

BERKSHIRE HUMANE SOCIETY, INC.

Financial Statements

June 30, 2023

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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, 2023, 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, 2023, 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 Notes 1 and 12 of the financial statements, the Organization adopted the provisions of FASB ASU 2016-02, Leases. 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, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 14, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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May 22, 2024

BERKSHIRE HUMANE SOCIETY, INC.
STATEMENT OF FINANCIAL POSITION

June 30, 2023

	2023	Comparative 2022
Assets		
Current assets		
Cash and cash equivalents	\$ 221,479	\$ 405,447
Short-term investments	-	500,000
Accounts receivable	1,334	534
Unconditional promises to give	161,187	93,571
Inventory	12,274	9,034
Prepaid expenses	42,761	48,480
Total current assets	439,035	1,057,066
Unconditional promises to give, long-term	533,828	332,954
Long-term investments	1,028,528	620,849
Property and equipment, net	4,186,002	2,895,070
Right-of-use operating lease asset, net	108,833	-
Total assets	\$ 6,296,226	\$ 4,905,939
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 72,653	\$ 41,325
Accrued liabilities	64,439	39,177
Unearned revenue	-	13,890
Operating lease liability, due within one year	22,032	-
Notes payable due within one year	40,477	27,873
Total current liabilities	199,601	122,265
Operating lease liability, net of current portion	87,762	-
Long-term debt, less current portion	1,092,713	741,238
Total liabilities	1,380,076	863,503
Net assets		
Without donor restrictions	4,379,214	3,546,403
With donor restrictions	536,936	496,033
Total net assets	4,916,150	4,042,436
Total liabilities and net assets	\$ 6,296,226	\$ 4,905,939

See notes to financial statements.

BERKSHIRE HUMANE SOCIETY, INC.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total 2023	Comparative Total 2022
Operating activities				
Revenue and support				
Contributions of cash and other financial assets	\$ 1,263,487	\$ 11,300	\$ 1,274,787	\$ 1,084,716
Contributions of nonfinancial assets (Note 10)	14,735	-	14,735	15,428
Program services	399,741	-	399,741	346,213
Catwalk boutique retail store sales	287,740	-	287,740	304,135
Special events, net	37,401	-	37,401	35,559
Memberships	73,811	-	73,811	131,178
Bank interest	1,654	-	1,654	3,447
Investment interest and dividends	13,308	-	13,308	5,730
Net assets released from restrictions	244,797	(244,797)	-	-
Total revenue and support	<u>2,336,674</u>	<u>(233,497)</u>	<u>2,103,177</u>	<u>1,926,406</u>
Expenses				
Program services				
Animal shelter	1,356,245	-	1,356,245	1,093,559
Clinic	100,685	-	100,685	-
Catwalk boutique retail store	166,511	-	166,511	171,029
Public awareness	174,625	-	174,625	224,842
Total program services	<u>1,798,066</u>	<u>-</u>	<u>1,798,066</u>	<u>1,489,430</u>
Support services				
Management and general	184,117	-	184,117	245,646
Fundraising	207,488	-	207,488	143,300
Total support services	<u>391,605</u>	<u>-</u>	<u>391,605</u>	<u>388,946</u>
Total expenses	<u>2,189,671</u>	<u>-</u>	<u>2,189,671</u>	<u>1,878,376</u>
Change in net assets from operating activities	<u>147,003</u>	<u>(233,497)</u>	<u>(86,494)</u>	<u>48,030</u>
Non-operating activities				
Capital campaign contributions	639,848	274,400	914,248	444,110
Realized and unrealized gain (loss) on investments	45,960	-	45,960	(90,642)
Inherent contribution received from merger	-	-	-	54,698
Total non-operating activities	<u>685,808</u>	<u>274,400</u>	<u>960,208</u>	<u>408,166</u>
Change in net assets	832,811	40,903	873,714	456,196
Net assets, beginning	<u>3,546,403</u>	<u>496,033</u>	<u>4,042,436</u>	<u>3,586,240</u>
Net assets, ending	<u>\$ 4,379,214</u>	<u>\$ 536,936</u>	<u>\$ 4,916,150</u>	<u>\$ 4,042,436</u>

See notes to financial statements.

