



Berkeley- East Bay Humane Society

Financial Statements

**For the Year Ended
December 31, 2023**

With Independent Auditors' Report Thereon

BERKELEY-EAST BAY HUMANE SOCIETY

(A California Not-for-Profit Corporation)

Mission, Vision, and Values Statements




MISSION

Berkeley Humane serves the people and animals of our community by providing life-saving programs for cats and dogs, cultivating compassion, and strengthening the human-animal bond.

VISION

Because the well-being of animals reflects the well-being of our community, we engage minds, hearts and hands to provide care for dogs and cats in the East Bay.

VALUES

-  Respect
-  Care
-  Community

Programs

Berkeley-East Bay Humane Society provides the following programs.

Adoption Center

The primary purpose of Berkeley-East Bay Humane Society 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

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.

Board of Directors and Management Team

Name	Position	Name	Position
Dan Lang	President	Haley Heslip	Member
Dr. Alan Shriro	Vice President	Heidi Hill	Member
Debra Crow	Treasurer	Jai Koolwal	Member
Romy Harness	Secretary	Shawna Kovacs	Member
Jason Abrams	Member	Mareijke Weidemann	Member
Erin Cahill	Member	Elizabeth Zaborowska	Member
Trisha Colton	Member	Jeffery Zerwekh	Executive Director
Karen Dixon	Member	Latonya Thompson	Director of Finance & HR

BERKELEY-EAST BAY HUMANE SOCIETY

(A California Not-for-Profit Corporation)

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BERKELEY-EAST BAY HUMANE SOCIETY

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C E R T I F I E D P U B L I C A C C O U N T A N T S
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INDEPENDENT AUDITORS' REPORT

The Board of Directors
 Berkeley-East Bay Humane Society

Opinion

We have audited the accompanying financial statements of Berkeley-East Bay Humane Society (a California nonprofit organization) which comprise of the statements of financial position as of December 31, 2023 and the related statements of activities and changes in net assets, cash flows, and functional expenses 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 Berkeley-East Bay Humane Society as of December 31, 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Berkeley-East Bay Humane Society 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 Berkeley-East Bay Humane Society's ability to continue as a going concern for one year after the date that the financial statements are available to be issued December 13, 2023.

INDEPENDENT AUDITORS' REPORT *(continued)*

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 Berkeley-East Bay Humane Society'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 Berkeley-East Bay Humane Society'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.

Report on Summarized Comparative Information

We have previously audited Berkeley-East Bay Humane Society's December 31, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 12, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Danville, California
August 8, 2024

Regalia & Associates

BERKELEY-EAST BAY HUMANE SOCIETY

Statements of Financial Position December 31, 2023 and 2022

Assets

	2023	2022
Cash and cash equivalents	\$ 421,773	\$ 470,874
Investments	2,924,510	2,570,696
Accounts receivable	2,287	-
Prepaid expenses and other current assets	57,984	44,867
Total current assets	3,406,554	3,086,437
Noncurrent Assets:		
Property and equipment, net	874,539	853,725
Operating lease right of use	582,851	132,779
Investments	4,591,052	4,369,291
Beneficial interest in trust	6,977	51,369
Deposits and other noncurrent assets	6,526	6,000
Total noncurrent assets	6,061,945	5,413,164
Total assets	\$ 9,468,499	\$ 8,499,601

Liabilities and Net Assets

Current Liabilities:		
Accounts payable and accrued liabilities	\$ 109,103	\$ 44,804
Payroll liabilities	206,675	186,209
Operating lease liability - current portion	137,069	135,952
Note payable to SBA (EIDL)	4,425	4,305
Total current liabilities	457,272	371,270
Noncurrent Liabilities:		
Note payable to SBA (EIDL)	104,164	120,629
Operating lease liability - noncurrent portion	445,782	5,296
Total liabilities	1,007,218	497,195
Net Assets:		
Without donor restrictions:		
Undesignated - operating activities	3,595,093	3,133,324
Board designated - rebuilding activities	899,666	899,666
Total net assets without donor restrictions	4,494,759	4,032,990
With donor restrictions - time or purpose	3,966,522	3,969,416
Total net assets	8,461,281	8,002,406
Total liabilities and net assets	\$ 9,468,499	\$ 8,499,601

BERKELEY-EAST BAY HUMANE SOCIETY

Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2023
(with Summarized Financial Information for the Year Ended December 31, 2022)

