

BERKSHIRE HUMANE SOCIETY, INC.

Financial Statements

June 30, 2022

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INDEPENDENT AUDITORS' REPORT

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

Opinion

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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements.

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, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Berkshire Humane Society, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Berkshire Humane Society, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Berkshire Humane Society, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Berkshire Humane Society, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Emphasis of Matter - Adoption of New Accounting Standards

As discussed in Notes 1 and 11 of the financial statements, the Organization implemented the provisions of the Financial Accounting Standards Board Accounting Standards Update 2020-07, Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. Our opinion is not modified with the respect to this matter.

As discussed in Note 13 to the financial statements, during the year ended June 30, 2022 the Organization entered into a merger agreement with Animal D.R.E.A.M.S., Inc., a Massachusetts nonprofit corporation. Our opinion is not modified with the respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Berkshire Humane Society, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 2, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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July 14, 2023

BERKSHIRE HUMANE SOCIETY, INC.
STATEMENT OF FINANCIAL POSITION

June 30,

	<u>2022</u>	<u>Comparative 2021</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 405,447	\$ 1,071,165
Short-term investments	500,000	-
Accounts receivable	534	988
Unconditional promises to give	93,571	157,300
Inventory	9,034	7,591
Prepaid expenses	<u>48,480</u>	<u>21,521</u>
Total current assets	1,057,066	1,258,565
Unconditional promises to give, long-term	332,954	262,761
Long-term investments	620,849	9
Property and equipment, net	<u>2,895,070</u>	<u>2,960,943</u>
Total assets	<u>\$ 4,905,939</u>	<u>\$ 4,482,278</u>
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 41,325	\$ 40,416
Accrued liabilities	39,177	47,574
Unearned revenue	13,890	11,791
Notes payable due within one year	<u>27,873</u>	<u>28,175</u>
Total current liabilities	122,265	127,956
Long-term debt, less current portion	<u>741,238</u>	<u>768,082</u>
Total liabilities	<u>863,503</u>	<u>896,038</u>
Net assets		
Without donor restrictions	3,546,403	3,201,138
With donor restrictions	<u>496,033</u>	<u>385,102</u>
Total net assets	<u>4,042,436</u>	<u>3,586,240</u>
Total liabilities and net assets	<u>\$ 4,905,939</u>	<u>\$ 4,482,278</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 2022	Comparative Total 2021
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Operating activities				
Revenue and support				
Contributions of cash and other financial assets	\$ 1,076,731	\$ 7,985	\$ 1,084,716	\$ 1,151,532
Contributions of nonfinancial assets (Note 11)	15,428	-	15,428	28,073
Program services	346,213	-	346,213	322,513
Catwalk Boutique retail store sales	304,135	-	304,135	173,715
Special events, net	35,559	-	35,559	36,784
Memberships	131,178	-	131,178	181,170
Bank interest	3,447	-	3,447	2,292
Interest and dividend income	5,730	-	5,730	1
Gain (loss) on sale of fixed assets	-	-	-	2,065
Net assets released from restrictions	<u>158,924</u>	<u>(158,924)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>2,077,345</u>	<u>(150,939)</u>	<u>1,926,406</u>	<u>1,898,145</u>
Expenses				
Program services				
Animal Shelter	1,093,559		1,093,559	915,986
Catwalk Boutique retail store	171,029		171,029	162,848
Public Awareness	<u>224,842</u>		<u>224,842</u>	<u>250,818</u>
Total program services	<u>1,489,430</u>		<u>1,489,430</u>	<u>1,329,652</u>
Support services				
Management and general	245,646		245,646	191,884
Fund-raising	<u>143,300</u>		<u>143,300</u>	<u>155,043</u>
Total support services	<u>388,946</u>		<u>388,946</u>	<u>346,927</u>
Total expenses	<u>1,878,376</u>	<u>-</u>	<u>1,878,376</u>	<u>1,676,579</u>
Change in net assets from operating activities	198,969	(150,939)	48,030	221,566
Non-operating activities				
Capital campaign contributions	182,240	261,870	444,110	694,561
Realized and unrealized gains (losses) on sale of investments	(90,642)	-	(90,642)	2,114
Inherent contribution received from merger (Note 13)	<u>54,698</u>	<u>-</u>	<u>54,698</u>	<u>-</u>
Total non-operating activities	<u>146,296</u>	<u>261,870</u>	<u>408,166</u>	<u>696,675</u>
Change in net assets	345,265	110,931	456,196	918,241
Net assets, beginning (restated)	<u>3,201,138</u>	<u>385,102</u>	<u>3,586,240</u>	<u>2,667,999</u>
Net assets, ending	<u>\$ 3,546,403</u>	<u>\$ 496,033</u>	<u>\$ 4,042,436</u>	<u>\$ 3,586,240</u>

