

SECOND CHANCE ANIMAL SERVICES, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
WITH
INDEPENDENT AUDITORS' REPORT

SECOND CHANCE ANIMAL SERVICES, INC.

Table of Contents

	Page
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 - 18



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, 2025, 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, 2025, 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.

Auditors' 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** 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 18, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Stolberg & Blanchette, LLP

Worcester, Massachusetts

March 4, 2026

SECOND CHANCE ANIMAL SERVICES, INC.

Statement of Financial Position

December 31, 2025

(With Summarized Financial Information for 2024)

Assets		
	2025	2024
Current assets		
Cash	\$ 1,450,779	\$ 1,216,430
Program service fees receivable, net	68,851	64,214
Inventory	256,603	254,361
Prepaid expenses	16,702	16,119
	<u>1,792,935</u>	<u>1,551,124</u>
Property and equipment		
Land	274,958	274,958
Buildings	1,893,187	1,882,407
Equipment	1,691,290	1,675,640
Furniture and fixtures	6,337	6,337
Motor vehicles	370,776	370,776
Leasehold improvements	1,325,846	1,226,886
	<u>5,562,394</u>	<u>5,437,004</u>
Less - accumulated depreciation	2,243,891	2,091,780
	<u>3,318,503</u>	<u>3,345,224</u>
Investments	<u>2,807,302</u>	<u>2,175,773</u>
Total assets	<u>\$ 7,918,740</u>	<u>\$ 7,072,121</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 159,915	\$ 113,767
Accrued expenses	244,082	188,858
Credit card payable	63,890	61,537
	<u>467,887</u>	<u>364,162</u>
Net assets		
Without donor restrictions	7,048,827	6,360,694
With donor restrictions	402,026	347,265
	<u>7,450,853</u>	<u>6,707,959</u>
Total liabilities and net assets	<u>\$ 7,918,740</u>	<u>\$ 7,072,121</u>

See independent auditors' report and notes to financial statements

SECOND CHANCE ANIMAL SERVICES, INC.

Statement of Activities
For the Year Ended December 31, 2025
(With Summarized Financial Information for 2024)

	Without Donor Restrictions	With Donor Restrictions	Total 2025	Total 2024
Program revenue	<u>\$ 7,640,113</u>	<u>\$ -</u>	<u>\$ 7,640,113</u>	<u>\$ 6,198,642</u>
Other revenue				
Contributions of cash and other financial assets	811,055	-	811,055	717,376
Contributions of nonfinancial assets	521,890	-	521,890	539,241
Grants	76,832	489,352	566,184	611,112
Fundraising	178,205	-	178,205	167,715
Interest	8,214	-	8,214	25
Net investment gain	278,529	-	278,529	114,039
Other income	35,198	-	35,198	17,543
Net assets released from restrictions	434,591	(434,591)	-	-
	<u>2,344,514</u>	<u>54,761</u>	<u>2,399,275</u>	<u>2,167,051</u>
Total revenues	<u>9,984,627</u>	<u>54,761</u>	<u>10,039,388</u>	<u>8,365,693</u>
Expenses				
Program services	8,544,978	-	8,544,978	7,361,572
General and administrative	421,181	-	421,181	347,675
Fundraising	330,335	-	330,335	277,029
	<u>9,296,494</u>	<u>-</u>	<u>9,296,494</u>	<u>7,986,276</u>
Increase in net assets	688,133	54,761	742,894	379,417
Net assets, beginning of year	<u>6,360,694</u>	<u>347,265</u>	<u>6,707,959</u>	<u>6,328,542</u>
Net assets, end of year	<u>\$ 7,048,827</u>	<u>\$ 402,026</u>	<u>\$ 7,450,853</u>	<u>\$ 6,707,959</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, 2025
(With Summarized Financial Information for 2024)

	Program Services	General and Administrative	Fundraising	Total 2025	Total 2024
Salaries	\$ 4,547,793	\$ 286,898	\$ 217,149	\$ 5,051,840	\$ 4,234,904
Supplies	1,788,351	-	40,981	1,829,332	1,676,881
Depreciation	304,629	19,217	14,545	338,391	295,235
Payroll taxes	393,784	25,821	19,543	439,148	373,229
Advertising and awareness outreach	247,034	-	-	247,034	199,075
Occupancy	143,813	9,072	6,867	159,752	137,548
Insurance	102,389	6,165	-	108,554	91,067
Outside services	637,762	20,006	-	657,768	590,365
Employee benefits	153,745	9,699	7,341	170,785	121,063
Bank and credit card fees	121,107	-	-	121,107	88,100
Professional fees	-	39,225	-	39,225	36,430
Printing and postage	20,548	2,566	22,077	45,191	47,502
Transportation	10,244	-	-	10,244	9,792
Repairs and maintenance	15,478	-	-	15,478	17,541
Office expenses	18,549	375	588	19,512	22,232
Internet and website	26,051	1,643	1,244	28,938	27,231
Miscellaneous	750	-	-	750	428
Bad debt expense (recovery)	-	-	-	-	519
Travel	4,750	-	-	4,750	10,992
Seminars and training	8,201	494	-	8,695	6,142
	<u><u>\$ 8,544,978</u></u>	<u><u>\$ 421,181</u></u>	<u><u>\$ 330,335</u></u>	<u><u>\$ 9,296,494</u></u>	<u><u>\$ 7,986,276</u></u>

