

**SECOND CHANCE ANIMAL SERVICES, INC.**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**  
**WITH**  
**INDEPENDENT AUDITORS' REPORT**

# SECOND CHANCE ANIMAL SERVICES, INC.

## Table of Contents

---

	<b>Page</b>
Independent Auditors' Report	1 - 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6 - 7
Notes to Financial Statements	8 - 16



## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
**Second Chance Animal Services, Inc.**  
East Brookfield, MA

We have audited the accompanying financial statements of **Second Chance Animal Services, Inc.** (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year 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 **Second Chance Animal Services, Inc.** as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited **Second Chance Animal Services, Inc.**'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 27, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Stolberg, Ebbeling & Blanchette, LLP*

Worcester, Massachusetts  
March 27, 2020

**SECOND CHANCE ANIMAL SERVICES, INC.**

Statement of Financial Position  
December 31, 2019  
(With Summarized Financial Information for 2018)

Assets		
	2019	2018
<b>Current assets</b>		
Cash	\$ 700,062	\$ 326,569
Program service fees receivable, net	34,484	26,678
Inventory	111,516	110,064
Prepaid expenses	16,240	18,861
	<b>862,302</b>	<b>482,172</b>
<b>Property and equipment</b>		
Land	274,958	194,358
Buildings	1,106,802	760,302
Equipment	751,063	688,895
Furniture and fixtures	6,337	6,337
Motor vehicles	456,064	428,974
Leasehold improvements	756,481	753,301
	3,351,705	2,832,167
Less - accumulated depreciation	1,055,185	853,393
	<b>2,296,520</b>	<b>1,978,774</b>
<b>Other assets</b>		
Investments	639,877	405,179
Security deposits	1,865	1,865
	<b>641,742</b>	<b>407,044</b>
<b>Total assets</b>	<b>\$ 3,800,564</b>	<b>\$ 2,867,990</b>
Liabilities and Net Assets		
<b>Current liabilities</b>		
Current portion of long-term debt	\$ 10,884	\$ 6,740
Accounts payable	11,058	270
Accrued expenses	68,566	127,795
Credit card payable	43,322	40,608
	<b>133,830</b>	<b>175,413</b>
Long-term debt, net of current portion	<b>317,116</b>	<b>157,498</b>
<b>Total liabilities</b>	<b>450,946</b>	<b>332,911</b>
<b>Net assets</b>		
Without donor restrictions	2,617,916	2,397,000
With donor restrictions	731,702	138,079
	<b>3,349,618</b>	<b>2,535,079</b>
<b>Total liabilities and net assets</b>	<b>\$ 3,800,564</b>	<b>\$ 2,867,990</b>

See independent auditors' report and notes to financial statements

**SECOND CHANCE ANIMAL SERVICES, INC.**

Statement of Activities  
 For the Year Ended December 31, 2019  
 (With Summarized Financial Information for 2018)

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
Program revenue	\$ 3,209,765	\$ -	\$ 3,209,765	\$ 2,695,063
Other revenue				
Contributions	606,510	100,000	706,510	597,290
Grants	124,146	789,823	913,969	409,144
Fundraising	152,742	-	152,742	131,318
Interest	12	-	12	15
Net investment return (loss)	27,198	-	27,198	(3,523)
Net assets released from restrictions	296,200	(296,200)	-	-
	<u>1,206,808</u>	<u>593,623</u>	<u>1,800,431</u>	<u>1,134,244</u>
Total revenues	4,416,573	593,623	5,010,196	3,829,307
Expenses				
Program services	3,770,691	-	3,770,691	3,366,161
General and administrative	248,353	-	248,353	233,661
Fundraising	176,613	-	176,613	138,902
	<u>4,195,657</u>	<u>-</u>	<u>4,195,657</u>	<u>3,738,724</u>
Increase in net assets	<b>220,916</b>	<b>593,623</b>	<b>814,539</b>	<b>90,583</b>
Net assets, beginning of year	2,397,000	138,079	2,535,079	2,444,496
Net assets, end of year	<u><b>\$ 2,617,916</b></u>	<u><b>\$ 731,702</b></u>	<u><b>\$ 3,349,618</b></u>	<u><b>\$ 2,535,079</b></u>