See notes to financial statements.

BERKSHIRE HUMANE SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30,

	Program Services				Supporting Services			Total 2022	Comparative Total 2021
	Animal Shelter	Catwalk Boutique retail store	Public Awareness	Total Programs	Management and General	Fund-raising	Direct Donor Benefit		
Compensation and related expenses									
Salaries	\$ 434,876	\$ 81,071	\$ 127,929	\$ 643,876	\$ 116,606	\$ 49,602	\$ -	\$ 810,084	\$ 741,930
Employee benefits	54,351	8,032	17,290	79,673	21,602	10,920	-	112,195	116,290
Payroll taxes	38,055	7,630	10,756	56,441	9,792	4,073	-	70,306	75,641
Total	527,282	96,733	155,975	779,990	148,000	64,595	-	992,585	933,861
Office expense	10,749	6,887	4,559	22,195	12,036	-	-	34,231	36,645
Postage and printing	3,746	654	-	4,400	137	685	-	5,222	4,127
Advertising	1,626	2,123	-	3,749	-	664	-	4,413	4,536
Dues and subscriptions	4,597	40	-	4,637	-	-	-	4,637	3,474
Education, meetings and seminars	3,384	-	31,846	35,230	-	-	-	35,230	23,867
Vehicle expense	2,134	-	-	2,134	-	-	-	2,134	5,174
Maintenance and repairs	47,764	148	-	47,912	-	-	-	47,912	51,255
Furnishings and equipment	5,202	1,176	-	6,378	1,049	-	-	7,427	-
Utilities	111,764	12,610	12,807	137,181	2,568	880	-	140,629	106,603
Occupancy	28,529	47,760	-	76,289	565	5,035	-	81,889	88,211
Laundry and cleaning	6,260	1,165	-	7,425	-	-	-	7,425	5,619
Medicines	31,397	-	-	31,397	-	-	-	31,397	26,298
Professional fees	-	-	-	-	22,601	48,000	-	70,601	64,374
Insurance	16,370	-	-	16,370	4,890	-	-	21,260	25,966
Animal handling supplies	27,028	-	-	27,028	-	-	-	27,028	29,782
Cremation	5,925	-	-	5,925	-	-	-	5,925	5,250
Spay and neuter expenses	4,614	-	-	4,614	-	-	-	4,614	3,925
Outside medical services	92,287	-	-	92,287	-	-	-	92,287	41,950
Feline/Canine adoption package	6,422	-	-	6,422	-	-	-	6,422	4,550
Promotion expense	2,084	1,733	-	3,817	-	-	-	3,817	4,542
Development expense	-	-	-	-	-	21,641	-	21,641	23,394
Fundraising	-	-	-	-	-	345	35,279	35,624	35,547
Interest expense	30,020	-	3,806	33,826	763	261	-	34,850	43,145
Bad debt expense	-	-	-	-	50,000	-	-	50,000	-
Depreciation	124,375	-	15,849	140,224	3,037	1,194	-	144,455	139,220
Total expenses	1,093,559	171,029	224,842	1,489,430	245,646	143,300	35,279	1,913,655	1,711,315
Less special events expenses included with revenues on the Statement of Activities	-	-	-	-	-	-	(35,279)	(35,279)	(34,736)
Total expenses included in the expenses section of the Statement of Activities	\$ 1,093,559	\$ 171,029	\$ 224,842	\$ 1,489,430	\$ 245,646	\$ 143,300	-	\$ 1,878,376	\$ 1,676,579

See notes to financial statements.

