

**SOUTH SUBURBAN
HUMANE SOCIETY**

**Annual Financial Report
For the Fiscal Years Ended
September 30, 2021 and 2020**

Prepared By:

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

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

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1-2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	
For the Years Ended September 30, 2021	4
For the Years Ended September 30, 2020	5
Statements of Functional Expenses	
For the Years Ended September 30, 2021	6
For the Years Ended September 30, 2020	7
Statements of Cash Flows	8
Notes to the Financial Statements	9-15



David J. Hearne, Jr., CPA (1928-2014) Founder
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
South Suburban Humane Society
Chicago Heights, 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, 2021 and 2020, 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.

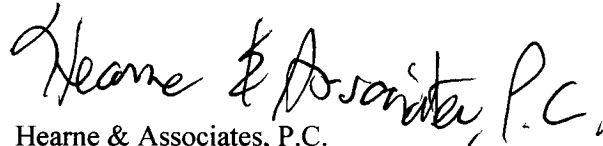
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or 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, 2021 and 2020, 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.

March 11, 2022
Mokena, IL


Hearne & Associates, P.C.
Certified Public Accountants

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

Statements of Financial Position
September 30, 2021 and 2020

	2021	2020
Assets		
Current Assets:		
Cash - Unrestricted	\$ 950,141	\$ 211,548
Cash - Restricted	903,246	406,923
Investment	85,749	-
Receivables:		
Grant	260,941	-
Other	15,965	-
Total Current Assets	2,216,042	618,471
Property and Equipment:		
Land & Improvements	76,576	77,804
Construction In Progress	1,751,472	-
Building & Improvements	817,120	868,114
Vehicles	102,595	102,595
Furniture and Equipment	181,485	283,709
Less: Accumulated Depreciation	(789,602)	(899,149)
Net Property and Equipment	2,139,646	433,073
Other Assets:		
Promises to Give	75,000	57,500
Security Deposit	3,998	3,998
Total Other Assets	78,998	61,498
Total Assets	\$ 4,434,686	\$ 1,113,042
Liabilities and Net Assets		
Current Liabilities:		
Accounts Payable	\$ 304,017	\$ 56,315
Accrued Compensation & Taxes	25,705	30,140
Due To LLC	490	490
Total Current Liabilities	330,212	86,945
Net Assets:		
With Donor Restrictions	978,246	466,423
Without Donor Restrictions	3,126,228	559,674
Total Net Assets	4,104,474	1,026,097
Total Liabilities and Net Assets	\$ 4,434,686	\$ 1,113,042

The accompanying notes are an intergral part of the financial statements

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

Statement of Activities
For the Year Ended September 30, 2021

Operating Revenues, Gains and Other Support	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Adoptions	\$ 332,247	\$ -	\$ 332,247
Clinic Fees	652,717	-	652,717
Grants	359,132	1,579,665	1,938,797
Donations and Contributions			
Unrestricted Donations and Contributions	355,173	-	355,173
Paycheck Protection Program Loan Forgiveness	192,515	-	192,515
Restricted Capital Campaign Contributions	-	889,868	889,868
Fundraising	161,082	-	161,082
Bequests	166,250	-	166,250
Investment Income	227,590	-	227,590
Thrift Shop Sales	310,040	-	310,040
Miscellaneous Income	2,707	-	2,707
Net Assets Released from Restriction	<u>1,957,710</u>	<u>(1,957,710)</u>	<u>-</u>
Total Operating Gains and Other Support	<u>4,717,163</u>	<u>511,823</u>	<u>5,228,986</u>
 Functional Expenses			
Program Services	2,055,502	-	2,055,502
Management and General	31,618	-	31,618
Fundraising	<u>63,489</u>	<u>-</u>	<u>63,489</u>
 Total Functional Expenses	<u>2,150,609</u>	<u>-</u>	<u>2,150,609</u>
 Change in Net Assets	2,566,554	511,823	3,078,377
 Net Assets, Beginning of the Year	<u>559,674</u>	<u>466,423</u>	<u>1,026,097</u>
 Net Assets, End of the Year	<u>\$ 3,126,228</u>	<u>\$ 978,246</u>	<u>\$ 4,104,474</u>

