

BERKSHIRE HUMANE SOCIETY, INC.

Financial Statements

June 30, 2020

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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, 2020, 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 June 30, 2020 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.

Adelson & Company PC

ADELSON & COMPANY PC

April 27, 2021

BERKSHIRE HUMANE SOCIETY, INC.
STATEMENT OF FINANCIAL POSITION

June 30, 2020

ASSETS	
Current assets	
Cash and equivalents	\$ 511,254
Short-term investments	26,124
Accounts receivable	5,980
Inventory	9,250
Prepaid expenses	<u>34,170</u>
Total current assets	586,778
Property and equipment, net	<u>2,988,866</u>
TOTAL ASSETS	<u>\$ 3,575,644</u>
LIABILITIES AND NET ASSETS	
Current liabilities	
Accounts payable	\$ 26,391
Accrued liabilities	51,050
Unearned revenue	7,820
Notes payable due within one year	<u>26,011</u>
Total current liabilities	111,272
Long-term debt, less current portion	<u>796,373</u>
TOTAL LIABILITIES	<u>907,645</u>
Net assets	
Without donor restrictions	2,647,436
With donor restrictions	<u>20,563</u>
Total net assets	<u>2,667,999</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,575,644</u>

See notes to financial statements.

BERKSHIRE HUMANE SOCIETY, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING ACTIVITIES			
REVENUE AND SUPPORT			
Contributions	\$ 1,002,229	\$ 2,813	\$ 1,005,042
Program services	276,705	---	276,705
Catwalk Boutique retail store sales	147,207	---	147,207
In kind contributions	36,095	---	36,095
Special events, net	71,227	---	71,227
Memberships	244,520	---	244,520
Bank interest	858	---	858
Interest and dividend income	36	---	36
Net assets released from restrictions	<u>2,907</u>	<u>(2,907)</u>	<u>---</u>
TOTAL REVENUE AND SUPPORT	<u>1,781,784</u>	<u>(94)</u>	<u>1,781,690</u>
EXPENSES			
Program services			
Animal Shelter	865,575		865,575
Catwalk Boutique retail store	166,301		166,301
Public Awareness	220,017		220,017
Total program services	<u>1,251,893</u>		<u>1,251,893</u>
Support services			
Management and general	174,823		174,823
Fund-raising	154,631		154,631
Total support services	<u>329,454</u>		<u>329,454</u>
TOTAL EXPENSES	<u>1,581,347</u>		<u>1,581,347</u>
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	200,437	(94)	200,343
NON-OPERATING ACTIVITIES			
Realized and unrealized gains (losses) on sale of investments	<u>(2,023)</u>	<u>---</u>	<u>(2,023)</u>
CHANGE IN NET ASSETS	198,414	(94)	198,320
Net assets, beginning	<u>2,449,022</u>	<u>20,657</u>	<u>2,469,679</u>
NET ASSETS, ENDING	<u>\$ 2,647,436</u>	<u>\$ 20,563</u>	<u>\$ 2,667,999</u>

See notes to financial statements.

BERKSHIRE HUMANE SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2020

	Program Services			Supporting Services			Total
	Animal Shelter	Catwalk Boutique retail store	Public Awareness	Total Programs	Management and General	Fund-raising	
Compensation and related expenses							
Salaries	\$ 304,401	\$ 65,877	\$ 120,621	\$ 490,899	\$ 100,153	\$ 57,443	\$ 648,495
Employee benefits	39,032	8,359	24,992	72,383	28,968	15,515	116,866
Payroll taxes	31,159	7,145	11,760	50,064	9,409	5,228	64,701
Total	374,592	81,381	157,373	613,346	138,530	78,186	830,062
Office expense	10,175	1,755	6,360	18,290	15,263	---	33,553
Postage and printing	1,970	---	---	1,970	72	360	9,866
Telephone	5,943	1,248	---	7,191	313	---	7,504
Advertising	8,111	962	---	9,073	---	3,313	12,386
Dues and subscriptions	2,548	320	---	2,868	---	---	2,868
Meetings and seminars	802	---	---	802	---	---	802
Education	---	---	26,080	26,080	---	---	26,080
Vehicle expense	3,350	---	---	3,350	---	---	3,350
Maintenance and repairs	42,070	11,827	---	53,897	---	---	53,897
Utilities	76,770	10,796	9,732	97,298	1,952	668	99,918
Occupancy	31,787	53,366	---	85,153	---	5,610	90,763
Laundry and cleaning	2,657	2,439	---	5,096	---	---	5,096
Medicines	29,579	---	---	29,579	---	---	29,579
Professional fees	2,734	592	1,083	4,409	11,526	44,516	60,451
Insurance	9,406	---	---	9,406	2,810	---	12,216
Animal handling supplies	21,242	---	---	21,242	---	---	21,242
Cremation	6,827	---	---	6,827	---	---	6,827
Spay and neuter expenses	20,558	---	---	20,558	---	---	20,558
Outside medical services	45,412	---	---	45,412	---	---	45,412
Feline/Canine adoption package	2,456	---	---	2,456	---	---	2,456
Promotion expense	7,793	847	---	8,640	---	---	10,129
Development expense	---	---	---	---	---	18,233	18,233
Fundraising	---	---	---	---	---	2,344	33,896
Miscellaneous	1,997	768	---	2,765	563	---	6,483
Interest expense	38,188	---	4,841	43,029	971	332	44,332
Depreciation	118,608	---	14,548	133,156	2,823	1,069	137,048
Total Expenses	865,575	166,301	220,017	1,251,893	174,823	154,631	1,625,007
Less special events expenses included with revenues on the Statement of Activities	---	---	---	---	---	---	(43,660)
Total Expenses included in the expense section of the Statement of Activities	\$ 865,575	\$ 166,301	\$ 220,017	\$ 1,251,893	\$ 174,823	\$ 154,631	\$ 1,581,347

