

**BERKSHIRE HUMANE SOCIETY, INC.**

**Financial Statements**

**December 31, 2017**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
**BERKSHIRE HUMANE SOCIETY, INC.**  
Pittsfield, MA 01201

### Report on the Financial Statements

We have audited the accompanying financial statements of Berkshire Humane Society, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities 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 Berkshire Humane Society, Inc. as of December 31, 2017 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.

**Prior Period Financial Statements**

The financial statements of Berkshire Humane Society, Inc. as of December 31, 2016 were audited by other auditors whose report dated October 31, 2017 expressed an unmodified opinion on those statements.

*Adelson & Company PC*

ADELSON & COMPANY PC

October 25, 2018

## BERKSHIRE HUMANE SOCIETY, INC.

## STATEMENT OF FINANCIAL POSITION

December 31,

	2017	Comparative 2016
<b>ASSETS</b>		
Current assets		
Cash and equivalents	\$ 269,070	\$ 463,948
Short-term investments	25,727	25,598
Accounts receivables	4,762	13,247
Inventory	10,580	15,067
Prepaid expenses	<u>16,136</u>	<u>21,105</u>
Total current assets	326,275	538,965
Long-term investments	112,605	111,811
Property and equipment, net	<u>3,326,354</u>	<u>3,425,438</u>
<b>TOTAL ASSETS</b>	<u>\$ 3,765,234</u>	<u>\$ 4,076,214</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 36,822	\$ 30,135
Accrued liabilities	61,459	47,477
Notes payable due within one year	<u>41,382</u>	<u>39,526</u>
Total current liabilities	139,663	117,138
Long-term debt, less current portion	<u>854,826</u>	<u>896,332</u>
<b>TOTAL LIABILITIES</b>	<u>994,489</u>	<u>1,013,470</u>
Net assets		
Unrestricted	2,743,657	3,020,656
Temporarily restricted	<u>27,088</u>	<u>42,088</u>
Total net assets	<u>2,770,745</u>	<u>3,062,744</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 3,765,234</u>	<u>\$ 4,076,214</u>

See notes to financial statements.

## BERKSHIRE HUMANE SOCIETY, INC.

## STATEMENT OF ACTIVITIES

For the Year Ended December 31,

	Unrestricted	Temporarily Restricted	Total 2017	Comparative Total 2016
<b>OPERATING ACTIVITIES</b>				
<b>REVENUE AND SUPPORT</b>				
Contributions	\$ 390,621	\$ 21,200	\$ 411,821	\$ 539,818
Program services	218,741		218,741	246,957
Catwalk retail store sales	105,112		105,112	105,744
In kind contributions	23,195		23,195	3,146
Special events, net	145,982		145,982	91,385
Memberships	265,389		265,389	276,007
Bank interest	875		875	913
Interest and dividend income	2,735		2,735	2,532
Net assets released from restrictions	36,200	(36,200)	---	---
<b>TOTAL REVENUE AND SUPPORT</b>	<b>1,188,850</b>	<b>(15,000)</b>	<b>1,173,850</b>	<b>1,266,502</b>
<b>EXPENSES</b>				
<b>Program services</b>				
Animal Shelter	951,512		951,512	907,510
Catwalk retail store	43,010		43,010	43,158
Public Awareness	207,924		207,924	197,812
<b>Total program services</b>	<b>1,202,446</b>	<b>---</b>	<b>1,202,446</b>	<b>1,148,480</b>
<b>Support services</b>				
Management and general	128,497		128,497	105,374
Fund-raising	129,706		129,706	76,170
<b>Total support services</b>	<b>258,203</b>	<b>---</b>	<b>258,203</b>	<b>181,544</b>
<b>TOTAL EXPENSES</b>	<b>1,460,649</b>	<b>---</b>	<b>1,460,649</b>	<b>1,330,024</b>
<b>CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES</b>	<b>(271,799)</b>	<b>(15,000)</b>	<b>(286,799)</b>	<b>(63,522)</b>
<b>NON-OPERATING ACTIVITIES</b>				
Unrealized gain (loss) on investments	(5,200)		(5,200)	6,039
<b>CHANGE IN NET ASSETS</b>	<b>(276,999)</b>	<b>(15,000)</b>	<b>(291,999)</b>	<b>(57,483)</b>
Net assets, beginning	3,020,656	42,088	3,062,744	3,120,227
<b>NET ASSETS, ENDING</b>	<b>\$ 2,743,657</b>	<b>\$ 27,088</b>	<b>\$ 2,770,745</b>	<b>\$ 3,062,744</b>

See notes to financial statements.

