

# Second City Canine Rescue

Financial Statements

Years Ended June 30, 2023 and 2022



## **Independent Auditor's Report**

Board of Directors  
Second City Canine Rescue  
Palatine, Illinois

### ***Opinion***

We have audited the accompanying financial statements of Second City Canine Rescue (the "Organization"), a nonprofit organization, which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Second City Canine Rescue as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). 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 City Canine Rescue and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, 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 City Canine Rescue's ability to continue as a going concern for one year after the date 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 GAAS 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 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 GAAS, 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 City Canine Rescue'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 City Canine Rescue'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.

*Wipfli LLP*

Wipfli LLP

December 11, 2023  
Lincolnshire, Illinois

# Second City Canine Rescue

## Statements of Financial Position

<i>June 30,</i>	2023	2022
<b>Current assets:</b>		
Cash and cash equivalents	\$ 284,431	\$ 358,796
Grants and other receivable	18,050	2,500
Prepaid expenses	11,397	7,362
Investments	227,752	50,542
<b>Total current assets</b>	<b>541,630</b>	<b>419,200</b>
<b>Property and equipment - net</b>	<b>728,010</b>	<b>771,047</b>
<b>Total assets</b>	<b>\$ 1,269,640</b>	<b>\$ 1,190,247</b>
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 28,536	\$ 25,918
Mortgage term loan, current portion	5,367	5,144
Deferred revenue	35,546	-
<b>Total current liabilities</b>	<b>69,449</b>	<b>31,062</b>
<b>Long-term liabilities:</b>		
Mortgage term loan, noncurrent	128,747	134,114
<b>Net assets:</b>		
Without donor restriction	1,044,675	1,001,742
With donor restriction	26,769	23,329
<b>Total net assets</b>	<b>1,071,444</b>	<b>1,025,071</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,269,640</b>	<b>\$ 1,190,247</b>

See accompanying notes to financial statements.

## Second City Canine Rescue

### Statements of Activities and Changes in Net Assets

Years Ended June 30,	2023			2022		
	Without donor restriction	With donor restriction	Total	Without donor restriction	With donor restriction	Total
<b>Support and revenue:</b>						
Contributions and grants	\$ 326,251	\$ 16,490	\$ 342,741	\$ 326,515	\$ 16,050	\$ 342,565
Contributed non-financial assets	37,475	-	37,475	24,079	-	24,079
Special events, net of expenses of \$67,167 in 2023 and \$53,512 in 2022	238,957	-	238,957	241,711	-	241,711
Adoption fees	215,310	-	215,310	226,911	-	226,911
Investment return	2,212	-	2,212	38	-	38
Miscellaneous income	230	-	230	160	-	160
Loss on sale of property and equipment	(1,760)	-	(1,760)	-	-	-
Other income - PPP loan forgiveness	-	-	-	13,942	-	13,942
Net assets released from restriction	13,050	(13,050)	-	15,171	(15,171)	-
<b>Total support and revenue</b>	<b>831,725</b>	<b>3,440</b>	<b>835,165</b>	<b>848,527</b>	<b>879</b>	<b>849,406</b>
<b>Expenses:</b>						
Program services	617,578	-	617,578	521,474	-	521,474
Management and general	82,806	-	82,806	100,405	-	100,405
Fundraising	88,408	-	88,408	18,914	-	18,914
<b>Total expenses</b>	<b>788,792</b>	<b>-</b>	<b>788,792</b>	<b>640,793</b>	<b>-</b>	<b>640,793</b>
Changes in net assets	42,933	3,440	46,373	207,734	879	208,613
Net assets, beginning of year	1,001,742	23,329	1,025,071	794,008	22,450	816,458
Net assets, end of year	\$ 1,044,675	\$ 26,769	\$1,071,444	\$ 1,001,742	\$ 23,329	\$1,025,071

See accompanying notes to financial statements.

