



Berkeley – East Bay Humane Society

Financial Statements

**For the Year Ended
December 31, 2025**

With Comparative Financial Information for 2024

With Independent Auditor's Report Thereon

Berkeley – East Bay Humane Society

(A California nonprofit public benefit corporation)




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

Organization

Berkeley – East Bay Humane Society is a California nonprofit public benefit corporation funded by private donations. Berkeley – East Bay Humane Society serves the people and animals in the East Bay community by providing life-saving programs for cats and dogs, cultivating compassion, and strengthening the human-animal bond.

Berkeley – East Bay Humane Society believes that nobody should have to choose between feeding themselves and feeding their pet. Nobody should have to go without lifesaving vaccines for their pet. And every person and pet deserve a roof over their head – especially during the winter months.

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.

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
- Subsidized Veterinary Care and Pet Food Pantry
- Low-Cost Spay/Neuter and Vaccine Services

Berkeley – East Bay Humane Society

(A California nonprofit public benefit corporation)

**Board of Directors and Management Team for the Year Ended
December 31, 2025**

Position	Name
President	Daniel Lang
Vice President	Dr. Alan Shriro
Treasurer	Erin Cahill
Secretary	Romy Harness
Director	Annie Matusewicz
Director	Trisha Colton
Director	Karen Dixon
Director	Shawna Kovacs
Director	Mareijke Weidemann
Director	Haley Heslip
Director	Jai Koolwal
Executive Director	Jeffery Zerwekh
Director of Finance and Human Resources	Latonya Thompson

Board of Directors

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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 public benefit corporation) which comprise the statement of financial position as of December 31, 2025 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, 2025 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's 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)*

Auditor's 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 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 Summarized Comparative Information

We have previously audited Berkeley – East Bay Humane Society's 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 21, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Danville, California
May 7, 2026

Regalia Berger & Berger

Berkeley – East Bay Humane Society

Statement of Financial Position
As of December 31, 2025
(With Comparative Totals as of December 31, 2024)

	2025	2024
ASSETS		
Current Assets:		
Cash	\$ 517,218	\$ 223,540
Program receivables	556	1,175
Investments	9,704,820	8,668,646
Prepaid expenses	108,797	75,594
Deposits	6,778	6,526
Total current assets	10,338,169	8,975,481
Noncurrent Assets:		
Property and equipment, net	2,780,469	1,135,734
Operating right of use asset - premises	661,526	429,136
Beneficial interest in trust	6,359	6,832
Total noncurrent assets	3,448,354	1,571,702
Total assets	\$ 13,786,523	\$ 10,547,183
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 83,769	\$ 94,349
Accrued payroll liabilities	253,246	233,055
Operating lease liability, current	179,107	147,109
EIDL loan payable, current	19,692	5,129
Total current liabilities	535,814	479,642
Noncurrent Liabilities:		
Operating lease liability, net of current portion	493,581	291,823
EIDL loan payable, net of current portion	54,809	86,656
Total noncurrent liabilities	548,390	378,479
Total liabilities	1,084,204	858,121
Net Assets:		
Without donor restrictions	6,276,323	4,673,723
With donor restrictions	6,425,996	5,015,339
Total net assets	12,702,319	9,689,062
Total liabilities and net assets	\$ 13,786,523	\$ 10,547,183

Berkeley – East Bay Humane Society

Statement of Activities and Changes in Net Assets For the Year Ended December 31, 2025

(With Comparative Totals for the Year Ended December 31, 2024)