The accompanying notes are an intergral 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 & 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 Inome	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
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The accompanying notes are an intergral 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, 2021

	Program Services	Support Services		Total
		Management and General	Fundraising	
Salaries	\$ 1,070,626	\$ 16,000	\$ 16,000	\$ 1,102,626
Payroll Taxes	78,642	-	-	78,642
Worker's Compensation	17,387	-	-	17,387
Advertising and Promotion	18,632	-	1,018	19,650
Animal Care	476,053	-	-	476,053
Auto Expense	1,133	-	-	1,133
Depreciation	47,228	-	-	47,228
Fundraising	-	-	46,471	46,471
Dues and Subscriptions	11,707	-	-	11,707
Insurance	26,019	-	-	26,019
Merchandise	1,874	-	-	1,874
Office Expenses and Postage	38,600	10,090	-	48,690
Outside and Professional Services	40,706	-	-	40,706
Rabies Tags	5,358	-	-	5,358
Rent	39,322	-	-	39,322
Repairs and Maintenance	45,968	-	-	45,968
Telephone	26,246	-	-	26,246
Training and Education	784	-	-	784
Utilities	76,745	-	-	76,745
Miscellaneous	32,472	5,528	-	38,000
Total Functional Expense	<u>\$ 2,055,502</u>	<u>\$ 31,618</u>	<u>\$ 63,489</u>	<u>\$ 2,150,609</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, 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)

Statements of Cash Flows
For The Years Ended September 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 3,078,377	\$ 436,589
Adjustments to reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation	47,228	40,241
Property Donation Received		(70,000)
(Gain) Loss on Disposal of Fixed Asset	3,563	-
Change in Assets - (Increase) Decrease		
Receivables	(276,906)	-
Investments	(85,749)	-
Promise to Give	(17,500)	(57,500)
Change in Liabilities - Increase (Decrease)		
Accounts Payable	247,702	(3,882)
Accrued Compensation & Taxes	(4,435)	7,439
Net Cash Provided by Operating Activities	2,992,280	352,887
Cash Flows from Investing Activities:		
Purchase of Fixed Assets	(1,757,364)	-
Net Increase (Decrease) in Cash and Cash Equivalents	1,234,916	352,887
Cash and Cash Equivalents, at Beginning of Year	618,471	265,584
Cash and Cash Equivalents, at End of Year	\$ 1,853,387	\$ 618,471

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, 2021 and 2020

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, 2021 in the amount of \$978,246. There were assets with donor restrictions as of September 30, 2020 in the amount of \$466,423.

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. Investments with an original maturity of three months or less are considered short-term for these purposes.

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.

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

Notes to the Financial Statements
September 30, 2021 and 2020

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

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, 2021 and 2020 advertising expense is \$19,680 and \$10,835, 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, 2021 and 2020 amounts to \$47,228 and \$40,241, 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, 2021 and 2020 and therefore, no provision for federal or state income taxes has been made in the accompanying financial statements.

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, 2021 and 2020, SSHS received donated services in the amount of \$-0- and \$1,600, 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

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

Notes to the Financial Statements
September 30, 2021 and 2020

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

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.

Revenue Recognition for Contributions

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of beneficial interest is received. Conditional promises to give; that is those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Contributions resulting from split-interest agreements, measured at the time into which the agreements are entered, are based on the difference between the fair value of the assets received or promised and the present value of the obligation to the third-party recipient(s) under the contract. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the assets, or if they are designated as support for future periods. When a donor restriction expires; that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified from restrictions. Donor-restricted contributions, whose restrictions are met in the same period as received, are shown as contributions without donor restrictions on the statement of activities.

Revenue Recognition for Government Grants

The Organization received revenue from cost-reimbursable state grant, which is conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts are recognized as revenue when the Organization has incurred expenditure compliance with specific grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

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.

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

Notes to the Financial Statements
September 30, 2021 and 2020

2. Cash and Cash Equivalents

At September 30, 2021, the Society's deposits were not fully insured as the balances were above the Federally Insured limit (of \$250,000) by \$1,613,514. 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. Donations and contributions increased in 2021 because of the Paycheck Protection Program Loan Forgiveness and Capital Campaign contributions.

