

BERKSHIRE HUMANE SOCIETY, INC.

Financial Statements

June 30, 2024

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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 financial statements of Berkshire Humane Society, Inc., which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Berkshire Humane Society, Inc. as of June 30, 2024, 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 (GAAS). 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 for one year after the date that the financial statements are 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 GAAS 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 GAAS, 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 Note 1 of the financial statements, the Organization adopted the provisions of FASB ASU 2016-13, *Financial Instruments – Credit Losses*. Our opinion is not modified with respect to the matter.

Report on Summarized Comparative Information

We have previously audited Berkshire Humane Society, Inc.'s June 30, 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 22, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.


ADELSON & COMPANY PC

May 15, 2025

BERKSHIRE HUMANE SOCIETY, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2024

	<u>2024</u>	<u>Comparative 2023</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 143,534	\$ 221,479
Accounts receivable	1,713	1,334
Unconditional promises to give	168,997	161,187
Inventory	34,235	12,274
Prepaid expenses	<u>21,489</u>	<u>42,761</u>
Total current assets	369,968	439,035
Unconditional promises to give, long-term	254,087	533,828
Long-term investments	1,309,223	1,028,528
Property and equipment, net	4,653,896	4,186,002
Right-of-use operating lease asset, net	<u>92,701</u>	<u>108,833</u>
Total assets	<u>\$ 6,679,875</u>	<u>\$ 6,296,226</u>
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 16,497	\$ 72,653
Accrued liabilities	69,120	64,439
Unearned revenue	740	-
Operating lease liability, due within one year	22,696	22,032
Notes payable due within one year	<u>48,781</u>	<u>40,477</u>
Total current liabilities	157,834	199,601
Operating lease liability, net of current portion	70,175	87,762
Long-term debt, less current portion	<u>1,441,532</u>	<u>1,092,713</u>
Total liabilities	<u>1,669,541</u>	<u>1,380,076</u>
Net assets		
Without donor restrictions	4,556,360	4,379,214
With donor restrictions	<u>453,974</u>	<u>536,936</u>
Total net assets	<u>5,010,334</u>	<u>4,916,150</u>
Total liabilities and net assets	<u>\$ 6,679,875</u>	<u>\$ 6,296,226</u>

See notes to financial statements.

BERKSHIRE HUMANE SOCIETY, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2024</u>	<u>Comparative Total 2023</u>
Operating activities				
Revenue and support				
Contributions of cash and other financial assets	\$ 1,487,270	\$ 6,346	\$ 1,493,616	\$ 1,274,787
Contributions of nonfinancial assets (Note 11)	19,206	-	19,206	14,735
Program services	637,658	-	637,658	399,741
Catwalk Boutique retail store sales	338,665	-	338,665	287,740
Special events, net	67,876	-	67,876	44,220
Memberships	86,178	-	86,178	73,811
Bank interest	1,372	-	1,372	1,654
Net assets released from restrictions	<u>89,308</u>	<u>(89,308)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>2,727,533</u>	<u>(82,962)</u>	<u>2,644,571</u>	<u>2,096,688</u>
Expenses				
Program services				
Animal shelter	1,492,778	-	1,492,778	1,356,245
Clinic	486,629	-	486,629	100,685
Catwalk Boutique retail store	201,094	-	201,094	166,511
Public awareness	<u>200,764</u>	<u>-</u>	<u>200,764</u>	<u>174,625</u>
Total program services	<u>2,381,265</u>	<u>-</u>	<u>2,381,265</u>	<u>1,798,066</u>
Support services				
Management and general	186,885	-	186,885	184,117
Fundraising	<u>204,643</u>	<u>-</u>	<u>204,643</u>	<u>214,307</u>
Total support services	<u>391,528</u>	<u>-</u>	<u>391,528</u>	<u>398,424</u>
Total expenses	<u>2,772,793</u>	<u>-</u>	<u>2,772,793</u>	<u>2,196,490</u>
Change in net assets from operating activities	<u>(45,260)</u>	<u>(82,962)</u>	<u>(128,222)</u>	<u>(99,802)</u>
Non-operating activities				
Capital campaign contributions	139,961	-	139,961	914,248
Investment income, net	<u>82,445</u>	<u>-</u>	<u>82,445</u>	<u>59,268</u>
Total non-operating activities	<u>222,406</u>	<u>-</u>	<u>222,406</u>	<u>973,516</u>
Change in net assets	177,146	(82,962)	94,184	873,714
Net assets, beginning	<u>4,379,214</u>	<u>536,936</u>	<u>4,916,150</u>	<u>4,042,436</u>
Net assets, ending	<u>\$ 4,556,360</u>	<u>\$ 453,974</u>	<u>\$ 5,010,334</u>	<u>\$ 4,916,150</u>

See notes to financial statements.