# Second City Canine Rescue

## Statement of Functional Expenses

<i>Year ended June 30, 2023</i>	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 111,394	\$ 8,400	\$ 55,385	\$ 175,179
Payroll taxes	13,343	746	5,206	19,295
Boarding and fostering	5,813	-	-	5,813
Depreciation	39,148	4,350	-	43,498
Fees	10,374	1,039	9,163	20,576
Fundraising expenses	-	-	16,777	16,777
Insurance - Business	15,841	1,760	-	17,601
Interest expense	6,234	-	-	6,234
Marketing and development	-	4,840	-	4,840
Miscellaneous expense	-	6,315	-	6,315
Office expense	1,337	55	-	1,392
Occupancy	2,200	-	-	2,200
Other rescue program expenses	41,235	3,608	-	44,843
Pharmaceutical expenses	51,987	-	-	51,987
Printing and publication	-	415	-	415
Professional fees	-	42,186	-	42,186
Repairs and maintenance	15,316	1,702	-	17,018
Special events, direct donor cost	-	-	67,167	67,167
Supplies and food	27,434	-	-	27,434
Training	5,386	2,840	326	8,552
Technology	-	3,625	1,551	5,176
Telephone	2,193	-	-	2,193
Utilities	8,324	925	-	9,249
Veterinary cost	260,019	-	-	260,019
<b>Total expenses by function</b>	<b>617,578</b>	<b>82,806</b>	<b>155,575</b>	<b>855,959</b>
Less: Expenses included with revenue on the statements of activities and changes in net assets				
Cost of direct benefits to donors	-	-	(67,167)	(67,167)
<b>Total expenses</b>	<b>\$ 617,578</b>	<b>\$ 82,806</b>	<b>\$ 88,408</b>	<b>\$ 788,792</b>

See accompanying notes to financial statements.

# Second City Canine Rescue

## Statement of Functional Expenses

<i>Year ended June 30, 2022</i>	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 107,779	\$ 8,339	\$ -	\$ 116,118
Payroll taxes	10,764	729	-	11,493
Boarding and fostering	2,414	-	-	2,414
Depreciation	42,773	4,752	-	47,525
Fees	10,468	1,318	11,364	23,150
Fundraising expenses	-	15,408	5,002	20,410
Insurance - Business	15,371	1,708	-	17,079
Interest Expense	6,462	-	-	6,462
Marketing and development	-	3,390	-	3,390
Miscellaneous expense	2	4,489	-	4,491
Office expense	1,019	2,599	398	4,016
Occupancy	2,400	-	-	2,400
Other rescue program expenses	23,455	2,810	-	26,265
Pharmaceutical expenses	46,200	-	-	46,200
Printing and publication	-	600	-	600
Professional fees	-	47,518	-	47,518
Repairs and maintenance	11,563	1,285	-	12,848
Special events, direct donor cost	-	-	53,512	53,512
Supplies and food	14,871	-	-	14,871
Training	4,658	1,552	-	6,210
Technology	-	3,048	2,150	5,198
Telephone	3,674	-	-	3,674
Utilities	7,743	860	-	8,603
Veterinary cost	209,858	-	-	209,858
<b>Total expenses by function</b>	<b>521,474</b>	<b>100,405</b>	<b>72,426</b>	<b>694,305</b>
Less: Expenses included with revenue on the statements of activities and changes in net assets				
Cost of direct benefits to donors	-	-	(53,512)	(53,512)
<b>Total expenses</b>	<b>\$ 521,474</b>	<b>\$ 100,405</b>	<b>\$ 18,914</b>	<b>\$ 640,793</b>

See accompanying notes to financial statements.

