-	-	-	36,900	36,900	36,900
Bank and service fees	-	-	-	-	-	32,664	35,603	68,267	68,267
Direct mail expenses	-	-	-	-	-	834,676	-	834,676	834,676
Leases	10,069	10,015	10,561	310	30,955	2,677	2,785	5,462	36,417
Legal fees	-	-	-	-	-	37,827	187,375	225,202	225,202
Liability insurance and permits	16,903	16,543	17,446	511	51,403	4,423	4,601	9,024	60,427
Fees and corporate expenses	1,484	-	-	-	1,484	21,801	54,827	76,628	78,112
Other miscellaneous expenses	93,545	69,485	109,419	2,397	274,846	87,923	32,089	120,012	394,858
Depreciation and amortization	667,659	550,189	682,653	14,376	1,914,877	88,940	78,862	167,802	2,082,679
	$ 3,766,791	$ 2,788,057	$ 2,962,739	$ 95,780	$ 9,613,367	$ 1,478,280	$ 1,024,621	$ 2,502,901	$ 12,116,268

See notes to financial statements.

The Anti-Cruelty Society

Statement of Cash Flows
Year Ended October 31, 2021

Cash flows from operating activities:	
Increase in net assets	$ 6,461,670
Adjustments to reconcile increase in net assets	
to net cash used in operating activities:	
Depreciation	2,082,679
Realized and unrealized gain on investments	(7,450,113)
Noncash donations of investments	(241,156)
Increase in fair value of beneficial interest in trust	(245,932)
Forgiveness of Paycheck Protection Program loans	(2,365,250)
Changes in operating assets and liabilities:	
Accrued interest and dividends	2,467
Bequests other receivables	1,077,309
Prepaid expenses and other current assets	(34,072)
Accounts payable	(94,099)
Accrued payroll and related	7,706
Accrued vacation	(15,025)
Deferred revenue	357,447
Accrued expenses	(47,874)
Other liabilities	(5,308)
Net cash used in operating activities	(509,551)
Cash flows from investing activities:	
Purchases of property and equipment	(145,714)
Proceeds from the sales of investments	16,980,655
Purchases of investments	(21,202,936)
Net cash used in investing activities	(4,367,995)
Net cash from financing activities	
Proceeds from Paycheck Protection Program loan	1,291,000
Net cash provided by financing activities	1,291,000
Net decrease in cash and cash equivalents	(3,586,546)
Cash and cash equivalents:	
November 1, 2020	5,872,604
October 31, 2021	$ 2,286,058

See notes to financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

Founded in 1899, The Anti-Cruelty Society (the Society) is Chicago's oldest and largest, private, nonprofit, open-admission, unlimited stay humane society, chartered in Illinois. With a mission of building a happy and healthy community where pets and people thrive together, its comprehensive programs and services help over 30,000 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. The Society 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. The Society is located in Chicago and its services and programs include the following:

Shelter services: As an open-door shelter that cares for any animal in need, regardless of breed, age or health, the Society 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.

Veterinary and clinical services: In addition to caring for more than 6,000 shelter animals annually to help prepare them for adoption, the Society maintains a veterinary staff to support both internal needs as well as provide a community low-cost spay/neuter program for owned pets. The Society also operates a charity veterinary 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 outreach: The Society's commitment to animal welfare extends beyond the shelter to provide education and access to care in Chicago's most underserved communities. The Society'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 outreach 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 more than 750 approved foster homes who cared for over 1,600 foster animals in 2021. This program expands the care for animals by providing a respite from a shelter environment.

The Society's board of directors has approved a plan to develop a Community Immersion Pilot project which will address inadequate shelter capacity within Chicago's south side. The Society is expanding its support within these communities by establishing a more permanent facility that would serve as a hub destination for animals who would be placed through a select number of partner organizations. The Community Immersion Pilot project is expected to begin in the second quarter of fiscal 2022 with anticipated net costs over three years totaling $4,500,000.

The Society follows accounting standards established by the Financial Accounting Standards Board (the 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, sometimes referred to as the Codification or ASC.

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

Cash and cash equivalents: The Society maintains its cash, including money market accounts, in bank deposit accounts at Bank of America and BMO Harris, which at times may exceed federally insured limits. The Society 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: The Society is the beneficiary of various wills and trusts. Such amounts are recorded when a clear title is established and the proceeds are clearly measurable. The Society records bequests receivable as unconditional promises to give at net realizable value and are generally expected to be collected within one year.

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

The Society'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: The Society 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 the Society. At the date the Society receives notice of a beneficial interest, a contribution with donor restrictions of a perpetual nature is recorded in the statement activity, and a beneficial interest in perpetual trust is recorded in the statement 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 statement of financial position, with trust distributions and changes in fair value recognized in the statement of activity.