	2023			
	Net Assets		Totals	
	Without Donor Restrictions	With Donor Restrictions	2023	2022
Changes in net assets:				
<i>Contributed income:</i>				
Individuals	\$ 1,694,179	\$ 142,198	\$ 1,836,377	\$ 2,402,383
Bequests	328,264	-	328,264	817,936
Foundations	66,000	73,000	139,000	248,010
Corporate	116,438	-	116,438	108,867
Contributions of nonfinancial assets	859,882	-	859,882	758,850
Special events gross revenue	472,054	-	472,054	361,871
Less: cost of direct benefits to donors	(94,667)	-	(94,667)	(67,441)
Total contributed income	3,442,150	215,198	3,657,348	4,630,476
<i>Earned revenue:</i>				
Adoptions, net of discounts and refunds	173,162	-	173,162	132,175
Hospital services	156,407	-	156,407	133,097
Training	117,629	-	117,629	110,659
Product sales and other earned income	11,686	-	11,686	15,174
Investment income	312,373	-	312,373	155,989
Realized investment losses	(242,984)	-	(242,984)	(254,743)
Unrealized investment gains (losses)	272,775	-	272,775	(347,761)
Change in beneficial interest in trusts	-	608	608	(1,553)
Total earned revenue	801,048	608	801,656	(56,963)
Net assets released from restrictions:	218,700	(218,700)	-	-
Total revenue and support	4,461,898	(2,894)	4,459,004	4,573,513
<i>Expenses:</i>				
Programs	3,467,934	-	3,467,934	3,114,177
General and administrative	220,837	-	220,837	157,411
Fundraising	311,358	-	311,358	262,937
Total expenses	4,000,129	-	4,000,129	3,534,525
Increase (decrease) in net assets	461,769	(2,894)	458,875	1,038,988
Net assets at beginning of year	4,032,990	3,969,416	8,002,406	6,963,418
Net assets at end of year	\$ 4,494,759	\$ 3,966,522	\$ 8,461,281	\$ 8,002,406

BERKELEY-EAST BAY HUMANE SOCIETY

Statements of Cash Flows For the Years Ended December 31, 2023 and 2022

	2023	2022
<i>Cash flows from operating activities:</i>		
Increase in net assets	\$ 458,875	\$ 1,038,988
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	71,709	70,664
Amortization of operating right of use asset and operating lease liabilities	(8,469)	8,469
Net losses (gains) from investment activity	(342,164)	446,515
Change in beneficial interest in trusts	(608)	1,553
Changes in:		
Accounts receivable	(2,287)	2,004
Grants, pledges, and other receivables	-	515,000
Deposits	(526)	-
Prepaid expenses and other current assets	(13,117)	7,706
Beneficial interest in trust	45,000	-
Accounts payable and accrued liabilities	64,299	12,934
Payroll liabilities	20,466	13,957
Net cash provided by operating activities	293,178	2,117,790
<i>Cash flows from investing activities:</i>		
Acquisition of investments	(1,226,076)	(2,660,420)
Proceeds from investments	992,665	901,904
Acquisition of property and equipment	(92,523)	(75,910)
Net cash used for investing activities	(325,934)	(1,834,426)
<i>Cash flows from financing activities:</i>		
Principal payments made under note payable to SBA (EIDL)	(16,345)	(20,079)
Net cash used for financing activities	(16,345)	(20,079)
Net increase (decrease) in cash and cash equivalents	(49,101)	263,285
Cash and cash equivalents at beginning of year	470,874	207,589
Cash and cash equivalents at end of year	\$ 421,773	\$ 470,874
<i>Supplemental Disclosures:</i>		
Interest expense	\$ 3,347	\$ 3,790
Taxes paid	\$ 200	\$ 200

BERKELEY-EAST BAY HUMANE SOCIETY

**Statement of Functional Expenses
For the Year Ended December 31, 2023**

(with Summarized Financial Information for the Year Ended December 31, 2022)

	Programs	General and Adminis- trative	Fund- raising	Total Expenses 2023	Total Expenses 2022
Compensation: and benefits					
Salaries	\$ 1,811,103	\$ 125,087	\$ 85,739	\$ 2,021,929	\$ 1,841,335
Payroll taxes	136,921	9,431	6,151	152,503	141,286
Retirement contributions	57,209	3,942	2,571	63,722	47,555
Benefits	131,609	8,931	(124)	140,416	118,442
Total compensation and benefits	2,136,842	147,391	94,337	2,378,570	2,148,618
Advertising and events	168,997	1,041	85,430	255,468	265,734
Conferences and meetings	2,003	3,768	1,151	6,922	5,801
Depreciation	66,690	1,434	3,585	71,709	70,664
Dues, licenses, and service fees	15,309	410	31,253	46,972	35,542
Information technology	19,813	-	10,919	30,732	21,537
In-kind services	254,616	-	-	254,616	206,804
Insurance	35,473	-	-	35,473	33,421
Interest	-	3,347	-	3,347	3,790
Medical supplies and services	262,203	-	355	262,558	197,228
Miscellaneous expenses	58,975	35,663	9,728	104,366	46,555
Occupancy	195,191	4,939	7,512	207,642	216,451
Professional fees	104,494	19,730	64,776	189,000	164,026
Supplies and administrative	140,695	-	-	140,695	110,485
Travel and hospitality	6,633	3,114	2,312	12,059	7,869
Total expenses	\$ 3,467,934	\$ 220,837	\$ 311,358	\$ 4,000,129	\$ 3,534,525

Notes to Financial Statements
December 31, 2023 and 2022

1. Organization

Berkeley-East Bay Humane Society ("Berkeley Humane") was incorporated in 1927 as a California tax-exempt, non-profit corporation. Berkeley Humane 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.

2. Summary of Significant Accounting Policies

Basis of Presentation – The financial statements of Berkeley Humane have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("US GAAP").

