

**BERKSHIRE HUMANE SOCIETY, INC.**

**Financial Statements**

**June 30, 2019**

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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 June 30, 2019, and the related statements of activities and cash flows for the six months 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 June 30, 2019 and the changes in its net assets and its cash flows for the six months then ended in accordance with accounting principles generally accepted in the United States of America.

**Change in Accounting Principle**

As discussed in Note 1 to the financial statements, the Organization implemented the provisions of the Financial Accounting Standards Board Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (Topic 606) and Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). Our opinion is not modified with respect to these matters.

*Adelson & Company PC*

ADELSON & COMPANY PC

May 29, 2020

**BERKSHIRE HUMANE SOCIETY, INC.**  
**STATEMENT OF FINANCIAL POSITION**

**June 30, 2019**

ASSETS	
Current assets	
Cash and equivalents	\$ 229,769
Short-term investments	25,944
Accounts receivable	3,455
Inventory	10,402
Prepaid expenses	<u>19,277</u>
Total current assets	288,847
Property and equipment, net	<u>3,125,913</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 3,414,760</u></u></b>
LIABILITIES AND NET ASSETS	
Current liabilities	
Accounts payable	\$ 19,472
Accrued liabilities	79,163
Unearned revenue	5,620
Notes payable due within one year	<u>25,117</u>
Total current liabilities	129,372
Long-term debt, less current portion	<u>815,709</u>
<b>TOTAL LIABILITIES</b>	<b><u>945,081</u></b>
Net assets	
Without donor restrictions	2,449,022
With donor restrictions	<u>20,657</u>
Total net assets	<u>2,469,679</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u><u>\$ 3,414,760</u></u></b>

See notes to financial statements.

**BERKSHIRE HUMANE SOCIETY, INC.**

**STATEMENT OF ACTIVITIES**

**For the Six Months Ended June 30, 2019**

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
<b>OPERATING ACTIVITIES</b>			
<b>REVENUE AND SUPPORT</b>			
Contributions	\$ 280,436	\$ 5,000	\$ 285,436
Program services	142,417		142,417
Catwalk Boutique retail store sales	90,357		90,357
In kind contributions	19,459		19,459
Special events, net	37,580		37,580
Memberships	81,241		81,241
Bank interest	354		354
Interest and dividend income	18		18
Net assets released from restrictions	<u>17,398</u>	<u>(17,398)</u>	<u>---</u>
<b>TOTAL REVENUE AND SUPPORT</b>	<u>669,260</u>	<u>(12,398)</u>	<u>656,862</u>
<b>EXPENSES</b>			
<b>Program services</b>			
Animal Shelter	479,580		479,580
Catwalk Boutique retail store	72,007		72,007
Public Awareness	<u>99,717</u>		<u>99,717</u>
Total program services	<u>651,304</u>	<u>---</u>	<u>651,304</u>
<b>Support services</b>			
Management and general	88,120		88,120
Fund-raising	<u>58,513</u>		<u>58,513</u>
Total support services	<u>146,633</u>	<u>---</u>	<u>146,633</u>
<b>TOTAL EXPENSES</b>	<u>797,937</u>	<u>---</u>	<u>797,937</u>
<b>CHANGE IN NET ASSETS FROM</b>			
<b>OPERATING ACTIVITIES</b>	(128,677)	(12,398)	(141,075)
<b>NON-OPERATING ACTIVITIES</b>			
Realized and unrealized gain on sale of investments	<u>350</u>		<u>350</u>
<b>CHANGE IN NET ASSETS</b>	(128,327)	(12,398)	(140,725)
Net assets, beginning	<u>2,577,349</u>	<u>33,055</u>	<u>2,610,404</u>
<b>NET ASSETS, ENDING</b>	<u>\$ 2,449,022</u>	<u>\$ 20,657</u>	<u>\$ 2,469,679</u>

See notes to financial statements.