	Without Donor Restrictions	With Donor Restrictions	2025	2024
Revenue and support:				
Thrift shop sales	\$ 934,851	\$ -	\$ 934,851	\$ 689,129
Hospital services	236,092	-	236,092	174,239
Adoptions	82,300	-	82,300	161,700
Training services	99,369	-	99,369	114,635
Merchandise sales	2,625	-	2,625	10,162
Other program revenue	4,305	-	4,305	3,485
Gifts and contributions	3,651,094	1,504,626	5,155,720	3,149,792
Contributions of nonfinancial services	107,788	-	107,788	224,541
Grants	51,500	55,000	106,500	142,625
Special events	518,494	-	518,494	498,798
Investment income, net	159,115	224,341	383,456	476,280
Change in value of beneficial trust	-	(473)	(473)	(146)
Net assets released from restriction	372,837	(372,837)	-	-
Total revenue and support	<u>6,220,370</u>	<u>1,410,657</u>	<u>7,631,027</u>	<u>5,645,240</u>
Expenses:				
Program	3,895,881	-	3,895,881	3,865,917
Management and general	241,518	-	241,518	191,565
Fundraising	480,371	-	480,371	359,977
Total expenses	<u>4,617,770</u>	<u>-</u>	<u>4,617,770</u>	<u>4,417,459</u>
Change in net assets	1,602,600	1,410,657	3,013,257	1,227,781
Net assets at beginning of year	<u>4,673,723</u>	<u>5,015,339</u>	<u>9,689,062</u>	<u>8,461,281</u>
Net assets at end of year	<u>\$ 6,276,323</u>	<u>\$ 6,425,996</u>	<u>\$ 12,702,319</u>	<u>\$ 9,689,062</u>

Statement of Cash Flows

For the Year Ended December 31, 2025

(With Comparative Totals for the Year Ended December 31, 2024)

	2025	2024
Operating activities:		
Change in net assets	\$ 3,013,257	\$ 1,227,781
Adjustments to reconcile changes in net assets to net cash provided by (used for) operating activities:		
Depreciation	61,246	68,098
Change in beneficial interest in trust	473	145
Net investment return	(383,456)	(476,280)
Interest expense	(2,408)	(2,887)
Changes in:		
Program receivables	619	1,112
Prepaid expenses	(33,203)	(17,610)
Deposits	(252)	-
Accounts payable and accrued liabilities	(10,580)	(14,754)
Payroll liabilities	20,191	26,380
Operating lease assets and liabilities	1,366	9,796
Net cash provided by operating activities	2,667,253	821,781
Investing activities:		
Purchases of investments	(1,975,000)	(2,147,320)
Sale of investments	1,322,282	1,473,404
Purchases of property and equipment	(1,705,981)	(329,293)
Net cash used for investing activities	(2,358,699)	(1,003,209)
Financing activities:		
Principal payments on loan payable	(14,876)	(16,805)
Net cash used for financing activities	(14,876)	(16,805)
Change in cash and cash equivalents	293,678	(198,233)
Cash and cash equivalents at beginning of year	223,540	421,773
Cash and cash equivalents at end of year	\$ 517,218	\$ 223,540

Berkeley – East Bay Humane Society

Statement of Functional Expenses
For the Year Ended December 31, 2025
(With Comparative Totals for the Year Ended December 31, 2024)

	Program	Management and General	Fundraising	2025 Total	2024 Total
Salaries and wages	\$ 2,152,048	\$ 136,257	\$ 103,874	\$ 2,392,179	\$ 2,267,346
Retirement contributions	59,015	3,161	2,918	65,094	67,152
Other employee benefits	192,894	8,154	3,252	204,300	179,063
Payroll taxes	156,127	8,332	15,362	179,821	166,924
Total personnel	2,560,084	155,904	125,406	2,841,394	2,680,485
Advertising and promotion	147,902	698	92,428	241,028	258,488
Professional services	141,712	52,990	135,554	330,256	214,027
Occupancy expenses	325,763	2,203	780	328,746	249,788
Medical supplies and services	191,536	524	2,172	194,232	239,971
Office supplies and expenses	134,856	10,269	-	145,125	156,337
Special events expense	84,465	-	51,769	136,234	111,928
Contributions of nonfinancial services	107,788	-	-	107,788	224,541
Other program expenses	74,576	8,793	9,659	93,028	84,439
Depreciation	56,959	1,225	3,062	61,246	68,098
Dues, licenses, and service fees	7,674	1,328	37,993	46,995	48,346
Information technology	24,529	100	16,871	41,500	28,094
Insurance	28,408	-	-	28,408	30,554
Travel, meals, and lodging	9,531	437	2,667	12,635	12,857
Conferences, conventions, meetings	98	4,639	2,010	6,747	6,619
Interest expense	-	2,408	-	2,408	2,887
Total Expenses	\$ 3,895,881	\$ 241,518	\$ 480,371	\$ 4,617,770	\$ 4,417,459

