

**BERKSHIRE HUMANE SOCIETY, INC.**

**Financial Statements**

**June 30, 2021**

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# Adelson & Company PC

CERTIFIED PUBLIC ACCOUNTANTS

Established 1938

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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, 2021, 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 Berkshire Humane Society, Inc. as of June 30, 2021, 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 the Berkshire Humane Society, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 27, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Adelson + Company PC*  
ADELSON & COMPANY PC

May 2, 2022

**BERKSHIRE HUMANE SOCIETY, INC.**

**STATEMENT OF FINANCIAL POSITION**

**June 30,**

	<u>2021</u>	Comparative <u>2020</u>
<b>Assets</b>		
Current assets		
Cash and equivalents	\$ 1,071,165	\$ 511,254
Short-term investments	9	26,124
Accounts receivable	988	5,980
Unconditional promises to give	157,300	-
Inventory	7,591	9,250
Prepaid expenses	<u>21,521</u>	<u>34,170</u>
Total current assets	1,258,574	586,778
Unconditional promises to give, long-term	262,761	-
Property and equipment, net	<u>2,960,943</u>	<u>2,988,866</u>
Total assets	<u><u>\$ 4,482,278</u></u>	<u><u>\$ 3,575,644</u></u>
<b>Liabilities and net assets</b>		
Current liabilities		
Accounts payable	\$ 40,416	\$ 26,391
Accrued liabilities	47,574	51,050
Unearned revenue	11,791	7,820
Notes payable due within one year	<u>28,175</u>	<u>26,011</u>
Total current liabilities	127,956	111,272
Long-term debt, less current portion	<u>768,082</u>	<u>796,373</u>
Total liabilities	<u>896,038</u>	<u>907,645</u>
Net assets		
Without donor restrictions		
Undesignated	3,271,199	2,647,436
Board-designated	300,000	-
With donor restrictions	<u>15,041</u>	<u>20,563</u>
Total net assets	<u>3,586,240</u>	<u>2,667,999</u>
Total liabilities and net assets	<u><u>\$ 4,482,278</u></u>	<u><u>\$ 3,575,644</u></u>

See notes to financial statements.

**BERKSHIRE HUMANE SOCIETY, INC.**

**STATEMENT OF ACTIVITIES**

**For the Year Ended June 30,**

	Without Donor Restrictions	With Donor Restrictions	Total 2021	Comparative Total 2020
<b>Operating activities</b>				
<b>Revenue and support</b>				
Contributions	\$ 1,143,225	\$ 8,307	\$ 1,151,532	\$ 1,005,042
Program services	322,513	-	322,513	276,705
Catwalk Boutique retail store sales	173,715	-	173,715	147,207
In kind contributions	28,073	-	28,073	36,095
Special events, net	36,784	-	36,784	71,227
Memberships	181,170	-	181,170	244,520
Bank interest	2,292	-	2,292	858
Interest and dividend income	1	-	1	36
Gain on sale of fixed assets	2,065	-	2,065	-
Net assets released from restrictions	13,829	(13,829)	-	-
Total revenue and support	1,903,667	(5,522)	1,898,145	1,781,690
<b>Expenses and losses</b>				
Program services				
Animal Shelter	915,986		915,986	865,575
Catwalk Boutique retail store	162,848		162,848	166,301
Public Awareness	250,818		250,818	220,017
Total program services	1,329,652		1,329,652	1,251,893
Support services				
Management and general	191,884		191,884	174,823
Fund-raising	155,043		155,043	154,631
Total support services	346,927		346,927	329,454
Total expenses and losses	1,676,579	-	1,676,579	1,581,347
Change in net assets from operating activities	227,088	(5,522)	221,566	200,343
<b>Non-operating activities</b>				
Capital campaign contributions	694,561	-	694,561	-
Realized and unrealized gains (losses) on sale of investments	2,114	-	2,114	(2,023)
Total non-operating activities	696,675	-	696,675	(2,023)
Change in net assets	923,763	(5,522)	918,241	198,320
Net assets, beginning	2,647,436	20,563	2,667,999	2,469,679
Net assets, ending	\$ 3,571,199	\$ 15,041	\$ 3,586,240	\$ 2,667,999

See notes to financial statements.

