

**SOUTH SUBURBAN
HUMANE SOCIETY**

**Annual Financial Report
For the Fiscal Years Ended
September 30, 2020 and 2019**

Prepared By:

**HEARNE & ASSOCIATES, P.C.
Certified Public Accountants and
Business Consultants**

South Suburban Humane Society
(An Illinois Not-For-Profit Corporation)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
South Suburban Humane Society
Chicago, Illinois

We have audited the accompanying financial statements of the South Suburban Humane Society (an Illinois not-for-profit organization), which comprise the statements of financial position as of September 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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.

Auditors' 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.

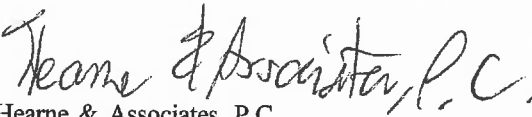
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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 South Suburban Humane Society as of September 30, 2020 and 2019, 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.

April 7, 2021
Mokena, IL


Heame & Associates, P.C.
Certified Public Accountants

South Suburban Humane Society
(An Illinois Not-For-Profit Organization)

Statement of Financial Position
September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets:		
Cash - Unrestricted	\$ 211,548	\$ 265,584
Cash - Restricted	406,923	-
Total Current Assets	<u>618,471</u>	<u>265,584</u>
Property and Equipment:		
Land & Improvements	77,804	77,804
Building & Improvements	868,114	868,114
Vehicles	102,595	102,595
Furniture and Equipment	283,709	213,709
Less: Accumulated Depreciation	<u>(899,149)</u>	<u>(858,908)</u>
Net Property and Equipment	<u>433,073</u>	<u>403,314</u>
Other Assets:		
Promises to Give	57,500	-
Security Deposit	3,998	3,998
Total Other Assets	<u>61,498</u>	<u>3,998</u>
Total Assets	<u>\$ 1,113,042</u>	<u>\$ 672,896</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts Payable	\$ 56,315	\$ 60,198
Accrued Compensation & Taxes	30,140	22,700
Due To LLC	490	490
Total Current Liabilities	<u>86,945</u>	<u>83,388</u>
Net Assets:		
With Donor Restrictions	466,423	-
Without Donor Restrictions	<u>559,674</u>	<u>589,508</u>
Total Net Assets	<u>1,026,097</u>	<u>589,508</u>
Total Liabilities and Net Assets	<u>\$ 1,113,042</u>	<u>\$ 672,896</u>

The accompanying notes are an integral part of the financial statements

South Suburban Humane Society
(An Illinois Not-For-Profit Organization)

Statement of Activities
For the Year Ended September 30, 2020

Operating Revenues, Gains and Other Support	Without Donor Restrictions	With Donor Restrictions	Total
Adoptions	\$ 310,911	\$ -	\$ 310,911
Clinic Fees	343,692	-	343,692
Medical Treatments	47,308	-	47,308
Grants	112,903	-	112,903
Donations and Contributions			
Unrestricted Donations and Contributions	488,198	-	488,198
Restricted - Paycheck Protection Program Loan Forgiveness	-	207,085	207,085
Restricted Capital Campaign Contributions	-	259,338	259,338
Fundraising	326,757	-	326,757
Bequests	15,409	-	15,409
Investment Income	166	-	166
Thrift Shop Sales	203,428	-	203,428
	<hr/>	<hr/>	<hr/>
Total Operating Gains and Other Support	1,848,772	466,423	2,315,195
	<hr/>	<hr/>	<hr/>
Functional Expenses			
Program Services	1,723,554	-	1,723,554
Management and General	79,703	-	79,703
Fundraising	75,349	-	75,349
	<hr/>	<hr/>	<hr/>
Total Functional Expenses	1,878,606	-	1,878,606
	<hr/>	<hr/>	<hr/>
Change in Net Assets	(29,834)	466,423	436,589
	<hr/>	<hr/>	<hr/>
Net Assets, Beginning of the Year	589,508	-	589,508
	<hr/>	<hr/>	<hr/>
Net Assets, End of the Year	\$ 559,674	\$ 466,423	\$ 1,026,097
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements

South Suburban Humane Society
(An Illinois Not-For-Profit Organization)

Statement of Activities
For the Year Ended September 30, 2019

Operating Revenues, Gains and Other Support	Without Donor Restrictions	With Donor Restrictions	Total
Adoptions	\$ 281,025	\$ -	281,025
Clinic Fees	308,110	-	308,110
Medical Treatments	52,356	-	52,356
Grants	71,560	-	71,560
Donations & Contributions			
Homewood Adoption Center	271,500	-	271,500
Other	484,009	-	484,009
Fundraising	306,217	-	306,217
Bequests	24,839	-	24,839
Investment Income	159	-	159
Thrift Shop Sales	253,365	-	253,365
	<hr/>	<hr/>	<hr/>
Total Operating Gains and Other Support	2,053,140	-	2,053,140
	<hr/>	<hr/>	<hr/>
Functional Expenses			
Program Services	1,665,501	-	1,665,501
Management and General	63,695	-	63,695
Fundraising	78,571	-	78,571
	<hr/>	<hr/>	<hr/>
Total Functional Expenses	1,807,767	-	1,807,767
	<hr/>	<hr/>	<hr/>
Change in Net Assets	245,373	-	245,373
	<hr/>	<hr/>	<hr/>
Net Assets, Beginning of the Year	344,135	-	344,135
	<hr/>	<hr/>	<hr/>
Net Assets, End of the Year	\$ 589,508	\$ -	\$ 589,508
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements

South Suburban Humane Society
 (An Illinois Not-For-Profit Organization)
Statement of Functional Expenses
 For the Year Ended September 30, 2020

	Program Services	Support Services		Total
		Management and General	Fundraising	
Salaries	\$ 928,373	\$ 16,248	\$ 16,247	\$ 960,868
Payroll Taxes	71,723	-	-	71,723
Worker's Compensation	15,448	-	-	15,448
Advertising and Promotion	9,593	1,089	153	10,835
Animal Care	364,050	-	-	364,050
Auto Expense	6,301	-	-	6,301
Depreciation	40,241	-	-	40,241
Fundraising	-	-	33,668	33,668
Dues and Subscriptions	1,723	-	-	1,723
Insurance	20,884	-	-	20,884
Merchandise	4,833	-	-	4,833
Office Expenses and Postage	307	10,635	5,158	16,100
Outreach Expense	1,848	-	-	1,848
Outside and Professional Services	18,999	12,342	-	31,341
Printing	-	18,149	5,088	23,237
Rabies Tags	16,385	-	-	16,385
Taxes	469	20,366	13,577	34,412
Rent	40,062	-	-	40,062
Repairs and Maintenance	22,196	-	-	22,196
Telephone	27,750	256	427	28,433
Training and Education	11,433	-	-	11,433
Utilities	69,132	618	1,031	70,781
Miscellaneous	51,804	-	-	51,804
Total Functional Expense	<u>\$ 1,723,554</u>	<u>\$ 79,703</u>	<u>\$ 75,349</u>	<u>\$ 1,878,606</u>

The accompanying notes are an integral part of the financial statements

South Suburban Humane Society
 (An Illinois Not-For-Profit Organization)
Statement of Functional Expenses
 For the Year Ended September 30, 2019