Measure of Operations – The statements of activities reflect all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to Berkeley Humane's ongoing operations which include a variety of programmatic activities. Nonoperating activities are limited to resources that generate return from interest-bearing deposits and other activities considered to be of a more unusual or nonrecurring nature.

Cash and Cash Equivalents – Cash and cash equivalents include all monies in FDIC-insured bank accounts and highly liquid investments with maturity dates of less than three months. Cash equivalents include short-term interest-bearing investments in money market and liquid asset accounts. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Concentrations of Credit Risk – Financial instruments that potentially subject Berkeley Humane to concentrations of credit risk consist principally of cash and cash equivalents and deposits. Berkeley Humane maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. Berkeley Humane manages deposit concentration risk by placing cash and money market accounts with financial institutions believed to be creditworthy.

To date, Berkeley Humane has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and grants receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from reputable organizations and foundations supportive of Berkeley Humane's mission.

Accounts, Grants and Pledges Receivable – Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization, if applicable, is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

Berkeley Humane determined that no allowance for doubtful uncollectible accounts receivable is needed based on historical experience, an assessment of economic conditions, and a review of subsequent collections. It is the policy of the organization to periodically assess receivables to determine proper carrying value.

Notes to Financial Statements
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies *(continued)*

Investments – Investments are reported at fair value with gains and losses included in the statement of activities and changes in net assets. Berkeley Humane follows the provisions of *ASC 958.320, Investments – Debt and Equity Securities of Not-for-Profit Entities* and has estimated the fair value of its investments using available market information and other valuation methodologies. Accordingly, the estimates presented are not necessarily indicative of the amounts that Berkeley Humane could realize in a current market exchange. The use of different assumptions and/or estimation methods may have a material effect on the estimated fair value amounts. The estimates are based on pertinent information available to management as of December 31, 2023 and 2022. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, current estimates of fair value may differ significantly from the statements presented.

Investments include money market funds, certificates of deposit, and mutual funds. Purchased investments are initially stated at cost. Investments received by gift are recorded at market value at the date of contribution. Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included on the statement of activities and changes in net assets.

Berkeley Humane’s investments consist of a diverse mixture of funds established for a variety of purposes. As required by ASC 958.320, net assets associated with investments are classified and reported based on the existence or absence of donor-imposed restrictions. Berkeley Humane has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, Berkeley Humane classifies as net assets with donor restrictions – in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Comparative Financial Information – The accompanying financial statements include certain prior-year summarized comparative information in total but not by functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the audited financial statements for the year ended December 31, 2022, from which the summarized information was derived.

Contributions of Nonfinancial Assets – Donated services and in-kind contributions are reflected at the fair value of the contributions received in accordance with *ASU 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The contributions of services, equipment, and other materials are recognized if they (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Contributed Services – Volunteers donate a substantial amount of time to Berkeley Humane. While significant in value, these services are not recorded in the financial statements since they are not susceptible to objective measurement or valuation.

Notes to Financial Statements
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies *(continued)*

Functional Allocation of Expenses – The costs of providing program and other activities have been summarized on a functional basis in the statements of activities in accordance with the requirements of *ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*, which requires CIF to report expenses by their natural classification. Every natural expense must be broken out into individual functional categories on an analysis of expenses by their nature and function. Accordingly, certain costs have been allocated among services and supporting services benefited. Such allocations are determined by management on an equitable basis. A majority of expenses (salaries, wages, and payroll taxes, among others) have been distributed based on time and effort using Berkeley Humane’s payroll allocations. Other expenses have been allocated in accordance with the specific services received from vendors or other rational allocation methods.

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

Reclassifications – Certain prior year amounts have been reclassified to conform to fiscal year 2023 presentation. These changes had no impact on previously reported changes in net assets.

Unearned Revenue (Advance Ticket Sales) – Subscriptions for the subsequent August-through-July program season are recorded as advance ticket sales and are recognized as revenue in the subsequent fiscal year in accordance with *ASU No. 2014-09*.

Advertising (Marketing and Promotion) – Marketing and promotion costs are incurred by Berkeley Humane to promote its programs and are expensed as incurred. Marketing and promotion expense amounted to \$255,468 and \$265,734 for the years ended December 31, 2023 and 2022, respectively, and such costs are reflected on the statement of functional expenses.

Property and Equipment – Berkeley Humane’s policy is to record acquisitions of property and equipment at cost or, if donated, at fair market value on the date of donation. Depreciation expense is calculated using the straight-line method over the estimated useful lives which range from five to 40 years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities.

Costs of maintenance and repairs are expensed currently. Berkeley Humane reviews the carrying values of all assets for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated economic utility and/or future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. Berkeley Humane has determined that no long-lived assets were impaired during the years ended December 31, 2023 and 2022.

Notes to Financial Statements
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies *(continued)*

Fair Value Measurements – Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions.

The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). Berkeley Humane groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2: Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3: Unobservable inputs that cannot be corroborated by observable market data.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing model of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset or liability.