# Second City Canine Rescue

## Statements of Cash Flows

Years Ended June 30,	2023	2022
Cash flows from operating activities:		
Changes in net assets	\$ 46,373	\$ 208,613
Adjustment to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	43,498	47,525
Forgiveness of note payable - PPP	-	(13,942)
Loss on sale of property and equipment	1,760	-
Changes in operating assets and liabilities:		
Other receivable	(15,550)	3,099
Prepaid expenses	(4,036)	(2,042)
Accounts payable and accrued expenses	2,618	6,114
Deferred revenue	35,546	(5,000)
Net cash from operating activities	110,209	244,367
Cash flows from investing activities:		
Purchases of property and equipment	(2,500)	(2,973)
Proceeds from sale of property and equipment	280	-
Purchases of investments	(177,210)	(37)
Net cash from investing activities	(179,430)	(3,010)
Cash flows from financing activities:		
Principal repayments on mortgage term loan	(5,144)	(4,916)
Net cash from financing activities	(5,144)	(4,916)
Net change in cash and cash equivalents	(74,365)	236,441
Cash and cash equivalents at beginning of year	358,796	122,355
Cash and cash equivalents at end of year	\$ 284,431	\$ 358,796
Supplemental cash flow information:		
Cash paid for interest	\$ 6,234	\$ 6,462
Supplemental schedule of noncash financing information:		
Forgiveness of note payable - PPP	\$ -	\$ 13,942

See accompanying notes to financial statements.

# Second City Canine Rescue

## Notes to Financial Statements

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### Note 1: Summary of Significant Accounting Policies

#### Nature of Operations

Second City Canine Rescue (the "Organization") was organized to promote animal welfare, provide care to animals in need, and place animals from shelters into permanent, loving homes. The Organization serves the general public from its location in Palatine, Illinois.

#### Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States (GAAP).

#### Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets. A definition and description of each class follows:

**Net Assets Without Donor Restriction** - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Net assets without donor restrictions may be designated for specific purposes by the board of directors.

**Net Assets With Donor Restriction** - Net assets subject to donor- or certain grantor-imposed restrictions that may or will be met either by the occurrence of an event (purpose) and/or passage of time. Other explicit donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed net assets are released when a restriction expires, that is when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

#### Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents. Cash equivalents consist of checking accounts and a money market account.

#### Investments

Investments are recorded at fair value (Note 4) and consist of mutual funds. Investment return is reported in the statements of activities and changes in net assets and consists of interest and dividend income and realized and unrealized gains and losses, if any, net of investment expenses, if any.

# Second City Canine Rescue

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Property and Equipment**

All acquisitions and improvements of property and equipment of \$2,500 or more are capitalized, while all expenditures for repairs and maintenance that do not materially prolong the useful lives of assets are expensed. Purchased property and equipment is carried at cost. Contributed property and equipment is carried at fair market value as of the date contributed. Depreciation is computed over the estimated useful lives that range from five to 40 years using the straight-line method.

#### **Deferred Revenue**

As June 30, 2023 deferred revenue consists of \$35,546. This balance consists of cash received in advance for a special event held to be held in 2024.

#### **Donated Goods and Services**

The Organization has recorded contributed non-financial assets, consisting of donated goods and donated services in the statements of activities and changes in net assets. Donated goods are recorded at their fair value in the period received. Donated services are recognized as revenue at their estimated fair value when they either create or enhance a non-financial asset, or they require a specialized skill by the individual possessing those skills and would typically need to be purchased if they were not donated. Donated services recorded consist of donated veterinary intake exams and medical services and professional trainers assisting with behavioral training.

The Organization also has a significant number of dedicated volunteers who assist in every area of operations and programs, including fostering, care of dogs in the adoption center, tracking and arranging medical care, adoption programs, marketing, foster and adopter support, finance, grant tracking and transporting and intake of dogs from shelters. The Organization has not recognized these tasks and services in the financial statements, as they do not meet the criteria for recognition as donated services under GAAP.