**BERKSHIRE HUMANE SOCIETY, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**For the Year Ended June 30,**

	Program Services				Supporting Services				Comparative
	Animal Shelter	Catwalk Boutique retail store	Public Awareness	Total Programs	Management and General	Fund- raising	Direct Donor Benefit	Total 2021	Total 2020
Compensation and related expenses									
Salaries	\$ 351,009	\$ 69,934	\$ 158,037	\$ 578,980	\$ 113,084	\$ 49,866	\$ -	\$ 741,930	\$ 648,495
Employee benefits	42,418	11,156	20,919	74,493	22,906	18,891	-	116,290	116,866
Payroll taxes	36,067	7,558	16,225	59,850	11,055	4,736	-	75,641	64,701
Total	429,494	88,648	195,181	713,323	147,045	73,493	-	933,861	830,062
Office expense	9,333	4,299	5,833	19,465	13,999	-	-	33,464	33,553
Postage and printing	3,384	-	-	3,384	124	619	-	4,127	9,866
Telephone	6,719	1,517	-	8,236	354	-	-	8,590	7,504
Advertising	2,600	874	-	3,474	-	1,062	-	4,536	12,386
Dues and subscriptions	3,474	-	-	3,474	-	-	-	3,474	2,868
Meetings and seminars	3,384	-	-	3,384	-	-	-	3,384	802
Education	-	-	20,483	20,483	-	-	-	20,483	26,080
Vehicle expense	5,174	-	-	5,174	-	-	-	5,174	3,350
Maintenance and repairs	48,465	2,790	-	51,255	-	-	-	51,255	53,897
Utilities	77,188	8,406	9,785	95,379	1,962	672	-	98,013	99,918
Occupancy	31,578	51,060	-	82,638	-	5,573	-	88,211	90,763
Laundry and cleaning	3,615	2,004	-	5,619	-	-	-	5,619	5,096
Medicines	26,298	-	-	26,298	-	-	-	26,298	29,579
Professional fees	-	-	-	-	16,374	48,000	-	64,374	60,451
Insurance	19,994	-	-	19,994	5,972	-	-	25,966	12,216
Animal handling supplies	29,782	-	-	29,782	-	-	-	29,782	21,242
Cremation	5,250	-	-	5,250	-	-	-	5,250	6,827
Spay and neuter expenses	3,925	-	-	3,925	-	-	-	3,925	20,558
Outside medical services	41,950	-	-	41,950	-	-	-	41,950	45,412
Feline/Canine adoption package	4,550	-	-	4,550	-	-	-	4,550	2,456
Promotion expense	-	2,933	-	2,933	1,609	-	-	4,542	10,129
Development expense	-	-	-	-	-	23,394	-	23,394	18,233
Fundraising	-	-	-	-	-	811	34,736	35,547	33,896
Miscellaneous	2,234	317	-	2,551	630	-	-	3,181	6,483
Interest expense	37,165	-	4,711	41,876	945	324	-	43,145	44,332
Depreciation	120,430	-	14,825	135,255	2,870	1,095	-	139,220	137,048
Total Expenses	915,986	162,848	250,818	1,329,652	191,884	155,043	34,736	1,711,315	1,625,007
Less special events expenses included with revenues on the Statement of Activities	-	-	-	-	-	-	(34,736)	(34,736)	(43,660)
Total Expenses included in the expense section of the Statement of Activities	<u>\$ 915,986</u>	<u>\$ 162,848</u>	<u>\$ 250,818</u>	<u>\$ 1,329,652</u>	<u>\$ 191,884</u>	<u>\$ 155,043</u>	<u>\$ -</u>	<u>\$ 1,676,579</u>	<u>\$ 1,581,347</u>

See notes to financial statements.

