

**SECOND CHANCE ANIMAL SERVICES, INC.**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**  
**WITH**  
**INDEPENDENT AUDITORS' REPORT**

# SECOND CHANCE ANIMAL SERVICES, INC.

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## INDEPENDENT AUDITORS' REPORT

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

### Opinion

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, 2021, and the related statements of activities, functional expenses and cash flows for the year 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 **Second Chance Animal Services, Inc.** as of December 31, 2021, 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.

### 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 **Second Chance Animal Services, Inc.** and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 **Second Chance Animal Services, Inc.'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 assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **Second Chance Animal Services, Inc.'s** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Second Chance Animal Services, Inc.'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.

## **Report on Summarized Comparative Information**

We have previously audited **Second Chance Animal Services, Inc.'s** 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 17, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Stolberg, Ebbeling & Blanchette, LLP*

Worcester, Massachusetts  
March 16, 2022

**SECOND CHANCE ANIMAL SERVICES, INC.**

Statement of Financial Position  
December 31, 2021  
(With Summarized Financial Information for 2020)

Assets		
	2021	2020
Current assets		
Cash	\$ 650,999	\$ 913,697
Program service fees receivable, net	30,284	34,077
Other receivable	211,200	-
Inventory	177,792	119,361
Prepaid expenses	3,445	9,718
	<b>1,073,720</b>	<b>1,076,853</b>
Property and equipment		
Land	274,958	274,958
Buildings	1,882,407	777,402
Equipment	1,171,306	894,044
Furniture and fixtures	6,337	6,337
Motor vehicles	425,000	425,000
Leasehold improvements	776,830	756,481
Construction in progress - Southbridge Clinic	-	472,577
	4,536,838	3,606,799
Less - accumulated depreciation	1,393,612	1,211,616
	<b>3,143,226</b>	<b>2,395,183</b>
Other assets		
Investments	836,541	775,445
Security deposits	-	1,865
	<b>836,541</b>	<b>777,310</b>
Total assets	<b>\$ 5,053,487</b>	<b>\$ 4,249,346</b>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 66,376	\$ 91,059
Accrued expenses	100,874	87,490
Credit card payable	48,838	73,822
	<b>216,088</b>	<b>252,371</b>
Net assets		
Without donor restrictions	4,744,712	3,438,313
With donor restrictions	92,687	558,662
	<b>4,837,399</b>	<b>3,996,975</b>
Total liabilities and net assets	<b>\$ 5,053,487</b>	<b>\$ 4,249,346</b>

See independent auditors' report and notes to financial statements

**SECOND CHANCE ANIMAL SERVICES, INC.**

Statement of Activities  
 For the Year Ended December 31, 2021  
 (With Summarized Financial Information for 2020)

	Without Donor Restrictions	With Donor Restrictions	Total 2021	Total 2020
Program revenue	\$ 4,201,406	\$ -	\$ 4,201,406	\$ 3,355,404
Other revenue				
Contributions	1,428,116	-	1,428,116	695,797
Grants	105,710	92,350	198,060	515,357
Fundraising	72,288	-	72,288	83,517
Interest	1	-	1	2
Net investment return	61,097	-	61,097	35,566
Gain on sale of property and equipment	-	-	-	6,500
Other income	24,834	-	24,834	1,420
ERC income	211,200	-	211,200	-
Gain from extinguishment of debt	-	-	-	473,200
Net assets released from restrictions	558,325	(558,325)	-	-
	<u>2,461,571</u>	<u>(465,975)</u>	<u>1,995,596</u>	<u>1,811,359</u>
Total revenues	6,662,977	(465,975)	6,197,002	5,166,763
Expenses				
Program services	4,904,879	-	4,904,879	3,994,722
General and administrative	260,356	-	260,356	301,124
Fundraising	191,343	-	191,343	223,560
	<u>5,356,578</u>	<u>-</u>	<u>5,356,578</u>	<u>4,519,406</u>
Increase (decrease) in net assets	<b>1,306,399</b>	<b>(465,975)</b>	<b>840,424</b>	<b>647,357</b>
Net assets, beginning of year	3,438,313	558,662	3,996,975	3,349,618
Net assets, end of year	<u>\$ 4,744,712</u>	<u>\$ 92,687</u>	<u>\$ 4,837,399</u>	<u>\$ 3,996,975</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, 2021  
 (With Summarized Financial Information for 2020)