See independent auditors' report and notes to financial statements

**SECOND CHANCE ANIMAL SERVICES, INC.**

Statement of Functional Expenses  
 For the Year Ended December 31, 2019  
 (With Summarized Financial Information for 2018)

	<b>Program Services</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total 2019</b>	<b>Total 2018</b>
Salaries	\$ 1,972,366	\$ 152,671	\$ 99,649	\$ 2,224,686	\$ 1,904,030
Supplies	767,288	-	26,882	794,170	883,171
Depreciation	178,905	13,848	9,039	201,792	194,318
Payroll taxes	198,959	13,740	8,968	221,667	180,532
Outreach	129,141	-	-	129,141	129,609
Occupancy	65,997	5,109	3,334	74,440	108,168
Insurance	59,535	4,387	-	63,922	50,501
Outside services	207,742	6,985	-	214,727	74,324
Employee benefits	67,632	4,983	-	72,615	47,386
Bank and credit card fees	42,630	-	1,999	44,629	37,047
Professional fees	-	40,725	-	40,725	33,013
Printing and postage	4,166	2,209	25,812	32,187	24,481
Transportation	15,234	-	-	15,234	19,756
Repairs and maintenance	17,973	-	-	17,973	18,889
Office expenses	3,798	1,864	-	5,662	11,255
Internet and website	10,025	776	507	11,308	10,298
Miscellaneous	8,364	647	423	9,434	886
Interest expense	7,233	-	-	7,233	6,379
Travel	8,156	-	-	8,156	2,597
Seminars and training	5,547	409	-	5,956	2,084
	<b>\$ 3,770,691</b>	<b>\$ 248,353</b>	<b>\$ 176,613</b>	<b>\$ 4,195,657</b>	<b>\$ 3,738,724</b>

See independent auditors' report and notes to financial statements

**SECOND CHANCE ANIMAL SERVICES, INC.**

Statements of Cash Flows  
For the Year Ended December 31, 2019  
(With Summarized Financial Information for 2018)

	2019	2018
Cash flows from operating activities		
Increase in net assets	\$ 814,539	\$ 90,583
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	201,792	194,318
Net investment (gain) loss	(27,198)	3,523
(Increase) decrease in operating assets:		
Prepaid expenses	2,621	(5,237)
Inventory	(1,452)	(3,963)
Program service fee receivable	(7,806)	1,411
Security deposits	-	535
Increase (decrease) in operating liabilities:		
Accounts payable	10,788	(27,666)
Accrued expenses	(59,229)	19,683
Credit card payable	2,714	8,064
Net cash provided by operating activities	<u>936,769</u>	<u>281,251</u>
Cash flows from investing activities		
Purchases of short-term investments	(207,500)	-
Purchases of property and equipment	(191,538)	(230,971)
Net cash used for investing activities	<u>(399,038)</u>	<u>(230,971)</u>
Cash flows from financing activities		
Principal payments on long-term debt	(164,238)	(6,489)
Net cash used for financing activities	<u>(164,238)</u>	<u>(6,489)</u>
Net increase in cash	373,493	43,791
Cash - beginning of year	<u>326,569</u>	<u>282,778</u>
Cash - end of year	<u>\$ 700,062</u>	<u>\$ 326,569</u>

Continued --



**SECOND CHANCE ANIMAL SERVICES, INC.**

Statements of Cash Flows (Continued)  
For the Year Ended December 31, 2019  
(With Summarized Financial Information for 2018)

---

	2019	2018
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	<u>\$ 7,233</u>	<u>\$ 6,379</u>
Summary of non-cash transactions		
Property and equipment acquired through the assumption of long-term debt	<u>\$ 328,000</u>	<u>\$ -</u>

See independent auditors' report and notes to financial statements

# SECOND CHANCE ANIMAL SERVICES, INC.

## Notes to Financial Statements

---

### 1. Nature of Activities

Second Chance Animal Services, Inc. (the Organization), a Massachusetts not-for-profit corporation, is dedicated to providing shelter for unwanted animals until a suitable home can be found and full-service veterinary services for the public with subsidized pricing available for those who qualify. The Organization provides spay and neuter services, an adoption program, veterinary services and vaccination clinics to animals in Massachusetts. During 2018, the Organization performed 6,198 spay and neuter procedures and facilitated 1,536 adoptions. The Organization is supported primarily through service fees, donor contributions and grants.