BERKSHIRE HUMANE SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2023

	Program Services				Total Programs	Supporting Services			Total 2023	Comparative Total 2022
	Animal Shelter	Clinic	Catwalk Boutique Retail Store	Public Awareness		Management and General	Fundraising	Direct Donor Benefit		
Compensation and related expenses										
Salaries	\$ 591,940	\$ 32,896	\$ 76,611	\$ 91,382	\$ 792,829	\$ 100,795	\$ 95,193	\$ -	\$ 988,817	\$ 810,084
Employee benefits	69,230	3,190	5,823	11,676	89,919	18,423	13,657	-	121,999	112,195
Payroll taxes	56,173	3,270	7,799	8,556	75,798	9,102	8,576	-	93,476	70,306
Total	717,343	39,356	90,233	111,614	958,546	128,320	117,426	-	1,204,292	992,585
Office expense	13,310	693	7,445	5,482	26,930	14,437	-	-	41,367	34,231
Postage and printing	4,672	-	-	-	4,672	171	855	-	5,698	5,222
Advertising	6,209	1,218	2,556	-	9,983	-	2,536	-	12,519	4,413
Dues and subscriptions	3,887	888	-	-	4,775	-	-	-	4,775	4,637
Education, meetings and seminars	18,460	-	494	27,249	46,203	-	-	-	46,203	35,230
Vehicle expense	3,401	-	-	-	3,401	-	-	-	3,401	2,134
Maintenance and repairs	66,413	1,704	865	-	68,982	-	-	-	68,982	47,912
Furnishings and equipment	14,827	2,780	2,358	-	19,965	805	870	-	21,640	7,427
Utilities	97,086	5,127	10,926	10,641	123,780	2,864	1,461	-	128,105	140,629
Occupancy	12,023	26,989	47,460	-	86,472	-	1,952	-	88,424	81,889
Laundry and cleaning	6,168	-	3,079	-	9,247	-	-	-	9,247	7,425
Medicines	38,515	5,801	-	-	44,316	-	-	-	44,316	31,397
Professional fees	-	-	-	-	-	27,698	51,250	-	78,948	70,601
Insurance	20,158	-	-	-	20,158	6,021	-	-	26,179	21,260
Animal handling supplies	13,884	16,129	-	-	30,013	-	-	-	30,013	27,028
Cremation	6,168	-	-	-	6,168	-	-	-	6,168	5,925
Spay and neuter expenses	4,150	-	-	-	4,150	-	-	-	4,150	4,614
Outside medical services	117,984	-	-	-	117,984	-	-	-	117,984	92,287
Feline/Canine adoption package	-	-	-	-	-	-	-	-	-	6,422
Promotion expense	9,671	-	1,095	-	10,766	-	-	-	10,766	3,817
Development expense	-	-	-	-	-	-	26,750	-	26,750	21,641
Fundraising	-	-	-	-	-	-	2,937	35,619	38,556	35,624
Interest expense	39,716	-	-	3,774	43,490	757	259	-	44,506	34,850
Bad debt expense	-	-	-	-	-	-	-	-	-	50,000
Depreciation and amortization	142,200	-	-	15,865	158,065	3,044	1,192	-	162,301	144,455
Total expenses	1,356,245	100,685	166,511	174,625	1,798,066	184,117	207,488	35,619	2,225,290	1,913,655
Less special events expenses included with revenues on the Statement of Activities	-	-	-	-	-	-	-	(35,619)	(35,619)	(35,279)
Total expenses included in the expenses section of the Statement of Activities	\$ 1,356,245	\$ 100,685	\$ 166,511	\$ 174,625	\$ 1,798,066	\$ 184,117	\$ 207,488	\$ -	\$ 2,189,671	\$ 1,878,376

See notes to financial statements.

BERKSHIRE HUMANE SOCIETY, INC.