## BERKSHIRE HUMANE SOCIETY, INC.

## STATEMENT OF CASH FLOWS

For the Year Ended December 31,

	2017	Comparative 2016
	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
CHANGE IN NET ASSETS	\$ (291,999)	\$ (57,483)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	138,336	143,404
Realized and unrealized (gains) losses on investments	5,200	(5,911)
Eliminate non-cash contribution of vehicle	(13,000)	---
(Increase) decrease in operating assets:		
Accounts receivable, net	8,485	1,744
Inventories	4,487	(272)
Prepaid expenses	4,969	(187)
Increase (decrease) in operating liabilities:		
Accounts payable	6,687	(620)
Accrued liabilities	13,982	---
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(122,853)</u>	<u>80,675</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) decrease in short term investments	(129)	(128)
Purchases of long-term investments	(5,994)	---
Additions to property and equipment	<u>(26,252)</u>	<u>(2,885)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(32,375)</u>	<u>(3,013)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term debt	<u>(39,650)</u>	<u>(37,868)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(39,650)</u>	<u>(37,868)</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(194,878)	39,794
Cash and equivalents, beginning	<u>463,948</u>	<u>424,154</u>
CASH AND EQUIVALENTS, ENDING	<u>\$ 269,070</u>	<u>\$ 463,948</u>

See notes to financial statements.

## BERKSHIRE HUMANE SOCIETY, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31,

	Program Services				Supporting Services			Total 2017	Comparative 2016
	Animal Shelter	Catwalk Retail Store	Public Awareness	Total Programs	Management and General	Fund- raising	Total 2017		
Compensation and related expenses									
Salaries	\$ 347,522	\$ 17,286	\$ 112,037	\$ 476,845	\$ 76,343	\$ 70,358	\$ 623,546	\$ 566,786	
Employee benefits	62,357		16,968	79,325	14,436	13,744	107,505	53,093	
Payroll taxes	36,147	1,939	10,996	49,082	7,239	6,586	62,907	86,519	
Total	446,026	19,225	140,001	605,252	98,018	90,688	793,958	706,398	
Office expense	6,590	82	4,119	10,791	9,886		20,677	21,017	
Postage	3,351			3,351	123	613	4,087	3,014	
Telephone	5,145	430		5,575	271		5,846	4,723	
Advertising	13,557	4,991		18,548		5,537	24,085	28,243	
Dues and subscriptions	1,409			1,409			1,409	2,283	
Meetings and seminars	2,928			2,928			2,928	5,741	
Education			33,489	33,489			33,489	31,435	
Vehicle expense	1,752			1,752			1,752	1,944	
Maintenance and repairs	56,636	6		56,642			56,642	37,039	
Utilities	91,356	2,292	11,581	105,229	2,323	795	108,347	89,874	
Occupancy	29,430	13,200		42,630		5,194	47,824	46,711	
Laundry and cleaning	4,168	711		4,879			4,879	3,435	
Medicines	27,290			27,290			27,290	24,364	
Professional fees					9,500		9,500	9,000	
Insurance	12,995			12,995	3,881		16,876	16,418	
Animal handling supplies	13,070			13,070			13,070	9,896	
Cremation	3,934			3,934			3,934	4,790	
Spay and neuter expenses	11,333			11,333			11,333	20,495	
Outside medical services	54,756			54,756			54,756	44,393	
Feline/Canine adoption package	9,860	908		10,768			10,768	5,585	
Development expense						9,578	9,578	9,307	
Fundraising						16,037	16,037	14,697	
Miscellaneous	2,900			2,900	818		3,718	4,505	
Interest expense	34,051		4,317	38,368	866	296	39,530	41,313	
Depreciation	118,975	1,165	14,417	134,557	2,811	968	138,336	143,404	
TOTAL EXPENSES	\$ 951,512	\$ 43,010	\$ 207,924	\$ 1,202,446	\$ 128,497	\$ 129,706	\$ 1,460,649	\$ 1,330,024	

See notes to financial statements.