BERKSHIRE HUMANE SOCIETY, INC.

STATEMENT OF CASH FLOWS

For the Year Ended June 30,

	2022	Comparative 2021
Operating activities		
Change in net assets	\$ 456,196	\$ 918,241
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	144,455	139,220
Provision for bad debts	50,000	-
Realized and unrealized (gains) losses on investments	90,642	(2,114)
Eliminate non-cash contribution of vehicle	-	(10,000)
(Gain) loss on sale of vehicle	-	(2,065)
(Increase) decrease in operating assets:		
Accounts receivable, net	454	4,992
Unconditional promises to give	(56,464)	(420,061)
Inventories	(1,443)	1,659
Prepaid expenses	(26,959)	12,649
Increase (decrease) in operating liabilities:		
Accounts payable	909	14,025
Accrued liabilities	(8,397)	(3,476)
Unearned revenue	2,099	3,971
Net cash provided (used) by operating activities	651,492	657,041
Investing activities		
(Increase) decrease in short-term investments	(500,000)	26,115
Purchases of short-term investments	(997,316)	(103,280)
Proceeds from sale of short-term investments	231,136	105,394
Proceeds from sale of fixed asset	-	5,200
Additions to property and equipment	(78,582)	(104,432)
Cash acquired in merger with Animal D.R.E.A.M.S., Inc. (Note 13)	54,698	-
Net cash provided (used) by investing activities	(1,290,064)	(71,003)
Financing activities		
Principal payments on long-term debt	(27,146)	(26,127)
Net cash provided (used) by financing activities	(27,146)	(26,127)
Increase (decrease) in cash and cash equivalents	(665,718)	559,911
Cash and cash equivalents, beginning	1,071,165	511,254
Cash and cash equivalents, ending	\$ 405,447	\$ 1,071,165
Supplemental cash flow disclosure:		
Interest paid	\$ 34,850	\$ 43,145

See notes to financial statements.

BERKSHIRE HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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.

Adoption of New Accounting Standards

In September 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958). The ASU was issued to increase transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The ASU requires identification of nonfinancial assets separate from contributions of cash and other financial assets on the Statement of Activities as well as the following additional note disclosures: information on whether the donated asset will be monetized or utilized during the reporting period; restrictions, if any, placed upon the nonfinancial asset by the donor; a description of the valuation techniques and inputs used to arrive at a fair value measure; and the principal market (or most advantageous market) used to arrive at fair value measure if it is a market in which the Organization is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial asset. Retrospective application of this standard is effective for annual periods beginning after June 15, 2021. As a result of implementing this standard, the comparative Statement of Activities for the years ended June 30, 2022 and 2021 has been updated to report \$15,428 and \$28,073, respectively, of contributed nonfinancial assets which are detailed in Note 11 to financial statements.

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, 2019.

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.

NOTE 1 - (Continued)

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.

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.

Level 3 Fair Value Measurement

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

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.

Contribution of Nonfinancial Assets

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 contributions of nonfinancial assets are offset by like amounts included in expenses or property and equipment, net. During fiscal year 2022 and 2021, the Organization received contributions of nonfinancial assets with an estimated fair value of \$15,428 and \$28,073, respectively.

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 and cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

NOTE 1 - (Continued)

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 between three months and one year are classified as short-term 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.

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 \$13,890 and \$11,791 as of June 30, 2022 and 2021, 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

The Organization recognizes Catwalk Boutique retail store sales at the time of purchase.

