

**SOUTH SUBURBAN
HUMANE SOCIETY**

**Annual Financial Report
For the Fiscal Years Ended
September 30, 2023 and 2022**

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
Matteson, Illinois

Opinion

We have audited the accompanying statements of financial position of South Suburban Humane Society (an Illinois Not-For-Profit Corporation), which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Suburban Humane Society as of September 30, 2023 and 2022, 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.

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 South Suburban Humane Society and to meet our 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation 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.

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 South Suburban Humane Society's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 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, including omissions are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement 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 South Suburban Humane Society'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 aggregate, that raise substantial doubt about South Suburban Humane Society'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.



Hearne & Associates, P.C.
Certified Public Accountants

February 16, 2024
Mokena, IL

South Suburban Humane Society

(An Illinois Not-For-Profit Corporation)

Statements of Financial PositionSeptember 30, 2023 and 2022

Assets	<u>2023</u>	<u>2022</u>
Current Assets:		
Cash and Cash Equivalents	\$ 1,298,844	\$ 1,720,320
Investments	337,217	-
Receivables		
Grant	-	183,156
Other	-	10,837
Prepaid Expenses	<u>33,588</u>	<u>11,229</u>
Total Current Assets	<u>1,669,649</u>	<u>1,925,542</u>
Property and Equipment:		
Land and Improvements	74,878	76,576
Building and Improvements	9,364,736	9,275,616
Vehicles	108,652	108,652
Furniture & Equipment	1,041,145	1,026,636
Less: Accumulated Depreciation	<u>(1,282,365)</u>	<u>(958,629)</u>
Net Property and Equipment	<u>9,307,046</u>	<u>9,528,851</u>
Right of Use Assets - Operating Lease		
Equipment	<u>54,231</u>	<u>66,282</u>
Total Right of Use Assets	<u>54,231</u>	<u>66,282</u>
Other Assets:		
Promises to Give	-	22,000
Security Deposits	<u>-</u>	<u>3,998</u>
Total Other Assets	<u>-</u>	<u>25,998</u>
Total Assets	<u>\$ 11,030,926</u>	<u>\$ 11,546,673</u>

The accompanying notes are an integral part of the financial statements.

South Suburban Humane Society

(An Illinois Not-For-Profit Corporation)

Statements of Financial Position

September 30, 2023 and 2022

Liabilities and Net Assets

	<u>2023</u>	<u>2022</u>
Current Liabilities:		
Accounts Payable	\$ 58,532	\$ 83,113
Accrued Compensation & Taxes	100,549	59,183
Deferred Revenue	21,095	-
Other Liabilities	5,736	12,634
Compensated Absences	42,953	48,386
Grant Award Overpayment	361,440	361,440
Operating Lease Obligations, due in one year	12,051	11,871
Mortgage Payable, due in one year	38,793	-
Total Current Liabilities	<u>641,149</u>	<u>576,627</u>
Noncurrent Liabilities:		
Operating Lease Obligations, due in more than one year	42,180	55,539
Mortgage Payable	331,021	549,374
Total Noncurrent Liabilities	<u>373,201</u>	<u>604,913</u>
Total Liabilities	<u>1,014,350</u>	<u>1,181,540</u>
Net Assets:		
Without Donor Restriction	10,016,576	10,343,133
With Donor Restriction	-	22,000
Total Net Assets	<u>10,016,576</u>	<u>10,365,133</u>
Total Liabilities and Net Assets	<u>\$ 11,030,926</u>	<u>\$ 11,546,673</u>

The accompanying notes are an integral part of the financial statements.

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

Statement of Activities
For the Year Ended September 30, 2023

	Without Donor Restriction	With Donor Restriction	Total
Public Support and Revenues:			
Adoptions	\$ 245,267	\$ -	\$ 245,267
Clinic Fees	1,890,436	-	1,890,436
Grants	380,698	-	380,698
Donations and Contributions			
Unrestricted Donation and Contributions	330,804	-	330,804
Unrestricted Capital Campaign Contributions	28,684	-	28,684
Fundraising	589,401	-	589,401
Bequests	258,876	-	258,876
Investment Income	5,532	-	5,532
Thrift Shop Sale	300,010	-	300,010
Miscellaneous Income	231	-	231
Total Public Support and Revenues	4,029,939	-	4,029,939
Functional Expenses			
Program Services	4,161,152	22,000	4,183,152
Management and General	54,491	-	54,491
Fundraising	140,853	-	140,853
Total Expenses	4,356,496	22,000	4,378,496
Change in Net Assets	(326,557)	(22,000)	(348,557)
Net Assets, Beginning of Year,	10,343,133	22,000	10,365,133
Net Assets, End of Year	\$ 10,016,576	\$ -	\$ 10,016,576

The accompanying notes are an integral part of the financial statements.