	<b>Program Services</b>	<b>General and Administrative</b>	<b>Fundraising</b>	<b>Total 2021</b>	<b>Total 2020</b>
Salaries	\$ 2,469,564	\$ 176,959	\$ 124,176	\$ 2,770,699	\$ 2,396,986
Supplies	1,114,086	-	26,806	1,140,892	804,230
Depreciation	162,215	11,624	8,157	181,996	187,494
Payroll taxes	226,168	15,926	11,176	253,270	227,839
Outreach	177,905	-	-	177,905	171,305
Occupancy	82,700	5,926	4,158	92,784	92,429
Insurance	77,002	5,254	-	82,256	54,965
Outside services	308,639	1,642	-	310,281	256,755
Employee benefits	92,258	6,294	-	98,552	103,700
Bank and credit card fees	62,423	-	2,929	65,352	51,232
Professional fees	-	29,143	-	29,143	33,266
Printing and postage	19,864	2,238	12,945	35,047	35,753
Transportation	19,910	-	-	19,910	10,800
Repairs and maintenance	32,933	-	-	32,933	36,699
Office expenses	13,537	2,908	-	16,445	13,395
Internet and website	19,801	1,419	996	22,216	19,619
Miscellaneous	-	419	-	419	1,738
Interest expense	-	-	-	-	11,462
Bad debt expense	14,368	-	-	14,368	4,680
Travel	2,651	-	-	2,651	720
Seminars and training	8,855	604	-	9,459	4,339
	<b>\$ 4,904,879</b>	<b>\$ 260,356</b>	<b>\$ 191,343</b>	<b>\$ 5,356,578</b>	<b>\$ 4,519,406</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, 2021  
(With Summarized Financial Information for 2020)

	<b>2021</b>	<b>2020</b>
Cash flows from operating activities		
Increase in net assets	\$ 840,424	\$ 647,357
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	181,996	187,494
Use of paycheck protection program loans proceeds	-	(473,200)
Gain on sale of property and equipment	-	(6,499)
Increase in allowance for uncollectible accounts	19,000	-
Donated equipment and construction services included in contributions	(429,471)	(14,000)
Net investment gain	(61,097)	(35,566)
(Increase) decrease in operating assets:		
Prepaid expenses	6,273	6,522
Inventory	(58,431)	(7,845)
Program service fee receivable	(15,207)	407
Other receivable	(211,200)	-
Security deposits	1,865	-
Increase (decrease) in operating liabilities:		
Accounts payable	(24,683)	80,001
Accrued expenses	13,384	18,924
Credit card payable	(24,984)	30,500
Net cash provided by operating activities	<u><b>237,869</b></u>	<u><b>434,095</b></u>
Cash flows from investing activities		
Purchases of short-term investments	-	(100,000)
Purchases of property and equipment	(500,567)	(272,160)
Proceeds received from sale of property and equipment	-	6,500
Net cash used for investing activities	<u><b>(500,567)</b></u>	<u><b>(365,660)</b></u>
Cash flows from financing activities		
Proceeds from paycheck protection program loan	-	473,200
Principal payments on long-term debt	-	(328,000)
Net cash provided by financing activities	<u><b>-</b></u>	<u><b>145,200</b></u>
Net increase (decrease) in cash	<b>(262,698)</b>	<b>213,635</b>
Cash - beginning of year	<u><b>913,697</b></u>	<u><b>700,062</b></u>
Cash - end of year	<u><u><b>\$ 650,999</b></u></u>	<u><u><b>\$ 913,697</b></u></u>

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**SECOND CHANCE ANIMAL SERVICES, INC.**

Statements of Cash Flows (Continued)  
For the Year Ended December 31, 2021  
(With Summarized Financial Information for 2020)

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	2021	2020
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	<u>\$ -</u>	<u>\$ 11,462</u>
Summary of non-cash transactions		
Donated equipment and construction services	<u>\$ 429,471</u>	<u>\$ 14,000</u>
Paycheck protection program loan forgiveness	<u>\$ -</u>	<u>\$ 473,200</u>

See independent auditors' report and notes to financial statements

# SECOND CHANCE ANIMAL SERVICES, INC.

## Notes to Financial Statements

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### 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 2021, the Organization performed 5,180 spay and neuter procedures and facilitated 1,498 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, 2020 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.