**BERKSHIRE HUMANE SOCIETY, INC.**

**STATEMENT OF CASH FLOWS**

**For the Year Ended June 30,**

	<u>2021</u>	Comparative <u>2020</u>
<b>Operating activities</b>		
Change in net assets	\$ 918,241	\$ 198,320
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	139,220	137,048
Realized and unrealized (gains) losses on investments	(2,114)	2,023
Eliminate non-cash contribution of vehicle	(10,000)	-
(Gain) loss on sale of vehicle	(2,065)	-
(Increase) decrease in operating assets:		
Accounts receivable, net	4,992	(2,525)
Unconditional promises to give	(420,061)	-
Inventories	1,659	1,152
Prepaid expenses	12,649	(14,893)
Increase (decrease) in operating liabilities:		
Accounts payable	14,025	6,919
Accrued liabilities	(3,476)	(28,113)
Unearned revenue	<u>3,971</u>	<u>2,200</u>
Net cash provided (used) by operating activities	<u>657,041</u>	<u>302,131</u>
<b>Investing activities</b>		
(Increase) decrease in short-term investments	26,115	(180)
Purchases of short-term investments	(103,280)	(87,959)
Proceeds from sale of short-term investments	105,394	85,935
Proceeds from sale of fixed asset	5,200	-
Additions to property and equipment	<u>(104,432)</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>(71,003)</u>	<u>(2,204)</u>
<b>Financing activities</b>		
Principal payments on long-term debt	<u>(26,127)</u>	<u>(18,442)</u>
Net cash provided (used) by financing activities	<u>(26,127)</u>	<u>(18,442)</u>
Increase (decrease) in cash and cash equivalents	559,911	281,485
Cash and cash equivalents, beginning	<u>511,254</u>	<u>229,769</u>
Cash and cash equivalents, ending	<u>\$ 1,071,165</u>	<u>\$ 511,254</u>
<b>Supplemental cash flow disclosure:</b>		
Interest paid	<u>\$ 43,145</u>	<u>\$ 44,332</u>

See notes to financial statements.

## **BERKSHIRE HUMANE SOCIETY, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

#### **NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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 June 30, 2018.

##### **Basis of Accounting and Financial Statement Presentation**

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The Organization is required to report information regarding its financial position and activities according to the following net asset classifications:

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the organization's management and the board of directors.

**Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the organization or passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds will be maintained in perpetuity.

##### **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 and/or nature of any donor-imposed 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.

##### **Promises to Give**

Unconditional promises to give are recognized as contribution revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. The Organization uses an allowance method for promises to give based upon management's analysis of the accounts and prior collection experience.

## **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 Cash 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.

### **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.

### **Inventory**

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

### **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 \$5,000. 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 \$11,791 and \$7,820 as of June 30, 2021 and 2020, respectively.

### *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 \$4,536 and \$12,386 for the years ended June 30, 2021 and 2020, respectively.

### **Functional Allocation of Expenses**

The costs of providing program and support activities have been summarized on a functional basis in the Statement of Activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated using management's estimates among the program and supporting activities benefited. 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 2, 2022, 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 of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Summarized Comparative Financial Information**

The financial information for the year ended June 30, 2020, 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 June 30, 2021 were \$1,067,465 of which \$608,027 was insured and \$459,438 was uninsured. The Organization has not experienced any losses in such accounts.

### NOTE 3 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at June 30, 2021 are expected to be realized in the following periods:

	2021	Comparative 2020
In one year or less	\$ 157,300	\$ -
Between one year and five years	310,600	-
Unamortized discount at 5%	(47,839)	-
Total	420,061	-
Portion to be realized within one year	(157,300)	-
Unconditional promises to give, long-term	<u>\$ 262,761</u>	<u>\$ -</u>

Unconditional promises to give at June 30, 2021 have the following purposes with and without donor restrictions:

	2021	Comparative 2020
Endowment for long-term investment	\$ 250,000	\$ -
Programs and activities without donor restrictions	<u>170,061</u>	<u>-</u>
Total	<u>\$ 420,061</u>	<u>\$ -</u>

In Management's judgment, after reviewing and adjusting the list of promises to give, an allowance for uncollectible accounts was not considered necessary.

