

Preservation Chicago

Financial Statements

Years Ended December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Preservation Chicago
Chicago, Illinois

Opinion

We have audited the accompanying financial statements of Preservation Chicago (a nonprofit organization), which comprise the statement of assets, liabilities and net assets – modified cash basis as of December 31, 2022 and 2021, and the related statement of revenues and support, expenses and change in net assets – modified cash basis, and statement of functional expenses – modified cash basis for the years then ended, and the related notes to the financial statements (collectively, the “financial statements”).

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Preservation Chicago as of December 31, 2022 and 2021, and its revenues, support and expenses for the years then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Preservation Chicago 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.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITOR'S REPORT – Continued

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 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 Preservation Chicago'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 Preservation Chicago'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.

Mann Weitz & Associates LLC

MANN. WEITZ & ASSOCIATES L.L.C.

Deerfield, Illinois
June 28, 2023

PRESERVATION CHICAGO
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS
- MODIFIED CASH BASIS
DECEMBER 31, 2022 and 2021

ASSETS	<u>2022</u>	<u>2021</u>
Current Assets		
Cash and cash equivalents - Note 2	\$ 120,913	\$ 282,969
Certificate of deposit - cash equivalents	25,004	
Certificates of deposit	94,938	
	<u>240,855</u>	<u>282,969</u>
Property and Equipment		
Computer equipment	6,608	6,608
Furniture and fixtures	8,981	8,981
	<u>15,589</u>	<u>15,589</u>
Less: Accumulated depreciation	9,255	6,608
	<u>6,334</u>	<u>8,981</u>
Total Assets	<u>\$ 247,189</u>	<u>\$ 291,950</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 10,643	\$ 6,016
Payroll liabilities		8,925
	<u>10,643</u>	<u>14,941</u>
Net Assets		
Without donor restrictions	231,546	277,009
With donor restrictions - Note 5	5,000	
	<u>236,546</u>	<u>277,009</u>
Total Liabilities and Net Assets	<u>\$ 247,189</u>	<u>\$ 291,950</u>

The accompanying notes are an integral part of this statement.

PRESERVATION CHICAGO
STATEMENT OF REVENUES AND SUPPORT, EXPENSES AND CHANGE
IN NET ASSETS - MODIFIED CASH BASIS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions
Revenues and Support				
Grants and contributions - Notes 4 and 7	\$ 393,889	\$ 5,000	\$ 398,889	\$ 459,292
Forgiveness of debt - Note 3				50,000
Investment interest	177		177	11
Total Revenues and Support	394,066	5,000	399,066	509,303
Expenses				
Program Services	314,943		314,943	277,977
Supporting Services				
Management and general	94,419		94,419	65,871
Fundraising	30,167		30,167	24,598
Total Supporting Services	124,586		124,586	90,469
Total Expenses	439,529		439,529	368,446
Change in Net Assets	(45,463)	5,000	(40,463)	140,857
Net Assets				
Beginning of year	277,009		277,009	136,152
End of year	\$ 231,546	\$ 5,000	\$ 236,546	\$ 277,009

The accompanying notes are an integral part of this statement.

PRESERVATION CHICAGO
STATEMENT OF FUNCTIONAL EXPENSES
- MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries expense	\$ 244,050	\$ 16,950	\$ 15,000	\$ 276,000
Payroll taxes and benefits	52,332	4,163	2,973	59,468
Professional services		22,908		22,908
Occupancy expense - Note 6		28,887		28,887
Depreciation expense		2,647		2,647
Insurance expense		2,814		2,814
Office expense	3,811	7,784	345	11,940
Gifts and donations		632	3,089	3,721
Transportation expense			8,760	8,760
IT expense		7,634		7,634
Publication expense	13,078			13,078
Library expense	534			534
Independent contractor	1,138			1,138
	<u>314,943</u>	<u>94,419</u>	<u>30,167</u>	<u>439,529</u>
Total Expenses	<u>\$ 314,943</u>	<u>\$ 94,419</u>	<u>\$ 30,167</u>	<u>\$ 439,529</u>

The accompanying notes are an integral part of this statement.