#### **Revenue Recognition**

##### **Contributions**

Contributions are considered to be available for unrestricted use unless specifically restricted by donors. Contributions including unconditional promises to give, are reported at fair value and recognized as revenue at the date the promise is received. Conditional contributions are recognized as revenue when the barriers to entitlement are overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets is removed. Assets received for which the condition has not been satisfied are recorded as deferred revenue. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. Contributions with donor restrictions where restrictions are met in the same year as received are reported as without donor restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

# Second City Canine Rescue

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Revenue Recognition** (Continued)

##### **Grant Revenue**

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

**Grant Awards That Are Contributions** - Grants awards that are contributions are evaluated for conditions and recognized as revenue when conditions in the award are satisfied. Unconditional awards are recognized as revenue when the award is received. Amounts received in which conditions have not been met are reported as a refundable advance liability.

**Grant Awards That Are Exchange Transactions** - Exchange transactions are those in which the resource provider or grantor receives a commensurate value in exchange for goods or services transferred. Revenue is recognized when control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Amounts received in excess of recognized revenue are reflected as a contract liability.

##### **Adoption Fees**

The Organization provides homes to sheltered dogs through adoption and receives a fee in connection with the adoption of each dog. Each person adopting a dog enters into a signed adoption agreement which specifically states the terms for adoption. The agreement consists of one performance obligation, which is providing the specified dog to the person entering into the adoption agreement. The adoption price is specifically stated in the agreement and varies based on the various categories of dogs, identified as puppies, adults, or seniors. Payment is typically made by credit card upon signing of the agreement; however, payments are not processed until the dog is delivered, usually within 48 hours of signing the contract. If the dog is successfully delivered, payment is processed, and adoption revenue is recognized at the point in time the dog is delivered. After this point, no refunds are allowed, even if a dog is returned.

##### **Special Events Revenue**

The Organization records special events revenue equal to the fair value of the direct benefits provided to donors for the exchange portion and contribution income for the excess received. The Organization typically receives payment for the event in advance based on a set ticket price. Special event revenue received in advance is recorded as deferred revenue and is recognized at the point in time when the event occurs.

# Second City Canine Rescue

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Functional Allocation of Expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, costs have been allocated among the programs and supporting services. Salaries and wages and payroll taxes are allocated based on time and effort. Occupancy, utilities, depreciation, insurance and repairs and maintenance are allocated to programs based on usage with a de minimis of 10% allocated to management and general. All other costs have been allocated using a direct functional method based on actual time or usage.

#### **ASC 842 Lease Accounting**

The Organization is a lessee in a noncancelable operating lease. If the contract provides the Organization the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The ROU asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

The Organization has elected to use a risk-free rate for a term similar to the underlying lease as the discount rate if the implicit rate in the lease contract is not readily determinable.

The ROU asset for operating leases is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. For operating leases with lease payments that fluctuate over the lease term, the total lease costs are recognized on a straight-line basis over the lease term.

For all underlying classes of assets, the Organization has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases with lease costs included in short-term lease expense. The Organization recognizes short-term lease cost on a straight-line basis over the lease term.

The Organization made an accounting policy election for all underlying classes of assets to not separate the lease components of a contract and its associated non-lease components.

# Second City Canine Rescue

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **ASC 842 Lease Accounting** (Continued)

No ROU asset operating lease was created at adoption. The Organization's operating lease consists of a short term lease which is expensed under the short-term lease election.

#### **Income Taxes**

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Consequently, no provision for income taxes appears in these financial statements.

#### **Use of Estimates**

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Accordingly, actual results could differ from those estimates.

#### **Reclassification**

Certain amounts as previously reported in the 2022 financial statements have been reclassified to conform to the 2023 presentation. Such reclassifications have no effect on reported amounts of net assets or change in net assets.

#### **Change in Accounting Principle**

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842). ASU 2016-02 is intended to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases on the statement of financial position. This accounting update also requires additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. The Organization adopted this guidance for the year ended June 30, 2023 with modified retrospective application to July 1, 2022. The Organization has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Organization accounted for its existing operating lease as an operating lease under the new guidance, without reassessing (a) whether the contracts contain a lease under ASC Topic 842, (b) whether the classification of the leases would be different in accordance with ASC Topic 842, or (c) whether any unamortized initial direct costs before transition adjustments (as of June 30, 2022) would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. Similarly, Organization did not reassess service contracts evaluated for lease treatment under ASC 840 for embedded leases under ASC 842.

