



Berkeley–East Bay Humane Society

Financial Statements

For the Years Ended
December 31, 2024 *and* 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
Daniel Lang	President	Haley Heslip	Member
Dr. Alan Shiro	Vice President	Jai Koolwal	Member
Erin Cahill	Treasurer	Shawna Kovacs	Member
Romy Harness	Secretary	Mareijke Weidemann	Member
Annie Matuszewicz	Member	Jeffery Zerwekh	Executive Director
Trisha Colton	Member	Latonya Thompson	Director of Finance & HR
Karen Dixon	Member		

Information

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BERKELEY-EAST BAY HUMANE SOCIETY

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INDEPENDENT AUDITOR'S 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 the statement of financial position as of December 31, 2024, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Berkeley-East Bay Humane Society as of December 31, 2024, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 within one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITOR'S 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 auditor's 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 Prior Year Information

We have previously audited Berkley-East Bay Humane Society's financial statements for the year ended December 31, 2024, and we expressed an unmodified audit opinion on those audited financial statements in our reported dated August 8, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

April 21, 2025
Danville, California

Regalia Berger & Berger

Berkeley-East Bay Humane Society

Statements of Financial Position December 31, 2024 and 2023

Assets

	2024	2023
Current Assets:		
Cash	\$ 223,540	\$ 421,773
Program receivables	1,175	2,287
Investments	5,184,174	6,045,626
Prepaid expenses	75,594	57,984
Deposits	6,526	6,526
Total current assets	5,491,009	6,534,196
Noncurrent Assets:		
Property and equipment, net	1,135,734	874,539
Operating lease right-of-use asset	429,136	582,851
Investments	3,484,472	1,469,936
Beneficial interest in trust	6,832	6,977
Total noncurrent assets	5,056,174	2,934,303
Total assets	\$ 10,547,183	\$ 9,468,499

Liabilities and Net Assets

Current Liabilities:		
Accounts payable and accrued liabilities	\$ 94,349	\$ 109,103
Accrued payroll liabilities	233,055	206,675
Current portion of operating lease liability	147,109	137,069
EIDL loan, current portion	5,129	4,425
Total current liabilities	479,642	457,272
Noncurrent Liabilities:		
Operating lease liability, net of current portion	291,823	445,782
EIDL loan, net of current portion	86,656	104,164
Total liabilities	858,121	1,007,218
Net Assets:		
Without donor restrictions		
Undesignated	3,774,057	3,595,093
Board-designated for rebuilding activities	899,666	899,666
Total without donor restrictions	4,673,723	4,494,759
With donor restrictions	5,015,339	3,966,522
Total net assets	9,689,062	8,461,281
Total liabilities and net assets	\$ 10,547,183	\$ 9,468,499

Berkeley-East Bay Humane Society

Statement of Activities and Changes in Net Assets For the Year Ended December 31, 2024

(with Summarized Financial Information for the Year Ended December 31, 2023)