BERKSHIRE HUMANE SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2024

	Program Services					Supporting Services			Total 2024	Comparative Total 2023
	Animal Shelter	Clinic	Catwalk Boutique Retail Store	Public Awareness	Total Programs	Management and General	Fundraising	Direct Donor Benefit		
Compensation and related expenses										
Salaries	\$ 678,011	\$ 248,878	\$ 100,673	\$ 113,716	\$ 1,141,278	\$ 99,670	\$ 83,382	\$ -	\$ 1,324,330	\$ 988,817
Employee benefits	79,129	18,087	4,041	15,412	116,669	19,946	15,317	-	151,932	121,999
Payroll taxes	66,051	24,107	10,305	11,009	111,472	9,035	7,628	-	128,135	93,476
Total	823,191	291,072	115,019	140,137	1,369,419	128,651	106,327	-	1,604,397	1,204,292
Office expense	11,954	5,640	7,978	5,472	31,044	16,576	-	-	47,620	41,367
Postage and printing	393	47	-	3,948	4,388	864	2,646	-	7,898	5,698
Advertising	11,983	8,560	3,131	-	23,674	-	4,894	-	28,568	12,519
Dues and subscriptions	25,350	3,352	3,577	-	32,279	-	-	-	32,279	28,945
Education, meetings and seminars	21,731	1,805	-	23,245	46,781	-	-	-	46,781	46,203
Vehicle expense	2,637	-	-	-	2,637	2,038	-	-	4,675	3,401
Maintenance and repairs	47,445	8,835	310	-	56,590	-	-	-	56,590	68,982
Furnishings and equipment	11,030	7,310	-	-	18,340	4,499	625	-	23,464	21,640
Utilities	57,285	10,500	10,402	5,413	83,600	1,896	1,183	-	86,679	103,935
Occupancy	150	31,337	58,154	-	89,641	-	-	-	89,641	88,424
Laundry and cleaning	6,194	6,357	1,215	-	13,766	-	-	-	13,766	9,247
Medicines	37,726	52,450	-	-	90,176	-	-	-	90,176	44,316
Professional fees	-	-	-	-	-	18,766	51,250	-	70,016	78,948
Insurance	30,832	-	-	-	30,832	9,210	-	-	40,042	26,179
Animal handling supplies	42,280	573	-	-	42,853	-	-	-	42,853	30,013
Cremation	10,671	-	-	-	10,671	-	-	-	10,671	6,168
Relief vet	-	38,100	-	-	38,100	-	-	-	38,100	11,400
Outside medical services	119,435	6,945	-	-	126,380	-	-	-	126,380	110,734
Promotion expense	12,984	62	1,308	-	14,354	-	-	-	14,354	10,766
Development expense	-	-	-	-	-	-	24,520	-	24,520	26,750
Fundraising	-	-	-	-	-	-	11,547	28,800	40,347	38,556
Interest expense	43,602	13,684	-	4,267	61,553	856	293	-	62,702	44,506
Depreciation and amortization	175,905	-	-	18,282	194,187	3,529	1,358	-	199,074	162,301
Total expenses	1,492,778	486,629	201,094	200,764	2,381,265	186,885	204,643	28,800	2,801,593	2,225,290
Less special events expenses included with revenues on the statement of activities	-	-	-	-	-	-	-	(28,800)	(28,800)	(28,800)
Total expenses included in the expenses section of the statement of activities	<u>\$ 1,492,778</u>	<u>\$ 486,629</u>	<u>\$ 201,094</u>	<u>\$ 200,764</u>	<u>\$ 2,381,265</u>	<u>\$ 186,885</u>	<u>\$ 204,643</u>	<u>\$ -</u>	<u>\$ 2,772,793</u>	<u>\$ 2,196,490</u>

See notes to financial statements.