As a result of the adoption of the new lease accounting guidance, the Organization elected to utilize ASC 842's practical expedient for short-term leases. The standard did not have a material impact on the Organization's net assets, cash flows from operations and operating results.

# Second City Canine Rescue

## Notes to Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Subsequent Events

The Organization has evaluated subsequent events through December 11, 2023, which is the date the financial statements were available to be issued.

### Note 2: Concentration of Credit Risk

The Organization maintains cash balances at financial institutions where the accounts are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. At certain times during the year, cash balances may be in excess of FDIC coverage. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to these accounts throughout the year.

### Note 3: Liquidity and Availability of Financial Resources

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, comprise the following:

	2023	2022
Cash and cash equivalents	\$ 284,431	\$ 358,796
Grants and other receivables	18,050	2,500
Investments	227,752	50,542
Total financial assets	530,233	411,838
Less: Net assets with donor restrictions for program	26,769	23,329
Total financial assets available for general expenditures	\$ 503,464	\$ 388,509

The Board's objective currently is to have three to six months of financial liquidity available to cover program expenses to ensure the Organization's ability to sustain adverse financial conditions.

### Note 4: Fair Value Measurements

The Organization's investments are reported at fair value, as defined by GAAP, to classify the source of the information measuring fair value.

Investments carried at fair value are classified and disclosed in one of the following categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities;

Level 2: Observable market-based inputs or unobservable inputs corroborated by market data; and

# Second City Canine Rescue

## Notes to Financial Statements

### Note 4: Fair Value Measurements (Continued)

Level 3: Unobservable inputs not corroborated by market data.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

Mutual fund valuations are based on quoted net asset value (NAV) of shares held at year-end and are classified as Level 1 investments. The Government money market mutual fund is valued at NAV of \$1 per share.

The Organization did not have any nonfinancial assets recorded at fair value on a recurring basis as of June 30, 2023.

Fair value measurements recorded on a recurring basis at June 30, 2023 and 2022, was as follows:

	Quoted Prices in Active Markets for Identical Assets	
	(Level 1) 2023	(Level 1) 2022
Mutual fund:		
Government money market mutual fund	\$ 227,752	\$ 50,542
<b>Totals</b>	<b>\$ 227,752</b>	<b>\$ 50,542</b>

Investment return consisted of interest and dividends of \$2,212 and \$38 for the years ended June 30, 2023 and 2022, respectively.

### Note 5: Property and Equipment

Property and equipment consisted of the following at June 30, 2023 and 2022:

	2023	2022
Land	\$ 136,660	\$ 136,660
Buildings and building improvements	690,353	690,353
Furniture and equipment	5,473	9,379
Vehicle	40,297	40,297
<b>Total property and equipment</b>	<b>872,783</b>	<b>876,689</b>
Accumulated depreciation	(144,773)	(105,642)
<b>Property and equipment, net</b>	<b>\$ 728,010</b>	<b>\$ 771,047</b>

# Second City Canine Rescue

## Notes to Financial Statements

### Note 5: Property and Equipment (Continued)

Depreciation expense for the years ended June 30, 2023 and 2022, was \$43,498 and \$47,525, respectively.

### Note 6: Net Assets With Donor Restrictions

At June 30, 2023 and 2022, net assets with donor restrictions are restricted for the following purposes:

	2023	2022
Dental	\$ 13,050	\$ 13,050
Capital campaign - Building	10,000	10,000
Grooming Tubs	279	279
Lobby Buildout	3,440	-
<b>Totals</b>	<b>\$ 26,769</b>	<b>\$ 23,329</b>

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 as follows for the years ended June 30, 2023 and 2022:

	2023	2022
Dental	\$ 13,050	\$ 12,450
Grooming Tubs	-	2,721
<b>Totals</b>	<b>\$ 13,050</b>	<b>\$ 15,171</b>

### Note 7: Mortgage Term Loan

The Organization entered into a mortgage term loan dated March 10, 2020, in the original amount of \$150,000 for the purchase of a building in Palatine, Illinois. The loan bears interest at 4.490% per annum and requires monthly principal and interest payments of \$948 beginning April 10, 2020, with the outstanding balance due at maturity on March 10, 2025. The loan is secured by the land, building, and improvements.