Advertising

The Organization expenses advertising costs as incurred. Advertising expense was \$4,413 and \$4,536 for the years ended June 30, 2022 and 2021, respectively.

NOTE 1 - (Continued)

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 July 14, 2023, the date that the financial statements were available to be issued.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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, 2021, 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 concentration of credit risk, consist principally of cash and cash equivalents. The Organization maintains its cash in various bank deposit accounts, which at times may exceed federally insured limits. Bank deposits at June 30, 2022 were \$407,721 and were fully insured. 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:

	2022		Comparative 2021	
	Fair	Cost	Fair	Cost
	Value		Value	
Money market accounts	\$ 10,713	\$ 10,713	\$ 9	\$ 9
Mutual funds	106,659	123,161	-	-
Equities	391,171	453,334	-	-
Corporate bonds	112,306	120,718	-	-
Total	<u>\$ 620,849</u>	<u>\$ 707,926</u>	<u>\$ 9</u>	<u>\$ 9</u>

NOTE 3 - (Continued)

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

	Fair Value	Cost	Unrealized Appreciation (Loss)
	<u> </u>	<u> </u>	<u> </u>
Balance at end of year	\$ 620,849	\$ 707,926	\$ (87,077)
Balance at beginning of year	9	9	<u> -</u>
Increase (decrease) in unrealized appreciation (loss)			<u>\$ (87,077)</u>

Investment income in the Statement of Activities at June 30, 2022 consisted of the following:

	2022	Comparative 2021
	<u> </u>	<u> </u>
Interest and dividends	\$ 5,730	\$ 1
Realized gains (losses)	<u>(3,565)</u>	<u>2,114</u>
Current net earnings and realized gains	2,165	2,115
Unrealized gains (losses)	<u>(87,077)</u>	<u>-</u>
Investment income, net	<u>\$ (84,912)</u>	<u>\$ 2,115</u>

NOTE 4 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at June 30, 2022 are expected to be realized in the following periods:

	2022	Comparative 2021
	<u> </u>	<u> </u>
In one year or less	\$ 93,571	\$ 157,300
Between one year and five years	373,349	310,600
Unamortized discount at 5%	<u>(40,395)</u>	<u>(47,839)</u>
Total	426,525	420,061
Portion to be realized within one year	<u>(93,571)</u>	<u>(157,300)</u>
Unconditional promises to give, long-term	<u>\$ 332,954</u>	<u>\$ 262,761</u>

NOTE 4 - (Continued)

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 at June 30, 2022 about the changes in unconditional promises:

Balance July 1, 2021	\$	420,061
New promises received		294,720
Payments received		(295,700)
Change in discount included in contribution revenue in the statement of activities		<u>7,444</u>
Balance June 30, 2022	\$	<u><u>426,525</u></u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following at June 30, 2022:

	<u>2022</u>	<u>Comparative 2021</u>
Land	\$ 150,206	\$ 150,206
Buildings	4,903,814	4,903,814
Furniture and equipment	255,567	255,567
Construction in progress	14,687	-
Vehicle	<u>118,203</u>	<u>54,308</u>
Total	5,442,477	5,363,895
Accumulated depreciation and amortization	<u>(2,547,407)</u>	<u>(2,402,952)</u>
Property and equipment, net	<u>\$ 2,895,070</u>	<u>\$ 2,960,943</u>

Depreciation and amortization expense was \$144,455 and \$139,220 for the years ended June 30, 2022 and 2021, respectively. Construction in progress of \$14,687 consists of initial planning costs for substantial building improvements.