BERKSHIRE HUMANE SOCIETY, INC.

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2024

	2024	Comparative 2023
Operating activities		
Change in net assets	\$ 94,184	\$ 873,714
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	199,074	162,301
Amortization of right-of-use lease asset	16,132	11,503
Realized and unrealized (gain) loss on investments	(82,445)	(45,960)
(Increase) decrease in operating assets:		
Accounts receivable, net	(379)	(800)
Unconditional promises to give	271,931	(268,490)
Inventories	(21,961)	(3,240)
Prepaid expenses	21,272	5,719
Increase (decrease) in operating liabilities:		
Accounts payable	(56,156)	31,328
Accrued liabilities	4,681	25,262
Unearned revenue	740	(13,890)
Operating lease liability	(16,923)	(10,542)
Endowment contributions restricted for long-term purposes	-	(20,000)
Net cash provided (used) by operating activities	<u>430,150</u>	<u>746,905</u>
Investing activities		
(Increase) decrease in short-term investments	-	500,000
Purchases of long-term investments	(796,687)	(757,465)
Proceeds from of long-term investments	598,437	395,746
Additions to property and equipment	(666,968)	(1,453,233)
Net cash provided (used) by investing activities	<u>(865,218)</u>	<u>(1,314,952)</u>
Financing activities		
Proceeds from long-term debt	400,000	400,000
Principal payments on long-term debt	(42,877)	(35,921)
Endowment contributions restricted for long-term purposes	-	20,000
Net cash provided (used) by financing activities	<u>357,123</u>	<u>384,079</u>
Increase (decrease) in cash and cash equivalents	(77,945)	(183,968)
Cash and cash equivalents, beginning	<u>221,479</u>	<u>405,447</u>
Cash and cash equivalents, ending	<u>\$ 143,534</u>	<u>\$ 221,479</u>
Supplemental cash flow disclosure:		
Cash paid during the year for operating lease	<u>\$ 22,032</u>	<u>\$ 16,200</u>
Interest paid	<u>\$ 62,702</u>	<u>\$ 44,506</u>

See notes to financial statements.

BERKSHIRE HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

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.

Change in Accounting Principles

In June 2016, the Financial Accounting Standards Board (the FASB) issued Accounting Standards Update (ASU) No. 2016-13, Financial Instruments – Credit Losses, which requires entities to develop an estimate of their allowance for credit losses on receivable balances at their fiscal year end and disclose key information regarding the estimate. The new standard modifies the previous accounts receivable allowance method, which required entities to increase their allowance for doubtful accounts as losses occurred on the receivable, and now requires entities to record a loss provision at the origination of the customer contract based on Current Expected Credit Losses (CECL). The allowance for credit losses is shown net of receivables on the face of the balance sheet. ASU No. 2016-13 is effective for fiscal years beginning after December 15, 2022. Management has adopted ASU 2016-13 for the year ended June 30, 2024, with retrospective application applied to all periods presented.

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, 2021.

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.

NOTE 1 - (Continued)

Financial Statement Recognition

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

Contributions

The Organization recognizes contributions as revenue when they are received or unconditionally pledged and records these revenues as with donor restrictions or without donor restrictions according to donor stipulations that limit the use of these assets due to either a time or purpose restriction. Contributions received with donor restrictions that are met in the year of receipt are recorded as revenues without donor restrictions. When a restriction expires or is met in a subsequent year, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities and changes in net assets. Conditional promises to give must have both (a) a barrier to be overcome and (b) a right of return or right of release element present, therefore they are not included as revenue or promises to give until such time as the conditions have been substantially met. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts on multi-year pledges is recorded as additional contribution revenue as either with or without donor restrictions based on donor-imposed restrictions, if any, on the related contributions.

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 years 2024 and 2023, the Organization received contributions of nonfinancial assets with an estimated fair value of \$19,206 and \$14,735, respectively (See Note 11).

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 arise in the normal course of business and are stated at their net carrying value, the net amount expected to be collected, based on the original cost less the accumulated lifetime estimated net credit loss allowance. Management records an allowance at the inception of each financial asset of their estimate of amounts that they anticipate to be uncollectible, and they closely monitor outstanding balances throughout the life of the financial asset. Management also routinely assesses the financial strength of its creditors and, as a consequence, believes that its accounts receivable credit risk exposure is limited. There were no credit losses recorded during the years ended June 30, 2024 or 2023.