Revenue and Revenue Recognition – Revenue is recognized in accordance with authoritative guidance, including *ASU 2018-08, Not-for-Profit Entities (Topic 605)* and *ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606)*.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. A transfer of funds with a conditional promise to contribute are accounted for as a refundable advance until the conditions have been substantially met. Certain payments received include both elements of contributed income and earned income, and management evaluates such transactions to determine the proper revenue rules to apply and to bifurcate the revenue components. When applicable, revenue earned under a contractual arrangement (an “exchange transaction”) is recognized when earned and therefore measured as services are provided in accordance with Topic 606.

Notes to Financial Statements
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies *(continued)*

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized.

Net Assets – Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Thus, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions represent funds which are available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has the ability to designate, from net assets without donor restrictions, net assets for certain board-designated purposes, and it has opted to do so as of December 31, 2023 and 2022. Components of Board-Designated net assets are provided in Note 18.

Net Assets With Donor Restrictions

Net assets with donor restrictions represent funds which are subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions can be perpetual in nature, where the donor stipulates that such resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Income Taxes – Berkeley Humane is organized as California nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as organizations described in IRC Section 501(c)(3), qualify for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be private foundations under IRC Sections 509(a)(1) and (3), respectively. Berkeley Humane is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. Berkeley Humane is not required to file an Exempt Organization Business Income Tax Return (Form 990-T) because it had no unrelated business taxable income for the years ended December 31, 2023 and 2022.

Berkeley Humane has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. The exemptions are subject to periodic review by the federal and state taxing authorities and management is confident that Berkeley Humane continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status.

Recent and Relevant Accounting Pronouncements – The following pronouncements are relevant to Berkeley Humane:

In August 2016, the FASB issued *ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return.

Notes to Financial Statements
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies *(continued)*

In August 2014, the FASB issued *ASU 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40) Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern*, which requires an organization’s management to evaluate whether there are conditions and events, considered in the aggregate, that raise substantial doubt about an entity’s ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable). As of August 8, 2024 (the date of the Independent Auditors’ Report), management has made this evaluation and has determined that Berkeley Humane has the ability to continue as a going concern.

In June 2018, the FASB issued *ASU 2018-08, Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The FASB issued this update to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this Update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

In May 2014, the FASB completed its Revenue Recognition project by issuing *ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606)*. This guidance establishes the principles to report useful information to users of financial statements about the nature, timing, and uncertainty of revenue from contracts with customers. The guidance (1) removes inconsistencies and weaknesses in existing revenue requirements, (2) provides a more robust framework for addressing revenue issues, (3) improves comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets, (4) provides more useful information to users of financial statements through improved disclosure requirements, and (5) simplifies the preparation of financial statements by reducing the number of requirements to which an organization must refer.

In November 2016, the FASB issued *ASU 2016-18, Restricted Cash*. This guidance requires entities to show the changes in the total of cash, cash equivalents, restricted cash, and restricted cash equivalents in the statement of cash flows. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. When cash, cash equivalents, restricted cash, and restricted cash equivalents are presented in more than one line item on the statements of financial position, the new guidance requires a reconciliation of the totals in the statement of cash flows to the related captions in the statements of financial position.

In September 17, 2021, the FASB issued *Accounting Standards Update (ASU) 2020-07; Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The Update increases transparency around contributed nonfinancial assets (also known as “gifts-in-kind”) received by non-profit organizations, including transparency on how those assets are used and how they are valued. The Update requires that an organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. It also requires that an organization disclose:

Notes to Financial Statements
December 31, 2023 and 2022

2. Summary of Significant Accounting Policies *(continued)*

1. A disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets.
2. For each category of nonfinancial assets recognized:
 - Qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. If utilized, a description of the programs or other activities in which those assets were used.
 - The organization's policy (if any) about monetizing rather than utilizing contributed nonfinancial assets.
 - A description of any donor-imposed restrictions associated with the contributed nonfinancial assets
 - A description of the valuation techniques and inputs used to arrive at a fair value measure in accordance with requirements in *Topic 820, Fair Value Measurement*, at initial recognition.

The principal market (or most advantageous market) used to arrive at a fair value measure if it is a market in which the recipient not-for-profit is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets.

3. Cash and Cash Equivalents

Cash and cash equivalents of \$421,773 and \$470,874 at December 31, 2023 and 2022, respectively, include all funds in banks (cash on hand and noninterest-bearing checking) with original commitment durations of 90 days or less. Cash balances are available for general operating purposes and, except for cash on hand, are domiciled in noninterest-bearing accounts.

4. Accounts Receivable

Accounts receivable of \$2,287 at December 31, 2023 represent amounts due to Berkeley Humane for services performed. There were no accounts receivable at December 31, 2022.

Berkeley Humane uses the direct write-off method with regards to receivables deemed uncollectible. During the years ended December 31, 2023 and 2022, Berkeley Humane recognized no bad debt expense.

5. Beneficial Interest in Trust

Berkeley Humane has been named as a beneficiary of a certain irrevocable charitable remainder trust. This trust was created independently by a donor and is held and administered by an independent trustee. Therefore, Berkeley Humane has neither possession nor control over the assets of the trust.