	Program Services	Support Services		Total
		Management and General	Fundraising	
Salaries	\$ 802,781	\$ 15,042	\$ 15,042	\$ 832,865
Payroll Taxes	60,390	1,139	1,139	62,668
Worker's Compensation	18,826	-	-	18,826
Advertising and Promotion	8,171	215	398	8,784
Animal Care	405,298	-	-	405,298
Auto Expense	9,191	-	-	9,191
Depreciation	37,937	-	-	37,937
Fundraising	-	-	56,518	56,518
Dues and Subscriptions	1,266	-	-	1,266
Insurance	27,470	-	-	27,470
Merchandise	18,574	-	-	18,574
Office Expenses and Postage	3,665	10,792	4,056	18,513
Outreach Expense	1,596	-	-	1,596
Outside and Professional Services	15,683	9,655	-	25,338
Printing	1,208	26,002	-	27,210
Rabies Tags	16,498	-	-	16,498
Rent	39,863	-	-	39,863
Repairs and Maintenance	51,313	-	-	51,313
Telephone	22,060	203	339	22,602
Training and Education	8,219	-	-	8,219
Utilities	70,193	647	1,079	71,919
Miscellaneous	45,299	-	-	45,299
Total Functional Expense	<u>\$ 1,665,501</u>	<u>\$ 63,695</u>	<u>\$ 78,571</u>	<u>\$ 1,807,767</u>

The accompanying notes are an integral part of the financial statements

South Suburban Humane Society
(An Illinois Not-For-Profit Organization)

Statement of Cash Flows
For The Year Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 436,589	\$ 245,373
Adjustments to reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation	40,241	37,937
Property Donation Received	(70,000)	(119,500)
(Gain) Loss on Disposal of Fixed Asset	-	-
Change in Assets - (Increase) Decrease		
Promise to Give	(57,500)	-
Change in Liabilities - Increase (Decrease)		
Accounts Payable	(3,882)	41,662
Accrued Compensation & Taxes	7,439	8,988
	<u>352,887</u>	<u>214,460</u>
Cash Flows from Investing Activities:		
Purchase of Fixed Assets	<u>-</u>	<u>(155,541)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	352,887	58,919
Cash and Cash Equivalents, at Beginning of Year	<u>265,584</u>	<u>206,665</u>
Cash and Cash Equivalents, End of Year	<u>\$ 618,471</u>	<u>\$ 265,584</u>

The accompanying notes are an integral part of the financial statements

South Suburban Humane Society
(An Illinois Not-For-Profit Corporation)

Notes to the Financial Statements
September 30, 2020 and 2019

1. Nature of the Organization and Significant Accounting Policies

Organization and Nature of Activities

South Suburban Humane Society (SSHS) was incorporated on April 30, 1970 in the State of Illinois as a not-for-profit organization. The purpose of the Society is the prevention of cruelty to animals, the relief of suffering among animals, reducing the pet overpopulation through aggressive spay/neuter programs and the extension of humane education.

Basis of Accounting

The Society's financial statements have been prepared in accordance with the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Basis of Presentation

SSHS presents financial information pursuant to Financial Accounting Standards Board (FASB) Accounting Standards for Not-For-Profit Entities which establishes standards for external financial reporting by not-for-profit organizations and requires the resources be classified into distinct net asset categories according to externally (donor) imposed restrictions.

Net Assets Without Donor Restrictions – Net Assets that are not subject to donor-imposed restrictions are net assets without donor restrictions. The assets include the revenues and expenses of the primary operations of the Organization. Donor restricted contributions and grants whose restrictions are met in the same reporting period are reported as net assets without donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor or grant-imposed stipulation that may or will be met either by actions of the Organization and/or the passage of time are classified as net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. There were assets with donor restrictions as of September 30, 2020 in the amount of \$466,423. There were no assets with donor restrictions as of September 30, 2019.

Cash and Cash Equivalents – For purposes of reporting cash flows, cash is defined as cash on hand, and amounts held at federally insured financial institutions. At September 30, 2020, the Society's deposits were not fully insured as the balances were above the Federally Insured limit (of \$250,000) by \$371,287. At September 30, 2019, the Society's deposits were fully insured as the balances were below the Federally Insured limit (of \$250,000). Investments with an original maturity of three months or less are considered short-term for these purposes.

Liquidity and Availability of Resources- South Suburban Humane Society had a balance of \$618,471 in cash and cash equivalents for the current fiscal year ending September 30, 2020. This is an increase of \$352,886 from the previous year, which had a cash and cash equivalent balance of \$265,584.