See independent auditors' report and notes to financial statements

SECOND CHANCE ANIMAL SERVICES, INC.

Statement of Cash Flows
For the Year Ended December 31, 2025
(With Summarized Financial Information for 2024)

	2025	2024
Cash flows from operating activities		
Increase in net assets	\$ 742,894	\$ 379,417
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	338,391	295,235
Loss on disposal of property and equipment	4,194	-
Donated equipment and construction services included in contributions	(84,810)	(25,556)
Net investment gain	(278,529)	(114,039)
(Increase) decrease in operating assets:		
Prepaid expenses	(583)	11,691
Inventory	(2,242)	(46,727)
Program service fee receivable	(4,637)	(10,866)
Increase (decrease) in operating liabilities:		
Accounts payable	46,148	(1,911)
Accrued expenses	55,224	60,804
Credit card payable	2,353	967
Net cash provided by operating activities	<u>818,403</u>	<u>549,015</u>
Cash flows from investing activities		
Proceeds from sale of investments	1,079,014	1,214,696
Payments for purchases of investments	(1,429,014)	(1,294,696)
Purchases of property and equipment	(234,054)	(443,344)
Net cash used for investing activities	<u>(584,054)</u>	<u>(523,344)</u>
Net increase in cash	234,349	25,671
Cash - beginning of year	<u>1,216,430</u>	<u>1,190,759</u>
Cash - end of year	<u><u>\$ 1,450,779</u></u>	<u><u>\$ 1,216,430</u></u>

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SECOND CHANCE ANIMAL SERVICES, INC.

Statement of Cash Flows (Continued)
For the Year Ended December 31, 2025
(With Summarized Financial Information for 2024)

	2025	2024
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	<u>\$ -</u>	<u>\$ -</u>
Summary of non-cash transactions		
Donated equipment and construction services	<u>\$ 84,810</u>	<u>\$ 25,556</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 2025, the Organization helped over 64,000 animals which included 8,747 spay and neuter procedures and facilitated 1,287 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, 2024 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

2. Summary of Significant Accounting Policies (Continued)

Program Service Fees Receivable, net

Program service fees receivable are presented at their amortized cost adjusted for any write-offs and net of an allowance for credit losses. The Organization maintains an allowance for credit losses, which represent an estimate of expected credit losses over the remaining contractual life of its receivables considering current conditions and supportable forecasts when appropriate. The estimate is a result of the Organization's ongoing assessments and evaluations of collectability, historical loss experience, and future expectations in estimating credit losses in each of its receivable portfolios. The Organization uses historical loss experience rates by portfolio and applies them to a related aging analysis while also considering customer and/or economic risk where appropriate. Determination of the proper amount of allowances by portfolio requires management to exercise judgment about the timing, frequency and severity of credit losses that could materially affect the provision for credit losses and, as a result, net earnings. The allowances take into consideration numerous quantitative and qualitative factors that include receivable type, historical loss experience, delinquency trends, collection experience, current conditions, supportable forecasts, when appropriate, and credit risk characteristics. The Organization evaluates the credit risk of the customer when extending credit based on a combination of various financial and qualitative factors that may affect its customers' ability to pay. These factors may include the customer's financial condition and past payment experience.

Management performs detailed reviews of its receivables on a monthly basis to assess the adequacy of the allowances and to determine if any impairment has occurred.

A receivable generally has credit losses when it is expected that all amounts related to the receivable will not be collected according to the contractual terms of the agreement.

Amounts determined to be uncollectable are charged directly against the allowances, while amounts recovered on previously written off accounts increase the allowances.

See Note 4 for further information on program services fees and allowances for credit losses.

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.

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SECOND CHANCE ANIMAL SERVICES, INC.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (Continued)

Property and Equipment and Depreciation (Continued)

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, 2025.

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 5) in the statement of financial position. Investment securities are exposed to various risks, such as interest rate, market and credit risk.