The table below presents information about the changes in unconditional promises to give for the year ended June 30, 2021:

Balance July 1, 2020	\$ -
New promises received	742,400
Payments received	(274,500)
Change in discount included in contribution revenue in the statement of activities	<u>(47,839)</u>
Balance June 30, 2021	<u>\$ 420,061</u>

**NOTE 4 - PROPERTY AND EQUIPMENT CONSISTED OF THE FOLLOWING AT JUNE 30:**

	2021	Comparative 2020
Land	\$ 150,206	\$ 150,206
Buildings	4,903,814	4,873,113
Furniture and equipment	255,567	206,995
Vehicle	54,308	44,600
Total	5,363,895	5,274,914
Accumulated depreciation	(2,402,952)	(2,286,048)
Property and equipment, net	<u>\$ 2,960,943</u>	<u>\$ 2,988,866</u>

Depreciation expense was \$139,220 and \$137,048 for the years ended June 30, 2021 and 2020, respectively.

**NOTE 5 - NOTES PAYABLE CONSISTED OF THE FOLLOWING AT JUNE 30:**

<b>Due to banks</b>	2021	Comparative 2020
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		
On November 18, 2021 the Organization refinanced the mortgage to a 20 year term at 3.50% fixed interest for the first five years, then adjusted each successive five-year to the Federal Home Loan Bank (FHLB) Five Year Classic Advance Rate plus an interest rate spread of 300 basis points, requiring monthly payments of principal and interest of \$4,560. The note payable matures in December 2041.		
	\$ 796,257	\$ 822,384
Amount due within one year	<u>(28,175)</u>	<u>(26,011)</u>
Amount due after one year	<u>\$ 768,082</u>	<u>\$ 796,373</u>

The above debt matures during years ending June 30,

2022	\$ 28,175
2023	29,690
2024	31,287
2025	32,970
2026	35,253
Thereafter	<u>638,882</u>
Total	<u>\$ 796,257</u>

**NOTE 6 - NET ASSETS WITHOUT DONOR RESTRICTIONS - BOARD DESIGNATED**

The Organization's governing board has designated, from net assets without donor restrictions of \$3,571,199, net assets for the following purposes at June 30:

	<u>2021</u>	<u>Comparative 2020</u>
Board designated		
Amounts set aside for long-term investment	\$ 300,000	\$ -
Unrestricted	<u>3,271,199</u>	<u>2,647,436</u>
Total net assets without donor restrictions	<u>\$ 3,571,199</u>	<u>\$ 2,647,436</u>

***Board Designated Funds***

The Board of Directors designated unrestricted amounts to be set aside for long-term investment, which are available to support the Organization's programs and activities. This resulted from an internal designation by the Organization and is not donor restricted.

**NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS**

	<u>2021</u>	<u>Comparative 2020</u>
<b>Subject to expenditure for specified purpose:</b>		
Programs	<u>\$ 15,041</u>	<u>\$ 20,563</u>

During the years ended June 30, 2021 and 2020, the Organization released net assets of \$13,829 and \$2,907, respectively, for program services.

**NOTE 8 - RELATED PARTY TRANSACTION**

The Organization received 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 June 30, 2021 and 2020 was \$34,725 and \$43,643, respectively. At June 30, 2021 and 2020, accounts payable included a balance of \$6,544 and \$6,101, respectively, due to this veterinary hospital.

**NOTE 9 - 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 10 - SPECIAL EVENTS ACTIVITIES FOR THE YEAR ENDED JUNE 30 WERE AS FOLLOWS:**

		Comparative
	2021	2020
Special event revenues		
Sales	\$ -	\$ 29,757
Contributions	2,073	5,634
Sponsorship income	-	14,150
Raffle sales	71,520	70,980
Gross event revenues	73,593	120,521
Less: contributions	(2,073)	(5,634)
Total special event revenues	71,520	114,887
Special event expenses		
Direct benefit to donors	26,000	28,000
Other costs	8,736	15,660
Total special event expenses	34,736	43,660
Special events, net	\$ 36,784	\$ 71,227

**NOTE 11 - OPERATING LEASES**

On February 1, 2020, the Organization entered into a two-year lease agreement for retail space at 325 Stockbridge Rd, Great Barrington, MA. Total lease expense was \$29,460 and \$25,300 for the years ended June 30, 2021 and 2020, respectively. Future lease payments are \$2,455 for the year ended June 30, 2022.