	2024			
	Without	With	Total	Total
	Donor	Donor	2024	2023
	Restrictions	Restrictions		
<i>Changes in net assets:</i>				
Program revenue:				
Hospital services	\$ 174,239	\$ -	\$ 174,239	\$ 156,407
Adoptions, net of discounts and refunds	161,700	-	161,700	173,162
Training	114,635	-	114,635	117,629
Merchandise sales	10,162	-	10,162	8,136
Other program revenue	3,485	-	3,485	3,550
Total program revenue	464,221	-	464,221	458,884
Non-program revenue:				
Investment income, net	200,725	275,555	476,280	342,164
Change in beneficial trust	-	(146)	(146)	608
Special event income	498,798	-	498,798	472,054
Less: cost of direct benefits to donors	(111,928)	-	(111,928)	(94,667)
Appropriated investment income	275,555	(275,555)	-	-
Total non-program revenue	863,150	(146)	863,004	720,159
Contributed revenue:				
Individual contributions	1,739,287	1,124,202	2,863,489	1,836,377
Contributions of nonfinancial assets	913,670	-	913,670	859,882
Bequests	157,982	-	157,982	328,264
Foundations	142,625	-	142,625	139,000
Corporate contributions	78,321	50,000	128,321	116,438
Net assets released from restriction	125,239	(125,239)	-	-
Total contributed revenue	3,157,124	1,048,963	4,206,087	3,279,961
Total revenue and support	4,484,495	1,048,817	5,533,312	4,459,004
<i>Expenses:</i>				
Program	3,781,971	-	3,781,971	3,467,934
General and administrative	191,565	-	191,565	220,837
Fundraising	331,995	-	331,995	311,358
Total expenses	4,305,531	-	4,305,531	4,000,129
Increase in net assets	178,964	1,048,817	1,227,781	458,875
Net assets at beginning of year	4,494,759	3,966,522	8,461,281	8,002,406
Net assets at end of year	\$ 4,673,723	\$ 5,015,339	\$ 9,689,062	\$ 8,461,281

Berkeley-East Bay Humane Society

Statements of Cash Flows For the Years Ended December 31, 2024 and 2023

	2024	2023
<i>Cash flows from operating activities</i>		
Increase in net assets	\$ 1,227,781	\$ 458,875
Adjustments to reconcile increase in net assets to net cash provided by (used for) operating activities:		
Non-cash contribution of securities	(1,121,291)	-
Depreciation	68,098	71,709
Amortization of right of use asset and operating lease liability	9,796	(8,469)
Net losses (gains) from investment activity	(121,768)	(342,164)
Change in beneficial interest in trusts	145	(608)
<i>Changes in:</i>		
Program receivables	1,112	(2,287)
Deposits	-	(526)
Prepaid expenses	(17,610)	(13,117)
Beneficial interest in trust	-	45,000
Accounts payable and accrued liabilities	(14,754)	64,299
Accrued payroll liabilities	26,380	20,466
Net cash provided by operating activities	<u>57,889</u>	<u>293,178</u>
<i>Cash flows from investing activities:</i>		
Purchases of investments	(3,240,337)	(1,226,076)
Proceeds from sales of investments	3,330,313	992,665
Purchases of property and equipment	(329,293)	(92,523)
Net cash used for investing activities	<u>(239,317)</u>	<u>(325,934)</u>
<i>Cash flows from financing activities:</i>		
Principal payments made under EIDL loan	(16,805)	(16,345)
Net cash used for investing activities	<u>(16,805)</u>	<u>(16,345)</u>
Decrease in cash	(198,233)	(49,101)
Cash at beginning of year	421,773	470,874
Cash at end of year	<u>\$ 223,540</u>	<u>\$ 421,773</u>
<i>Supplemental Disclosures:</i>		
Interest expense	\$ 2,887	\$ 3,347
State registration taxes paid	<u>\$ 200</u>	<u>\$ 200</u>

Berkeley-East Bay Humane Society

Statement of Functional Expenses For the Year Ended December 31, 2024

(with Summarized Financial Information for the Year Ended December 31, 2023)

