
BERKELEY-EAST BAY
HUMANE SOCIETY, INC.
dba Berkeley Humane

FINANCIAL STATEMENTS

December 31, 2016

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2015)

CROSBY & KANEDA
Certified Public Accountants

Dedicated to Nonprofit Organizations

BERKELEY-EAST BAY HUMANE SOCIETY, INC.
dba Berkeley Humane

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Berkeley-East Bay Humane Society, Inc. (dba Berkeley Humane)
Berkeley, California

Report on the Financial Statements

We have audited the accompanying financial statements of Berkeley-East Bay Humane Society, Inc. (dba Berkeley Humane), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Berkeley-East Bay Humane Society, Inc. (dba Berkeley Humane) as of December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Berkeley-East Bay Humane Society, Inc. (dba Berkeley Humane)'s December 31, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 2, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Certified Public Accountants

Oakland, California

April 19, 2017

BERKELEY-EAST BAY HUMANE SOCIETY, INC.
dba Berkeley Humane

Statement of Financial Position
December 31, 2016
(With Comparative Totals as of December 31, 2015)

	2016	2015
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,763,548	\$ 2,821,391
Certificates of deposit	-	199,472
Accounts receivable	-	30,642
Prepaid expenses	34,181	32,197
Total current assets	2,797,729	3,083,702
Property and equipment, net (Note 3)	979,301	964,605
Trust receivable (Note 4)	63,687	65,915
Total Assets	\$ 3,840,717	\$ 4,114,222
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 75,510	\$ 122,204
Accrued vacation	47,404	40,921
Total Liabilities	122,914	163,125
Commitments and Contingencies (Notes 6 and 7)		
Net Assets		
Unrestricted	2,995,910	3,205,733
Temporarily restricted (Note 8)	721,893	745,364
Total Net Assets	3,717,803	3,951,097
Total Liabilities and Net Assets	\$ 3,840,717	\$ 4,114,222

See Notes to the Financial Statements

BERKELEY-EAST BAY HUMANE SOCIETY, INC.
dba Berkeley Humane

Statement of Activities
For the Year Ended December 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

	Unrestricted	Temporarily Restricted	Total	
			2016	2015
Support and Revenue				
Support				
Foundation and community grants	\$ 145,750	\$	\$ 145,750	\$ 97,500
Contributions	733,124	129,637	862,761	814,902
Bequests	506,148		506,148	341,930
Special event, net (Note 9)	56,225		56,225	77,355
In-kind support (Note 10)	98,531		98,531	85,306
Total support	<u>1,539,778</u>	<u>129,637</u>	<u>1,669,415</u>	<u>1,416,993</u>
Revenue				
Adoptions	127,603		127,603	151,131
Hospital services	53,505		53,505	103,727
Training	72,057		72,057	68,179
Interest and investment income, net	1,718		1,718	6,998
Change in beneficial interest in trusts	(2,228)		(2,228)	15,217
Miscellaneous	23,223		23,223	24,266
Total revenue	<u>275,878</u>	<u>-</u>	<u>275,878</u>	<u>369,518</u>
Net assets released from donor restrictions (Note 8)	<u>153,108</u>	<u>(153,108)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>1,968,764</u>	<u>(23,471)</u>	<u>1,945,293</u>	<u>1,786,511</u>
Expenses				
Program				
Adoption	649,268		649,268	672,670
Hospital	613,518		613,518	594,513
Training	144,180		144,180	115,189
Other	208,238		208,238	173,082
Total Program	<u>1,615,204</u>		<u>1,615,204</u>	<u>1,555,454</u>
Management and general	232,138		232,138	226,187
Fundraising	331,245		331,245	453,208
Total Expenses	<u>2,178,587</u>	<u>-</u>	<u>2,178,587</u>	<u>2,234,849</u>
Change in net assets	(209,823)	(23,471)	(233,294)	(448,338)
Net Assets, beginning of year	<u>3,205,733</u>	<u>745,364</u>	<u>3,951,097</u>	<u>4,399,435</u>
Net Assets, end of year	<u>\$ 2,995,910</u>	<u>\$ 721,893</u>	<u>\$ 3,717,803</u>	<u>\$ 3,951,097</u>