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 lives. Costs of maintenance and repairs are charged to expense when incurred.

Net assets: The Society classifies its net assets, revenue, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Society 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 the Society.

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 the Society or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

The Society maintains board-designated unrestricted net assets intended for business continuity, capital asset reserves, an opportunity fund, and general unrestricted reserves. The business continuity and general unrestricted reserves are maintained at a minimum of $25,000,000.

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.

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

Contributions: Contributions of cash and other assets, 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.

Donated services and assets: Certain donated services and materials are recognized as support in the statement of activities at estimated fair value. For the year ended October 31, 2021, the Society recorded in-kind donations totaling $241,648 for donated animal food, supplies and legal services.

A number of individual volunteers have donated time to the Society and perform a variety of tasks that assist the Society 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.

Functional allocation of expenses: Costs of providing the program and support services have been reported on a functional basis in the statement 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: The Society 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 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, the Society 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 the Society 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.

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

Use of estimates: The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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

Reclassifications: Certain amounts as presented herein have been reclassified from amounts as previously reported, without any effect on net assets or changes in net assets. Money market accounts of $1,871,826 included in cash and cash equivalents were previously included in investments.

Accounting pronouncements adopted: In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard replaces most existing revenue recognition guidance in U.S. GAAP. The Society elected the modified retrospective method of adoption. The adoption of this standard did not have a material effect on the financial statements.

In 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU requires entities to make disclosures about recurring or nonrecurring fair value measurements. The Society's adoption of the standard resulted in modification of certain fair value disclosures.

Pending accounting pronouncements: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for the Society in the fiscal year ending October 31, 2023.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets.* This ASU requires a nonprofit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. The ASU also requires a nonprofit entity to disclose contributed nonfinancial assets received disaggregated by category that depicts the type of contributed nonfinancial assets. The new standard is effective for the Society in the fiscal year ending October 31, 2022.

The Society is currently evaluating the effect that these standards will have on the financial statements.

Risks and uncertainties: The Society continued to manage the impacts of the COVID-19 pandemic throughout 2021. A robust safety program continued to manage the health and safety of all staff, volunteers, and visitors although services were suspended at different times based on the criteria set by the Centers for Disease Control and Prevention and the City of Chicago. The limitations for the number of staff, volunteers, or visitors in the building continued until acceptable positivity rate was achieved across the City of Chicago. Several programs and services were limited with most returning toward the end of the year, only to be limited again as the positivity rate spiked at different times. Throughout the year, however, the staff refined systems and procedures to offer virtual options for telehealth, adoption and education. Fundraising was mostly virtual throughout the year, engaging donors in virtual settings. The cohort system, established in 2020 to limit the number of staff in the building, was refined during 2021 as it became safe to return staff to the shelter. While some service revenue was slow to return, by the end of 2021, these services began the path in returning to pre-pandemic levels.

Subsequent events: The Society has evaluated subsequent events for potential recognition and/or disclosure through March 7, 2022, the date the financial statements were available to be issued.

Note 2. Liquidity and Availability of Resources

The following reflects the Society's financial assets as of October 31, 2021, 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.

Cash and cash equivalents	$ 2,286,058
Accrued interest and dividends receivable	93,149
Bequests and other receivables	2,413,435
Investments	48,356,221
Investments—endowments	2,006,986
Beneficial interest in perpetual trusts	1,504,321
Financial assets at year-end	55,155,849
Less those unavailable for general expenditures within one year:	
Board-designated net assets, capital and opportunity reserves	20,875,955
Investments held in perpetuity	1,820,856
Beneficial interest in perpetual trusts	1,504,321
	24,201,132
Financial assets available to meet cash needs for general expenditures within one year	$ 30,954,717

The Society 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 $1,519,000 at October 31, 2021. The Society 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, the Society invests cash in excess of time requirements in its portfolio until needed. Currently, the Society has a spending policy from the portfolio of 6.75% 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. The Society 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.

Note 3. Investments and Fair Value Measurements (Continued)

For the year ended October 31, 2021, 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 the Society'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. The Society's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The Society assesses the level of the investments at each measurement date. Transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer. For the year ended October 31, 2021, there were so such transfers.

The following tables present information about the Society's assets measured at fair value on a recurring basis at October 31, 2021, and the valuation techniques used by the Society to determine those fair values.