NOTE 6 - NOTES PAYABLE CONSISTED OF THE FOLLOWING AT JUNE 30:

Due to banks	2022	Comparative 2021
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.	\$ 769,111	\$ 796,257
Amount due within one year	(27,873)	(28,175)
Amount due after one year	\$ 741,238	\$ 768,082

The above debt matures during years ending June 30,

2023	\$ 27,873
2024	29,260
2025	30,301
2026	31,379
2027	32,495
Thereafter	617,803
Total	\$ 769,111

NOTE 7 - NET ASSETS WITHOUT DONOR RESTRICTIONS

The Organization's governing board has designated, from net assets without donor restrictions, as follows at June 30, 2022:

	2022	Comparative 2021
Board designated endowment funds	\$ 335,000	\$ 300,000
Undesignated	3,211,403	2,901,138
Total net assets without donor restrictions	\$ 3,546,403	\$ 3,201,138

NOTE 7 - (Continued)*Board Designated Funds*

The Board of Directors designated unrestricted amounts to be set aside for long-term investment and to function as an endowment (quasi endowment), 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.

Changes in the Board Designated Endowment for the year ended June 30, 2022:

Board designated endowment fund, beginning of year	\$ 300,000
Contributions	<u>35,000</u>
Board designated endowment fund, end of year	<u>\$ 335,000</u>

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

	<u>2022</u>	<u>Comparative 2021</u>
Subject to expenditure for specified purpose:		
Programs	\$ 13,809	\$ 15,041
Facility expansion	<u>115,500</u>	<u>3,000</u>
Total subject to expenditure for specified purpose	129,309	18,041
Subject to the passage of time:		
For periods after June 30, 2022	<u>366,724</u>	<u>367,061</u>
Total net assets with donor restrictions	<u>\$ 496,033</u>	<u>\$ 385,102</u>

During the years ended June 30, 2022 and 2021, the Organization released net assets of \$158,924 and \$13,829, respectively, for program services.

Prior period adjustment:

Unspent capital campaign contributions subject to purpose and time restrictions were incorrectly classified as net assets without donor restrictions. Capital campaign contributions in the amount of \$370,061 classified as net assets without donor restrictions were reclassified to net assets with donor restrictions. There was no cumulative effect on net assets due to this adjustment.

NOTE 9 - 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, 2022 and 2021 was \$42,325 and \$34,725, respectively. At June 30, 2022 and 2021, accounts payable included a balance of \$3,105 and \$6,544, respectively, due to this veterinary hospital.

NOTE 10 - 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 11 - CONTRIBUTED NONFINANCIAL ASSETS

For the year ended June 30, 2022 contributed nonfinancial assets consisted of:

	2022	Comparative 2021
Animal handling	\$ 1,150	\$ 447
Professional services	-	3,548
Food	8,267	6,366
Payroll services	5,824	5,824
Contributed vehicle	-	10,000
Supplies	187	1,888
Total	<u>\$ 15,428</u>	<u>\$ 28,073</u>

The Organization recognized contributed nonfinancial assets within revenue, including contributed animal handling, professional services (including IT and veterinary services), payroll services, food and various other supplies. Unless otherwise noted, contributed nonfinancial assets did not have any donor-imposed restrictions.

It is the Organization's policy to sell and/or trade in all contributed vehicles immediately upon receipt at auction or for salvage unless the vehicle is restricted for use in a specific program by the donor. No vehicles received during the periods were restricted for use. All vehicles were sold and valued according to the actual cash proceeds upon their disposition.

Contributed food was utilized to support the mission of the Organization in providing food for various animals which otherwise would had to have been purchased. Contributed animal handling and various other supplies were also utilized in supporting the Organization's mission. In valuing food and supplies, the Organization estimated fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States. Animal handling services were valued based on estimated hourly rate that otherwise would be paid to the individual if employed by the Organization.

Contributed services recognized comprise of professional medical services from local veterinaries as well as donated payroll and computer consulting services. Licensed veterinarians provided various medical support to the animals. Payroll service was also donated to the Organization to provide support for its administrative matters. Contributed services are recognized at fair value in the financial statements based on current rates for similar professional and payroll services.

