

SECOND CHANCE ANIMAL SERVICES, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
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

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, 2018, 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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 28, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Stolberg, Ebbeling & Blanchette, LLP

Worcester, Massachusetts
February 27, 2019

SECOND CHANCE ANIMAL SERVICES, INC.

Statement of Financial Position
December 31, 2018
(With Summarized Financial Information for 2017)

Assets		
	2018	2017
Current assets		
Cash	\$ 326,569	\$ 282,778
Program service fees receivable, net	26,678	28,089
Inventory	110,064	106,101
Prepaid expenses	18,861	13,624
	<u>482,172</u>	<u>430,592</u>
Property and equipment		
Land	194,358	194,358
Buildings	760,302	760,302
Equipment	688,895	607,107
Furniture and fixtures	6,337	6,337
Motor vehicles	428,974	428,974
Leasehold improvements	753,301	604,118
	<u>2,832,167</u>	<u>2,601,196</u>
Less - accumulated depreciation	853,393	659,075
	<u>1,978,774</u>	<u>1,942,121</u>
Other assets		
Investments	405,179	408,702
Security deposits	1,865	2,400
	<u>407,044</u>	<u>411,102</u>
Total assets	<u><u>\$ 2,867,990</u></u>	<u><u>\$ 2,783,815</u></u>
Liabilities and Net Assets		
Current liabilities		
Current portion of long-term debt	\$ 6,740	\$ 6,489
Accounts payable	270	27,936
Accrued expenses	127,795	108,112
Credit card payable	40,608	32,544
	<u>175,413</u>	<u>175,081</u>
Long-term debt, net of current portion	<u>157,498</u>	<u>164,238</u>
Total liabilities	<u>332,911</u>	<u>339,319</u>
Net assets		
Without donor restrictions	2,397,000	2,247,747
With donor restrictions	138,079	196,749
	<u>2,535,079</u>	<u>2,444,496</u>
Total liabilities and net assets	<u><u>\$ 2,867,990</u></u>	<u><u>\$ 2,783,815</u></u>

See independent auditors' report and notes to financial statements

SECOND CHANCE ANIMAL SERVICES, INC.

Statement of Activities

For the Year Ended December 31, 2018

(With Summarized Financial Information for 2017)

	Without Donor Restrictions	With Donor Restrictions	Total 2018	Total 2017
Program revenue	\$ 2,695,063	\$ -	\$ 2,695,063	\$ 2,048,552
Other revenue				
Contributions	597,290	-	597,290	595,336
Grants	146,804	262,340	409,144	789,764
Fundraising	131,318	-	131,318	95,713
Interest	15	-	15	80
Net investment return (loss)	(3,523)	-	(3,523)	16,168
Gain on sale of property and equipment	-	-	-	194,322
Net assets released from restrictions	321,010	(321,010)	-	-
	<u>1,192,914</u>	<u>(58,670)</u>	<u>1,134,244</u>	<u>1,691,383</u>
Total revenues	<u>3,887,977</u>	<u>(58,670)</u>	<u>3,829,307</u>	<u>3,739,935</u>
Expenses				
Program services	3,366,161	-	3,366,161	2,804,804
General and administrative	233,661	-	233,661	202,069
Fundraising	138,902	-	138,902	120,395
	<u>3,738,724</u>	<u>-</u>	<u>3,738,724</u>	<u>3,127,268</u>
Increase (decrease) in net assets	149,253	(58,670)	90,583	612,667
Net assets, beginning of year	<u>2,247,747</u>	<u>196,749</u>	<u>2,444,496</u>	<u>1,831,829</u>
Net assets, end of year	<u>\$ 2,397,000</u>	<u>\$ 138,079</u>	<u>\$ 2,535,079</u>	<u>\$ 2,444,496</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, 2018
 (With Summarized Financial Information for 2017)