See notes to financial statements.

BERKSHIRE HUMANE SOCIETY, INC.

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
CHANGE IN NET ASSETS	\$ 198,320
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	137,048
Realized and unrealized (gains) losses on investments	2,023
(Increase) decrease in operating assets:	
Accounts receivable, net	(2,525)
Inventories	1,152
Prepaid expenses	(14,893)
Increase (decrease) in operating liabilities:	
Accounts payable	6,919
Accrued liabilities	(28,113)
Unearned revenue	2,200
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>302,131</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
(Increase) decrease in short-term investments	(180)
Purchases of short-term investments	(87,959)
Proceeds from sale of short-term investments	<u>85,935</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(2,204)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Principal payments on long-term debt	<u>(18,442)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(18,442)</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	281,485
Cash and equivalents, beginning	<u>229,769</u>
CASH AND EQUIVALENTS, ENDING	<u>\$ 511,254</u>

See notes to financial statements.

BERKSHIRE HUMANE SOCIETY, INC.**NOTES TO FINANCIAL STATEMENTS****June 30, 2020****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 June 30, 2017.

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.

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.

NOTE 1 - (Continued)**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.

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 \$7,820 as of June 30, 2020.

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.

NOTE 1 - (Continued)*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 \$12,386 for the year ended June 30, 2020.

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 April 27, 2021, 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, 2020 were \$523,315, 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, 2020:

Land	\$ 150,206
Buildings	4,873,113
Furniture and equipment	206,995
Vehicle	<u>44,600</u>
Total	5,274,914
Accumulated depreciation	<u>(2,286,048)</u>
Property and equipment, net	<u>\$ 2,988,866</u>

Depreciation expense was \$137,048 for the year ended June 30, 2020.

NOTE 4 - NOTES PAYABLE CONSISTED OF THE FOLLOWING AT JUNE 30, 2020:**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

\$ 822,384

Amount due within one year

26,011

Amount due after one year

\$ 796,373

The above debt matures during years ending June 30,

2021	\$ 26,011
2022	28,589
2023	30,127
2024	31,747
2025	33,454
Thereafter	<u>672,456</u>
Total	<u>\$ 822,384</u>

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Subject to expenditure for specified purpose:

Programs	<u>\$ 20,563</u>
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During the year ended June 30, 2020 the Organization released net assets of \$2,907 for program services.

NOTE 6 – 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 year ended June 30, 2020 was \$43,643. At June 30, 2020 accounts payable included a balance of \$6,101 due to this veterinary hospital.

NOTE 7 - SPECIAL EVENTS ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020 WERE AS FOLLOWS:

Special event revenues		
Sales	\$	29,757
Contributions		5,634
Sponsorship income		14,150
Raffle sales		<u>70,980</u>
Gross event revenues		120,521
Less: contributions		<u>(5,634)</u>
Total special event revenues		<u>114,887</u>
Special event expenses		
Direct benefit to donors		28,000
Other Costs		<u>15,660</u>
Total special event expenses		<u>43,660</u>
Special events, net	\$	<u>71,227</u>

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 – 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 \$25,300 for the year ended June 30, 2020. Future lease payments are \$27,600 and \$2,300 for the years ended June 30, 2021 and June 30, 2020, respectively.

NOTE 10 – 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 2020:

Cash and cash equivalents	\$ 511,254
Short-term investments	26,124
Accounts receivable	<u>5,980</u>
Total financial assets	<u>543,358</u>

Less amounts not available to be used within one year:

Net assets with donor restrictions	20,563
Less net assets with purpose restrictions to be met in less than a year	<u>(9,547)</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

\$ 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 11 - 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 is accounting 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 is debt, the Organization believes the loan is, in substance, a government grant. Therefore, in lieu of loan treatment, the PPP loan has been treated as a conditional contribution.

As of June 30, 2020, the Organization has substantially met the PPP loan requirements (maintaining employee headcount, limitation in reduction in compensation, and qualified expenses) for loan forgiveness and has therefore recognized the PPP loan as grant income in the same period that the eligible expenses were incurred.