BERKELEY-EAST BAY HUMANE SOCIETY

Notes to Financial Statements December 31, 2023 and 2022

5. Beneficial Interest in Trust *(continued)*

During the lifetime of the income beneficiary, Berkeley Humane may receive distributions from the trust with a final distribution on the termination of the trust as determined by the trustee and trust terms. The amounts paid to the income beneficiary may be different than the income earned by the trust during any given year, with any difference being added to or subtracted from the trusts' corpus. The trust terminates upon the death of the income beneficiary and remaining corpus at that time will be distributed to Berkeley Humane for its ongoing operating activities.

The value of the gift at the time of donation was based on the then-present value of the estimated benefits to be received by Berkeley Humane at the termination of the trust. Annual changes in the value of the trust is reported as an increase or decrease in net assets with donor restrictions in the statement of activities and changes in net assets.

Berkeley Humane has determined that the estimated fair value of the beneficial interest in the trust (domiciled with Wells Fargo Advisors) amounted to \$6,977 and \$51,369 at December 31, 2023 and 2022, respectively. The change in the value of the beneficial interest in trust amounted to \$608 and (\$1,553) for the years ended December 31, 2023 and 2022 respectively, and is reflected as a component of net assets with donor restrictions on the statement of activities and changes in net assets. During the year ended December 31, 2023, Berkeley Humane received a distribution of \$45,000 from the trust, and this has been reflected as a component of net assets released from restrictions.

6. Investments

Investments consist of the following at December 31:

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
Money market mutual funds	\$ 984,327	\$ 984,327	\$ 1,361,004	\$ 1,361,004
Domestic equities	964	3,013	8,049	17,473
Exchange traded funds	6,609,989	6,528,222	5,936,508	5,561,510
Total investments	\$ 7,595,280	\$ 7,515,562	\$ 7,305,561	\$ 6,939,987

During the years ended December 31, 2023 and 2022, earnings on investments were reinvested. Investments are recorded at cost when purchased. Investments received by gift are recorded at fair value at the date of contribution. Investment income consists of interest and dividends and amounted to \$312,373 and \$155,989 for the years ended December 31, 2023 and 2022, respectively.

Realized and unrealized gains and losses are reflected on the statement of activities and changes in net assets. Realized investment losses amounted to (\$242,984) and (\$254,743) for the years ended December 31, 2023 and 2022, respectively. Unrealized investment gains (losses) amounted to \$272,775 and (\$347,761) for the years ended December 31, 2023 and 2022, respectively.

BERKELEY-EAST BAY HUMANE SOCIETY

Notes to Financial Statements
December 31, 2023 and 2022

6. Investments *(continued)*

Berkeley Humane has a Finance Committee which has the responsibility for establishing Berkeley Humane's return objectives (generally lower rates of return associated with more stable and safer investments) and to define the risk parameters (generally low risk securities, certificates of deposit and mutual funds). The committee routinely oversees investment performances and reviews cash flows necessary to sustain Berkeley Humane's operating activities.

Investment net asset composition by type of fund is summarized as follows as of December 31, 2023:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Donor-restricted investment funds	\$ -	\$ 3,966,522	\$ 3,966,522
Board-designated investment funds	3,549,040	-	3,549,040
Total investments	\$ 3,549,040	\$ 3,966,522	\$ 7,515,562

Changes in investment net assets for the year ended December 31, 2023 are summarized as follows:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Investments at beginning of year	\$ 2,969,018	\$ 3,970,969	\$ 6,939,987
Investment income:			
Interest and dividends	312,264	-	312,264
Realized investment losses	(242,984)	-	(242,984)
Unrealized investment losses	272,775	-	272,775
Total investment income	342,055	-	342,055
Net acquisition (disposition) of investments	237,967	(4,447)	233,520
Investments at end of year	\$ 3,549,040	\$ 3,969,522	\$ 7,515,652

Investment net asset composition by type of fund is summarized as follows as of December 31, 2022:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Donor-restricted investment funds	\$ -	\$ 3,970,969	\$ 3,970,969
Board-designated investment funds	2,969,018	-	2,969,018
Total investments	\$ 2,969,018	\$ 3,970,969	\$ 6,939,987

BERKELEY-EAST BAY HUMANE SOCIETY

Notes to Financial Statements
December 31, 2023 and 2022

6. Investments *(continued)*

Changes in investment net assets for the year ended December 31, 2022 are summarized as follows:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Investments at beginning of year	\$ 2,667,150	\$ 2,960,836	\$ 5,627,986
Investment income:			
Interest and dividends	155,989	-	155,989
Realized investment losses	(254,743)	-	(254,743)
Unrealized investment losses	(347,761)	-	(347,761)
Total investment income	(446,515)	-	(446,515)
Net acquisition of investments	748,383	1,010,133	1,758,516
Investments at end of year	\$ 2,969,018	\$ 3,970,969	\$ 6,939,987

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires Berkeley Humane to retain as a fund of perpetual duration. In accordance with ASU 2016-14, deficiencies of this nature would be reported in net assets with donor restrictions – time restricted. There were no deficiencies of this nature as of December 31, 2023 and 2022. These deficiencies could arise in the future from unfavorable market fluctuations that occur after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that is deemed prudent by the Finance Committee and the Board of Directors.