	Programs	General and Adminis- trative	Fund- raising	Total Expenses 2024	Total Expenses 2023
Compensation and benefits:					
Salaries	\$ 2,037,639	\$ 106,960	\$ 122,747	\$ 2,267,346	\$ 2,021,929
Payroll taxes	151,011	8,436	7,477	166,924	152,503
Retirement contributions	60,811	3,361	2,980	67,152	63,722
Other employee benefits	172,137	4,950	1,976	179,063	140,416
Total compensation and benefits	2,421,598	123,707	135,180	2,680,485	2,378,570
Advertising and promotion	192,476	485	65,527	258,488	255,468
Medical supplies and services	238,843	47	1,081	239,971	262,558
In-kind medical services	224,541	-	-	224,541	254,616
Occupancy and right of use amortization	239,796	4,996	4,996	249,788	207,642
Professional fees	117,230	36,560	60,237	214,027	189,000
Supplies and administrative	147,328	9,009	-	156,337	140,695
Miscellaneous expenses	72,811	6,240	5,388	84,439	104,366
Depreciation	63,331	1,362	3,405	68,098	71,709
Dues, licenses, and service fees	9,808	257	38,281	48,346	46,972
Insurance	30,554	-	-	30,554	35,473
Information technology	14,790	-	13,304	28,094	30,732
Travel and hospitality	7,004	1,257	4,596	12,857	12,059
Conferences, conventions, and meetings	1,861	4,758	-	6,619	6,922
Interest	-	2,887	-	2,887	3,347
Total expenses	\$ 3,781,971	\$ 191,565	\$ 331,995	\$ 4,305,531	\$ 4,000,129

**Notes to Financial Statements
December 31, 2024 and 2023**

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"); consequently, revenues and gains are recognized when earned, and expense and losses are recognized when incurred regardless of the timing of cash flows.

Measure of Operations – The statement of activities reports 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. Non-operating activities are limited to resources which generate return from interest-bearing deposits and other activities considered to be of a more unusual or nonrecurring nature.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires Berkeley Humane to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Comparative Financial Information – The accompanying 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 accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with Berkeley Humane's audited financial statements for the year ended December 31, 2023, from which the summarized information was derived.

Reclassifications – Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Financial Instruments and Credit Risk – Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions believed by Berkeley Humane to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. Insured accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. As of December 31, 2024, Berkeley Humane did not have any liquid assets which were in excess of FDIC insurance limits.

**Notes to Financial Statements
December 31, 2024 and 2023**

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

Financial Instruments and Credit Risk *(continued)* – To date, no losses have been experienced in any of these accounts. Credit risk associated with accounts receivable and promises to give is limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies and foundations supportive of Berkeley Humane’s mission. Investments are made by diversified investment managers whose performance is monitored by Berkeley Humane’s Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, Berkeley Humane believes that the investment policies and guidelines are prudent for the long-term welfare of the organization.

Cash and Cash Equivalents – All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Program Receivables and Allowance for Doubtful Accounts – Berkeley Humane’s program receivables consist of receivables from individuals, corporations, and foundations. Historically, Berkeley Humane has collected all its receivables, and as a result management has determined that no allowance for doubtful accounts is necessary as of December 31, 2024 and 2023.

Investments – Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return is reported in the statement of activities and changes in net assets and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Property and Equipment – Berkeley Humane’s policy is to record acquisitions of property and equipment greater than \$2,500, 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 statement of activities and changes in net assets.

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, 2024 and 2023.

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 outlined on the following page.

**Notes to Financial Statements
December 31, 2024 and 2023**

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

Net Assets *(continued)* –

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 any particular purpose, such as an operating reserve, and it has opted to do so as of December 31, 2024 and 2023. Board-designated net assets amounted to \$899,666 as of December 31, 2024 and 2023.

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of funds which are subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those restrictions which 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 resources be maintained in perpetuity. Berkeley Humane reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets.

When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Berkeley Humane reports conditional contributions restricted by donors as increases in net assets without donor restrictions if the restrictions and conditions expire simultaneously in the reporting period. 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.

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.

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. There were no contributed services that met the criteria for recognition for the years ended December 31, 2024 and 2023.

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)*. Revenue from contracts with customers is recognized when Berkeley Humane's related performance obligations are satisfied, either over time or at a point in time. Collections in advance of revenue recognition are recorded as deferred revenue. Contributions are recognized as revenue upon receipt and are recorded based on the existence and/or nature of any donor restrictions. Berkeley Humane's significant revenue streams and the related revenue recognition policies are outlined on the next page.