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.

NOTE 1 - (Continued)

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.

Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of uncertainty related to changes in interest rates, market volatility and credit risks, it is at least reasonably possible that changes in these risks could materially affect the fair value of investments and related activity reported on the financial statements.

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.

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.

Right-of-Use Lease Assets and Lease Liabilities

The Organization determines if a contract/arrangement is or contains a lease at inception. All leases are included in right-of-use assets and lease liabilities in the statement of financial position, except for short-term leases (leases with a term of 12 months or less).

Operating Leases

Operating lease right-of-use assets and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. Right-of-use assets also include adjustments related to lease payments made and lease incentives received at or before the commencement date. The right-of-use assets and related liabilities are reported separately on the statement of financial position. Operating lease cost is recognized on a straight-line basis over the lease term as rent expense in the statement of functional expenses.

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 \$740 and \$-0- as of June 30, 2024 and 2023, 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.

NOTE 1 - (Continued)

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 \$28,568 and \$12,519 for the years ended June 30, 2024 and 2023, 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 15, 2025, 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, 2023, 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, 2024 were \$155,877 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:

	2024		Comparative 2023	
	Fair Value	Cost	Fair Value	Cost
Money market accounts	\$ 210,478	\$ 210,478	\$ 214,745	\$ 214,596
Certificate of deposit	-	-	149,578	150,000
Mutual funds	172,302	198,138	106,757	129,994
Equities	737,054	679,512	449,271	432,094
Corporate bonds	189,389	199,301	108,177	116,746
Total	<u>\$ 1,309,223</u>	<u>\$ 1,287,429</u>	<u>\$ 1,028,528</u>	<u>\$ 1,043,430</u>

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

	Fair Value	Cost	Unrealized Appreciation (Loss)
Balance at end of year	\$ 1,309,223	\$ 1,287,429	\$ 21,794
Balance at beginning of year	1,028,528	1,043,430	<u>(14,902)</u>
Increase (decrease) in unrealized appreciation (loss)			<u>\$ 36,696</u>

Investment income and its classification in the statement of activities consisted of the following at June 30:

	2024	Comparative 2023
Interest and dividends	\$ 40,372	\$ 19,023
Realized gain (loss)	12,791	(26,215)
Investment fees	<u>(7,414)</u>	<u>(5,715)</u>
Current net earnings and realized gain (loss)	45,749	(12,907)
Unrealized gain (loss)	<u>36,696</u>	<u>72,175</u>
Investment income, net	<u>\$ 82,445</u>	<u>\$ 59,268</u>

NOTE 4 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at June 30, 2024 are expected to be realized in the following periods:

In one year or less	\$ 168,997
Between one year and five years	272,807
Unamortized discount at 5%	<u>(18,720)</u>
Total	423,084
Portion to be realized within one year	<u>(168,997)</u>
Unconditional promises to give, long-term	<u>\$ 254,087</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 at June 30, 2024 about the changes in unconditional promises:

Balance July 1, 2023	\$ 695,015
Payments received	(294,574)
Change in discount included in contribution revenue in the statement of activities	<u>22,643</u>
Balance June 30, 2024	<u>\$ 423,084</u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2024	Comparative 2023
Land	\$ 503,403	\$ 329,206
Buildings	6,612,581	6,148,650
Furniture and equipment	328,490	299,650
Vehicle	<u>118,203</u>	<u>118,203</u>
Total	7,562,677	6,895,709
Accumulated depreciation and amortization	<u>(2,908,781)</u>	<u>(2,709,707)</u>
Property and equipment, net	<u>\$ 4,653,896</u>	<u>\$ 4,186,002</u>

Depreciation and amortization expense was \$199,074 and \$162,301 for the years ended June 30, 2024 and 2023, respectively. During fiscal year 2024, the Organization purchased property located at 289 Dalton Avenue, Pittsfield, MA 01201, which it had originally been leasing (Note 7), for \$400,000, which was paid with a promissory note (Note 6).