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

Statement of Activities
For the Year Ended September 30, 2022

	Without Donor Restriction	With Donor Restricted	Total
Public Support and Revenues:			
Adoptions	\$ 208,657	\$ -	\$ 208,657
Clinic Fees	943,491	-	943,491
Cook County Grant	5,420,335	-	5,420,335
Other Grants	827,713		827,713
Contributions of Cash and Other Financial Assets			
Unrestricted Donations and Contributions	220,221	-	220,221
Capital Campaign Contributions	628,441	22,000	650,441
Contributions of Nonfinancial Assets	29,618	-	29,618
Fundraising	588,521	-	588,521
Bequests	27,605	-	27,605
Investment Income	109,783	-	109,783
Thrift Shop Sale	304,473	-	304,473
Miscellaneous Income	8,032	-	8,032
Net Assets Released from Restrictions	978,246	(978,246)	-
 Total Public Support and Revenues	 10,295,136	 (956,246)	 9,338,890
 Functional Expenses			
Program Services	2,893,418	-	2,893,418
Management and General	42,918	-	42,918
Fundraising	141,895	-	141,895
 Total Functional Expenses	 3,078,231	 -	 3,078,231
 Change in Net Assets	 7,216,905	 (956,246)	 6,260,659
 Net Assets, Beginning of Year	 3,126,228	 978,246	 4,104,474
 Net Assets, End of Year	 \$ 10,343,133	 \$ 22,000	 \$ 10,365,133

The accompanying notes are an integral part of the financial statements.

South Suburban Humane Society

(An Illinois Not-For-Profit Corporation)

Statement of Functional Expenses
For the Year Ended September 30, 2023

	<u>Support Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries	\$ 2,229,074	\$ 19,900	\$ 19,900	\$ 2,268,874
Payroll Taxes	160,876	-	-	160,876
Worker's Compensation	35,149	-	-	35,149
Advertising & Promotion	10,608	-	-	10,608
Animal Care	871,444	-	-	871,444
Auto Expense	1,127	-	-	1,127
Depreciation	333,921	-	-	333,921
Fundraising	-	-	120,953	120,953
Dues and Subscriptions	22,080	-	-	22,080
Insurance	43,245	-	-	43,245
Interest	-	14,019	-	14,019
Merchandise	588	-	-	588
Office Expenses and Postage	52,747	637	-	53,384
Outside and Professional Services	102,447	-	-	102,447
Repairs & Maintenance	141,173	-	-	141,173
Telephone	24,983	-	-	24,983
Training and Education	1,887	-	-	1,887
Utilities	129,343	-	-	129,343
Miscellaneous	22,460	19,935	-	42,395
Total Functional Expense	<u>\$ 4,183,152</u>	<u>\$ 54,491</u>	<u>\$ 140,853</u>	<u>\$ 4,378,496</u>

The accompanying notes are an integral part of the financial statements.

South Suburban Humane Society

(An Illinois Not-For-Profit Corporation)

Statement of Functional Expenses
For the Year Ended September 30, 2022

	<u>Support Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries	\$ 1,512,092	\$ 19,900	\$ 19,900	\$ 1,551,892
Payroll Taxes	107,488	-	-	107,488
Worker's Compensation	21,293	-	-	21,293
Advertising & Promotion	40,922	-	-	40,922
Animal Care	557,961	-	-	557,961
Auto Expense	4,010	-	-	4,010
Depreciation	185,815	-	-	185,815
Fundraising	-	-	39,995	39,995
Dues and Subscriptions	22,581	-	-	22,581
Insurance	39,424	-	-	39,424
Merchandise	5,011	-	-	5,011
Office Expenses and Postage	74,760	11,952	-	86,712
Outside and Professional Services	72,768	-	82,000	154,768
Occupancy	27,196	-	-	27,196
Repairs & Maintenance	52,083	-	-	52,083
Telephone	26,729	-	-	26,729
Training and Education	2,085	-	-	2,085
Utilities	114,496	-	-	114,496
Miscellaneous	26,232	9,143	-	35,375
Interest Expense	-	1,923	-	1,923
Lease Interest Expense	472	-	-	472
Total Functional Expense	<u>\$ 2,893,418</u>	<u>\$ 42,918</u>	<u>\$ 141,895</u>	<u>\$ 3,078,231</u>

The accompanying notes are an integral part of the financial statements.