NOTE 12 - SPECIAL EVENTS ACTIVITIES FOR THE YEAR ENDED JUNE 30 WERE AS FOLLOWS:

	2022	Comparative 2021
Special event revenues		
Contributions	\$ 7,297	\$ 2,073
Raffle sales	70,838	71,520
Gross event revenues	78,135	73,593
Less: contributions	(7,297)	(2,073)
Total special event revenues	<u>70,838</u>	<u>71,520</u>
Special event expenses		
Direct benefit to donors	28,800	26,000
Other costs	6,479	8,736
Total special event expenses	<u>35,279</u>	<u>34,736</u>
Special events, net	<u>\$ 35,559</u>	<u>\$ 36,784</u>

NOTE 13 - MERGER WITH ANIMAL D.R.E.A.M.S., INC.

During fiscal year 2022, the Organization entered into a merger agreement (the “Agreement”) with Animal D.R.E.A.M.S., Inc., a Massachusetts nonprofit corporation. The Agreement was filed with the Secretary of the Commonwealth on September 2, 2021, which is the effective date (“Effective Date”) of the merger. As of the Effective Date, Animal D.R.E.A.M.S., Inc. was merged with and into Berkshire Humane Society, Inc., and the separate corporate existence Animal D.R.E.A.M.S., Inc. ceased. The corporate identity, existence, purposes, powers, rights, and immunities of Animal D.R.E.A.M.S., Inc. was merged and vested into Berkshire Humane Society, Inc. The corporate identity, existence, name, purposes, powers, rights, and immunities of Berkshire Humane Society, Inc. continue unaffected and unimpaired by the Agreement.

Animal D.R.E.A.M.S., Inc. was established with the mission to improve the lives and promote the humane care and acceptance of feral cats throughout Berkshire County. Their revenue sources consisted mostly of unrestricted donations that were provided to support their mission.

In accordance with accounting principles generally accepted in the United States of America, Berkshire Humane Society, Inc. recorded in its financial statements, the fair value of the identifiable assets acquired and liabilities assumed as of the Effective Date. The excess of the identifiable assets acquired over liabilities assumed is recognized as an inherent contribution in Berkshire Humane Society, Inc.’s Statement of Activities. No acquisition costs were associated with this merger.

The estimated fair value of the identifiable assets acquired and liabilities assumed in the merger were determined based on Level 3 fair value measurement inputs. The net assets acquired in the merger were recorded as unrestricted in Berkshire Humane Society, Inc.’s financial statements at the Effective Date. The inherent contribution of \$54,698 was recorded as non-operating revenue in the Statement of Activities during the year ended June 30, 2022.

NOTE 14 - LIQUIDITY

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.

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.

	2022	Comparative 2021
Financial assets at year end:		
Cash and cash equivalents	\$ 405,447	\$ 1,071,165
Short-term investments	500,000	-
Accounts and Contributions receivable	427,059	421,049
Total financial assets	<u>1,332,506</u>	<u>1,492,214</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	258,428	132,941
Less net assets with purpose and time restrictions to be met in less than a year	<u>(35,971)</u>	<u>(74,353)</u>
Total amount not available to be used within one year	<u>222,457</u>	<u>58,588</u>
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	<u>335,000</u>	<u>300,000</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 775,049</u>	<u>\$ 1,133,626</u>

NOTE 15 - SUBSEQUENT EVENTS

Lease – Catwalk Lenox

On September 20, 2022, the Organization signed a 3-year lease agreement for a facility in Lenox, MA. Lease payments are \$1,800 per month for the first year. Afterwards on each anniversary date, the monthly rent will increase 3%.

Lease – Allen Heights

On February 1, 2023, the Organization signed a 1-year lease agreement for a commercial property located in Pittsfield, MA. Lease payments are \$4,000 per month with an option to renew this lease for one additional 3-year term.

Mortgage Payable – Purradise

On September 15, 2022, the Organization incurred a mortgage with Pittsfield Cooperative Bank to obtain funds to purchase the property located at 301 Stockbridge Road, Great Barrington, MA in the amount of \$400,000.