	Program Services	General and Administrative	Fundraising	Total 2018	Total 2017
Salaries	\$ 1,690,375	\$ 144,968	\$ 68,687	\$ 1,904,030	\$ 1,477,811
Supplies	851,097	-	26,483	877,580	798,723
Depreciation	172,513	14,795	7,010	194,318	176,120
Payroll taxes	161,303	13,047	6,182	180,532	132,173
Outreach	151,144	-	4,744	155,888	147,788
Occupancy	96,030	8,236	3,902	108,168	77,672
Insurance	46,656	3,845	-	50,501	40,941
Outside services	41,060	6,985	-	48,045	54,080
Employee benefits	43,778	3,608	-	47,386	43,569
Bank and credit card fees	35,711	-	1,336	37,047	26,186
Professional fees	-	33,013	-	33,013	52,985
Printing and postage	2,664	1,864	19,953	24,481	23,328
Transportation	19,756	-	-	19,756	21,241
Repairs and maintenance	18,889	-	-	18,889	14,622
Office expenses	9,393	1,864	-	11,257	8,083
Internet and website	9,143	784	371	10,298	8,087
Miscellaneous	5,748	493	234	6,475	6,317
Interest expense	6,379	-	-	6,379	6,120
Travel	2,597	-	-	2,597	5,141
Seminars and training	1,925	159	-	2,084	6,281
	\$ 3,366,161	\$ 233,661	\$ 138,902	\$ 3,738,724	\$ 3,127,268

See independent auditors' report and notes to financial statements

SECOND CHANCE ANIMAL SERVICES, INC.

Statements of Cash Flows For the Year Ended December 31, 2018 (With Summarized Financial Information for 2017)

	2018	2017
Cash flows from operating activities		
Increase in net assets	\$ 90,583	\$ 612,667
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	194,318	176,120
Gain on sale of property and equipment	-	(194,322)
Net investment return (loss)	3,523	(16,168)
(Increase) decrease in operating assets:		
Prepaid expenses	(5,237)	6,865
Inventory	(3,963)	(44,915)
Program service fee receivable	1,411	(522)
Security deposits	535	-
Increase (decrease) in operating liabilities:		
Accounts payable	(27,666)	27,076
Accrued expenses	19,683	49,909
Credit card payable	8,064	(19,746)
Net cash provided by operating activities	<u>281,251</u>	<u>596,964</u>
Cash flows from investing activities		
Purchases of short-term investments	-	(75,000)
Purchases of property and equipment	(230,971)	(599,628)
Proceeds received from sale of property and equipment	-	227,506
Net cash used for investing activities	<u>(230,971)</u>	<u>(447,122)</u>
Cash flows from financing activities		
Principal payments on long-term debt	<u>(6,489)</u>	<u>(6,246)</u>
Net increase in cash	43,791	143,596
Cash - beginning of year	<u>282,778</u>	<u>139,182</u>
Cash - end of year	<u><u>\$ 326,569</u></u>	<u><u>\$ 282,778</u></u>

Continued --

SECOND CHANCE ANIMAL SERVICES, INC.

Statements of Cash Flows (Continued)
For the Year Ended December 31, 2018
(With Summarized Financial Information for 2017)

	2018	2017
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	<u>\$ 2,084</u>	<u>\$ 6,281</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. On June 13, 2017, the Organization changed its name from Second Chance Animal Shelter, Inc. to Second Chance Animal Services, Inc. The Organization provides spay and neuter services, an adoption program, veterinary services and vaccination clinics to animals in Massachusetts. During 2018, the Organization performed 6,162 spay and neuter procedures and facilitated 1,699 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).

Adoption of New Accounting Standards

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The ASU is effective for fiscal years beginning after December 15, 2017. The new standards change the following aspects of the Organization's financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The Organization provided an explanation of the methods used to allocate costs among program and supporting (administrative and general and fundraising) functions (see Note 2).
- The Organization provided disclosures relating to management of liquidity and the availability of resources (see Note 3).

The Organization has applied a modified retrospective adoption of the new accounting standard. As a result, liquidity disclosure for the year ended December 31, 2017 is not presented.

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SECOND CHANCE ANIMAL SERVICES, INC.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (Continued)

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, 2017 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.

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, 2018 and 2017.

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.

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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

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, 2018.

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.

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SECOND CHANCE ANIMAL SERVICES, INC.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (Continued)

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.