## BERKSHIRE HUMANE SOCIETY, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

For the Six Months Ended June 30, 2019

	Program Services				Supporting Services			Total
	Animal Shelter	Catwalk boutique retail store	Public Awareness	Total Programs	Management and General	Fund-raising	Direct Donor Benefit	
Compensation and related expenses								
Salaries	\$ 171,523	\$ 33,053	\$ 57,591	\$ 262,167	\$ 44,282	\$ 31,003	\$	\$ 337,452
Employee benefits	30,023	2,484	8,467	40,974	8,755	6,191		55,920
Payroll taxes	19,142	3,516	6,063	28,721	4,337	2,918		35,976
Total	220,688	39,053	72,121	331,862	57,374	40,112	---	429,348
Office expense	3,616	1,598	2,261	7,475	5,424			12,899
Postage and printing	1,200			1,200	44	219	5,848	7,311
Telephone	2,874	477		3,351	151			3,502
Advertising	5,858	587		6,445		2,393		8,838
Dues and subscriptions	1,588			1,588				1,588
Meetings and seminars	1,180			1,180				1,180
Education			9,899	9,899				9,899
Vehicle expense	528			528				528
Maintenance and repairs	28,458	1,640		30,098				30,098
Utilities	47,795	3,641	6,059	57,495	1,215	416		59,126
Occupancy	14,886	23,711		38,597		2,627		41,224
Laundry and cleaning	1,079	611		1,690				1,690
Medicines	16,069			16,069				16,069
Professional fees					19,730			19,730
Insurance	7,663			7,663	2,289			9,952
Animal handling supplies	7,010			7,010				7,010
Cremation	2,301			2,301				2,301
Spay and neuter expenses	12,125			12,125				12,125
Outside medical services	23,955			23,955				23,955
Feline/Canine adoption package	1,771			1,771			638	1,771
Promotion expense	1,070	412		1,482				2,120
Development expense						9,112		9,112
Fundraising						2,961		2,961
Miscellaneous	184	277		461	52		5,685	6,198
Interest expense	18,498		2,345	20,843	470	161		21,474
Depreciation	59,184		7,032	66,216	1,371	512		68,099
Total Expenses	479,580	72,007	99,717	651,304	88,120	58,513	12,171	810,108
Less special events expenses included with revenues on the Statement of Activities	---	---	---	---	---	---	(12,171)	(12,171)
Total Expenses included in the expense section of the Statement of Activities	\$ 479,580	\$ 72,007	\$ 99,717	\$ 651,304	\$ 88,120	\$ 58,513	---	\$ 797,937

See notes to financial statements.

**BERKSHIRE HUMANE SOCIETY, INC.****STATEMENT OF CASH FLOWS****For the Six Months Ended June 30, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES	
CHANGE IN NET ASSETS	\$ (140,725)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	68,099
Realized and unrealized (gains) losses on investments	(350)
(Increase) decrease in operating assets:	
Accounts receivable, net	8,275
Inventories	767
Prepaid expenses	(548)
Increase (decrease) in operating liabilities:	
Accounts payable	(39,908)
Accrued liabilities	16,182
Unearned revenue	<u>5,620</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(82,588)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
(Increase) decrease in short-term investments	(77)
Purchases of long-term investments	(5,155)
Proceeds from sale of long-term investments	41,262
Additions to property and equipment	<u>(2,435)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>33,595</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Principal payments on long-term debt	<u>(13,987)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(13,987)</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(62,980)
Cash and equivalents, beginning	<u>292,749</u>
CASH AND EQUIVALENTS, ENDING	<u><u>\$ 229,769</u></u>

See notes to financial statements.

**BERKSHIRE HUMANE SOCIETY, INC.****NOTES TO FINANCIAL STATEMENTS****June 30, 2019****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.

The Organization changed its fiscal year-end to June 30 effective with the six-month period presented in these financial statements.

**Change in Accounting Principle**

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Management’s analysis of this standard resulted in no changes in the way the Organization recognizes revenue, and therefore no changes to previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization applied the new standard on a modified prospective basis. The adoption of the standard did not have an impact to the Organization’s statement of activities for the six months ended June 30, 2019.

**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 June 30, 2016.

**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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

**Contributions**

The Organization accounts for contributions received as increases in net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor restrictions. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support within net assets without donor restrictions.



**NOTE 1 - (Continued)****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.

**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 donor restrictions are met in the same period are recognized and reported as revenue and gains without donor restrictions.

*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.

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.

**Property and Equipment**

The Organization capitalizes all expenditures for property and equipment with a useful life greater than one year and a cost in excess of \$1,000. 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.

**Revenue Recognition***Program Services*

The Organization provides various program services including animal adoptions, family dog school, spay and neuter programs, vaccination and microchipping clinics, fostering and volunteering opportunities, boarding services, and a summer camp for children. Accordingly, the performance obligation is satisfied at a point in time.

**NOTE 1 - (Continued)***Special Events*

The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place. Sales received in advance of the event are reported in unearned revenue on the Statement of Financial Position and recognized as revenue in the subsequent period. Unearned revenue was \$5,620 as of June 30, 2019.

*Contributions*

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received.

*Memberships*

The Organization recognizes membership contributions when received.

*Catwalk Boutique retail store*

Retail sales are recognized at the time of purchase.

**Advertising**

The Organization expenses advertising costs as incurred. Advertising expense was \$8,838 for the six months ended June 30, 2019.