South Suburban Humane Society
(An Illinois Not-For-Profit Corporation)

Notes to the Financial Statements
September 30, 2020 and 2019

1. Nature of the Organization and Significant Accounting Policies (continued)

Donations and contributions increased in 2020 because of the Paycheck Protection Program Loan Forgiveness and Capital Campaign contributions. South Suburban Humane Society also opened a new line of credit in the amount of \$200,000 (See Note 5 for additional details). The balance of the line of credit at September 30, 2020 was \$-0-.

At September 30, 2020, the Society had cash in the amount of \$406,923 that was restricted for specific uses. See the following table for more details:

<u>Cash</u>	
Unrestricted	\$ 211,548
Restricted - Paycheck Protection Program Forgiveness	207,085
Restricted - Capital Campaign	<u>199,838</u>
Total	<u>\$ 618,471</u>

As of September 30, 2019, the balance of cash, \$265,584 was unrestricted.

Functional Expenses - The Society allocated its expenses on a functional basis among its various programs and supporting activities. Expenses that can be identified with a specific program, management and general, or fundraising activity are allocated directly to those programs or activities. The expenses that are allocated include salaries and related costs which are allocated on the basis of estimated time and effort. Other expenses are allocated based on the Society's estimated usage for each activity.

Investments -- The Society owns a minority, non-managing interest in a for profit LLC. This investment is accounted for in accordance with the equity method.

Advertising -- The Society expenses nondirect response advertising as incurred. For the years ended September 30, 2020 and 2019 advertising expense is \$10,835 and \$8,784, respectively .

Fixed Assets -- Property and equipment are recorded at cost, while donated fixed assets are recorded at fair value on the date of donation. Expenditures for repairs and maintenance are charged to expense as incurred, whereas renewals and betterments that extend the lives of property are capitalized. Depreciation is computed on the straight-line method over the useful lives of five to ten years for equipment and ten to twenty years for building and improvements. Depreciation expense for the years ended September 30, 2020 and 2019 amounts to \$40,241 and \$37,937, respectively.

Income Taxes -- The Society is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, a provision for income taxes has not been made on the financial statements. It is also classified as other than a private foundation. The Society has no unrelated business income during the years ended September 30, 2020 and 2019 and therefore, no provision for federal or state income taxes has been made in the accompanying financial statements.

South Suburban Humane Society
(An Illinois Not-For-Profit Corporation)

Notes to the Financial Statements
September 30, 2020 and 2019

1. Nature of the Organization and Significant Accounting Policies (continued)

FASB Accounting Standard Codification (ASC) 740 Income Taxes ("ASC 740") provides that a tax benefit from an uncertain tax position may be recognized when it is more-likely-than-not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on technical merits. Income tax positions must be a more likely-than-not recognition threshold at the effective date to be recognized upon the adoption of ASC 740 and in subsequent periods. This interpretation also provides guidance on measurement, de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

The Society's adoption of ASC 740 had no impact on the Society's financial position or results of operations. The only tax years subject to examination by major tax jurisdictions are those within the statutory limits.

Donated Services – Donated services are recognized as in-kind revenues at their estimated fair value when they create or enhance nonfinancial assets, or they require specialized skills which would need to be purchased if they were not donated. For the years ended September 30, 2020 and 2019, SSSH received donated services in the amount of \$1,600 and \$-0-, respectively. The Society received donated volunteer hours; however, these donated services are not reflected in the financial statements since their services do not require specialized skills.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Promises to Give - Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restriction if the restrictions expire in the fiscal year in which the contributions are recognized.

All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restriction.

The Organization uses the allowance method to determine the uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

2. Investment

The Society has an investment of \$490 in the South Suburban Low-Cost Veterinary Services, LLC (LLC). This investment is a 49% ownership of the LLC and the Society is not the Managing owner of the LLC. Therefore, this investment is accounted for in accordance with the equity method. The carrying value of this investment by the Society for the years ended September 30, 2020 and 2019 is \$-0-.