PRESERVATION CHICAGO
STATEMENT OF FUNCTIONAL EXPENSES
- MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries expense	\$ 223,875	\$ 15,775	\$ 14,350	\$ 254,000
Payroll taxes and benefits	46,351	3,160	3,160	52,671
Professional services		4,540		4,540
Occupancy expense - Note 6		21,914		21,914
Depreciation expense		3,221		3,221
Insurance expense		2,693		2,693
Office expense	3,286	3,397	518	7,201
Gifts and donations		663	3,236	3,899
Transportation expense			3,334	3,334
IT expense		10,508		10,508
Publication expense	2,251			2,251
Library expense	1,171			1,171
Meeting expense	1,043			1,043
	<u>\$ 277,977</u>	<u>\$ 65,871</u>	<u>\$ 24,598</u>	<u>\$ 368,446</u>
Total Expenses	<u>\$ 277,977</u>	<u>\$ 65,871</u>	<u>\$ 24,598</u>	<u>\$ 368,446</u>

The accompanying notes are an integral part of this statement.

PRESERVATION CHICAGO
NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities and Organization

Preservation Chicago (Organization), headquartered in Chicago Illinois, is a tax exempt, nonprofit advocacy organization. Preservation Chicago is devoted to creating, nurturing, and enhancing healthy, vibrant, diverse, and sustainable communities in Chicago through advocacy, outreach, education and partnership. Funding of these services is derived primarily from grants, contributions and fundraising activities.

Basis of Accounting

The accompanying financial statements have been prepared on the modified cash basis of accounting, modified to record assets or liabilities with respect to cash transactions and events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. The modifications results in the recordings of investments, property and equipment, and related short-term and long-term obligations on statement of assets, liabilities and net assets – modified cash basis. This method of accounting represents a comprehensive basis of accounting different from than accounting principles generally accepted in the United States of America (GAAP). This basis of accounting differs from GAAP primarily because certain revenue and related assets have been recognized when received rather than when earned and certain expenses an related liabilities have been recognized when paid rather than when the obligation were incurred. In addition, as the financial statements are not presented in accordance with generally accepted accounting principles, the Organization elected not to disclose liquidity and availability information, and has not adopted the new lease standard ASC 842.

Basis of Presentation

Information regarding the financial position and activities of the Organization are reported in two classes of net assets: net assets without donor restrictions and net assets with donor restrictions, 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:

- Without donor restrictions - Net assets without donor restrictions are not subject to donor-imposed stipulations, but may be subject to board designations. They include all activities of the Organization, except for those amounts that are restricted by external donors.
- With donor restrictions - Net assets with donor restrictions are subject to donor-imposed stipulations that can be removed through the passage of time (time restrictions) or actions of the Organization (purpose restrictions). Net assets with donor restrictions may also be imposed by donors who require that the principal of this class of net assets be invested in perpetuity and only the investment income be expended. The Organization has net assets with donor restriction, none of which are perpetual in nature.

PRESERVATION CHICAGO
NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Cash and Cash Equivalents

The Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Grants and Contributions

Grants and contributions are reported at fair value when payment is received. Grants and contributions are recorded as increases to net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions. Grants and contributions that are subject to donor-imposed restrictions that are met within the same year as received are reported as increases to net assets without donor restrictions in the financial statements.

Property and Equipment

Property and equipment additions consist of computer equipment, furniture, and fixtures and is recorded at historical cost. Depreciation is computed by use of the straight-line method over an estimated useful life of three to ten years.

Maintenance and repairs, which neither materially add to the value of the fixed assets nor appreciably prolong their lives, are charged to expense as incurred. Gains and losses on dispositions of property and equipment are included in the accompanying statement of revenues and support, expenses and change in net assets – modified cash basis.