NOTE 6 - NOTES PAYABLE

Notes payable consisted of the following at June 30:

	2024	Comparative 2023
Due to banks		
Mortgage payable due December 2041 at 3.50% fixed interest for the first five years, then adjusted each successive five-year period 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; collateralized by real estate.	\$ 712,426	\$ 741,236
\$400,000 mortgage payable due September 2042, payable in monthly installments of \$2,857, including interest based on the Federal Home Loan Bank Regular Classic Advance Rate + 2.250 percentage points; collateralized by real estate	380,785	391,954
\$400,000 mortgage payable due December 2038, payable in monthly installments of \$2,845, including interest based on the Federal Home Loan Bank Regular Classic Advance Rate + 2.750 percentage points; collateralized by real estate	<u>397,102</u>	<u>-</u>
Total notes payable	1,490,313	1,133,190
Amount due within one year	<u>(48,781)</u>	<u>(40,477)</u>
Amount due after one year	<u>\$ 1,441,532</u>	<u>\$ 1,092,713</u>

The above debt matures during the years ending June 30:

2025	\$ 48,781
2026	51,046
2027	53,425
2028	55,927
2029	59,048
Thereafter	<u>1,222,086</u>
Total	<u>\$ 1,490,313</u>

NOTE 7 - LEASES

The Organization, as lessee, is required to recognize intangible right-of-use assets and corresponding lease liabilities, for contracts and agreements that meet the definition of a lease under FASB ASC Topic 842, Leases. A lease is a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. The Organization determines whether a contract conveys control of the right to use the underlying asset by assessing both of the following:

1. The right to obtain the present service capacity from use of the underlying asset as specified in the contract, and
2. The right to determine the nature and manner of use of the underlying asset as specified in the contract.

The lease term is determined as follows:

- The period during which the lessee has a non-cancellable right to use an underlying asset, plus
- Periods covered by the Organization's option to extend and/or terminate the lease if it is reasonably certain that it will exercise those options, plus
- Periods covered by the lessee's option to extend and/or terminate the lease if it is reasonably certain that it will exercise those options.

Lease recognition and measurement

As a lessee, the Organization accounts for a lease by recognizing a lease liability and a right-to-use intangible lease asset at the beginning of a lease unless it is a short-term lease (12 months or less) or transfers ownership of the underlying asset. The lease liability is measured at the present value of payments to be made over the lease term. The leased asset is measured at the amount of the initial measurement of the lease liability plus any payments made to the lessor at or before the beginning of the lease and certain indirect costs. Operating lease cost is recognized on a straight-line basis over the lease term as rent expense in the statement of functional expenses. The Organization uses its approximate borrowing rate to discount the future lease payments.

Lease – Catwalk Boutique Lenox

On September 20, 2022, the Organization signed a 3-year lease agreement for a facility at 51 Church Street, Lenox, MA. The lease term expires in October 2025 with one optional renewal term through October 2028, which is expected to be exercised. Lease payments are \$1,800 per month for the first year. Afterwards on each anniversary date, the monthly rent will increase 3%. Total lease expense was \$21,241 and \$17,361 for the years ended June 30, 2024 and 2023, respectively.

The right-to-use lease asset and related liability consists of the following at June 30:

	2024	Comparative 2023
Right-of-use operating lease asset		
Leased office space	\$ 122,136	\$ 122,136
Accumulated amortization	(29,435)	(13,303)
Right-of-use lease asset, net	<u>\$ 92,701</u>	<u>\$ 108,833</u>
Operating lease liability	<u>\$ 92,871</u>	<u>\$ 109,794</u>

NOTE 7 - (Continued)

Operating lease cost

Interest expense	\$ 5,109	\$ 3,858
Amortization of right-of-use lease asset	<u>16,132</u>	<u>13,503</u>
Total lease cost	<u>\$ 21,241</u>	<u>\$ 17,361</u>
Discount rate	5.0%	5.0%
Remaining lease term	52 months	64 months

Future maturities of the operating lease liability is presented in the following table, for the years ending June 30:

2025	\$ 22,696
2026	23,378
2027	24,368
2028	24,947
2029	<u>8,348</u>
Total lease payments	103,737
Less imputed discount	<u>(10,866)</u>
Total present value of operating lease liability	92,871
Less: operating lease liability, due within one year	<u>22,696</u>
Operating lease liability, net of current portion	<u>\$ 70,175</u>

Lease – Allen Heights

On February 1, 2023, the Organization signed a 1-year lease agreement for a commercial property located at 289 Dalton Avenue, Pittsfield, MA. The lease term was to expire in January of 2024. Lease payments were \$4,000 per month with an option to renew this lease for one additional 3-year term. In December 2023, the Organization purchased the property (Note 5) and the lease was cancelled. Total lease expense was \$16,000 and \$20,000 for the years ended June 30, 2024 and 2023, respectively.