At September 30, 2021, the Society had cash in the amount of \$903,246 that was restricted for specific uses. See the following table for more details:

<u>Cash</u>	
Unrestricted	\$ 950,141
Restricted - Capital Campaign	<u>903,246</u>
Total	<u>\$ 1,853,387</u>

3. Liquidity

Liquidity and Availability of Resources - Financial Assets available for operations for South Suburban Humane Society totaled \$1,227,047 and \$209,548 as of September 30, 2021 and 2020, respectively. South Suburban Humane Society had a balance of \$1,853,387 in cash and cash equivalents for the current fiscal year ending September 30, 2021. This is an increase of \$1,234,916 from the previous year, which had a cash and cash equivalent balance of \$618,471.

	2021	2020
Financial Assets at the year end		
Cash and Cash Equivalents	\$ 1,853,387	\$ 618,471
Grants Receivable	260,941	-
Pledges Receivable	75,000	57,500
Other Receivable	<u>15,965</u>	<u>-</u>
Total Financial Assets	2,205,293	675,971
 Less: Amounts not available within one year		
Net Assets with Donor Restrictions	<u>978,246</u>	<u>466,423</u>
Financial Assets available to meet general expenditures over the next twelve months	<u>\$ 1,227,047</u>	<u>\$ 209,548</u>

South Suburban Humane Society also has a line of credit in the amount of \$200,000. (See Note 4 for additional details) The balance of the line of credit at September 30, 2021 was \$-0-.

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

Notes to the Financial Statements
September 30, 2021 and 2020

4. 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, 2021 and 2020 is \$85,749 and \$-0-, respectively.

5. Restricted Net Assets

South Suburban Humane Society is in the process of building a new 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 7 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 facility. At September 30, 2021, the Society had a restricted balance of \$903,246 in contributions.

Restricted Net Assets

Restricted - Capital Campaign	\$ 903,246
Restricted - Pledge Receivable	<u>75,000</u>
Total	<u>\$ 978,246</u>

6. Debt

On June 19, 2020, South Suburban Humane Society opened a line of credit for \$200,000. The line of credit carries a 3.75% annual interest rate. As of September 30, 2021 and 2020, SSHS carried a balance of -\$0-.

7. Related Party Transactions

During the fiscal years ending September 30, 2021 and 2020, the Society paid \$35,942 and \$36,032 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.

8. 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

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

Notes to the Financial Statements
September 30, 2021 and 2020

8. Capital Campaign (continued)

frame to show their commitment to donate funds. These funds are held separately from normal operational funds and are only released from restriction when used for the ongoing project. For fiscal year ending September 30, 2021 and 2020, the Society received \$814,868 and \$259,338 in capital campaign contributions , respectively.

9. Subsequent Events

The date to which events occurring after September 30, 2021, 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 grant funds are restricted for the purpose of the planning and constructing a new animal shelter facility. As of September 30, 2021, SSSH was still eligible for \$4,420,335 in grant funding.

Construction Agreement

The organization has a committed agreement with a contractor in the amount of \$7.8 million dollars for the construction of the facility . As of September 30, 2021, \$1.7 million had been expended out of the \$7.8 million dollar agreement and is recognized as construction in progress.

Draw Mortgage

In January 2022, the organization was approved for a draw mortgage in the amount of \$1.2 million dollars. The draw mortgage carries a rate of 3.25% and is to be paid over the next ten years. At the date of this report the balance was \$-0-.

10. Uncertainty

The organization's operations may be affected by the 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.

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

Notes to the Financial Statements
September 30, 2021 and 2020

11. Recent Accounting Pronouncements

In February 2016, the FASB issued ASU no. 2016-02, Leases (Topic 842) which will supersede the current lease recording standards. The ASU looks to increase comparability and transparency by conforming US GAAP with International leases standards. The new standard will require all leases be included on the balance sheet as a “right of use” asset. These assets will have an offsetting liability for the payments remaining on the lease. The new guidance will be effective for the Organization’s year ending September 30, 2023.