**BERKSHIRE HUMANE SOCIETY, INC.****NOTES TO FINANCIAL STATEMENTS**

December 31, 2017

**NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Nature of Activities**

Berkshire Humane Society, Inc. is a 501(c)(3) nonprofit, open-admission animal support organization with a twofold mission: (1) to ensure the compassionate care, treatment, and whenever possible, placement of homeless animals through the shelter operation, and (2) to promote and improve the welfare of all animals through community education and outreach.

**Income Taxes**

The Organization is exempt from federal taxes under Section 501(c)(3) of the Internal Revenue Code and state taxes under applicable state law. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation.

Management has evaluated significant tax positions against the criteria established by professional standards and believes there are no such tax positions requiring accounting recognition. The Organization's tax returns are subject to examination by taxing authorities for all years ending on or after December 31, 2014.

**Basis of Accounting and Financial Statement Presentation**

The financial statements of the Organization have been prepared on the accrual basis of accounting. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Contributions**

The Organization accounts for contributions received as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

**Contributed Services**

Volunteers contribute services to the Organization in all aspects of its programs for which no value has been recognized in the financial statements because these services did not meet the criteria for recognition under generally accepted accounting principles.

**In Kind Support**

The Organization records various types of in kind support including professional services, advertising and materials. Contributed professional services are recognized at fair market value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in kind support are offset by like amounts included in expenses or property and equipment.

**Cash and Equivalents**

For the purpose of the statement of cash flows, the Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

See notes to financial statements.



**NOTE 1 - (Continued)****Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

**Inventory**

Inventory is stated at the lower of acquisition cost or net realizable value. Cost is determined by the first-in, first-out method.

**Investments**

Investments are presented in the financial statements at fair value, Level 1 input, as described below. Unrealized gains and losses are included in the change in net assets. Restricted gains and investment income whose restrictions are met in the same period are recognized and reported as unrestricted revenue and gains.

Certificates of deposit with original maturities greater than three months are classified as investments and stated at face value plus interest. Interest income is included as an increase in unrestricted net assets in the accompanying statement of activities.

*Level 1 Fair Value Measurement*

Fair values for long-term investments are measured on a recurring basis and are determined by quoted market prices and other relevant information generated by market transactions.

**Property and Equipment**

The Organization capitalizes all expenditures for property and equipment with a useful life greater than one year. Purchased equipment is recorded at cost. Donated equipment is recorded at fair market value at the date of the donation. Depreciation of buildings and equipment is provided over the estimated useful lives of the assets using the straight-line method.

**Advertising**

The Organization expenses advertising costs as incurred. Advertising expense was \$24,085 and \$28,243 for the years ended December 31, 2017 and 2016.

**Functional Allocation of Expenses**

The costs of providing program and support activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated using management's estimates among the program and supporting activities benefited.

**Subsequent Events**

Management has evaluated subsequent events through October 25, 2018, the date that the financial statements were available for issue, and has determined that there are no additional adjustments or disclosures required.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Summarized Comparative Financial Information**

The financial information for the year ended December 31, 2016, presented for comparative purposes, is not intended to be a complete financial statement presentation. Certain items in the comparative prior year totals may have been reclassified to conform to the current year presentation.

**NOTE 2 - CONCENTRATION OF CREDIT RISK**

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash. The Organization maintains its cash in various bank deposit accounts, which at times may exceed federally insured limits. Bank deposits at December 31, 2017 were \$268,479, which was fully insured and collateralized. The Organization has not experienced any losses in such accounts.