See Notes to the Financial Statements

BERKELEY-EAST BAY HUMANE SOCIETY, INC.
dba Berkeley Humane

Statement of Cash Flows
For the Year Ended December 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

	2016	2015
Cash flows from operating activities		
Change in net assets	\$ (233,294)	\$ (448,338)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	60,254	57,448
Changes in assets and liabilities:		
Accounts receivable	30,642	165,304
Prepaid expenses	(1,984)	(12,295)
Trust receivable	2,228	45,983
Accounts payable and accrued expenses	(46,694)	2,824
Accrued vacation	6,483	8,047
Net cash provided (used) by operating activities	(182,365)	(181,027)
Cash flows from investing activities		
Net sales and purchases of certificates of deposit	199,472	848,403
Purchase of property and equipment	(74,950)	(57,479)
Net cash provided (used) by investing activities	124,522	790,924
Net change in cash and cash equivalents	(57,843)	609,897
Cash and cash equivalents, beginning of year	2,821,391	2,211,494
Cash and cash equivalents, end of year	\$ 2,763,548	\$ 2,821,391
Supplemental Disclosure:		
Interest paid	\$ 262	\$ 294

See Notes to the Financial Statements

BERKELEY-EAST BAY HUMANE SOCIETY, INC.
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Statement of Functional Expenses
For the Year Ended December 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

	Program	Management and General	Fundraising	Total	
				2016	2015
Salaries	\$ 818,197	\$ 164,021	\$ 194,650	\$ 1,176,868	\$ 1,146,079
Employee benefits	93,621	16,895	20,139	130,655	107,612
Payroll taxes	69,784	13,989	16,602	100,375	105,049
Total personnel	<u>981,602</u>	<u>194,905</u>	<u>231,391</u>	<u>1,407,898</u>	<u>1,358,740</u>
Professional services	31,000	14,492	8,310	53,802	91,097
Advertising	91,713	66	61,438	153,217	240,037
Office supplies and expenses	34,382	3,774	3,774	41,930	32,753
Occupancy	111,143	5,975	2,390	119,508	118,905
Information technology	13,107	1,439	1,439	15,985	17,330
Equipment rental and maintenance	23,905	2,624	2,624	29,153	20,050
Travel and meals	2,895	561	1,580	5,036	7,567
Interest	-	238	24	262	294
Conferences and meetings	5,271	-	960	6,231	2,171
Depreciation	56,036	3,013	1,205	60,254	57,448
Insurance	5,604	615	615	6,834	5,097
Bank, license and service fees	6,191	2,152	11,245	19,588	26,197
Medical and other supplies/services	135,254	167	1,411	136,832	151,802
Miscellaneous	19,292	2,117	2,117	23,526	20,055
In-kind services	97,809	-	722	98,531	85,306
Total Expenses	<u>\$ 1,615,204</u>	<u>\$ 232,138</u>	<u>\$ 331,245</u>	<u>\$ 2,178,587</u>	<u>\$ 2,234,849</u>

See Notes to the Financial Statements

BERKELEY-EAST BAY HUMANE SOCIETY, INC.
DBA BERKELEY HUMANE

Notes to the Financial Statements
For the Year Ended December 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

NOTE 1: NATURE OF ACTIVITIES

The Berkeley-East Bay Humane Society, Inc. dba Berkeley Humane (the Organization) is a California nonprofit public benefit corporation, which serves the people and animals of the community by providing life-saving programs for cats and dogs, cultivating compassion, and strengthening the human-animal bond.

We provide the following programs.

Adoption Center: The primary purpose of the Organization is to place 100% of healthy and treatable animals in loving homes and to offer programs that enrich animals' lives and make them more adoptable.

Veterinary Hospital: The on-site veterinary hospital provides animals with continuous medical oversight and care during their stay with us. Berkeley Humane runs the only veterinary hospital in the East Bay dedicated to exclusively serving shelter animals, and can treat conditions that fall well outside the range of what most shelters can care for, including a variety of medical procedures from eye surgeries to hip surgeries.

PAWS Safety Net Services provide resources that prevent animals from entering the public shelter system whenever possible. Safety net services include:

Behavior Advice Line and Training Classes: The Organization offers affordable dog training classes (from Puppy Kindergarten through Advanced Obedience) using gentle, positively reinforced training methods and a behavior advice line that provides expert advice on managing a range of behavioral issues.