### 2. Summary of Significant Accounting Policies

#### *Method of Accounting*

The Organization maintains its accounting records and prepares its financial statements on the accrual basis in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

#### *Financial Statement Presentation*

The Organization presents information regarding its financial position and activities according to two classifications of net assets as follows:

Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations over which the Organization’s Board of Directors (the Board) has discretionary control. The Board may elect to designate such resources for specific purposes. These designations may be removed at the Board’s discretion.

With Donor Restrictions – Net assets with donor restrictions include resources accumulated through donations or grants for specific operating or capital purposes, or are subject to the restriction in perpetuity that the principal be invested. Investment income may be reported as either with or without donor restrictions when earned, determined according to the gift instruments. The Organization currently has no net assets with perpetual restrictions.

The financial statements include certain prior-year summarized comparative information in total but not by net asset category. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended December 31, 2018 from which the summarized information was derived.

#### *Cash*

For the purposes of the statement of cash flows, highly liquid investments with an initial maturity of three months or less are considered to be cash. Cash and short-term investments held in the investment account are reported as investments instead of cash because the Organization holds those funds as part of its investments.

Continued--

## SECOND CHANCE ANIMAL SERVICES, INC.

### Notes to Financial Statements

---

#### 2. Summary of Significant Accounting Policies (Continued)

##### *Program Service Fees Receivable*

Program service fees receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on program service fees receivable using the allowance method. The allowance is based on experience and other circumstances, which may affect the ability of customers to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. The allowance for doubtful accounts was \$6,000 at December 31, 2019 and 2018.

##### *Inventory*

Inventory, which consists primarily of dietary foods and medicine, are valued at the lower of cost or net realizable value. Cost is determined on the first-in, first-out method. Donated items are recorded at estimated fair value at the date of donation.

##### *Property and Equipment and Depreciation*

Property and equipment are stated at cost, if purchased or at fair value at the date of gift, if donated, less accumulated depreciation. Additions with a cost or fair value of less than \$1,000 are expensed.

Donated property and equipment are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from five to thirty-nine years.

##### *Valuation of Long-Lived Assets*

The Organization's long-lived assets are reviewed for impairment in accordance with U.S. GAAP whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs associated with the sale. The Organization has determined that no long-lived assets are impaired at December 31, 2019.

Continued--

## SECOND CHANCE ANIMAL SERVICES, INC.

### Notes to Financial Statements

---

#### 2. Summary of Significant Accounting Policies (Continued)

##### *Investments*

The Organization carries investments in marketable securities with readily determinable fair value and all investments in certificate of deposits at their fair values or similar instruments based on quoted prices in active markets (all Level 1 measurements, see Note 8) in the statements of financial position. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near-term would materially affect the amounts reported in the financial statements.

Gains or losses on investments are reported in the statements of activities as increases or decreases in net assets without donor restrictions or net assets with donor restrictions if their use is restricted by explicit donor stipulations or by law.

##### *Revenue Recognition*

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606). This guidance outlines a single, comprehensive model for accounting for revenue from contracts with customers. We adopted the standard on January 1, 2019. Our program revenue is generated substantially from providing spay and neuter services, adoption programs, veterinary services and vaccinations to animals. These services contain a single delivery element and revenue is recognized at a single point in time when the services are complete, payment is received and/or ownership, risks and rewards are transferred. There are occasions when payment is not provided at the time of service and credit is provided. The program fee receivable at December 31, 2019, 2018 and 2017 was \$40,484, \$32,678 and \$34,089, respectively.

##### *Contributions and Grants*

Contributions and grants are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions and grants that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions and grants are reported as increases in net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, the net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

##### *Contributed Services and Materials*

Amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise.

