



Preservation Chicago

Financial Statements

Years Ended December 31, 2023 and 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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.

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
September 25, 2024

PRESERVATION CHICAGO
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS
- MODIFIED CASH BASIS
DECEMBER 31, 2023 and 2022

ASSETS	<u>2023</u>	<u>2022</u>
Current Assets		
Cash and cash equivalents - Note 2	\$ 123,800	\$ 120,913
Certificate of deposit - cash equivalents		25,004
Certificates of deposit		<u>94,938</u>
Total Current Assets	<u>123,800</u>	<u>240,855</u>
Property and Equipment		
Computer equipment	6,608	6,608
Furniture and fixtures	<u>20,635</u>	<u>8,981</u>
	27,243	15,589
Less: Accumulated depreciation	<u>11,966</u>	<u>9,255</u>
Net Property and Equipment	<u>15,277</u>	<u>6,334</u>
Other Assets		
Investments, operating - Note 4	104,056	
Investments, endowment - Notes 4 and 6	<u>1,150,003</u>	
Total Other Assets	<u>1,254,059</u>	
Total Assets	<u>\$ 1,393,136</u>	<u>\$ 247,189</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	<u>\$ 9,604</u>	<u>\$ 10,643</u>
Total Liabilities	<u>9,604</u>	<u>10,643</u>
Net Assets		
Without donor restrictions	233,529	231,546
With donor restrictions - Notes 5 and 6	<u>1,150,003</u>	<u>5,000</u>
Total Net Assets	<u>1,383,532</u>	<u>236,546</u>
Total Liabilities and Net Assets	<u>\$ 1,393,136</u>	<u>\$ 247,189</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, 2023 AND 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support						
Grants and contributions - Notes 3 and 8	\$ 428,039	\$ 1,150,000	\$ 1,578,039	\$ 393,889	\$ 5,000	\$ 398,889
Investment income - Note 4	7,525	33,343	40,868	177		177
Total Revenues and Support	435,564	1,183,343	1,618,907	394,066	5,000	399,066
Net assets released from restrictions - Note 5	38,340	(38,340)				
Total Revenues and Support	473,904	1,145,003	1,618,907	394,066	5,000	399,066
Expenses						
Program Services	319,492		319,492	314,943		314,943
Supporting Services						
Management and general	113,220		113,220	94,419		94,419
Fundraising	39,209		39,209	30,167		30,167
Total Supporting Services	152,429		152,429	124,586		124,586
Total Expenses	471,921		471,921	439,529		439,529
Change in Net Assets	1,983	1,145,003	1,146,986	(45,463)	5,000	(40,463)
Net Assets						
Beginning of year	231,546	5,000	236,546	277,009		277,009
End of year	\$ 233,529	\$ 1,150,003	\$ 1,383,532	\$ 231,546	\$ 5,000	\$ 236,546

The accompanying notes are an integral part of this statement.

PRESERVATION CHICAGO
STATEMENT OF FUNCTIONAL EXPENSES
- MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2023

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries expense	\$ 250,225	\$ 17,375	\$ 15,400	\$ 283,000
Payroll taxes and benefits	51,433	4,092	2,922	58,447
Professional services		24,102		24,102
Occupancy expense - Note 7		37,764		37,764
Depreciation expense		2,711		2,711
Insurance expense		3,214		3,214
Office expense	5,414	4,741	7,250	17,405
Gifts and donations		1,191	4,215	5,406
Transportation expense		9,421	9,422	18,843
IT expense		6,617		6,617
Publication expense - Chicago 7	6,885			6,885
Library expense	524			524
Meeting expense		1,992		1,992
Consulting	5,011			5,011
	<u>5,011</u>	<u> </u>	<u> </u>	<u>5,011</u>
Total Expenses	<u>\$ 319,492</u>	<u>\$ 113,220</u>	<u>\$ 39,209</u>	<u>\$ 471,921</u>

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 7		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 - Chicago 7	13,078			13,078
Library expense	534			534
Consulting	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
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 result 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 and 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.

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.

Investments

Investments are carried at fair value, which generally represents quoted prices as of the last business day of the year. Net investment income is reported in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses.

The Organization invests in highly liquid instruments. The investment securities are exposed to risks such as interest rate, market, and credit risks. Due to the level of risk with certain investment securities, it is at least reasonably possible that changes in the values of securities will occur in the near term and any such changes could materially affect the amounts reported in the statement of financial position.

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

The Organization capitalizes fixed asset additions of \$2,000 and greater. 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 \$2,711 and \$2,647 for the year ended December 31, 2023 and 2022 respectively.

PRESERVATION CHICAGO
NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS

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

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.

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, 2023 and 2022.

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, 2023 and 2022, 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 September 25, 2024, the date financial statements were available. See Note 10.

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 may exceed the federally insured limits. The Organization has not experienced any losses in such accounts and at year end 2023 and 2022 did not have balances that exceeded the federally insured limits. The Organization does not believe that it is exposed to any significant risk in connection with these balances.