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## SECOND CHANCE ANIMAL SERVICES, INC.

### Notes to Financial Statements

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#### 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 \$25,000 and \$6,000 at December 31, 2021 and 2020, respectively.

##### *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 varying 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, 2021.

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## SECOND CHANCE ANIMAL SERVICES, INC.

### Notes to Financial Statements

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#### 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*

The Organization's accountings for revenues on contracts with its customers is based on a single comprehensive five-step model that requires reporting entities to: 1.) identify the contract; 2.) identify the performance obligations of the contract; 3.) determine the transaction price of the contract; 4.) allocate the transaction price to the performance obligations; and 5.) recognize revenue when, or as, we satisfy performance obligations. 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, 2021, 2020 and 2019 was \$55,284, \$40,077 and \$40,484, 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.

Continued --

## SECOND CHANCE ANIMAL SERVICES, INC.

### Notes to Financial Statements

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

##### *Contributed Services and Materials*

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

During 2021 and 2020, donated services consisted of:

	2021	2020
Legal services	\$ 7,888	\$ 8,247
Advertising services	140,658	146,310
Construction services	287,017	-
	<u>\$ 435,563</u>	<u>\$ 154,557</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 22,000 volunteer hours from 397 volunteers in 2021. 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 \$177,905 and \$171,305 in 2021 and 2020, 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.

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## SECOND CHANCE ANIMAL SERVICES, INC.

### Notes to Financial Statements

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

##### *Reclassifications*

Certain accounts previously reported in the 2020 financial statements have been reclassified to conform to the current year presentation. These reclassifications had no effect on 2020 increase in net assets as previously reported.

##### *Subsequent Events*

The Organization has evaluated subsequent events through March 16, 2022, 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:

	2021	2020
Cash	\$ 650,999	\$ 913,697
Program services fees receivable, net	30,284	34,077
Investments	836,541	775,445
Less with donor restrictions	<u>(92,687)</u>	<u>(558,662)</u>
	<u>\$ 1,425,137</u>	<u>\$ 1,164,557</u>

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 6, the Organization maintains a \$50,000 line of credit, of which \$50,000 remained available on December 31, 2021.

#### 4. Investments

Investments consist of the following at December 31, 2021 and 2020:

	December 31, 2021		December 31, 2020	
	Cost	Fair Value	Cost	Fair Value
Cash	\$ 5,620	\$ 5,620	\$ 4,618	\$ 4,618
Exchange-traded & closed end funds	100,879	106,806	98,929	100,115
Mutual funds	<u>687,666</u>	<u>724,115</u>	<u>663,519</u>	<u>670,712</u>
	<u>\$ 794,165</u>	<u>\$ 836,541</u>	<u>\$ 767,066</u>	<u>\$ 775,445</u>

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, 2021 and 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
December 31, 2021			
Interest income	\$ 35,727	\$ -	\$ 35,727
Net realized and unrealized gains	34,001	-	34,001
Investment management fees	<u>(8,631)</u>	<u>-</u>	<u>(8,631)</u>
Net investment return	<u>\$ 61,097</u>	<u>\$ -</u>	<u>\$ 61,097</u>
December 31, 2020			
Interest income	\$ 17,397	\$ -	\$ 17,397
Net realized and unrealized gains	18,523	-	18,523
Investment management fees	<u>(354)</u>	<u>-</u>	<u>(354)</u>
Net investment return	<u>\$ 35,566</u>	<u>\$ -</u>	<u>\$ 35,566</u>

**5. 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.

Continued --

**SECOND CHANCE ANIMAL SERVICES, INC.**

Notes to Financial Statements

**5. Fair Value (Continued)**

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, 2021 and 2020:

December 31, 2021	Total	Level 1	Level 2	Level 3
Investments				
Cash	\$ 5,620	\$ 5,620	\$ -	\$ -
Exchange-traded & closed end funds	106,806	106,806	-	-
Mutual funds	<u>724,115</u>	<u>724,115</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 836,541</u>	<u>\$ 836,541</u>	<u>\$ -</u>	<u>\$ -</u>
December 31, 2020	Total	Level 1	Level 2	Level 3
Investments				
Cash	\$ 4,618	\$ 4,618	\$ -	\$ -
Exchange-traded & closed end funds	100,115	100,115	-	-
Mutual funds	<u>670,712</u>	<u>670,712</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 775,445</u>	<u>\$ 775,445</u>	<u>\$ -</u>	<u>\$ -</u>

The stocks and exchange-traded & closed-end funds 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 2021.

**6. 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% (4.75% at December 31, 2021).

**7. Net Assets**

At December 31, 2021 and 2020, net assets without donor restrictions consist of undesignated amounts that are generally available for use by the Organization.

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**SECOND CHANCE ANIMAL SERVICES, INC.**

Notes to Financial Statements

**7. Net Assets (Continued)**

Net assets with donor restriction are restricted for the following purposes or periods at December 31, 2021 and 2020:

	2021	2020
Adoption center renovation	\$ 51,300	\$ -
Veterinary services	18,937	2,100
Veterinary equipment	15,000	586
Worcester renovation and equipment	5,000	19,315
Staff training	2,450	-
Southbridge construction and equipment	-	386,808
Adoption	-	74,037
Project Good Dog	-	43,329
Transportation program	-	25,559
Rebuild Grant - Supplies and staff	-	3,949
COVID costs and supplies	-	2,979
	<u>\$ 92,687</u>	<u>\$ 558,662</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors. The net assets released from restrictions at December 31, 2021 are as follows:

Purpose restrictions accomplished	
Southbridge construction	\$ 281,008
Southbridge equipment	105,800
Adoption	74,037
Project Good Dog	43,329
Transportation program	25,559
Worcester renovation and equipment	19,315
Rebuild Grant - Supplies and staff	3,949
COVID costs and supplies	2,979
Veterinary services	1,763
Veterinary equipment	586
	<u>\$ 558,325</u>

## SECOND CHANCE ANIMAL SERVICES, INC.

### Notes to Financial Statements

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#### **8. Gain from extinguishment of debt**

During 2020, the Organization received \$473,200 in loan proceeds pursuant to the Paycheck Protection Program ("PPP"), under the Coronavirus Aid Relief and Economic Security (CARES) Act. As part of the PPP, the Organization may qualify for up to 100% forgiveness if the funds are used for at least 60% payroll costs and the remainder for other qualified expenses. During 2020, the Organization used the funds for the aforementioned expenses, so it applied for and was granted full forgiveness. The Organization has elected to treat the forgivable loan as debt under FASB ASC 470, accordingly the forgiveness is recognized as a gain on extinguishment of debt.

#### **9. ERC Income**

The CARES Act also provides an employee retention credit (ERC) which is a refundable tax credit against certain employment taxes. The Consolidated Appropriations Act (CAA) extended and expanded the availability of the ERC making the Organization eligible for a retroactive credit subject to meeting certain criteria. In June 2021, the Organization filed an adjusted employer's quarterly federal payroll tax return for the second and third quarter of 2020 requesting an ERC refund totaling \$211,200, which is included in other receivables for the year ended December 31, 2021.

#### **10. 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 2021 or 2020.

#### **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.

#### **11. Commitments and Contingencies**

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The Organization remained open during the pandemic but is required to follow state mandated COVID-19 protocols for cleaning and social distancing. The mandates require that employees remain six feet apart at all times. Following this requirement, the Organization's facility could not operate at full capacity due to available space. Effective June 1, 2021, Massachusetts lifted all COVID-19 restrictions, however, cities and towns may still impose restrictions to control the ongoing pandemic. The Organization cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact the financial position, results of operations, and cash flows in fiscal 2022.

See independent auditors' report