Notes to Financial Statements
December 31, 2024 and 2023

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

Revenue and Revenue Recognition *(continued)* -

- **Program service fees** – Berkeley Humane provides a variety of program services including adoption services, hospital services, and training classes. These revenues represent exchange transactions and are recognized when the related services are provided. Payments received in advance are deferred until earned.
- **Special Events** – Berkeley Humane hosts various fundraising events and community-based campaigns. Revenue from such events is recognized on the date the event occurs and is presented net of the fair value of any direct donor benefits received, such as meals, merchandise, or entertainment.
- **Contributions** – Berkeley Humane recognizes all contributions when they are received or unconditionally promised, regardless of compliance with restrictions. Contributions without donor-imposed restrictions are reported as net assets without donor restrictions. Contributions with donor-imposed restrictions are reported as net assets with donor restrictions. When the time or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restriction.

Certain payments received include both elements of contributed income and earned income, and these transactions are evaluated to determine the proper revenue rules to apply and to bifurcate the revenue components.

Functional Allocation of Expenses - The costs of providing program and other activities have been summarized on a functional basis in the statement 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*. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied.

Salaries, employee benefits, retirement contributions, payroll taxes, office supplies and expenses, information technology, equipment rental and maintenance, general insurance, and miscellaneous costs have been allocated to functional categories based on estimates of time and effort, consistent with Berkeley Humane's payroll allocations. Occupancy and depreciation expenses have been allocated on a square footage basis. Advertising, promotion, and special event expenses have been allocated using a joint cost allocation methodology. All other expenses are presented by their natural classification.

Advertising and Promotion – The costs of advertising and promotion are charged to expense as incurred. Advertising and promotion expense was \$258,488 and \$255,468 for the years ended December 31, 2024 and 2023, respectively.

**Notes to Financial Statements
December 31, 2024 and 2023**

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

Income Taxes – Berkeley Humane is organized as a 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 required to annually file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entities are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purpose. Berkeley Humane does not file an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS because it had no unrelated business taxable income for the years ended December 31, 2024 and 2023.

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 represent relevant current accounting guidance applicable to nonprofit organizations:

In February 2016, the FASB issued *ASU 2016-02, Leases (Topic 842) Accounting for Leases*, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. Topic 842 was subsequently amended by *ASU No. 2018-01, ASU No. 2018-10*, and *ASU No. 2018-11*. The standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the statements of financial position for all leases with a term longer than 12 months. Berkeley Humane has evaluated its lease agreements in accordance with *ASU 2016-02 (ASC 842)*.

In 2016, the FASB issued *ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which enhanced its guidance on the impairment of financial instruments. The ASU adds to U.S. GAAP an impairment model known as the current expected credit loss (CECL), which is based on expected losses rather than incurred losses. This pronouncement became effective during the year ended December 31, 2024, in accordance with *Topic 326's* implementation date. The adoption of this standard had no impact on Berkeley Humane's financial statements, as Berkeley Humane does not hold any financial assets subject to the CECL model.

3. Cash

The following table provides a reconciliation of cash reported within the statements of financial position to the sum of the corresponding amounts within the statements of cash flows at December 31:

	2024		2023
Checking accounts	\$ 222,365	\$	421,023
Savings accounts	300		-
Petty cash	875		750
Total	\$ 223,540	\$	421,773

**Notes to Financial Statements
December 31, 2024 and 2023**

4. Liquidity and Availability

The following table reflects Berkeley Humane's financial assets as of December 31, 2024 and 2023, reduced by amounts not available for general expenditures within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. Other considerations of nonliquid assets are donor-restricted assets for specific expenditures, contractual reserve requirements, or governing board designations.