PRESERVATION CHICAGO
NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS

3. CONCENTRATION OF GRANTS AND CONTRIBUTIONS

Approximately \$1,224,200 or 78% of total revenue was contributed by one grantor/donor and \$326,500 or 75% of total revenue were contributed by four grantors/donors during the years ended December 31, 2023 and 2022, respectively.

4. INVESTMENTS

Investments at December 31, 2023 consist of money market deposits in the amount of \$1,164,076 and fixed income bonds in the amount of \$89,983 which are stated at fair value based on quoted prices in active markets (all Level 1 measurements), and are summarized as follows:

Cost	\$ 1,252,474
Fair value	<u>1,254,059</u>
Unrealized Gain	<u>\$ 1,585</u>

Investment income consists of the following:

Interest income	\$ 36,686
Dividend income	2,597
Net unrealized gain	<u>1,585</u>
Total Investment Income	<u>\$ 40,868</u>

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of a grant received for subsequent periods (which are restricted by the passage of time), restricted for purpose, restricted for both passage of time and purpose and restricted in perpetuity.

Net assets with donor restrictions are comprised of the following:

Restriction	2023	2022
Purpose restricted:		
Sullivan exhibit	\$ -	\$ 5,000
Restricted in perpetuity - Note 6:		
Endowment	1,150,000	
Accumulated unspent endowment earnings	<u>3</u>	
Total Net Assets With Donor Restrictions	<u>\$ 1,150,003</u>	<u>\$ 5,000</u>

PRESERVATION CHICAGO
NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS

5. NET ASSETS WITH DONOR RESTRICTIONS - Continued

Net assets were released from donor restrictions as follows at December 31:

Restriction	2023	2022
Sullivan Exhibit	\$ 5,000	\$ -
Pursuant to endowment spending - Note 6	33,340	
Total Net Assets Released from Restrictions	\$ 38,340	\$ -

6. ENDOWMENT

On April 25, 2023, the Organization received a grant from the Driehaus Foundation in the amount of \$2,300,000 to be paid in two equal installments, of which \$1,150,000 was received in 2023 and \$1,150,000 is to be received in 2024. Accordingly, the Driehaus endowment fund (Endowment) was created in 2023 to provide a long-term source of income/resources to Preservation Chicago to fund the costs of general operations.

The endowment fund assets were invested in the Organization’s investment portfolio absent explicit donor stipulations to the contrary. Net assets associated with the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. The endowment agreement stipulates that Preservation Chicago is allowed to spend up to \$115,000 of the endowment balance in the first two years and the greater of 5% of the endowment balance or \$115,000 each year thereafter.

As a result of this interpretation, the Organization classifies as time restricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts donated to the Endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The remaining portion of the donor-restricted endowment is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization’s investment policies.

PRESERVATION CHICAGO
NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS

6. ENDOWMENT - Continued

Return Objectives and Risk Parameters

The Finance Committee, which oversees the investment portfolio of the Organization with the assistance of the Organization's investment manager, operates under investment policies that attempt to protect the corpus and provide a predictable stream of income and investment returns from its endowment assets. The Endowment investments consist primarily of money market deposits due to the recent increase in interest rates and due to the risk-free nature of the deposits. The asset allocation emphasizes lower year-to-year volatility and risk-free nature of the deposits.

Investment and Spending Policies

The Finance Committee of the Organization has adopted investment and spending policies for the Endowment that align with the donors wishes and attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets.

The Organization follows the spending parameters provided by the donor in the Endowment agreement from Driehaus. The approved annual spending rate is \$115,000 for the first two years of the endowment and the greater of 5% of the endowment balance or \$115,000 each year thereafter. For years in which endowment spending is not necessary to support operations, funds can remain invested as part of the full principal to sustain growth.

Changes in Endowment net assets are as follows:

	<u>Without Donor</u> <u>Restictions</u>	<u>With Donor</u> <u>Restictions</u>	<u>Total</u>
Endowment net assets, December 31, 2022	\$ -	\$ -	\$ -
Endowment funds received		1,150,000	1,150,000
Net investment income		33,343	33,343
Appropriation for expenditure pursuant to endowment agreement		<u>(33,340)</u>	<u>(33,340)</u>
Endowment net assets, December 31, 2023	<u>\$ -</u>	<u>\$ 1,150,003</u>	<u>\$ 1,150,003</u>

**PRESERVATION CHICAGO
 NOTES TO FINANCIAL STATEMENTS - MODIFIED CASH BASIS**

7. 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 \$28,412 and \$21,858, for the years ended December 31, 2023 and 2022, respectively.

Future minimum lease commitments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2024	\$ 27,536
2025	28,110
2026	28,397
2027	<u>9,466</u>
Total	<u>\$ 93,509</u>

8. RELATED PARTY TRANSACTIONS

During 2023 and 2022, the Organization received grants and contributions in the amount of \$113,154 and \$104,000, respectively, from board members, staff, and individuals and organizations immediately related to staff.

9. 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.

10. SUBSEQUENT EVENTS

Subsequent to year end, on March 15, 2024, the Organization received the second half of the \$2,300,000 Driehaus endowment unconditional grant in the amount of \$1,150,000 (see note 6). This is the final payment of the grant for the purpose of establishing an endowment fund in support of the general operations of the Organization.

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