**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 among the program and supporting activities benefited based on management estimates.

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, interest, and office, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimated time and effort.

**Subsequent Events**

Management has evaluated subsequent events through May 29, 2020, the date that the financial statements were available to be issued.

**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.

**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 June 30, 2019 were \$236,792, which was fully insured and collateralized. The Organization has not experienced any losses in such accounts.

**NOTE 3 - PROPERTY AND EQUIPMENT CONSISTED OF THE FOLLOWING AT JUNE 30, 2019:**

Land	\$ 150,206
Buildings	4,873,113
Furniture and equipment	206,995
Vehicle	<u>44,600</u>
Total	\$ 5,274,914
Accumulated depreciation	<u>(2,149,001)</u>
Property and equipment, net	<u>\$ 3,125,913</u>

Depreciation expense was \$68,099 for the six months ended June 30, 2019.

**NOTE 4 - NOTES PAYABLE CONSISTED OF THE FOLLOWING AT JUNE 30, 2019****Due to banks**

Mortgage payable in monthly installments of \$5,773, including interest at 5.25% until January 2024 at which time the interest rate will adjust to the Federal Home Loan Bank Regular Classic Advance Rate with a five year term + 2.150 percentage points; maturing January 2039; collateralized by real estate

\$ 840,826

Amount due within one year

25,117

Amount due after one year

\$ 815,709

The above debt matures during years ending June 30,

2020	\$ 25,117
2021	27,095
2022	28,553
2023	30,088
2024	31,706
Thereafter	<u>698,267</u>
Total	<u>\$ 840,826</u>

**NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS**

Subject to expenditure for specified purpose:

Programs	\$ <u>20,657</u>
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During the six months ended June 30, 2019 the Organization released net assets of \$17,399 for program services.

**NOTE 6 - SPECIAL EVENTS ACTIVITIES FOR THE SIX MONTHS ENDED JUNE 30, 2019 WERE AS FOLLOWS:**

Special event revenues	
Sales	\$ 20,150
Sponsorship income	23,026
Raffle sales	<u>6,575</u>
Total special event revenues	<u>49,751</u>
Special event expenses	
Direct benefit to donors	1,241
Other Costs	<u>10,930</u>
Total special event expenses	<u>12,171</u>
Special events, net	<u>\$ 37,580</u>

**NOTE 7 – 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 six months ended June 30, 2019 was \$15,986. At June 30, 2019 accounts payable included a balance of \$2,979 due to this veterinary hospital.

**NOTE 8 – COMMITMENT**

The Organization entered into an agreement dated August 13, 2015 allowing the organization to purchase electricity with a base rate of \$0.11/kWh in year one and an escalation factor of \$.0175/kWh each year thereafter for 19 additional years. The agreement went into effect in 2018 and expires in 2038.

**NOTE 9 – LIQUIDITY**

The following reflects the Organization’s financial assets as of the date of the Statement of Financial Position, reduced by amounts not available or not expected to be used for general use because of donor-imposed restrictions within one year of the date of the Statement of Financial Position.

Financial assets at June 30 2019:

Cash and cash equivalents	\$ 229,769
Short-term investments	25,944
Accounts receivable	<u>3,455</u>
Total financial assets	<u>259,168</u>

Less amounts not available to be used within one year:

Net assets with donor restrictions	20,657
Less net assets with purpose restrictions to be met in less than a year	<u>(9,641)</u>
Total amount not available to be used within one year	<u>11,016</u>

Financial assets available to meet general expenditures  
over the next twelve months

\$ 248,152

The Organization is substantially supported by contributions, program services, special events, and thrift store sales. As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments, including certificate deposits.

**NOTE 10 – SUBSEQUENT EVENTS**

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, as of March 23, 2020, Massachusetts Governor Charlie Baker ordered the closure of the physical location of every “non-life sustaining” and “non-essential” business for what may be an extended period of time. There has been a significant impact to the Organization’s operations. The Organization closed the shelter to the public, continuing on-site animal services only as allowed under the State’s COVID guidelines. Surrenders and adoptions are by appointment. The Organization closed its satellite feline adoption and boarding facility, two thrift stores and its Family Dog School until allowed to re-open or resume under the State’s COVID guidelines. The Organization cancelled most fundraising events and educational activities such as its holiday and summer camp program, radiothon, lasagna dinner and cat and dog film festival. Future potential impacts may include continued disruptions or restrictions on our employees’ ability to work and impairment of our ability to obtain contributions and volunteers. The future effects of these issues are unknown.

Subsequent to year end, the Organization applied for and was approved a \$165,800 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrues interest at 1%, but payments are not required to begin for six months after the funding of the loan. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government.