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

FINANCIAL STATEMENTS

December 31, 2015

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2014)

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, 2015, 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.

Auditor's 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, 2015, 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, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 5, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Certified Public Accountants

Oakland, California

May 2, 2016

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

Statement of Financial Position
December 31, 2015
(With Comparative Totals as of December 31, 2014)

	2015	2014
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,821,391	\$ 2,211,494
Certificates of deposit	199,472	1,047,875
Accounts receivable	30,642	195,946
Prepaid expenses	32,197	19,902
Total current assets	3,083,702	3,475,217
Property and equipment, net (Note 3)	964,605	964,574
Trust receivable (Note 4)	65,915	111,898
Total Assets	\$ 4,114,222	\$ 4,551,689
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 122,204	\$ 119,380
Accrued vacation	40,921	32,874
Total Liabilities	163,125	152,254
Commitments and Contingencies (Notes 6 and 7)		
Net Assets		
Unrestricted	3,205,733	3,651,488
Temporarily restricted (Note 8)	745,364	747,947
Total Net Assets	3,951,097	4,399,435
Total Liabilities and Net Assets	\$ 4,114,222	\$ 4,551,689

See Notes to the Financial Statements

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

Statement of Activities
For the Year Ended December 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)

	Unrestricted	Temporarily Restricted	Total	
			2015	2014
Support and Revenue				
Support				
Foundation and community grants	\$ 50,000	\$ 47,500	\$ 97,500	\$ 111,694
Contributions	753,507	61,395	814,902	703,890
Bequests	341,930		341,930	897,702
Special event, net (Note 9)	77,355		77,355	39,956
In-kind support (Note 10)	85,306		85,306	29,264
Total support	<u>1,308,098</u>	<u>108,895</u>	<u>1,416,993</u>	<u>1,782,506</u>
Revenue				
Adoptions	151,131		151,131	507,620
Hospital services	103,727		103,727	121,326
Training	68,179		68,179	63,956
Interest and investment income, net	6,998		6,998	13,924
Change in beneficial interest in trusts		15,217	15,217	(4,419)
Miscellaneous	24,266		24,266	16,759
Total revenue	<u>354,301</u>	<u>15,217</u>	<u>369,518</u>	<u>719,166</u>
Net assets released from donor restrictions (Note 8)	<u>126,695</u>	<u>(126,695)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>1,789,094</u>	<u>(2,583)</u>	<u>1,786,511</u>	<u>2,501,672</u>
Expenses				
Program	1,555,454		1,555,454	1,207,435
Management and general	226,187		226,187	365,806
Fundraising	453,208		453,208	788,826
Total Expenses	<u>2,234,849</u>	<u>-</u>	<u>2,234,849</u>	<u>2,362,067</u>
Change in net assets	(445,755)	(2,583)	(448,338)	139,605
Net Assets, beginning of year	<u>3,651,488</u>	<u>747,947</u>	<u>4,399,435</u>	<u>4,259,830</u>
Net Assets, end of year	<u>\$ 3,205,733</u>	<u>\$ 745,364</u>	<u>\$ 3,951,097</u>	<u>\$ 4,399,435</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, 2015
(With Comparative Totals for the Year Ended December 31, 2014)

	2015	2014
Cash flows from operating activities		
Change in net assets	\$ (448,338)	\$ 139,605
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	57,448	45,028
Changes in assets and liabilities:		
Accounts receivables	165,304	(108,118)
Prepaid expenses	(12,295)	15,377
Trust receivable	45,983	59,246
Accounts payable and accrued expenses	2,824	(4,758)
Accrued vacation	8,047	1,781
Net cash provided (used) by operating activities	(181,027)	148,161
Cash flows from investing activities		
Net sales and purchases of certificates of deposit	848,403	910,807
Purchase of property and equipment	(57,479)	(490,579)
Net cash provided (used) by investing activities	790,924	420,228
Net change in cash and cash equivalents	609,897	568,389
Cash and cash equivalents, beginning of year	2,211,494	1,643,105
Cash and cash equivalents, end of year	\$ 2,821,391	\$ 2,211,494
Supplemental Disclosure:		
Interest paid	\$ 294	\$ 1,632

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, 2015
(With Comparative Totals for the Year Ended December 31, 2014)