South Suburban Humane Society

(An Illinois Not-For-Profit Corporation)

Statements of Cash Flows

For the Years Ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (348,557)	\$ 6,260,659
Adjustments to reconcile Change in Net Assets to		
Net Cash Provided By Operating Activities:		
Depreciation, Property and Equipment	333,921	179,789
(Gain) Loss on Disposal of Fixed Asset	12,354	1,706
Change in Assets - Decrease (Increase)		
Receivables	193,993	82,913
Prepaid Expenses	(22,359)	(11,229)
Promises to Give	22,000	53,000
Security Deposits	3,998	-
Change in Liabilities - Increase (Decrease)		
Accounts Payable	(24,581)	(220,904)
Accrued Compensation & Taxes	41,366	33,478
Deferred Income	21,095	-
Other Liabilities	(6,898)	374,074
Compensated Absences	(5,433)	48,386
Due to LLC	-	(490)
	<u>220,899</u>	<u>6,801,382</u>
Cash Flows from Investing Activities:		
Change in Investment Activity - Decrease (Increase)	(337,217)	85,749
Purchase of Fixed Assets	<u>(125,598)</u>	<u>(7,569,572)</u>
Net Cash Provided By (Used) by Investing Activities	<u>(462,815)</u>	<u>(7,483,823)</u>
Cash Flows from Financing Activities:		
Changes in Mortgage Payable Increase (Decrease)	<u>(179,560)</u>	<u>549,374</u>
Net Cash Provided By (Used) by Financing Activities	<u>(179,560)</u>	<u>549,374</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(421,476)	(133,067)
Cash and Cash Equivalents, Beginning of Year	<u>1,720,320</u>	<u>1,853,387</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,298,844</u>	<u>\$ 1,720,320</u>
Supplemental Disclosure of Cash Flow Information:		
Cash Payments for Interest	<u>\$ 14,019</u>	<u>\$ 2,395</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, 2023 and 2022

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, 2023 in the amount of \$-0-. There were assets with donor restrictions as of September 30, 2022 in the amount of \$22,000.

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, 2023 and 2022

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

Investments

Investments are reported at fair value. The fair value of a financial instrument is the amount that would be received to sell that asset in an orderly transaction between market participants at the measurement date. Interest income is recorded on the accrual basis. The Organization has investments in U.S. Treasury Bills with a local financial institution in the amount of \$337,217 of September 30, 2023.

Advertising

The Society expenses non direct response advertising as incurred. For the years ended September 30, 2023 and 2022 advertising expense is \$10,608 and \$40,922, 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 forty for building and improvements. Depreciation expense for the years ended September 30, 2023 and 2022 amounts to \$333,921 and \$185,815, 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, 2023 and 2022 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.

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

Notes to the Financial Statements
September 30, 2023 and 2022

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

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.

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 a cost-reimbursable county 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. 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.

Bequest

Contributions are recognized as received from donors who have bequeathed the Organization cash or other assets as part of their inheritance wishes.

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

Notes to the Financial Statements
September 30, 2023 and 2022

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

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.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

2. Cash and Cash Equivalents

At September 30, 2023, the Society's deposits were not fully insured as the balances were above the Federally Insured limit (of \$250,000) by \$879,768. At September 30, 2022, the Society's deposits were not fully insured as the balances were above the Federally Insured limit (of \$250,000) by \$1,419,260. Donations and contributions increased in 2022 because of the Capital Campaign contributions.

3. Investments

Fair Value Measurement

Fair Value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). The Society groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value these levels are:

Level 1: Inputs are unadjusted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2: Inputs are other observable inputs, either directly or indirectly, including

- Quoted prices for similar assets/liabilities in active markets.
- Quoted prices for identical or similar assets in non-active markets.
- Inputs other than quoted prices that are observable for the asset/liability.
- Inputs that are derived principally from or corroborated by other observable markets data.

Level 3: Unobservable inputs that cannot be corroborated by observable market data.

As of September 30, 2023, the Society's investments are measured using the market valuation method and the following valuation inputs:

	<u>9/30/2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
US Treasuries	\$337,217	\$337,217	\$ -	\$ -
Total	<u>\$337,217</u>	<u>\$337,217</u>	<u>\$ -</u>	<u>\$ -</u>

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

Notes to the Financial Statements
September 30, 2023 and 2022

3. Investments (continued)

The following table shows the maturity date of the Society's investments as of September 30, 2023:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>	<u>More Than 10 Years</u>
Treasury Bills	\$ 337,217	\$ 337,217	\$ -	\$ -	\$ -
Total	\$ 337,217	\$ 337,217	\$ -	\$ -	\$ -

4. Liquidity

Financial Assets available for operations for South Suburban Humane Society totaled \$1,585,217 and \$1,924,442 as of September 30, 2023 and 2022, respectively. South Suburban Humane Society had a balance of \$1,298,844 in cash and cash equivalents for the current fiscal year ending September 30, 2023. This is a decrease of \$421,476 from the previous year.