**NOTE 3 - INVESTMENTS**

Investment fair values are measured on a recurring basis and determined by quoted market prices and other relevant information generated by market transactions (Level 1 input). The investments are presented in the financial statements at fair value.

Investments are comprised of the following groups as reported at fair value.

	2017		Comparative 2016	
	Fair	Cost	Fair	Cost
	Value		Value	
Money market accounts	\$ 30,050	\$ 30,050	\$ 27,315	\$ 27,315
Marketable securities	82,555	81,960	84,496	78,701
Total	<u>\$ 112,605</u>	<u>\$ 112,010</u>	<u>\$ 111,811</u>	<u>\$ 106,016</u>

The following summarizes the relationship between fair values and the cost of investment assets:

	Fair	Cost	Unrealized Appreciation (Loss)
	Value		
Balance at end of year	\$ 112,605	\$ 112,010	\$ 595
Balance at beginning of year	111,811	106,016	5,795
Increase (decrease) in unrealized appreciation (loss)			<u>\$ (5,200)</u>

Investments held in the above accounts are unrestricted.

**NOTE 4 - PROPERTY AND EQUIPMENT CONSISTED OF THE FOLLOWING AT DECEMBER 31:**

	2017	Comparative 2016
Land	\$ 150,206	\$ 150,206
Buildings	4,873,113	4,851,816
Furniture and equipment	202,124	197,169
Vehicle	44,600	31,600
Total	\$ 5,270,043	\$ 5,230,791
Accumulated depreciation	(1,943,689)	(1,805,353)
Property and equipment, net	\$ <u>3,326,354</u>	\$ <u>3,425,438</u>

Depreciation expense was \$138,336 and \$143,404 for the years ended December 31, 2017 and 2016, respectively.

**NOTE 5 - NOTES PAYABLE CONSISTED OF THE FOLLOWING AT DECEMBER 31:**

	2017	Comparative 2016
<b>Due to banks</b>		
Mortgage payable in monthly installments of \$6,598, including interest at 4.25%; maturing November 2034; collateralized by real estate	\$ 896,208	\$ 935,858
Amount due within one year	41,382	39,526
Amount due after one year	\$ <u>854,826</u>	\$ <u>896,332</u>

The above debt matures during years ending December 31,

2018	\$ 41,382
2019	43,717
2020	45,612
2021	47,588
2022	49,651
Thereafter	<u>668,258</u>
Total	\$ <u>896,208</u>

See notes to financial statements.

**NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS CONSISTED OF THE FOLLOWING  
AT DECEMBER 31:**

	2017	Comparative 2016
	<u>                    </u>	<u>                    </u>
Programs	\$ <u>15,198</u>	\$ <u>32,088</u>

During the years ended December 31, 2017, the Organization released net assets of \$36,200 for program services.

**NOTE 7 - SPECIAL EVENTS ACTIVITIES FOR THE YEAR ENDED DECEMBER 31 WERE AS  
FOLLOWS:**

	2017	Comparative 2016
	<u>                    </u>	<u>                    </u>
Special event revenues		
Sales	\$ 72,574	\$ 42,049
Sponsorship income	68,406	38,767
Raffle sales	71,600	57,180
Subtotal	<u>212,580</u>	<u>137,996</u>
Less: contributions	<u>(6,084)</u>	<u>---</u>
 Total special event revenues	 <u>206,496</u>	 <u>137,996</u>
 Special event expenses		
Direct benefit to donors	44,708	33,383
Other Costs	15,806	13,228
Total special event expenses	<u>60,514</u>	<u>46,611</u>
 Special events, net	 <u>\$ 145,982</u>	 <u>\$ 91,385</u>

**NOTE 8 – RELATED PARTY TRANSACTION**

The Organization receives veterinary services from a veterinary hospital owned by a member of the Board of Directors. Total veterinary expense incurred with this hospital for the years ended December 31, 2017 and 2016 was \$40,387 and \$28,493, respectively.

**NOTE 9 – COMMITMENT**

The Organization entered into an agreement date August 13, 2015 allowing the organization to purchase electricity at \$0.11/kWh for 20 years. The agreement goes into effect in 2018 and end in 2038.