The outstanding balance on the loan at June 30, 2023 and 2022, is as follows:

	2023	2022
Mortgage term loan	\$ 134,114	\$ 139,258
Less: Mortgage term loan, current portion	5,367	5,144
<b>Mortgage term loan, noncurrent</b>	<b>\$ 128,747</b>	<b>\$ 134,114</b>

# Second City Canine Rescue

## Notes to Financial Statements

### Note 7: Mortgage Term Loan (Continued)

Required maturity payments under the mortgage term loan are as follows:

<i>Years Ended June 30</i>		
2024	\$	5,367
2025		128,747
Total	\$	134,114

### Note 8: Related Party

During 2023 and 2022, the Organization received veterinary services from two animal care centers; one owned by two board members and the other owned by the Organization's founder who is also a board member. Payments made to these vendors totaled approximately \$165,000 and \$149,000 for the years ended June 30, 2023 and 2022, respectively.

### Note 9: Contributed Non-Financial Assets

Contributed non-financial assets consisted of the following:

<i>Years Ended June 30,</i>	2023	2022
Services	\$ 12,090	\$ 13,736
Pharmaceuticals	1,182	192
Pet supplies	10,015	3,129
Pet food	14,188	7,022
Total contributed nonfinancial assets	\$ 37,475	\$ 24,079

The Organization recognizes donated contributions of goods and services within revenue, including services, pharmaceuticals, pet supplies and pet food. Unless otherwise noted, donated contributions did not have donor-imposed restrictions. All contributions were utilized by the Organization's program of caring for animals in need while looking to provide them with homes.

Contributed pharmaceuticals consist primarily of chewable tablets and syringes and are used as part of the intake boarding process. In valuing these pharmaceuticals the Organization uses estimates of wholesale values that would be received for selling similar products in the United States.

# Second City Canine Rescue

## Notes to Financial Statements

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### **Note 9: Contributed Non-Financial Assets** (Continued)

Contributed pet supplies and food was utilized in the Organization's program. The Organization only accepts donated dog food that is unopened and deemed to be premium quality. Contributed supplies consist primarily of crates, blankets, and toys. The Organization accepts both new and used crates. In valuing supplies and food, the Organization estimates the fair value on the basis of current average prices located on a publicly available website for similar brand items in the United States.

Contributed services recognized comprise; professional services from veterinarians assisting the Organization with dog intake exams and medical services; and professional trainers assisting with behavioral training. Contributed services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar services.

### **Note 10: Paycheck Protection Program (PPP)**

The Organization applied for and received a second loan under the Small Business Administration's (SBA) Paycheck Protection Program (PPP) of \$13,942 in 2021 under the PPP's second draw program. The Organization applied for loan forgiveness on the second draw loan and received forgiveness notification from the SBA that the \$13,942 was fully forgiven on December 28, 2021. Upon notification of forgiveness, the Organization recognized revenue totaling \$13,942 in 2022.

### **Note 11: Commitment**

The Organization is obligated under a one year space sharing agreement, most recently renewed May 1, 2023, which extends the lease to April 30, 2024. The agreement requires a payment of \$200 per month for the use of space to store food and supplies but may be canceled without cause with one month's notice. The Organization's commitment is \$2,000 for 2024.

At June 30, 2022, The Organization was obligated under a one year space sharing agreement, that was renewed May 1, 2022, and extended the lease to April 30, 2023. The agreement required a payment of \$200 per month for the use of space to store food and supplies but could be canceled without cause with one month's notice. The Organization's commitment was \$2,000 for 2023.