	<u>2023</u>	<u>2022</u>
Financial Assets at the year end		
Cash and Cash Equivalents	\$ 1,298,844	\$ 1,720,320
Investments	337,217	\$ -
Grants Receivable	-	183,156
Pledges Receivable	-	22,000
Other Receivable	-	10,837
Total Financial Assets	<u>1,636,061</u>	<u>1,936,313</u>
Less: Amounts not available within one year		
Lease Obligation	12,051	11,871
Mortgage Payable	38,793	-
Net Assets with Donor Restrictions	-	-
Total Amounts not available within one year	<u>50,844</u>	<u>11,871</u>
Financial Assets available to meet general expenditures over the next twelve months	<u>\$ 1,585,217</u>	<u>\$ 1,924,442</u>

South Suburban Humane Society also has a 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, 2023 and 2022 was \$-0-.

5. Debt

Line of Credit

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, 2023 and 2022, SSHS carried a balance of \$-0-, respectively.

South Suburban Humane Society
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Notes to the Financial Statements
September 30, 2023 and 2022

5. Debt (continued)

Mortgage Payable

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 3.5% and is to be paid over the next ten years. The Organization's agreement includes monthly payments of \$4,277 with an annual interest rate of 3.50%. The agreement has a maturity date of December 31, 2031. As of year ending September 30, 2023 and 2022, the balance was \$369,814 and \$549,374, respectively.

6. Grant Award Overpayment

During construction of the new facility, the Organization received reimbursements for expenses in the form of a grant from Cook County. The expenses for reimbursement were not to exceed \$7 million according to the grant agreement. Subsequent to completion of the building, it was determined the County overpaid the Organization in the amount of \$361,440. The Organization and the County are in discussions about how to resolve this error.

7. Grant Program

The Organization currently participates in a grant program with Cook County, Illinois. This grant is subject to inspection of the related to records associated with this grant. The Organization believes that any noncompliance will not have a material effect on its financial statements.

8. Operating Lease Obligation

On March 29, 2022, the Organization agreed to an operating leasing agreement for laundry equipment. The agreement matures on March 28, 2028 and has monthly payments of \$1,059. The right of use asset was recorded at a cost of \$72,308 using a discount rate of 1.35%. As of September 30, 2023, the right of use assets had a carrying balance and lease obligation of \$54,231.

The following shows the expected future amortization :

	<u>Future Amortization</u>
2024	\$ 12,051
2025	12,051
2026	12,051
2027	12,051
2028	6,027
Total	<u>\$ 54,231</u>

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9. Restricted Net Assets

During the fiscal year ending September 30, 2023 the Organization has a restricted net assets balance of \$-0-. During the fiscal year ending September 30, 2022, the Organization completed the project of building a new facility. The board held a resolution which approved a motion that stated the remaining Capital Campaign contributions be used for operations. The following table show the restricted net assets for fiscal year ending September 30, 2022:

<u>Restricted Net Assets</u>	
Restricted - Pledge Receivable	<u>\$ 22,000</u>
Total	<u>\$ 22,000</u>

10. Capital Campaign

In order to supplement expenses expected for the ongoing expansion of the organization, SSHS started a Capital Campaign in which donations were 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 were 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 were held separately from normal operational funds and are only released from restriction when used for the ongoing project. During the fiscal year ending September 30, 2022, the board held a resolution which approved a motion that stated the remaining Capital Campaign contributions be used for operations. For fiscal year ending September 30, 2023 and 2022, the Society received \$28,684 and \$650,441 in Capital Campaign contributions, respectively.

11. Contribution of Nonfinancial Assets

Donated Equipment

During fiscal year ending September 30, 2022, the Society was gifted control of the South Suburban Low-Cost Veterinary Services, LLC which provided the Society with nonfinancial contributions of equipment in the amount of \$29,618. The equipment was recorded at fair value and used by the Organization to help with operations with the Low-Cost Veterinary Services Clinic. During fiscal year ending September 30, 2023 the balance of nonfinancial contributions received was \$-0-.

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, 2023 and 2022, SSHS received donated services in the amount of \$-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.

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12. Subsequent Events

Homewood Adoption Center

As of November 1, 2023, the Organization decided to end operations at the Homewood Adoption Center location as a cost saving measure. The Organization is still determining plans with the facility.

The date to which events occurring after September 30, 2023, 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.