Berkeley Humane regularly monitors liquidity required to meet its operating reserves and contractual commitments. The members of the Board meet regularly to review all financial aspects of the organization

	2024	2023
Cash	\$ 223,540	\$ 421,773
Program receivables	1,175	2,287
Operating investments, current portion	1,646,781	2,131,194
	<u>1,871,496</u>	<u>2,555,254</u>
Less those unavailable for general expenditures within one year, due to:		
Restricted net assets - program	<u>(16,162)</u>	<u>(35,624)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,855,334</u>	<u>\$ 2,519,630</u>

Board-designated investment funds consist of funds designated by the board for certain infrastructure improvements. Although Berkeley Humane does not intend to spend from this board-designated investment fund (other than amounts appropriated for infrastructure improvements), these amounts could be made available if necessary.

5. Investments and Fair Value Measurements

Berkeley Humane has an Investment 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. The committee routinely oversees investment performances and reviews cash flows necessary to sustain Berkeley Humane's operating activities.

Return Objectives and Risk Parameters

Berkeley Humane holds unrestricted, donor-restricted funds designated for capital campaign, board-designated funds set aside for rebuilding. Donor-restricted investments are temporarily restricted for specific programmatic or capital purposes and are not subject to donor-imposed permanent restrictions, and, therefore, do not meet the definition of an endowment under [ASC 958-205](#). Board-designated investments are unrestricted net assets that have been set aside by the Board of Directors to support Berkeley Humane's rebuilding efforts. Investments are predominately held in liquid, income-generating accounts to preserve principal and generate modest returns in alignment with anticipated liquidity needs. Management and the Investment Committee actively monitor the investment strategy to ensure appropriate risk management and access to funds as project-related or operational expenses arise.

**Notes to Financial Statements
December 31, 2024 and 2023**

5. Investments and Fair Value Measurements *(continued)*

Investments, by net asset composition, consist of the following at December 31, 2024:

	Unrestricted	Board-designated	Donor-restricted	Total
Exchange-traded funds (ETFs)	\$ 2,087,711	\$ 682,095	\$ 3,802,449	\$ 6,572,255
Real estate investment trust (REIT)	389,577	127,282	709,555	1,226,414
Money market funds	275,232	89,923	501,294	866,449
Equities	1,121	366	2,041	3,528
Total	\$ 2,753,641	\$ 899,666	\$ 5,015,339	\$ 8,668,646

Investments, by net asset composition, consist of the following at December 31, 2023:

	Unrestricted	Board-designated	Donor-restricted	Total
Exchange-traded funds (ETFs)	\$ 2,301,318	\$ 781,474	\$ 3,445,429	\$ 6,528,221
Money market funds	346,993	117,831	519,503	984,327
Equities	1,063	361	1,590	3,014
Total	\$ 2,649,374	\$ 899,666	\$ 3,966,522	\$ 7,515,562

Strategies Employed for Achieving Objectives

To satisfy its overall investment objectives, Berkeley Humane employs a total return investment strategy, seeking both capital appreciation (realized and unrealized) and current income (interest and dividends). The organization maintains a diversified asset allocation, including equity-based investments such as exchange-traded funds (ETFs), to balance risk and return. Portfolio composition emphasizes liquidity, particularly for donor-restricted and board-designated funds for near-term capital expenditures.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Berkeley Humane does not maintain a formal endowment or fixed spending policy. Investment distributions are determined based on projected cash flow needs and are reviewed by the Investment Committee for recommendation and approval by the Board of Directors. Unrestricted investments support general operating activities, while donor-restricted and board-designated funds are drawn down as expenditures are incurred for their intended purposes, including ongoing rebuilding efforts.

Investment income, net is comprised of the following for the year ended December 31, 2024:

	Unrestricted	Board-designated	Donor-restricted	Total
Dividend and interest	\$ 112,613	\$ 36,793	\$ 205,106	\$ 354,512
Realized investment losses	(579)	(189)	(1,056)	(1,824)
Unrealized investment gains	39,260	12,827	71,505	126,592
Appropriation of income	275,555	-	(275,555)	-
Investment income, net	\$ 426,849	\$ 49,431	\$ -	\$ 476,280

**Notes to Financial Statements
December 31, 2024 and 2023**

5. Investments and Fair Value Measurements *(continued)*

Investment income, net is comprised of the following for the year ended December 31, 2023:

	Unrestricted	Board- designated	Donor restricted	Total
Dividend and interest	\$ 110,117	\$ 180,727	\$ 21,529	\$ 312,373
Realized investment losses	(86,656)	(140,581)	(16,747)	(242,984)
Unrealized investment gains	96,158	71,505	105,112	272,775
Appropriation of income	109,894	-	(109,894)	-
Investment income, net	<u>\$ 230,513</u>	<u>\$ 111,561</u>	<u>\$ -</u>	<u>\$ 342,164</u>

Investments are reported at fair value in the financial statements fair value with gains and losses included on the statement of activities and changes in net assets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity.

Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available.

A three-tier hierarchy categorizes the inputs as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.
- Level 3 – Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset 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, considering factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond Berkeley Humane's assessment of the quality, risk, or liquidity profile of the asset.

Net asset value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, is used as a practical expedient to estimate the fair values of certain hedge funds, private equity funds, funds of funds, and limited partnerships, which do not have readily determinable fair values.

**Notes to Financial Statements
December 31, 2024 and 2023**

5. Investments and Fair Value Measurements *(continued)*

Investments that are measured at fair value using NAV per share as a practical expedient are not classified in the fair value hierarchy. 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 following table presents assets measured at fair value on a recurring basis as of December 31, 2024:

	Total	Level 1	Level 2	Level 3
ETFs – Fixed Income and Equities	\$ 3,087,783	\$ 3,087,783	\$ -	\$ -
ETFs – Bonds	3,484,472	-	3,484,472	-
REIT	1,226,414	1,226,414	-	-
Money market funds	866,449	866,449	-	-
Equities	3,528	3,528	-	-
Beneficial interest in trust	6,831	-	-	6,831
Total	\$ 8,675,477	\$ 5,184,174	\$ 3,484,472	\$ 6,831

The following table presents assets measured at fair value on a recurring basis as of December 31, 2023:

	Total	Level 1	Level 2	Level 3
ETFs – Fixed Income and Equities	\$ 5,058,285	\$ 5,058,285	\$ -	\$ -
ETFs – Bonds	1,469,936	-	1,469,936	-
Money market funds	519,503	519,503	-	-
Equities	1,590	1,590	-	-
Beneficial interest in trust	6,977	-	-	6,977
Total	\$ 7,522,539	\$ 6,045,626	\$ 1,469,936	\$ 6,977

6. 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.

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.

**Notes to Financial Statements
December 31, 2024 and 2023**

6. Beneficial Interest in Trust (*continued*)

Berkeley Humane has determined that the estimated fair value of the beneficial interest in the trust (domiciled with Wells Fargo Advisors) amounted to \$6,831 and \$6,977 at December 31, 2024 and 2023, respectively. The change in the value of the beneficial interest in trust amounted to (\$146) and \$608 for the years ended December 31, 2024 and 2023, 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, which was reflected as a component of net assets released from restrictions. Berkeley Humane did not receive any distributions from the trust during the year ended December 31, 2024.

7. Property and Equipment

Property and equipment consist of the following at December 31:

	2024	2023
Land	\$ 85,214	\$ 85,214
Building and improvements	838,804	806,964
Construction in process	784,561	508,656
Furniture and equipment	403,889	382,341
Vehicles	223,529	223,529
Property and equipment	2,335,997	2,006,704
Less: accumulated depreciation	(1,200,263)	(1,132,165)
Total property and equipment, net	<u>\$ 1,135,734</u>	<u>\$ 874,539</u>

Depreciation expense totaled \$68,098 and \$71,709 for the years ended December 31, 2024 and 2023, respectively.

8. Operating Right of Use Asset and Lease Commitments

Berkeley Humane is obligated under a 62-month lease agreement for its Thrift Shop in Berkeley, California, through January 2029. As of December 31, 2024, the lease requires a monthly payment of \$7,500 with an annual increase to \$7,725 in March 2025. Berkeley Humane is also responsible for its proportionate share of building, maintenance, and operating expenses which includes insurance, taxes, and utilities.