Return Objectives and Risk Parameters

Berkeley Humane has adopted investment and spending policies for investments that attempt to provide a predictable stream of funding to programs supported by its investments while seeking to maintain the purchasing power of all marketable assets. The organization’s investments include those assets of donor-restricted funds that Berkeley Humane must hold temporarily for a donor-specified period(s) or in perpetuity in accordance with donor instructions. Under this policy, as approved by the Finance Committee and the Board of Directors, the investments are structured in a manner that is intended to produce results that approximate the price and yield results of the general market conditions (Dow Jones Industrial Average) while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, Berkeley Humane relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Berkeley Humane targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

BERKELEY-EAST BAY HUMANE SOCIETY

Notes to Financial Statements December 31, 2023 and 2022

6. Investments *(continued)*

Spending Policy and How the Investment Objectives Relate to Spending Policy

Berkeley Humane has periodically appropriated a portion of investments earnings for operations. Berkeley Humane currently seeks to promote growth of its investment funds for the purpose of creating a pool of investments that will generate income for support of its operations in the future. In establishing this policy, Berkeley Humane considered the long-term expected return on its investments. Accordingly, over the long term, Berkeley Humane expects the current spending policy to allow its investments to achieve annual growth. This is consistent with Berkeley Humane's objective to maintain the purchasing power of the investments held for a specified term as well as to provide additional real growth through new gifts and investment return.

7. Liquidity

Berkeley Humane regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the safeguarding of its available funds. Berkeley Humane has various sources of liquidity at its disposal, including cash and cash equivalents and other sources (including the future collection of receivables).

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Berkeley Humane considers all expenditures related to its mission, as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, Berkeley Humane anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. The following table shows the total financial assets held by Berkeley Humane and the amounts of those financial assets readily available within one year of the balance sheet date to meet general expenditures:

	2023	2022
Cash and cash equivalents	\$ 421,773	\$ 470,874
Investments	7,515,562	6,939,987
Subtotal	7,937,335	7,410,861
Less: amounts not available to be used within one year:		
Net assets with donor restrictions for programs	(3,966,522)	(3,969,416)
Financial assets available to meet general expenditures over the next twelve months	\$ 3,970,813	\$ 3,441,445

Berkeley Humane receives a substantial amount of support by way of restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, Berkeley Humane must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets from these restricted contributions may not be available for general expenditures within one year.

As part of Berkeley Humane's liquidity management, the organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

BERKELEY-EAST BAY HUMANE SOCIETY

Notes to Financial Statements
December 31, 2023 and 2022

8. Fair Value Measurements

Composition of investments utilizing fair value measurements at December 31, 2023 is as follows:

	Totals	Level 1	Level 2	Level 3
Investments	\$ 7,515,562	\$ 7,515,562	\$ -	\$ -
Accounts receivable	2,287	-	2,287	-
Beneficial interest in trust	6,977	-	-	6,977
Totals	\$ 7,524,826	\$ 7,515,562	\$ 2,287	\$ 6,977

Composition of investments utilizing fair value measurements at December 31, 2022 is as follows:

	Totals	Level 1	Level 2	Level 3
Investments	\$ 6,939,987	\$ 6,939,987	\$ -	\$ -
Beneficial interest in trust	51,369	-	-	51,369
Totals	\$ 6,991,356	\$ 6,939,987	\$ -	\$ 51,369

Fair value measurements establish a fair value hierarchy that prioritizes the input used to measure fair value, as detailed under summary of significant accounting policies on page 9 of these footnotes.

Assets Classified as Level 3: The significant unobservable inputs used in the fair value measurement of Level 3 asset (beneficial interest in trust) are the estimated fair values of the underlying assets comprising the investment administered by Wells Fargo Advisors established by the donor. The change in value of the underlying assets in Berkeley Humane’s beneficial interest in the trust amounted to \$608 and (\$1,553) for the years ended December 31, 2023 and 2022, respectively.

9. Contributions of Nonfinancial Assets

During the years ended December 31, 2023 and 2022, Berkeley Humane was the recipient of certain in-kind contributions. In accordance with [ASU 2020-07](#), Berkeley Humane has determined that the estimated values of these goods and services were as follows for the years ended December 31:

	2023	2022
Net proceeds from vehicle donations	\$ 55,070	\$ 29,271
Contributions to Berkeley Humane Thrift Shop	550,196	522,775
Medical services for adoption animals	254,616	206,804
Total contributions of nonfinancial assets	\$ 859,882	\$ 758,850

All of the contributions of nonfinancial assets were utilized during the years ended December 31, 2023 and 2022. The valuation of the services provided were made based on estimated values of services which approximate market values of comparable services from other providers. None of the items listed above were made with donor restrictions and none of the items were monetized by Berkeley Humane.