## NOTE 12 - FAIR VALUE MEASUREMENTS

Accounting standards defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Organization's principal or most advantageous market in an orderly transaction between market participants on the measurement date. Accounting standards further establish a fair value hierarchy which requires the Organization to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Accounting standards describes three levels of inputs that may be used to measure fair value:

### *Level 1*

Quoted prices (unadjusted) for identical assets or liabilities in active markets that the Organization has the ability to access as of the measurement date.

### *Level 2*

Significant other 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.

### *Level 3*

Significant unobservable inputs that reflect the Organization's own assumptions that market participants would use in pricing an asset or liability.

The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial instruments:

#### *Unconditional promises to give*

The fair value of promises to give is estimated, at the time of the pledge, by calculating the present value of the future expected payments from the donors (Level 3) and applying an allowance for uncollectibles. The estimated fair value of unconditional promises to give at June 30, 2021 is \$420,061.

## NOTE 13 - PAYCHECK PROTECTION PROGRAM

During fiscal year 2020, the Organization applied for and received a \$165,800 forgivable loan under the Paycheck Protection Program (PPP) created as part of the relief efforts related to COVID-19, administered by the U.S. Small Business Administration (SBA) through a local bank. The Organization accounted for the forgivable loan under FASB ASC 958-605, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, Subtopic 605, *Conditional Contribution*. FASB ASC 958-605 indicates that a transfer of assets that is a conditional contribution is accounted for as a refundable advance until the conditions have been substantially met or explicitly waived by the donor. Although the legal form of the PPP loan was debt, the Organization believed the loan was, in substance, a government grant. Therefore, in lieu of loan treatment, the PPP loan had been treated as a conditional contribution. At June 30, 2020, the Organization had substantially met the PPP loan requirements (maintaining employee headcount, limitation in reduction in compensation, and qualified expenses) for loan forgiveness and recognized the PPP loan as grant income in the same period that the eligible expenses were incurred. Subsequent to year-end, on August 13, 2021, the Organization was notified that the PPP loan was fully forgiven.

## NOTE 14 - 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.

	2021	Comparative 2020
Financial assets at year end:		
Cash and cash equivalents	\$ 1,071,165	\$ 511,254
Short-term investments	9	26,124
Accounts receivable	988	5,980
Contributions receivable	420,061	-
Total financial assets	1,492,223	543,358
Less amounts not available to be used within one year:		
Net assets with donor restrictions	15,041	20,563
Less net assets with purpose restrictions to be met in less than a year	(15,041)	(9,547)
Total amount not available to be used within one year	-	11,016
Less amounts set aside for operating and other reserves that can be drawn upon if the Board of Directors approves such action:		
Long-term investment	300,000	-
Total amount set aside for operating and other reserve	300,000	-
Financial assets available to meet general expenditures over the next twelve months	\$ 1,192,223	\$ 532,342

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 15 - SUBSEQUENT EVENTS

### Merger with animal D.R.E.A.M.S., Inc.

Subsequent to year-end, on October 4, 2021, the Organization began the process of merging with Animal D.R.E.A.M.S., Inc (D.R.E.A.M.S.), a not for profit whose mission is to improve the lives and promote the humane care and acceptance of feral cats throughout Berkshire County. The Organization initially received \$54,699 of assets from D.R.E.A.M.S. Remaining assets will be transferred to the Organization once the merger has been finalized.

### Lease – Catwalk

On April 25, 2022, the Organization signed a 2-year lease agreement for a facility in Great Barrington MA. Lease payments are \$2,400 per month plus \$205 for maintenance and utilities.