Berkeley Humane is obligated under a 25-month lease agreement for its office space in Berkeley, California, through January 2026. As of December 31, 2024, the lease requires a monthly payment of \$5,560 with an increase to \$5,677 in February 2025. Berkeley Humane is also responsible for its proportionate share of building, maintenance, and operating expenses which includes insurance, taxes, and utilities.

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. As the implicit rate is not readily determinable from the lease, Berkeley Humane has elected the option to its incremental borrowing rate of 3.52%.

**Notes to Financial Statements
December 31, 2024 and 2023**

8. Operating Right of Use Asset and Lease Commitments *(continued)*

On November 1, 2024, Berkeley Humane entered into a lease agreement for office space with a lease term beginning November 1, 2024 and ending on October 31, 2025. In accordance with [ASU 2016-02, Leases](#), Berkeley Humane elected the short-term lease exemption policy for leases with terms of 12 months or less that do not include a purchase option that is reasonably certain to be exercised. As such, this lease is not recorded on the statement of financial position. Lease payments under this agreement are recognized on a straight-line basis over the lease term and are included in rent expense in the statement of activities and changes in net assets. Future undiscounted lease payments for Berkeley Humane's operating lease liabilities are as follows as of December 31, 2024:

Year Ending December 31:	Office	Thrift Shop	Other	Total
2025	\$ 67,960	\$ 92,250	\$ 43,153	\$ 203,363
2026	5,677	95,020	1,289	101,986
2027	98,113	-	-	98,113
2028	101,058	-	-	101,058
2029	8,442	-	-	8,442
Total minimum lease payments	281,250	187,270	44,442	512,962
Less: leases not capitalized	-	-	(44,442)	(44,442)
Less: interest	(1,493)	(28,095)	-	(29,588)
Present value of lease liabilities	\$ 279,757	\$ 159,175	\$ -	\$ 438,932

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

	2024	2023
Principal payments applied to lease liability	\$ 142,667	\$ 133,285
Interest on lease liability	15,360	3,401
Total cash paid for amounts included in measurement of lease liabilities	\$ 158,027	\$ 136,686

The following table represents the weighted-average remaining lease term and discount rate for the operating leases as of December 31, 2024:

Weighted average remaining lease terms (years)	4.1
Weighted average discount rate	3.52%

9. EIDL Loan

EIDL Loan Program Under the CARES Act

During the year ended December 31, 2020, Berkeley Humane applied for and received a \$150,000 loan under the U.S. Small Business Administration (SBA) COVID-19 Economic Injury Disaster Loan (EIDL) Program, established through the CARES Act. The EIDL program was designed to provide working capital to eligible businesses suffering temporary revenue losses due to the COVID-19 pandemic. Processing fees of \$100 were incurred in 2020.

The loan has a 30-year term and bears interest at a fixed rate of 2.75% per annum. Interest began accruing upon disbursement in June 2020. Pursuant to the loan agreement, Berkeley Humane is required to make monthly installment payments of approximately \$641, which began in June 2021.

**Notes to Financial Statements
December 31, 2024 and 2023**

9. EIDL Loan *(continued)*

As of December 31, 2024 and 2023, the outstanding loan balance amounted to \$91,785 and \$108,589, respectively. Interest expense incurred totaled \$2,877 and \$3,347, respectively, for the years ended December 31, 2024 and 2023.

Future undiscounted principal payments for Berkeley Humane's EIDL loan are as follows as of December 31:

Year Ending December 31:	Total
2025	\$ 5,129
2026	5,271
2027	5,418
Thereafter	75,967
Total principal payments	\$ 91,785

10. Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions of \$4,673,723 and \$4,494,759 at December 31, 2024 and 2023, respectively, represent the cumulative net surpluses retained by Berkeley Humane 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.