Short-Term Lease – Catwalk Boutique Great Barrington

The Organization signs a 1-year lease agreement for a facility at 325 Stockbridge Road, Great Barrington, MA. The lease term converts to a month-to-month lease upon expiration up until a new one year lease is signed. Total lease expense was \$36,860 and \$31,260 for the years ended June 30, 2024 and 2023, respectively.

NOTE 8 - NET ASSETS WITHOUT DONOR RESTRICTIONS

The Organization's governing board has designated, from net assets without donor restrictions, net assets for the following purposes at June 30:

	2024	Comparative 2023
Board designated endowment fund	\$ 355,000	\$ 355,000
Undesignated	4,201,360	4,024,214
Total net assets without donor restrictions	<u>\$ 4,556,360</u>	<u>\$ 4,379,214</u>

Board Designated Endowment 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 fund are as follows:

	2024	Comparative 2023
Board designated endowment fund, beginning of year	\$ 355,000	\$ 335,000
Contributions	-	20,000
Board designated endowment fund, end of year	<u>\$ 355,000</u>	<u>\$ 355,000</u>

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes or periods:

	2024	Comparative 2023
Subject to expenditure for specified purpose:		
Programs	\$ 12,170	\$ 17,124
Subject to the passage of time	441,804	519,812
Total net assets with donor restrictions	<u>\$ 453,974</u>	<u>\$ 536,936</u>

During the years ended June 30, 2024 and 2023, the Organization released net assets with donor restrictions of \$89,308 and \$244,797.

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

Contributed nonfinancial assets consisted of the following at June 30:

	2024	Comparative 2023
Animal handling supplies	\$ 1,819	\$ 274
Professional services	288	288
Food	11,034	9,338
Payroll services	4,628	4,464
Supplies	1,437	371
Total	<u>\$ 19,206</u>	<u>\$ 14,735</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.

Contributed food was utilized to support the mission of the Organization in providing food for various animals which otherwise would have 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.

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

Special events activities consisted of the following at June 30:

	2024	Comparative 2023
Special event revenues		
Sales	\$ 10,275	\$ -
Contributions	725	2,475
Sponsorship income	9,515	-
Raffle sales	76,886	73,020
Gross event revenues	97,401	75,495
Less: contributions	(725)	(2,475)
Total special event revenues	96,676	73,020
Special event expenses		
Direct benefit to donors	28,800	28,800
Special events, net	\$ 67,876	\$ 44,220

NOTE 13 - DEFINED CONTRIBUTION PLAN

The Organization has a Simple IRA Plan. Under this plan all eligible employees are able to defer up to \$16,000 and \$15,500 of their annual compensation for calendar years 2024 and 2023, respectively. Eligible employees over 50 years of age may make additional catch-up salary deferral contributions of \$3,500 for calendar years 2024 and 2023, respectively. The Organization is required to match employees' contributions up to 3% of their annual compensation. During the years ended June 30, 2024 and 2023, the Organization elected to match 3%. The Organization's contributions were \$26,227 and \$21,113 for the years ended June 30, 2024 and 2023, respectively.

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.

	2024	Comparative 2023
	<u>2024</u>	<u>2023</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 143,534	\$ 221,479
Accounts receivable	1,713	1,334
Unconditional promises to give	423,084	695,015
Long-term investments	<u>1,309,223</u>	<u>1,028,528</u>
Total financial assets	<u>1,877,554</u>	<u>1,946,356</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	453,974	536,936
Net assets with purpose and time restrictions to be met in less than a year	<u>(52,892)</u>	<u>(104,187)</u>
Total amount not available to be used within one year	<u>401,082</u>	<u>432,749</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>355,000</u>	<u>355,000</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,121,472</u>	<u>\$ 1,158,607</u>