South Suburban Humane Society
(An Illinois Not-For-Profit Corporation)

Notes to the Financial Statements
September 30, 2020 and 2019

3. Lease Commitments

SSHS is currently leasing office space. The lease term is through July 31, 2021. Future lease commitments under this lease are as follows:

For the Year Ended September 30, 2021	<u>\$ 12,508</u>
	<u>\$ 12,508</u>

4. Restricted Net Assets

South Suburban Humane Society has net assets that are for restricted use only. SSHS received a Paycheck Protection Program Loan in the amount of \$207,085. The loan is subject to forgiveness and it is probable SSHS will be granted full forgiveness of the loan. With this expectation, the loan has been reclassified to revenue as a conditional contribution. The funds are to be restricted until full forgiveness has been extended.

South Suburban Humane Society has plans for building an additional facility. The organization has received a grant from the Cook County Animal and Rabies Control organization in the amount of \$6 million dollars. (See note 8 for more details.) SSHS solicited contributions for additional funding to help supplement expenses for the project, Capital Campaign. Contributions received are held as restricted funds to only be used for the purpose of the expansion. Funds will be released from the restriction when spent on planning or building of the new expansion. At September 30, 2020, the Society had received \$259,338 in contributions.

5. Debt

On June 19, 2020, South Suburban Humane Society opened a line of credit for \$200,000 with First Merchants Bank. The line of credit carries a 3.75% annual interest rate. As of September 30, 2020, SSHS carried a balance of -\$0-.

6. Related Party Transactions

During the fiscal years ending September 30, 2020 and 2019, the Society paid \$36,032 and \$53,959 for veterinary services to the South Suburban Low-Cost Veterinary Services, LLC (LLC), respectively. The LLC is an investment of the Society. See note 2 for further information regarding this investment.

7. Capital Campaign

In order to supplement expenses expected for the ongoing expansion of the organization, SSHS has started a Capital Campaign in which donations are received in the form of conditional contributions. The contributions are contingent on whether the project is to occur. In May 2020, the organization obtained a commitment from Cook County and in October 2020, signed the contract mentioned above. Donors are asked to fill out forms detailing how much they plan to donate and in what time frame to show their commitment to donate funds. These funds are held separately from normal

South Suburban Humane Society
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Notes to the Financial Statements
September 30, 2020 and 2019

7. Capital Campaign (continued)

operational funds and are only released from restriction when used for the ongoing project. At September 30, 2020, the Society received \$259,338 in capital campaign contributions.

8. Subsequent Events

The date to which events occurring after September 30, 2020, the date of the most recent balance sheet, have been evaluated for possible adjustments to the financial statements or disclosure is the date of the independent auditor's report, the date the financial statements were issued. Any subsequent events requiring disclosure (if applicable) are discussed in the relevant footnote.

Cook County Grant

On October 5, 2020, South Suburban Humane Society completed a grant agreement with Cook County Animal and Rabies Control (ARC) in the amount of \$6 million dollars. The purpose of the grant is to assist in expanding the capacity of animal shelters to address overcrowding in the current facilities. The funds are to be used for the planning and construction of new animal shelter facilities in Cook County. Once the facility is operational, South Suburban Humane Society will work in coordination with the Cook County Animal and Rabies Control organization to provide additional services to help assist the ARC. Some of the agreement terms include providing shelter for animals impounded by ARC, providing an observational area for rabies infections to ARC, and providing medical care to animals transported to the facility. In order to qualify for the grant, SSHS will need to build and maintain the facility in compliance with the terms of the grant agreement.

Paycheck Protection Program

South Suburban Human Society applied for a second round of loans from the Small Business Administration. The amount of this loan is \$207,085 and is expected to be forgiven in 2021.

Additional Lease

On October 12, 2020, the Society signed a new lease for the new animal shelter. The lease term is for 99 years and carries a \$1 per year rental charge.

9. Uncertainty

The organization's operations may be affected by the recent and ongoing outbreak of coronavirus disease 2019 (COVID-2019) which was declared a pandemic by the World Health Organization in March of 2020. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. The ultimate disruption to the organization is uncertain at this time.