Alternative investments, which do not have readily determinable fair values, are carried at estimated fair values using the net asset value per share of the investment, as reported by the investment managers, as a practical expedient. Managed investments, which do not have readily determinable fair values, are carried at estimated fair values using the per-unit market value reported by Greater Worcester Community Foundation ("GWCF"). Assets are pooled on a market value basis with each individual fund subscribing to or disposing of units on the basis of the market value per unit at the beginning of the period within which the transactions took place. Income is distributed based on the number of units subscribed to at the end of each month. The Organization reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of these investments. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed.

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SECOND CHANCE ANIMAL SERVICES, INC.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (Continued)

Investments (Continued)

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 accounting 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, 2025, 2024 and 2023 was \$79,851, \$75,214 and \$64,348, 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

The Organization received the following gifts-in-kind for years ended December 31:

	2025	2024
Legal services	\$ 3,313	\$ 6,104
Advertising services	112,536	115,243
Equipment	84,810	10,932
Construction services	-	17,415
Other in-kind	321,231	389,547
	<u>\$ 521,890</u>	<u>\$ 539,241</u>

Continued --

SECOND CHANCE ANIMAL SERVICES, INC.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (Continued)

Contributed Services and Materials (Continued)

The Organization's policy related to gifts-in-kind is to utilize the assets given to carry out the mission of the Organization. If an asset is provided that does not allow the Organization to utilize it in its normal course of business, the asset will be included as an auction item at special events or sold at its fair market value as determined by appraisal or specialist depending on the type of asset.

The Organization was provided legal and advertising services at no cost and values those services at current market rates.

The Organization was provided medical equipment at no cost and valued the equipment at invoice cost.

The Organization renovated and made improvements to their buildings. As part of the renovation a local school and business donated materials and labor.

All gifts-in-kind received by the Organization for the years ended December 31, 2025 and 2024 were considered without donor restrictions and able to be used by the Organization as determined by the board of directors and management.

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 9,000 volunteer hours from 700 volunteers in 2025. 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.

Continued --

SECOND CHANCE ANIMAL SERVICES, INC.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (Continued)

Advertising

Advertising and awareness outreach costs are expensed as incurred and totaled \$247,034 and \$199,075 in 2025 and 2024, 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.

Reclassifications

Certain accounts previously reported in the 2024 financial statements have been reclassified to conform to the current year presentation. These reclassifications had no effect on 2024 increase in net assets as previously reported.

Subsequent Events

The Organization has evaluated subsequent events through March 4, 2026, 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 statement of financial position date are comprised of the following:

	2025	2024
Cash	\$ 1,450,779	\$ 1,216,430
Program services fees receivable, net	68,851	64,214
Investments	2,807,302	2,175,773
Less with donor restrictions	(402,026)	(347,265)
	<u>\$ 3,924,906</u>	<u>\$ 3,109,152</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 7, the Organization maintains a \$100,000 line of credit, of which \$100,000 remained available on December 31, 2025.

4. Program Service Fees Receivable, net

The Organization's program service fees receivable primarily arise from veterinary services to individuals and the State of Massachusetts with payment terms generally due in 30 days.

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SECOND CHANCE ANIMAL SERVICES, INC.

Notes to Financial Statements

4. Program Service Fees Receivable, net (Continued)

The components of the Organization's program service fees receivable are as follows as of December 31:

	2025	2024
Program service fees receivable	\$ 79,851	\$ 75,214
Less - allowance for credit losses	<u>(11,000)</u>	<u>(11,000)</u>
Total program service fees receivable, net	<u>\$ 68,851</u>	<u>\$ 64,214</u>

Changes in the Organization's allowance for credit losses are as follows for the years ended December 31:

	2025	2024
Allowance for credit losses :		
Beginning balance	\$ 11,000	\$ 11,000
Provisions for credit losses	-	519
Write-offs	-	<u>(519)</u>
Ending balance	<u>\$ 11,000</u>	<u>\$ 11,000</u>

5. Investments

Investments consist of the following at December 31, 2025 and 2024:

	<u>December 31, 2025</u>		<u>December 31, 2024</u>	
	Cost	Fair Value	Cost	Fair Value
Cash	\$ 58,467	\$ 58,467	\$ 9,203	\$ 9,203
Managed investments	523,980	562,779	-	-
Exchange-traded & closed end funds	58,814	58,713	198,948	188,731
Certificates of deposits	278,020	278,350	230,020	230,409
Mutual funds	<u>1,791,462</u>	<u>1,848,993</u>	<u>1,774,604</u>	<u>1,747,430</u>
	<u>\$ 2,710,743</u>	<u>\$ 2,807,302</u>	<u>\$ 2,212,775</u>	<u>\$ 2,175,773</u>

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SECOND CHANCE ANIMAL SERVICES, INC.