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2023

	2023	Comparative 2022
	<u>2023</u>	<u>2022</u>
Operating activities		
Change in net assets	\$ 873,714	\$ 456,196
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	162,301	144,455
Provision for bad debts	-	50,000
Amortization of right-of-use lease asset	11,503	-
Realized and unrealized (gain) loss on investments	(45,960)	90,642
(Increase) decrease in operating assets:		
Accounts receivable, net	(800)	454
Unconditional promises to give	(268,490)	(56,464)
Inventories	(3,240)	(1,443)
Prepaid expenses	5,719	(26,959)
Increase (decrease) in operating liabilities:		
Accounts payable	31,328	909
Accrued liabilities	25,262	(8,397)
Unearned revenue	(13,890)	2,099
Operating lease liability	(10,542)	-
Endowment contributions restricted for long-term purposes	<u>(20,000)</u>	<u>(35,000)</u>
Net cash provided (used) by operating activities	<u>746,905</u>	<u>616,492</u>
Investing activities		
(Increase) decrease in short-term investments	500,000	(500,000)
Purchases of short-term investments	(757,465)	(997,316)
Proceeds from sale of short-term investments	395,746	231,136
Additions to property and equipment	(1,453,233)	(78,582)
Cash acquired in merger with Animal D.R.E.A.M.S., Inc.	<u>-</u>	<u>54,698</u>
Net cash provided (used) by investing activities	<u>(1,314,952)</u>	<u>(1,290,064)</u>
Financing activities		
Proceeds from long-term debt	400,000	-
Principal payments on long-term debt	(35,921)	(27,146)
Endowment contributions restricted for long-term purposes	<u>20,000</u>	<u>35,000</u>
Net cash provided (used) by financing activities	<u>384,079</u>	<u>7,854</u>
Increase (decrease) in cash and cash equivalents	(183,968)	(665,718)
Cash and cash equivalents, beginning	<u>405,447</u>	<u>1,071,165</u>
Cash and cash equivalents, ending	<u>\$ 221,479</u>	<u>\$ 405,447</u>
Supplemental cash flow disclosure:		
Cash paid during the year for operating lease	<u>\$ 16,200</u>	<u>\$ -</u>
Interest paid	<u>\$ 44,506</u>	<u>\$ 34,850</u>
Noncash financing and investing activities:		
Right-of-use asset obtained in exchange for lease obligation -		
Operating lease	<u>\$ 120,336</u>	<u>\$ -</u>

See notes to financial statements.

BERKSHIRE HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

Berkshire Humane Society, Inc. is a 501(c)(3) nonprofit, open-admission animal support organization with a twofold mission: (1) to ensure the compassionate care, treatment, and whenever possible, placement of homeless animals through the shelter operation, and (2) to promote and improve the welfare of all animals through community education and outreach.

Income Taxes

The Organization is exempt from federal taxes under Section 501(c)(3) of the Internal Revenue Code and state taxes under applicable state law. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation.

Management has evaluated significant tax positions against the criteria established by professional standards and believes there are no such tax positions requiring accounting recognition. The Organization's tax returns are subject to examination by taxing authorities for all years ending on or after June 30, 2020.

Basis of Accounting and Financial Statement Presentation

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

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's Management and the Board of Directors.

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

Contributions of Financial Assets

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

Promises to Give

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

NOTE 1 - (Continued)

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 years 2023 and 2022, the Organization received contributions of nonfinancial assets with an estimated fair value of \$14,735 and \$15,428, respectively (See Note 10).

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.

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.

NOTE 1 - (Continued)

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

Recently Adopted Accounting Standard

In 2023, the Organization adopted Accounting Standards Update (ASU) No. 2016-02, *Leases*, which requires lessees to recognize leases on the statement of financial position as right-of-use assets and lease liabilities based on the value of the discounted future lease payments. The Organization adopted the new standard using the modified retrospective approach with November 1, 2022 as the date of the initial adoption. The cumulative effect of the initial recognition of the right-of-use assets and corresponding liabilities was \$120,336 on the Organization's statement of financial position at July 1, 2022, with no retrospective adjustments to prior periods.