Subsidized Veterinary Care and Pet Food Pantry: The Subsidized Veterinary Care and Pet Food Pantry program supports individuals and families who are low-income. The Pet Food Pantry provides the resource boost needed to keep animals out of the shelters and in their homes. With dedicated grant funding, the Organization is also able to offer free or subsidized veterinary care to low-income pet guardians.

Low-Cost Spay/Neuter and Vaccine Services: In the fall of 2016, the Organization launched Spay the Bay, a low-cost spay/neuter and vaccine clinic to help assist seniors, students, and other low-income and vulnerable populations in Berkeley and the surrounding region by offering spay/neuter and vaccination services on a sliding scale.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis of Presentation

The Organization presents information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net

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Notes to the Financial Statements
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assets, and permanently restricted net assets. The three classes are differentiated by donor restrictions.

Unrestricted net assets – consist of resources which have not been specifically restricted by a donor. Unrestricted net assets may be designated for specific purposes by the Organization or may be limited by contractual agreements with outside parties.

Temporarily restricted net assets – represent contributions whose use is limited by donor-imposed stipulations that expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. Temporarily restricted net assets may also include accumulated appreciation of permanently restricted endowment funds that have not been appropriated by the Organization.

Permanently restricted net assets – represent contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization, other asset enhancements and diminishments subject to the same kinds of stipulations or reclassifications from or to other classes of net assets as a consequence of donor-imposed stipulations. There were no permanently restricted net assets as of December 31, 2016.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of contribution. Contributions to be received after one year are discounted at an appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Unrestricted contributions and grants are recorded as unrestricted revenue when received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. It is the Organization's policy to lift the restrictions on cash or other assets received for the acquisition of long-lived assets when the long-lived assets are placed into service.

Income Taxes

The Internal Revenue Service and the California Franchise Tax Board have determined that the Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and the California Revenue and Taxation Code Section 23701(d). The Organization has evaluated its current tax positions as of December 31,

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Notes to the Financial Statements
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(With Comparative Totals for the Year Ended December 31, 2015)

2016 and is not aware of any significant uncertain tax positions for which a reserve would be necessary. The Organization's tax returns are generally subject to examination by federal and state taxing authorities for three and four years, respectively after they are filed.

Contributed Services

Contributed services are reflected in the financial statements at the fair value of the services received only if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Estates and Trusts

The Organization may be a named beneficiary of various estates. Unless the ultimate amount available for distribution can be determined before the close of probate proceedings, the Organization does not record these amounts until the time of asset distribution. Trusts in which the Organization is named as an irrevocable beneficiary are recorded when the Organization is notified by the trustee of the Organization's interest in the trust and the ownership percentage and valuation of the interest is determined.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all money market funds and other highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 - Inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the assets or liability.

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Notes to the Financial Statements
For the Year Ended December 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

The Organization had no assets or liabilities recorded at fair value on December 31, 2016.

Concentration of Credit Risk

At times, the Organization may have deposits in excess of federally insured limits. The risk is managed by maintaining all deposits in high quality financial institutions.

Property and Equipment

Property and equipment purchased by the Organization is recorded at cost. The Organization capitalizes all expenditures for property and equipment over \$1,500; the fair value of donated fixed assets is similarly capitalized. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment or the related lease terms as follows:

Furniture and equipment	5-7 years
Vehicles	5-15 years
Building improvements	15 years

Construction in progress is depreciated over the useful lives of the respective assets when they are ready for their intended use.

Expenditures for major renewals and betterments that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Management reviews long-lived assets for impairment when circumstances indicate the carrying amount of the asset may not be recoverable.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

Reclassifications

Certain accounts in the prior year's summarized information have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

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Notes to the Financial Statements
For the Year Ended December 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

Subsequent Events

The Organization has evaluated subsequent events and has concluded that as of April 19, 2017, the date that the financial statements were available to be issued, there were no significant subsequent events to disclose

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
Furniture and equipment	\$ 303,687	\$ 237,472
Vehicles	195,259	195,259
Building and improvements	750,965	747,757
Construction in progress	470,938	465,410
Land	85,214	85,214
Less: Accumulated depreciation	<u>(826,762)</u>	<u>(766,507)</u>
Total	<u>\$ 979,301</u>	<u>\$ 964,605</u>

NOTE 4: TRUST RECEIVABLE

The Organization is the irrevocable beneficiary of certain trusts. These resources are neither in the possession of, nor under the control of the Organization, may include assets that are difficult to liquidate and may otherwise not be readily available for the Organization's use.