	Program				Total Program	Management and General	Fundraising	Total	
	Adoption	Hospital	Training	Other				2015	2014
Salaries	\$ 361,967	\$ 322,675	\$ 80,327	\$ 110,533	\$ 875,502	\$ 148,859	\$ 121,718	\$ 1,146,079	\$ 1,232,896
Employee benefits	30,408	27,230	7,117	7,440	72,195	23,221	12,196	107,612	129,428
Payroll taxes	33,178	29,576	7,363	10,131	80,248	13,644	11,157	105,049	111,565
Total personnel	<u>425,553</u>	<u>379,481</u>	<u>94,807</u>	<u>128,104</u>	<u>1,027,945</u>	<u>185,724</u>	<u>145,071</u>	<u>1,358,740</u>	<u>1,473,889</u>
Professional services		14,370	7,110		21,480	20,452	49,165	91,097	89,005
Advertising	41,817	32,999	40	2,349	77,205	81	162,751	240,037	277,417
Office supplies and expenses	10,682	7,559	1,273	1,823	21,337	3,602	7,814	32,753	42,949
Occupancy	33,891	32,103	6,375	8,716	81,085	5,619	32,201	118,905	128,427
Information technology	5,452	3,818	580	884	10,734	1,137	5,459	17,330	15,798
Equipment rental and maintenance	10,700	3,881	850	369	15,800	102	4,148	20,050	23,432
Travel and meals	2,292	1,181	97	403	3,973	637	2,957	7,567	5,353
Interest					-	294	-	294	1,632
Conferences and meetings	818	886	81	108	1,893	165	113	2,171	2,092
Depreciation	12,239	11,606	2,321	3,081	29,247	4,727	23,474	57,448	45,028
Insurance	1,478	1,402	280	372	3,532	571	994	5,097	6,893
Bank, license and service fees	5,737	4,966	164	257	11,124	1,536	13,537	26,197	24,564
Medical and other supplies/services	52,180	97,505	684	323	150,692	274	836	151,802	156,044
Miscellaneous	8,435	2,756	197	3,190	14,578	1,266	4,211	20,055	40,280
In-kind services	61,396		330	23,103	84,829	-	477	85,306	29,264
Total Expenses	<u>\$ 672,670</u>	<u>\$ 594,513</u>	<u>\$ 115,189</u>	<u>\$ 173,082</u>	<u>\$ 1,555,454</u>	<u>\$ 226,187</u>	<u>\$ 453,208</u>	<u>\$ 2,234,849</u>	<u>\$ 2,362,067</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, 2015
(With Comparative Totals for the Year Ended December 31, 2014)**

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 is dedicated to placing homeless animals with committed caretakers; to developing healthy relationships between pets and people through education, training and counseling; and to promoting the humane treatment of all animals.

We provide the following programs for companion animals and their caretakers.

Adoption Center: The primary purpose of the Organization is to shelter homeless companion animals until they are placed in suitable homes, and to educate the public about the ramifications and responsibilities of pet ownership.

Veterinary Hospital: The hospital provides medical care and oversight and spay/neuter services to the Organization's shelter population, as well as the veterinary care for animals at Berkeley Animal Care Services (BACS), the local municipal shelter. The hospital also provides limited medical care for animals for a short period of time immediately after they are adopted so they are not rejected from the home and returned to the shelter.

Education and Training: The Organization provides education and dog training classes (including training for juvenile and difficult to handle dogs), reducing the potential that dogs will be rejected from the home and returned to the shelter.

PAWS (Pets Are Wonderful Support)/East Bay: The program provides support for the pets of low-income people in our community, seniors and those with life-threatening illnesses, or disabilities. By providing volunteer-based services and supplies to our clients, PAWS/East Bay aims to preserve the important human-animal bond and prevent relinquishment to shelters.

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 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.

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Notes to the Financial Statements
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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.

Permanently restricted net assets – represent contributions whose use is limited by donor-imposed stipulations that require the gift to be invested in perpetuity. The income from such invested assets, including realized and unrealized gains, is generally available to support the activities of the Organization. Donors may also restrict all or part of the income and/or appreciation from these investments to permanently restricted net assets, resulting in increases/decreases to these net assets. There were no permanently restricted net assets as of December 31, 2015.