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 \$-0- and \$13,890 as of June 30, 2023 and 2022, 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 \$12,519 and \$4,413 for the years ended June 30, 2023 and 2022, 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 May 22, 2024, 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, 2022, 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, 2023 were \$333,309 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:

	2023		Comparative 2022	
	Fair	Cost	Fair	Cost
	Value		Value	
Money market accounts	\$ 214,745	\$ 214,596	\$ 10,713	\$ 10,713
Certificate of deposit	149,578	150,000	-	-
Mutual funds	106,757	129,994	106,659	123,161
Equities	449,271	432,094	391,171	453,334
Corporate bonds	<u>108,177</u>	<u>116,746</u>	<u>112,306</u>	<u>120,718</u>
Total	<u>\$ 1,028,528</u>	<u>\$ 1,043,430</u>	<u>\$ 620,849</u>	<u>\$ 707,926</u>

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

	Fair	Cost	Unrealized Appreciation (Loss)
	Value		
Balance at end of year	\$ 1,028,528	\$ 1,043,430	\$ (14,902)
Balance at beginning of year	620,849	707,926	<u>(87,077)</u>
Increase (decrease) in unrealized appreciation (loss)			<u>\$ 72,175</u>

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

	Comparative	
	2023	2022
Interest and dividends	\$ 19,023	\$ 5,730
Realized gain (loss)	(26,215)	(3,565)
Investment fees	<u>(5,715)</u>	<u>-</u>
Current net earnings and realized gain (loss)	(12,907)	2,165
Unrealized gain (loss)	<u>72,175</u>	<u>(87,077)</u>
Investment income, net	<u>\$ 59,268</u>	<u>\$ (84,912)</u>

NOTE 4 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at June 30, 2023 are expected to be realized in the following periods:

In one year or less	\$	161,187
Between one year and five years		575,191
Unamortized discount at 5%		<u>(41,363)</u>
Total		695,015
Portion to be realized within one year		<u>(161,187)</u>
Unconditional promises to give, long-term	\$	<u>533,828</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, 2023 about the changes in unconditional promises:

Balance July 1, 2022	\$	426,525
New promises received		586,900
Payments received		(317,442)
Change in discount included in contribution revenue in the statement of activities		<u>(968)</u>
Balance June 30, 2023	\$	<u>695,015</u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2023	Comparative 2022
	<u>2023</u>	<u>2022</u>
Land	\$ 329,206	\$ 150,206
Buildings	6,148,650	4,903,814
Furniture and equipment	299,651	255,567
Construction-in-progress	-	14,687
Vehicle	<u>118,203</u>	<u>118,203</u>
Total	6,895,710	5,442,477
Accumulated depreciation and amortization	<u>(2,709,708)</u>	<u>(2,547,407)</u>
Property and equipment, net	<u>\$ 4,186,002</u>	<u>\$ 2,895,070</u>

Depreciation and amortization expense was \$162,301 and \$144,455 for the years ended June 30, 2023 and 2022, respectively. During fiscal year 2023, the Organization expanded and remodeled their facilities to accommodate increasing demand for services.

NOTE 6 - NOTES PAYABLE

Notes payable consisted of the following at June 30:

Due to banks	<u>2023</u>	<u>Comparative 2022</u>
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.	\$ 741,236	\$ 769,111
\$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	<u>391,954</u>	<u>-</u>
Total notes payable	1,133,190	769,111
Amount due within one year	<u>(40,477)</u>	<u>(27,873)</u>
Amount due after one year	<u>\$ 1,092,713</u>	<u>\$ 741,238</u>

The above debt matures during the years ending June 30:

2024	\$ 40,477
2025	42,205
2026	44,012
2027	45,902
2028	47,880
Thereafter	<u>912,714</u>
Total	<u>\$ 1,133,190</u>

NOTE 7 - 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:

	<u>2023</u>	<u>Comparative 2022</u>
Board designated endowment funds	\$ 355,000	\$ 335,000
Undesignated	<u>4,024,214</u>	<u>3,211,403</u>
Total net assets without donor restrictions	<u>\$ 4,379,214</u>	<u>\$ 3,546,403</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:

	<u>2023</u>	<u>Comparative 2022</u>
Board designated endowment fund, beginning of year	\$ 335,000	\$ 300,000
Contributions	<u>20,000</u>	<u>35,000</u>
Board designated endowment fund, end of year	<u>\$ 355,000</u>	<u>\$ 335,000</u>

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2023</u>	<u>Comparative 2022</u>
Subject to expenditure for specified purpose:		
Programs	\$ 17,124	\$ 13,809
Facility expansion	<u>-</u>	<u>115,500</u>
Total subject to expenditure for specified purpose	17,124	129,309
Subject to the passage of time	<u>519,812</u>	<u>366,724</u>
Total net assets with donor restrictions	<u>\$ 536,936</u>	<u>\$ 496,033</u>

During the years ended June 30, 2023 and 2022, the Organization released net assets of \$244,797 and \$158,924, respectively, for program services.