The Organization generally receives periodic distributions from trusts with a final distribution on the termination of the trusts as determined by the trustee and trust terms. Activity and balances for the trusts were as follows for the year ended December 31:

	<u>2016</u>	<u>2015</u>
Beneficial interest in trusts, beginning of year	\$ 65,915	\$ 111,898
Change in beneficial interest in trusts	(2,228)	15,217
Distributions	<u>-</u>	<u>(61,200)</u>
Beneficial interest in trusts, end of year	<u>\$ 63,687</u>	<u>\$ 65,915</u>

NOTE 5: LINE OF CREDIT

The Organization has a line of credit secured by assets held at an investment bank. The amount of available credit may vary depending on the pledged collateral available. As of December 31, 2016 there was no outstanding balance on the line.

NOTE 6: COMMITMENTS

Operating Leases

The Organization leases office space under non-cancelable leases that expire on January 30, 2018 as well as leases for certain operating equipment that expire in 2017 and 2018.

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DBA BERKELEY HUMANE**

**Notes to the Financial Statements
For the Year Ended December 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)**

Future minimum lease payments were as follows for the years ended December 31:

2017	\$ 63,101
2018	9,106
2019	<u>1,636</u>
Total	<u>\$ 78,843</u>

Rent for the years ended December 31, 2016 and 2015 was \$54,520 and \$59,890, respectively.

NOTE 7: CONTINGENCIES

Grant Awards

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. The Organization's management is of the opinion that the Organization has complied with the terms of all grants.

NOTE 8: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available as follows as of December 31:

	<u>2016</u>	<u>2015</u>
Fire relief	\$ 634,012	\$ 634,012
Future periods	62,881	65,109
Hospital	<u>25,000</u>	<u>46,243</u>
Total	<u>\$ 721,893</u>	<u>\$ 745,364</u>

Temporarily restricted net assets were released from donor restriction by incurring expenses satisfying the purposes specified by donors as follows during the year ended December 31:

	<u>2016</u>	<u>2015</u>
Adoption	\$ 3,825	\$ 3,381
Capital campaign	22,440	19,880
Future periods	-	61,200
Hospital	103,843	39,391
PAWS Program	<u>23,000</u>	<u>2,843</u>
Total	<u>\$ 153,108</u>	<u>\$ 126,695</u>

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Notes to the Financial Statements
For the Year Ended December 31, 2016
(With Comparative Totals for the Year Ended December 31, 2015)

NOTE 9: SPECIAL EVENT

The Organization held a fundraising event during the year at which an admission fee was charged. Activity related to the event was as follows during the years ended December 31:

	<u>2016</u>	<u>2015</u>
Admission	\$ 49,983	\$ 55,158
Donations and sponsorships	17,988	39,991
Merchandise sales	1,699	835
Less: Costs of direct donor benefit	<u>(13,445)</u>	<u>(18,629)</u>
Total	<u>\$ 56,225</u>	<u>\$ 77,355</u>

NOTE 10: IN-KIND SUPPORT

In-kind support consisted of approximately \$98,531 and \$85,306 in donated advertising services for the years ended December 31, 2016 and 2015, respectively.

NOTE 11: VOLUNTEER EFFORT

In addition to the activity reflected on the financial statements, the Organization receives significant volunteer support in the areas of animal care, foster care, adoption counseling and other Organizational activities. Total estimated hours were 40,449 and 20,214 during the years ended December 31, 2016 and 2015, respectively.

NOTE 12: JOINT COSTS OF ACTIVITIES THAT INCLUDED FUNDRAISING APPEALS

The Organizations engaged in direct mail activity and advertising activity that included both a program and fundraising component. The costs of these activities were allocated between fundraising and program costs as follows for the year ended December 31, 2016:

Costs allocated to program activities	\$ 91,713
Costs allocated to fundraising activities	<u>61,438</u>
Total	<u>\$ 153,151</u>