Continued --

## SECOND CHANCE ANIMAL SERVICES, INC.

### Notes to Financial Statements

#### 2. Summary of Significant Accounting Policies (Continued)

##### *Contributed Services and Materials (Continued)*

During 2019 and 2018, donated services consisted of:

	2019	2018
Legal services	\$ 7,068	\$ 11,035
Website design	4,000	-
Advertising services	98,938	100,845
	<u>\$ 110,006</u>	<u>\$ 111,880</u>

Many individuals volunteer their time and perform a variety of tasks that assist the Organization and its facilities. Management estimates that it received more than 50,000 volunteer hours from 325 volunteers in 2019. The volunteer hours have not been recorded in the statement of activity.

##### *Income Taxes*

The Organization is organized as a Massachusetts nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(c)(3). Thus it qualifies for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi). The organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entities are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. Management has determined that the organization is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

##### *Functional Expense Allocations*

The financial statements report certain categories of expenses that are attributable to program or supporting functions. These expenses require allocation on a reasonable basis that is consistently applied. Compensation and benefits are allocated on the basis of estimates of time and effort. Other costs are charged to the specific functions or distributed based on personnel allocations.

##### *Advertising*

Advertising and awareness outreach costs are expensed as incurred and totaled \$129,141 and \$129,609 in 2019 and 2018, respectively.

##### *Use of Estimates*

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Continued --

## SECOND CHANCE ANIMAL SERVICES, INC.

### Notes to Financial Statements

#### 2. Summary of Significant Accounting Policies (Continued)

##### *Reclassifications*

Certain accounts previously reported in the 2018 financial statements have been reclassified to conform to the current year presentation. These reclassifications had no effect on 2018 net income as previously reported.

##### *Subsequent Events*

The Organization has evaluated subsequent events through March 27, 2020, the date the financial statements were available to be issued.

#### 3. Liquidity and Availability

Financial assets available for general expenditure that is without donor or other restrictions limiting their use, within one year of the balance sheet date are comprised of the following:

	2019	2018
Cash	\$ (31,640)	\$ 464,648
Program services fees receivable, net	34,484	26,678
Investments	639,877	405,179
	\$ 642,721	\$ 896,505

The Organization monitors its cash position on a regular basis to ensure that adequate funds are available for general expenditures. As part of the Organization's liquidity management plan, cash in excess of daily requirements is invested in short-term investments and money market funds. Additionally, as discussed in more detail in Note 5, the Organization maintains a \$50,000 line of credit, of which \$50,000 remained available on December 31, 2019.

#### 4. Investments

Investments consist of the following at December 31, 2019 and 2018:

	December 31, 2019		December 31, 2018	
	Cost	Fair Value	Cost	Fair Value
Cash	\$ 203,258	\$ 203,258	\$ 2,865	\$ 2,865
Certificates of deposit	-	-	155,126	155,392
Bonds	309,670	307,623	138,550	138,078
Stocks	7,757	8,174	7,757	6,994
Mutual funds	104,363	120,822	100,656	101,850
	\$ 625,048	\$ 639,877	\$ 404,954	\$ 405,179

Continued--



**SECOND CHANCE ANIMAL SERVICES, INC.**

Notes to Financial Statements

**4. Investments (Continued)**

The following schedule summarizes investment returns and their classification in the statements of activities for the years ended December 31, 2019 and 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
December 31, 2019			
Interest income	12,774	\$ -	\$ 12,774
Net realized and unrealized gains	14,603	-	14,603
Investment management fees	(179)	-	(179)
Total investment return	<u>\$ 27,198</u>	<u>\$ -</u>	<u>\$ 27,198</u>
December 31, 2018			
Interest income	8,069	\$ -	\$ 8,069
Net realized and unrealized losses	(11,415)	-	(11,415)
Investment management fees	(177)	-	(177)
Total investment loss	<u>\$ (3,523)</u>	<u>\$ -</u>	<u>\$ (3,523)</u>

**5. Line of Credit**

The Organization has a \$50,000 demand line of credit secured by the assets of the Organization. Interest is payable monthly at the bank's prime rate plus 1.5% (6.25% at December 31, 2019).