	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	$ -	$ 17,247,530	$ -	$ 17,247,530
Equity mutual funds	13,529,799	-	-	13,529,799
Common stocks	17,578,892	-	-	17,578,892
	$ 31,108,691	$ 17,247,530	$ -	$ 48,356,221
Endowment investments at fair value:				
Fixed-income securities	$ -	$ 2,006,986	$ -	$ 2,006,986
Other assets at fair value:				
Beneficial interest in trusts	-	-	1,504,321	1,504,321
Total assets	$ 31,108,691	$ 19,254,516	$ 1,504,321	$ 51,867,528

For the year ended October 31, 2021, investment return was comprised as follows:

Interest and dividend income, net of investment fees	$ 741,961
Realized and changed in unrealized gain on investments	7,450,113
	$ 8,192,074

Note 3. Investments and Fair Value Measurements (Continued)

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

Investment return designated for operations	$ 2,443,500
Investment return less amount designated for operations	5,748,574
	$ 8,192,074

Note 4. Beneficial Interest in Perpetual Trusts

The Society has interests in beneficial interest in perpetual trusts ranging from 0.45% to 33.30%.

For the year ended October 31, 2021, beneficial interest in perpetual trusts is as follows:

Balance, November 1, 2020	$ 1,258,389
Net increase in fair value of perpetual trusts	245,932
Balance, October 31, 2021	$ 1,504,321

Net increase in fair value of perpetual trusts of $245,932 for year ended October 31, 2021, is reported in the statement of activities.

Note 5. Property and Equipment

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

	Depreciable Life—Years	Amount
Land and improvements	15	$ 215,648
Buildings and improvements	15-50	30,465,408
Furniture and equipment	3-7	1,175,508
Vehicles	5	197,332
Films and media	5	530,092
Construction in progress		20,270
Total cost		32,604,258
Accumulated depreciation		(22,913,919)
Net property and equipment		$ 9,690,339

Depreciation expense for the year ended October 31, 2021 was $2,082,679.

Note 6. Paycheck Protection Program Loans

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), signed into law on March 27, 2020, introduced the Paycheck Protection Program (PPP) to provide funding to small businesses with the goal of preventing job loss and business failure due to losses caused by the COVID-19 pandemic. The PPP loan program was available for eligible small businesses, including nonprofits, to provide a forgivable loan to cover payroll and other costs. Through the Small Business Administration (SBA), the PPP loan is a 100% federally guaranteed unsecured loan requiring no collateral. A borrower of a PPP loan is eligible for loan forgiveness up to the full amount of the loan and any accrued interest for costs incurred and payments made during the 24-week period after the lender makes the first disbursement of the PPP loan to the borrower, subject to proper documentation.

The Society was eligible to apply for a PPP loan as a nonprofit organization that employed no more than 500 employees who principal place of residence is in the United States and was in operation as of February 15, 2020.

In fiscal year 2020, the Society applied for and received a PPP loan through BMO Harris Bank in the amount of $1,074,250. The loan was forgiven on January 5, 2021, and is recorded as other income in the statement of activities.

In fiscal year 2021, the Society applied for and received a second PPP loan through BMO Harris Bank in the amount of $1,291,000. The loan was forgiven on August 30, 2021, and is recorded as other income in the statement of activities.

Note 7. Retirement Plans

The Society 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. The Society 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 the Society are $162,531 for the year ended October 31, 2021.

Note 8. Net Assets With Donor Restrictions

Net assets with donor restrictions were as follows for the year ended October 31, 2021:

Subject to the Society's spending policy and appropriation:	
Donor-restricted endowment funds invested in perpetuity; including accumulated earnings of $186,130	$ 2,006,986
Not subject to spending policy or appropriations:	
Beneficial interests in perpetual trusts	1,504,321
	$ 3,511,307

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 the Society'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.

Note 9. Endowment Net Assets (Continued)

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.

The Society'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, the Society 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, the Society 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 the Society and the donor-restricted endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the Society; and
7. The investment policies of the Society.

The Society's endowment composition is as follows for the year ended October 31, 2021:

Donor-restricted endowment funds:	
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by the donor	$ 1,820,856
Accumulated investment gains	186,130
	$ 2,006,986

Changes in endowment net assets for 2021 are as follows:

Endowment net assets, November 1, 2020	$ 1,820,856
Contributions	-
Investment return	277,130
Appropriation of endowment assets for expenditure	(91,000)
Endowment net assets, October 31, 2021	$ 2,006,986

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 the Society to retain as a fund of perpetual duration. As of October 31, 2021, there were no funds with deficiencies.

Note 9. Endowment Net Assets (Continued)

Return objectives and risk parameters: The Society 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 the Society must hold in perpetuity.

Strategies employed for achieving objectives: To satisfy its long-term rate of return objectives, the Society relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Society 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: The Society 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, the Society considered the long-term expected rate of return on its endowment. Based on the long-term objectives stated above, the Society will only spend the endowment fund to support the spay and neuter clinic or for educational purposes while preserving the related principal.