During 2018 and 2017, donated services consisted of:

	2018	2017
Legal services	\$ 11,035	\$ 39,741
Accounting services	-	5,500
Advertising services	100,845	120,767
	<u>\$ 111,880</u>	<u>\$ 166,008</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 2018. 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.

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SECOND CHANCE ANIMAL SERVICES, INC.

Notes to Financial Statements

2. Summary of Significant Accounting Policies (Continued)

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 \$155,888 and \$147,788 in 2018 and 2017, 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 2017 financial statements have been reclassified to conform to the current year presentation. These reclassifications had no effect on 2017 net income as previously reported.

Subsequent Events

The Organization has evaluated subsequent events through February 27, 2019, 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:

Cash	\$ 464,648
Program services fees receivable, net	26,678
Operating investments	405,179
	<u>\$ 896,505</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 5, the Organization maintains a \$50,000 line of credit, of which \$50,000 remained available on December 31, 2018.

SECOND CHANCE ANIMAL SERVICES, INC.

Notes to Financial Statements

4. Investments

Investments consist of the following at December 31, 2018 and 2017:

	December 31, 2018		December 31, 2017	
	Cost	Fair Value	Cost	Fair Value
Cash	\$ 2,865	\$ 2,865	\$ 113,834	\$ 113,834
Certificates of deposit	155,126	155,392	180,567	179,898
Bonds	138,550	138,078	-	-
Stocks	7,757	6,994	5,140	7,459
Mutual funds	100,656	101,850	96,798	107,511
	<u>\$ 404,954</u>	<u>\$ 405,179</u>	<u>\$ 396,339</u>	<u>\$ 408,702</u>

The following schedule summarizes investment returns and their classification in the statements of activities for the years ended December 31, 2018 and 2017:

	Without Donor Restrictions	With Donor Restrictions	Total
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 return	<u>\$ (3,523)</u>	<u>\$ -</u>	<u>\$ (3,523)</u>

	Without Donor Restrictions	With Donor Restrictions	Total
December 31, 2017			
Interest income	\$ 6,264	\$ -	\$ 6,264
Net realized and unrealized gains	10,083	-	10,083
Investment management fees	(179)	-	(179)
Total investment return	<u>\$ 16,168</u>	<u>\$ -</u>	<u>\$ 16,168</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% (7% at December 31, 2018).

SECOND CHANCE ANIMAL SERVICES, INC.

Notes to Financial Statements

6. Long-Term Debt

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

	2018	2017
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.	<u>\$ 164,238</u>	<u>\$ 170,727</u>
Less - current portion	<u>6,740</u>	<u>6,489</u>
Long-term portion	<u><u>\$ 157,498</u></u>	<u><u>\$ 164,238</u></u>

Annual principal payments are due as follows:

Year-ending December 31,				
2019	\$	6,740		
2020		6,984		
2021		7,271		
2022		7,553		
2023		7,845		
Thereafter		<u>127,845</u>		
Total		<u><u>\$ 164,238</u></u>		

7. Net Assets

At December 31, 2018 and 2017, 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, 2018 and 2017:

	2018	2017
Spay/neuter program	\$ 44,171	\$ 7,125
Veterinary services	35,059	6,388
Project Good Dog	32,374	27,798
Transportation program	16,426	13,605
Veterinary equipment	10,016	1,522
Construction and equipment	33	123,561
Pets for Life	-	16,750
	<u>\$ 138,079</u>	<u>\$ 196,749</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, 2018 and 2017:

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

Continued --

SECOND CHANCE ANIMAL SERVICES, INC.

Notes to Financial Statements

8. Fair Value (Continued)

December 31, 2017	Total	Level 1	Level 2	Level 3
Investments				
Cash	\$ 113,834	\$ 113,834	\$ -	\$ -
Certificates of deposit	179,898	179,898	-	-
Stocks	7,459	7,459	-	-
Mutual funds	107,511	107,511	-	-
Total investments	<u>\$ 408,702</u>	<u>\$ 408,702</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 2018.

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 2018 or 2017.

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 \$6,000 and \$14,400 for the year ended December 31, 2018 and 2017, 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