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.

Accounts Receivable

The Organization considers all accounts receivable to be fully collectible at December 31, 2015. Accordingly, no allowance for doubtful accounts was deemed necessary. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

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, 2015 and is not aware of any significant uncertain tax positions for which a reserve

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Notes to the Financial Statements
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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 inputs are 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 are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

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Notes to the Financial Statements
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(With Comparative Totals for the Year Ended December 31, 2014)

Level 3 inputs are unobservable inputs for the assets or liability.

The Organization had no assets or liabilities recorded at fair value on December 31, 2015.

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. Impairment is recognized if the sum of the undiscounted estimated future cash flows expected to result from the use of the asset is less than the carrying value. When an impairment loss is recognized, the asset's carrying value is reduced to its estimated fair value.

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, 2014, from which the summarized information was derived.

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Notes to the Financial Statements
For the Year Ended December 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)

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.

Subsequent Events

The Organization has evaluated subsequent events and has concluded that as of May 2 2016, 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>2015</u>	<u>2014</u>
Furniture and equipment	\$ 237,472	\$ 198,379
Vehicles	195,259	195,259
Building and improvements	747,757	733,615
Construction in progress	465,410	461,410
Land	85,214	85,214
Less accumulated depreciation	<u>(766,507)</u>	<u>(709,303)</u>
Total	<u>\$ 964,605</u>	<u>\$ 964,574</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 and may not be immediately available for the Organization's use.

The value of the Knowles Trust was \$65,915 and \$111,898 as of December 31, 2015 and 2014, respectively.

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

	<u>2015</u>	<u>2014</u>
Beneficial interest in trusts, beginning of year	\$ 111,898	\$ 171,144
Investment return, net of expenses	15,217	(4,419)
Distributions from trusts	<u>(61,200)</u>	<u>(54,827)</u>
Beneficial interest in trusts, end of year	<u>\$ 65,915</u>	<u>\$ 111,898</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, 2015 there was no outstanding balance on the line.

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Notes to the Financial Statements
For the Year Ended December 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)

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

2016	\$ 60,801
2017	58,464
2018	<u>5,836</u>
Total	<u>\$ 125,101</u>

Rent for the years ended December 31, 2015 and 2014 was \$59,890 and \$52,210, 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>2015</u>	<u>2014</u>
Fire relief	\$ 634,012	\$ 634,012
Future periods	65,109	111,092
Hospital	46,243	-
PAWS Program	<u>-</u>	<u>2,843</u>
Total	<u>\$ 745,364</u>	<u>\$ 747,947</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>2015</u>	<u>2014</u>
Adoption	\$ 3,381	\$ 61,592
Capital campaign	19,880	30,342
Future periods	61,200	55,633

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For the Year Ended December 31, 2015
(With Comparative Totals for the Year Ended December 31, 2014)

Hospital	39,391	31,261
PAWS Program	2,843	17,422
Other	<u>-</u>	<u>2,595</u>
Total	<u>\$ 126,695</u>	<u>\$ 198,845</u>

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>2015</u>	<u>2014</u>
Admission	\$ 55,158	\$ 31,990
Donations and sponsorships	39,991	14,175
Merchandise sales	835	1,481
Less: Costs of direct donor benefit	<u>(18,629)</u>	<u>(7,690)</u>
Total	<u>\$ 77,355</u>	<u>\$ 39,956</u>

NOTE 10: IN-KIND SUPPORT

In-kind support consisted of approximately \$85,306 and \$29,264 in donated advertising services for the years ended December 31, 2015 and 2014, respectively.

NOTE 11: VOLUNTEER EFFORT

In addition to the activity reflected on the financials the Organization receives significant volunteer support in the areas of animal care, foster care, adoption counseling and other Organizational activities.

Estimated total hours for such volunteer efforts were 20,214 and 20,731 for the years ended December 31, 2015 and 2014, respectively.

NOTE 12: JOINT COSTS OF ACTIVITIES THAT INCLUDED FUNDRAISING APPEALS

The Organizations engaged in direct mail 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, 2015:

Costs allocated to program activities	\$ 54,990	
Costs allocated to fundraising activities	<u>31,330</u>	
Total	<u>\$ 86,320</u>	