BERKELEY-EAST BAY HUMANE SOCIETY

Notes to Financial Statements
December 31, 2023 and 2022

9. Contributions of Nonfinancial Assets *(continued)*

Berkeley Humane also received donated services from volunteers in connection with its fundraising events. Such services were not recognized in the accompanying financial statements because they did not meet the criteria for recognition under *ASC 958.605*.

10. Property and Equipment

Property and equipment consist of the following at December 31:

	2023		2022
Land	\$ 85,214	\$	85,214
Building and improvements	806,964		790,221
Construction in progress	508,656		481,476
Furniture and equipment	382,341		333,741
Vehicles	223,529		223,529
Less: accumulated depreciation	(1,132,165)		(1,060,456)
Property and equipment, net	\$ 874,539	\$	853,725

Depreciation expense amounted to \$71,709 and \$70,664 for the years ended December 31, 2023 and 2022, respectively. During the year ended December 31, 2022, Berkeley Humane disposed of fully depreciated property and equipment with original cost basis of \$5,100. There was no gain or loss related to the removal of these assets. There were no disposals during the year ended December 31, 2023.

11. Operating Right of Use Asset and Leases

Berkeley Humane occupies its premises (office and thrift shop) under multi-year operating leases expiring January 31, 2026 and February 28, 2029, respectively. As of December 31, 2023, the leases require a total monthly remittance of \$11,679 which then increases to \$13,013 effective March 1, 2023. Total rental expense for premises amounted to \$131,388 and \$143,825 for the years ended December 31, 2023 and 2022, respectively. These amounts are included with occupancy expense on the statement of functional expenses.

In accordance with *ASU 2016-02, Leases*, Berkeley Humane is required to reflect the present value of future operating lease payments (discounted at an appropriate borrowing rate) as an "Operating Right of Use" asset and a corresponding operating lease liability. The weighted average discount rate is based on the discount rate implicit in the lease. If the implicit rate is not readily determinable from the lease, Berkeley Humane estimates an applicable incremental borrowing rate. The incremental borrowing rate is estimated using Berkeley Humane's applicable borrowing rates and the contractual lease term. The estimated incremental borrowing rate for the office lease was determined to be 3.52%. Berkeley Humane had no finance leases in effect during the years ended December 31, 2023 and 2022.

BERKELEY-EAST BAY HUMANE SOCIETY

Notes to Financial Statements
December 31, 2023 and 2022

11. Operating Right of Use Asset and Leases *(continued)*

When applicable, Berkeley Humane has elected the short-term lease exemption for all leases with a term of 12 months or fewer for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Additionally, certain immaterial multi-year leases were not capitalized as operating right of use assets. Lease payments under these agreements are recognized on a straight-line basis.

Total operating right of use asset and operating lease liability on the statements of financial position consist of the following at December 31:

	2023	2022
Gross operating right of use asset – premises	\$ 582,851	\$ 330,054
Accumulated amortization operating right of use asset – premises	-	(197,275)
Total operating right of use asset, net	\$ 582,851	\$ 132,779
	2023	2022
Operating lease liability – current portion	\$ 137,069	\$ 135,952
Operating lease liability – noncurrent portion	445,782	5,296
Total operating lease liability	\$ 582,851	\$ 141,248

Total operating lease cost recognized within occupancy expense on the statement of functional expenses is summarized as follows at December 31:

	2023	2022
Amortization of operating lease asset	\$ 136,686	\$ 126,238
Interest on lease liability	3,401	7,391
Lease expense	(8,699)	10,196
Total occupancy expense	\$ 131,388	\$ 143,825

The following summarizes cash flow information related to operating leases as of December 31:

	2023	2022
Principal payments applied to lease liability	\$ 133,285	\$ 118,848
Interest on lease liability	3,401	7,391
Total cash paid for amounts included in measurement of lease liabilities	\$ 136,686	\$ 126,239

The following table represents the weighted-average remaining lease term and discount rate for the operating lease as of December 31, 2023:

Weighted average remaining lease terms (years)	6
Weighted average discount rate	3.52%

BERKELEY-EAST BAY HUMANE SOCIETY

Notes to Financial Statements
December 31, 2023 and 2022

11. Operating Right of Use Asset and Leases *(continued)*

As of December 31, 2023, minimum future lease payments for all operating leases with terms of one year or more are as follows:

Year Ending:	Total
December 31, 2024	\$ 153,687
December 31, 2025	160,210
December 31, 2026	100,697
December 31, 2027	97,874
December 31, 2028	100,812
December 31, 2029	16,884
Total Lease Payments	630,164
Less: Interest	(47,313)
Present value of lease liabilities	\$ 582,851

12. Note Payable to SBA

Economic Injury Disaster Loan: During the year ended December 31, 2020, Berkeley Humane entered into a loan agreement with the U.S. Small Business Administration (SBA) under its Economic Injury Disaster Loan (EIDL) assistance program in response to the impact of COVID-19 on its operations. The original principal balance of the EIDL loan amounted to \$150,000. The loan is collateralized by business assets (receivables, property, equipment, and leasehold improvements) and matures in 30 years (June 7, 2050). Interest accrues at the rate of 2.75% per annum with installment payments of \$641 per month. Interest expense amounted to \$3,347 and \$3,790 for the years ended December 31, 2023 and 2022, respectively. As of December 31, 2023, minimum future principal payments due under the loan agreement are as follows: *Year ending December 31, 2024: \$4,425; Year ending December 31, 2025: \$4,548; Year ending December 31, 2026: \$4,666; Year ending December 31, 2027: \$4,805; Year ending December 31, 2028: \$4,838; and Thereafter: \$85,307.*