NOTE 9 - COMMITMENT

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

NOTE 10 - CONTRIBUTED NONFINANCIAL ASSETS

Contributed nonfinancial assets consisted of the following at June 30:

	2023	Comparative 2022
Animal handling	\$ 274	\$ 1,150
Professional services	288	-
Food	9,338	8,267
Payroll services	4,464	5,824
Supplies	371	187
Total	<u>\$ 14,735</u>	<u>\$ 15,428</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 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 11 - SPECIAL EVENTS

Special events activities consisted of the following at June 30:

	2023	Comparative 2022
Special event revenues		
Contributions	\$ 2,475	\$ 7,297
Raffle sales	<u>73,020</u>	<u>70,838</u>
Gross event revenues	75,495	78,135
Less: contributions	<u>(2,475)</u>	<u>(7,297)</u>
Total special event revenues	<u>73,020</u>	<u>70,838</u>
Special event expenses		
Direct benefit to donors	28,800	28,800
Other costs	<u>6,819</u>	<u>6,479</u>
Total special event expenses	<u>35,619</u>	<u>35,279</u>
Special events, net	<u>\$ 37,401</u>	<u>\$ 35,559</u>

NOTE 12 - LEASES

The Organization adopted FASB ASU 2016-02, Topic 842, *Leases*, in fiscal year 2023. In accordance with the standard, 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.

NOTE 12 - (Continued)

Lease – Catwalk 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 \$15,361 for the year ended June 30, 2023.

The right-to-use lease asset and related liability consists of the following at June 30, 2023:

Right-of-use operating lease asset	
Leased office space	\$ 120,336
Accumulated amortization	<u>(11,503)</u>
Right-of-use lease asset, net	<u>\$ 108,833</u>
Operating lease liability	<u>\$ 109,794</u>
Discount rate	5.0%
Remaining lease term	64 months

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

2024	\$ 22,032
2025	22,696
2026	23,378
2027	24,368
2028	24,947
Thereafter	<u>8,348</u>
Total lease payments	125,769
Less imputed discount	<u>(15,975)</u>
Total present value of operating lease liability	109,794
Less: operating lease liability, due within one year	<u>22,032</u>
Operating lease liability, net of current portion	<u>\$ 87,762</u>

There were no noncash investing and financing transactions related to leasing other than the transition entry to adopt the new lease standard described in Note 1.

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, however the lease was bought out subsequent to year end (Note 14). Total lease expense was \$20,000 for the year ended June 30, 2023.

NOTE 12 - (Continued)

Short-Term Lease – Catwalk 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 \$31,260 and \$28,800 for the years ended June 30, 2023 and 2022, respectively.

NOTE 13 - 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.

	2023	Comparative 2022
Financial assets at year end:		
Cash and cash equivalents	\$ 221,479	\$ 405,447
Short-term investments	-	500,000
Accounts receivable	1,334	534
Unconditional promises to give	695,015	426,525
Total financial assets	<u>917,828</u>	<u>1,332,506</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	536,936	496,033
Less net assets with purpose and time restrictions to be met in less than a year	<u>104,187</u>	<u>36,571</u>
Total amount not available to be used within one year	<u>432,749</u>	<u>459,462</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>335,000</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 130,079</u>	<u>\$ 538,044</u>

NOTE 14 - SUBSEQUENT EVENTS

Lease Buyout – Allen Heights

In December 2023, the Organization purchased the property located at 289 Dalton Avenue, Pittsfield, MA 01201, which it had originally been leasing (Note 12), for \$400,000, which was paid with a promissory note.