**6. Long-Term Debt**

Long-term debt consists of the following at December 31:

	2019	2018
Note payable, bank, in monthly installments of \$1,072, consisting of principal, plus interest at 3.75% through June 2021. The bank shall have the option of resetting the interest rate on the fifth anniversary date (2021) and each succeeding five year anniversary of that date. The Note is secured by a mortgage on another property and the entire balance of principal and interest is due June 2036. This note payable was repaid during 2019.	\$ -	\$ 164,238

Continued --

**SECOND CHANCE ANIMAL SERVICES, INC.**

Notes to Financial Statements

**6. Long-Term Debt**

	2019	2018
Note payable, secured by a first mortgage lien on a building, payable in monthly installments of \$2,024, consisting of principal, plus interest at 4.15% through December 2039.	\$ 328,000	\$ -
	<u>\$ 328,000</u>	<u>\$ 164,238</u>
Less - current portion	10,884	6,740
Long-term portion	<u>\$ 317,116</u>	<u>\$ 157,498</u>

Annual principal payments are due as follows:

Year-ending December 31,	
2020	\$ 10,884
2021	11,345
2022	11,825
2023	12,325
2024	12,846
Thereafter	268,775
Total	<u>\$ 328,000</u>

**7. Net Assets**

At December 31, 2019 and 2018, net assets without donor restrictions consist of undesignated amounts that are generally available for use by the Organization.

Net assets with donor restriction are restricted for the following purposes or periods at December 31, 2019 and 2018:

	2019	2018
Construction and equipment	\$ 524,520	\$ 33
Adoption	99,149	-
Project Good Dog	71,391	32,374
Veterinary services	20,640	35,059
Spay/neuter program	9,366	44,171
Veterinary equipment	6,636	10,016
Transportation program	-	16,426
	<u>\$ 731,702</u>	<u>\$ 138,079</u>



## SECOND CHANCE ANIMAL SERVICES, INC.

### Notes to Financial Statements

#### 8. Fair Value

The Organization measures its financial instruments at fair market value according to U.S. GAAP. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability, i.e., exit price, in an orderly transaction between market participants and also establishes a hierarchy for determining fair value, which emphasizes the use of observable market data whenever available.

The three broad levels defined by the hierarchy are as follows, with the highest priority given to Level 1, as these are most reliable, and the lowest priority given to Level 3:

Level 1 - Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 - Valuation is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following tables present by level, within the fair value hierarchy, the Organization's investment assets at fair value, as of December 31, 2019 and 2018:

December 31, 2019	Total	Level 1	Level 2	Level 3
Investments				
Cash	\$ 203,258	\$ 203,258	\$ -	\$ -
Certificate of deposit	-	-	-	-
Bonds	307,623	307,623	-	-
Stocks	8,174	8,174	-	-
Mutual funds	120,822	120,822	-	-
Total investments	\$ 639,877	\$ 639,877	\$ -	\$ -

Continued --

# SECOND CHANCE ANIMAL SERVICES, INC.

## Notes to Financial Statements

### 8. Fair Value (Continued)

December 31, 2018	Total	Level 1	Level 2	Level 3
Investments				
Cash	\$ 2,865	\$ 2,865	\$ -	\$ -
Certificates of deposit	155,392	155,392	-	-
Bonds	138,078	138,078	-	-
Stocks	6,994	6,994	-	-
Mutual funds	101,850	101,850	-	-
Total investments	<u>\$ 405,179</u>	<u>\$ 405,179</u>	<u>\$ -</u>	<u>\$ -</u>

The stocks are valued at the closing price reported on the active market on which the individual securities are traded. Mutual funds include publicly traded funds valued at quoted market prices. There were no changes in the methodologies used to measure assets at fair value during 2019.

### 9. Retirement Plan

The Organization has a 403(b) defined contribution pension plan covering substantially all employees. Under the plan, employees can contribute a percentage of their salary, or a fixed dollar amount to the plan. The Organization may agree to make “nonelective” contributions to their employees’ 403(b) plans. The Organization did not make a contribution to the pension plan in 2019 or 2018.

### 10. Commitments and Contingencies

In March 2015, the Organization entered into a three year lease for a Springfield location with an unrelated party under a non-cancelable operating lease that expired on May 31, 2018. The lease contained one three year option that the Organization did not renew. Rental payments totaled \$- and \$6,000 for the year ended December 31, 2019 and 2018, respectively.

### 11. Concentrations

The Organization has a concentration of credit represented by cash balances in financial institutions which occasionally exceed federal deposit insurance limits. The financial stability of this institution is continually reviewed by senior management.

See independent auditors’ report