13. Compensated Absences (Accrued Payroll and Related Benefits)

Financial statement presentation follows the recommendations of *ASC 710.25, Compensated Absences*. Under ASC 710.25, Berkeley Humane is required to record a liability for the estimated amounts of compensation for future absences. Employees are permitted to accrue a specific number of hours of vacation which is payable upon termination of the employee. Annual leave accruals are recorded in the financial statements as an accrued liability on the statements of financial position based on hourly rates in effect at the end of the year. Accrued vacation payroll liabilities amounted to \$117,986 and \$100,701 at December 31, 2023 and 2022, respectively, and are included with payroll liabilities on the statements of financial position.

Notes to Financial Statements
December 31, 2023 and 2022

14. Advertising

Advertising costs are expensed as incurred. Advertising expenses amounted to \$17,737 and \$17,675 for the years ended December 31, 2023 and 2022, respectively, and are reflected as a component of advertising and events expense on the statement of functional expenses.

15. Net Assets

Net Assets without Donor Restrictions

Net assets without donor restrictions of \$4,494,759 and \$4,032,990 at December 31, 2023 and 2022, respectively, represent the cumulative retained surpluses since the organization's inception.

Board-Designated Funds: In a prior year, the Board of Directors designated \$899,666 for the purpose of certain infrastructure improvements and to set aside funds related to its investment portfolio. All designated funds come under the purview of the Board and its policy to ensure the stability of Berkeley Humane's mission, programs, property, and ongoing operations of the organization.

Net Assets with Donor Restrictions

Berkeley Humane recognizes support from net assets with donor restrictions when the restrictions imposed by the donors have been satisfied or expired. Net assets with donor restrictions consist of the following as of December 31:

	2023	2022
Restricted for beneficial interest in trust	\$ 6,977	\$ 51,369
Restricted or capital improvements	1,500,000	1,500,000
Restricted for capital campaign	2,423,921	2,418,047
Restricted for other programs	35,624	-
Total net assets with donor restrictions	\$ 3,966,522	\$ 3,969,416

Contributions of net assets with donor restrictions amounted to \$215,198 and \$1,203,038 for the years ended December 31, 2023 and 2022, respectively. Net assets released from restrictions amounted to \$218,700 and \$192,905 for the years ended December 31, 2023 and 2022, respectively. These amounts were transferred from net assets with donor restrictions to net assets without donor restrictions on the statement of activities and changes in net assets. The change in the beneficial interest in trust amounted to \$608 and (\$1,553) for the years ended December 31, 2023 and 2022, respectively.

16. Retirement Plan

Berkeley Humane offers employees the opportunity for participation in a salary reduction retirement plan qualified under Internal Revenue Code Section 401(k). The plan has certain eligibility requirements (such as age and length of service requirements) and accepts rollover contributions, allows hardship distributions, and offers a loan option. At its discretion, Berkeley Humane may make matching employer contributions to the Plan, but is not required to do so. During the years ended December 31, 2023 and 2022, Berkeley Humane made contributions totaling \$63,722 and \$47,555, respectively, to the Plan.

Notes to Financial Statements
December 31, 2023 and 2022

17. Allocation of Joint Costs

Berkeley Humane follows the provisions of *ASC 958-720-55-1 "Accounting for Costs of Activities That Include Fundraising."* Under *ASC 958-720-55-1*, Berkeley Humane incurred allocable joint costs of \$316,349 for the informational materials and activity that included fundraising appeals for the year ended December 31, 2023. Of these costs, \$170,287 was allocated to program activities and \$46,062 was allocated to fundraising activities. For the year ended December 31, 2022, Berkeley Humane incurred allocable joint costs of \$221,216 for the informational materials and activity that included fundraising appeals. Of these costs, \$180,695 was allocated to program activities and \$40,521 was allocated to fundraising activities.

18. Commitments and Contingencies

In the normal course of business, Berkeley Humane could be subject to certain commitments and contingencies which might not be fully reflected in the financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) grant restrictions and donor conditions which obligate Berkeley Humane to fulfill certain requirements as set forth in grant instruments, (b) funding levels which vary based on factors beyond Berkeley Humane's control, such as generosity of donors and general economic conditions, (c) employment and service agreements with key management personnel, and (d) financial risks associated with funds on deposit at bank and investment brokerage accounts. Certain of the grants and contracts (including current and prior costs) are subject to audit and final acceptance by the various granting agencies. Management believes that such commitments, contingencies, and risks will not have a material adverse effect on the financial statements.

19. Subsequent Events

In compliance with *ASC 855, Subsequent Events*, Berkeley Humane has evaluated subsequent events through August 8, 2024, the date the financial statements were available to be issued. In the opinion of management, there are no subsequent events which necessitate disclosure.