Notes to Financial Statements

5. Investments (Continued)

The following schedule summarizes investment returns and their classification in the statement of activities for the years ended December 31, 2025 and 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
December 31, 2025			
Interest income	\$ 150,441	\$ -	\$ 150,441
Net realized and unrealized gain	138,655	-	138,655
Investment management fees	<u>(10,567)</u>	-	<u>(10,567)</u>
Net investment gain	<u>\$ 278,529</u>	<u>\$ -</u>	<u>\$ 278,529</u>

	Without Donor Restrictions	With Donor Restrictions	Total
December 31, 2024			
Interest income	\$ 119,381	\$ -	\$ 119,381
Net realized and unrealized gain	5,659	-	5,659
Investment management fees	<u>(11,001)</u>	-	<u>(11,001)</u>
Net investment gain	<u>\$ 114,039</u>	<u>\$ -</u>	<u>\$ 114,039</u>

6. 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.

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SECOND CHANCE ANIMAL SERVICES, INC.

Notes to Financial Statements

6. 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, 2025 and 2024:

December 31, 2025	Total	Level 1	Level 2	Level 3
Investments				
Cash	\$ 58,467	\$ 58,467	\$ -	\$ -
Exchange-traded & closed end funds	58,713	58,713	-	-
Certificate of deposits	278,350	278,350	-	-
Mutual funds	1,848,993	1,848,993	-	-
	<u>\$ 2,244,523</u>	<u>\$ 2,244,523</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at net asset value as preactical expedient	<u>\$ 562,779</u>			
Total investments	<u><u>\$ 2,807,302</u></u>			
December 31, 2024	Total	Level 1	Level 2	Level 3
Investments				
Cash	\$ 9,203	\$ 9,203	\$ -	\$ -
Exchange-traded & closed end funds	188,731	188,731	-	-
Certificate of deposits	230,409	230,409	-	-
Mutual funds	1,747,430	1,747,430	-	-
Total investments	<u><u>\$ 2,175,773</u></u>	<u><u>\$ 2,175,773</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The exchange-traded & closed-end funds are valued at the closing price reported on the active market on which the individual securities are traded. Certificate of deposits are valued at the estimated value if sold prior to maturity. Mutual funds include publicly traded funds valued at quoted market prices. Managed investments are valued based on the per-unit market value of the pooled funds as calculated and reported by GWCF. The Organization has evaluated the valuation policies of GWCF and the reported value of its holdings as of the balance sheet date and believes that the reported value is reasonable and reflects the value at which the Organization can redeem its holdings. Classification within the fair value hierarchy is based on the existence of restrictions on the Organization's ability to direct the underlying investments of the pooled funds. There were no changes in the methodologies used to measure assets at fair value during 2025.

SECOND CHANCE ANIMAL SERVICES, INC.

Notes to Financial Statements

7. Line of Credit

The Organization has a \$100,000 demand line of credit secured by the assets of the Organization. Interest is payable monthly at the bank's prime rate plus 1.5% (8.25% at December 31, 2025).

8. Net Assets

At December 31, 2025 and 2024, 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:

	2025	2024
Growth & expansion	\$ 208,416	\$ 269,071
Pantry	175,802	-
Veterinary services	8,760	11,051
Adoptions	5,000	20,000
Vaccine clinics	4,048	6,000
Veterinary equipment	-	29,643
Worcester renovations	-	11,500
	<u>\$ 402,026</u>	<u>\$ 347,265</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, 2025 are as follows:

Purpose restrictions accomplished	
North Brookfield renovation	\$ 310,655
Veterinary services	39,791
Veterinary equipment	29,643
Vaccine clinics	21,327
Adoptions	20,000
Worcester renovations	11,500
Pantry	1,675
	<u>\$ 434,591</u>

9. Related-Party Transactions

Legal services are donated from a Firm, wherein a board member is a partner. The amount of the donated legal services amounted to \$3,313 and \$6,104 for the years ended December 31, 2025 and 2024, respectively.

SECOND CHANCE ANIMAL SERVICES, INC.

Notes to Financial Statements

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 plan in 2025 or 2024.

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.

12. Conditional Promise to Give

During 2023, the Organization received a conditional promise of \$1,100,000, due over three years to support preparing the Organization to expand partially subsidized, accessible services and/or patient capacity, to provide funding and tools to help low-cost veterinary clinics to maintain sustainability. The first payment of \$500,000 was received in 2023 and was included with grants on the 2023 statement of activities. The second payment of \$350,000 was received in 2024 and is included with grants on the 2024 statement of activities. The third payment of \$250,000 was received in 2025 and is included with grants on the 2025 statement of activities

13. Commitments and Contingencies

Litigation

In the normal course of operations, the Organization is, from time to time, involved in various legal actions. Management believes that such actions will not have a material adverse effect on the Organization or financial condition.

See independent auditors’ report