Changes in Board-designated net assets for the year ended December 31, 2024 are as follows:

Board-designated net assets, beginning of year	\$ 899,666
Investment return, net	111,651
Withdrawals	(111,651)
Board-designated net assets, end of year	\$ 899,666

Changes in Board-designated net assets for the year ended December 31, 2023 are as follows:

Board-designated net assets, beginning of year	\$ 899,666
Investment return, net	49,431
Withdrawals	(49,431)
Board-designated net assets, end of year	\$ 899,666

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.

**Notes to Financial Statements
December 31, 2024 and 2023**

10. Net Assets *(continued)*

Net assets with donor restrictions consist of the following as of December 31:

	2024	2023
Restricted for beneficial interest in trust	\$ 6,832	\$ 6,977
Restricted or capital improvements	1,500,000	1,500,000
Restricted for capital campaign	3,506,345	2,423,921
Restricted for other programs	2,162	35,624
Total net assets with donor restrictions	\$ 5,015,339	\$ 3,966,522

Donor restricted contributions for the years ended December 31 are summarized as follows:

	2024	2023
Program	\$ 2,164	\$ 41,993
Capital Campaign	1,172,038	3,923,921
Change in beneficial interest in trust	(146)	608
Total additions to net assets with donor restrictions	\$ 1,174,056	\$ 3,966,522

As of December 31, 2024, net assets with donor restrictions include contributions that are restricted for the construction of a new building. In accordance with [ASC 958-210](#), these donor-imposed restrictions will be released when the building is placed into service. At that time, the related net assets will be reclassified to net assets released from restriction on the statement of activities and changes in net assets. The building is currently under development and is expected to be placed into service during fiscal year 2026.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors for the years ended December 31 and are summarized as follows:

	2024	2023
Program	\$ 21,624	\$ 73,000
Capital Campaign	103,615	100,700
Beneficial interest in trust payment	-	45,000
Total releases from net assets with donor restrictions	\$ 125,239	\$ 218,700

11. 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. Sick leave is not paid upon termination. Annual leave accruals are recorded in the financial statements as an accrued liability based on hourly rates in effect at the end of the fiscal year. Total accrued payroll liabilities amounted to \$233,055 and \$206,675 at December 31, 2024 and 2023, respectively and are reflected on the statements of financial position.

**Notes to Financial Statements
December 31, 2024 and 2023**

12. 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, 2024 and 2023, Berkeley Humane made contributions totaling \$67,151 and \$63,722, respectively, to the Plan.

13. Contributions of Nonfinancial Assets

During the years ended December 31, 2024 and 2023, 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:

	2024	2023
Net proceeds from vehicle donations	\$ 48,910	\$ 55,070
Contributions to Berkeley Humane Thrift Shop	689,128	550,196
Medical services for adoption animals	224,541	254,616
Total	\$ 962,579	\$ 859,882

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.

14. Related Party Transactions

In compliance with [ASC 850, Related Party Disclosures](#), Berkeley Humane has evaluated its related party transactions for the year ended December 31, 2024, and has determined that there were no related party transactions, relationships, or balances that require disclosure in the financial statements.

15. 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 obligates 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 contracts and service agreements with outside contractors, and (d) financial risks associated with funds on deposit at bank and investment brokerage accounts. Management believes such commitments or contingencies have been properly addressed, appropriate amounts have been accrued (where necessary), and there will not be any resolution with a material adverse effect on the financial statements. Certain of the grants and contracts (including current and prior costs) are subject to audit and final acceptance by the granting agencies.

**Notes to Financial Statements
December 31, 2024 and 2023**

16. Subsequent Events

In compliance with [ASC 855, Subsequent Events](#), Berkeley Humane has evaluated subsequent events through April 21, 2025, the date the financial statements were available to be issued. In the opinion of management, there are no subsequent events which necessitate disclosure.