Depreciation expense was \$2,647 and \$3,221 for the year ended December 31, 2022 and 2021 respectively.

Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Expenses which are easily and directly associated with a particular program or supporting service are allocated directly to that functional category. Salaries and benefits have been allocated among program services and supporting services. Such allocations are determined by management on an equitable basis.

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

PRESERVATION CHICAGO
NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Income Taxes

The Organization is a nonprofit Illinois corporation which has been granted a tax-exempt status as a public charity under Section 501(c)(3) of the Internal Revenue Code. The Organization is required to pay federal and state income taxes only on its net unrelated business income. There was no unrelated business income for the years ended December 31, 2022 and 2021.

Evaluation of Tax Positions

The financial statements effects of a tax position taken or expected to be taken are recognized in the financial statements when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. As of December 31, 2022 and 2021, the Organization had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

Subsequent Events

The Organization has evaluated subsequent events for potential recognition and/or disclosure through June 28, 2023, the date financial statements were available to be issued. See Note 9.

2. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash deposits. Accounts are insured by Federal Deposit Insurance Corporation (FDIC). At times during the years, balances at these institutions exceeded the FDIC insured limits. The Organization does not believe that it is exposed to any significant risk in connection with these balances.

3. PAYCHECK PROTECTION PROGRAM

On May 3, 2020, the Organization entered into an agreement with a lender and the Small Business Administration to obtain a Paycheck Protection Program (PPP) loan offered as a result of the Coronavirus Aid, Relief and Economic Security Act (CARES). The PPP loan was intended to help certain small businesses and nonprofits stay afloat during the COVID-19 pandemic. The loan in the amount of \$50,000 provided for interest at a rate of 1% and was to mature on May 3, 2022. During July 2021, the loan was forgiven and recorded as revenue in the amount of \$50,000 on the accompanying statement of revenues and support, expenses and change in net assets – modified cash basis.

PRESERVATION CHICAGO
NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS

4. CONCENTRATION OF GRANTS AND CONTRIBUTIONS

Approximately \$326,500 and \$385,000 or 75% and 76% of total revenue were contributed by four grantors/donors during the years ended December 31, 2022 and 2021, respectively.

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of a grant received for the purpose of the exhibition *Building a skyscraper: the Schiller building by Adler and Sullivan* in the amount of \$5,000 at December 31, 2022. The Organization had net no assets with donor restrictions at December 31, 2021.

6. LEASE

Effective October 21, 2019, the Organization entered into a temporary lease for office space in Chicago, Illinois until a new office space was ready for occupancy. The monthly base rent was \$1,167. On May 1, 2022, the Organization entered into a 5 year lease through April 30, 2027, with monthly base rent ranging from \$2,295 to \$2,366. Rent expense was \$21,858 and \$15,171, for the years ended December 31, 2022 and 2021, respectively.

Future minimum lease commitments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2023	\$ 27,536
2024	27,536
2025	28,110
2026	28,397
2027	9,466
	<u>\$ 121,045</u>

7. RELATED PARTY TRANSACTIONS

During 2022 and 2021, the Organization received grants and contributions in the amount of \$104,000 and \$157,250, respectively, from board members, staff, and individuals and organizations immediately related to staff.

PRESERVATION CHICAGO
NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS

8. VOLUNTEER SERVICES

A significant amount of volunteer services is contributed to the Organization by various board members and others to support the Organization's program and supporting services. These volunteer activities include participating on the Board of Directors, preservation efforts, and numerous other activities and committees. The value of these services has not been included in the financial statements because the criteria for recognition have not been met.

9. SUBSEQUENT EVENTS

Subsequent to year end, on April 25, 2023, the Organization was awarded an unconditional grant in the amount of \$2,300,000. The grant is payable in equal installments over the next 2 years for the purpose of establishing an endowment fund in support of the general operations of the Organization. The Organization is allowed to spend up to the greater of \$115,000 or 5% of the value of the endowment fund for each calendar year.

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