Notes to Financial Statements
December 31, 2025 and 2024

1. Organization

Berkeley – East Bay Humane Society, (“Berkeley Humane”) is a California nonprofit public benefit corporation founded in 1927 and dedicated to improving the lives of companion animals and the people who care for them throughout the East Bay community. Berkeley Humane provides animal welfare services through adoption, foster, veterinary, community support, and humane education programs designed to promote compassion, strengthen the human-animal bond, and increase access to care and resources for cats and dogs.

Berkeley Humane operates programs focused on the rescue, care, rehabilitation, and placement of companion animals, as well as programs intended to support pet retention, responsible pet guardianship, and access to veterinary services within the communities it serves. Through these programs, Berkeley Humane seeks to improve animal welfare outcomes while supporting both animals and their caregivers across the East Bay region.

Berkeley Humane is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from California franchise and income taxes under Section 23701d of the California Revenue and Taxation Code and has been classified as a publicly supported organization under Section 509(a)(2) of the Internal Revenue Code.

2. Summary of Significant Accounting Policies

Basis of Accounting – The financial statements of Berkeley Humane have been prepared on the accrual basis of accounting in accordance with U.S. Generally Accepted Accounting Principles (“U.S. GAAP”); consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred regardless of the timing of cash flows.

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 U.S. GAAP. Accordingly, such information should be read in conjunction with Berkeley Humane’s audited financial statements for the year ended December 31, 2024, from which the summarized information was derived. Certain prior-year disclosures have been omitted because they are not required for the current-year presentation.

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.

Cash and Cash Equivalents – Cash and cash equivalents consist of demand deposits and other highly liquid financial instruments with original maturities of three months or less held in operating bank accounts. Cash balances held within investment and brokerage accounts are included in investments in the accompanying statement of financial position.

**Notes to Financial Statements
December 31, 2025 and 2024**

2. Summary of Significant Accounting Policies (continued)

Deposit Concentration and Custodial Credit Risk – Concentration risk is managed by placing cash and cash equivalents with financial institutions and brokerage firms believed by Berkeley Humane to be creditworthy. Bank deposit accounts are insured by the FDIC up to \$250,000 per depositor, per insured bank, for each account ownership category. As of December 31, 2025, Berkeley Humane held \$158,860 in cash deposits in excess of FDIC insurance limits. As of December 31, 2024, Berkeley Humane did not hold cash deposits in excess of FDIC insurance limits. To date, no losses have been experienced in these accounts.

Investments – Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at fair value. Unrealized gains and losses are reported as increases or decreases in net assets without donor restrictions or net assets with donor restrictions depending if their use is restricted by donor stipulations or law. Net investment return is reported in the statements 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.

Financial Instruments and Credit Risk – Berkeley Humane’s investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Management and the Board of Directors monitor investment performance and believe that, as of December 31, 2025 and 2024, there were no significant concentrations of investment risk that would materially affect Berkeley Humane’s financial position. While market conditions may cause fluctuations in fair value, such fluctuations are reflected in the accompanying financial statements.

Property and Equipment – Property and equipment are recorded at cost when purchased and at their estimated fair market value when received as a donation. Improvements and major repairs which extend the useful life of the asset are capitalized. Costs of maintenance and repairs are expensed currently. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The useful lives range from three to thirty-nine years, depending on the nature of the asset. The costs and accumulated depreciation of assets sold or retired are removed from the respective accounts and any resulting gain or loss is reflected in the change in net assets.

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, 2025 and 2024.

Right of Use Leased Assets and Liabilities – Right to use leased assets and the related liabilities are recognized at the lease commencement date and represent Berkeley Humane’s right to use an underlying asset and lease obligations for the lease term. Lease liabilities are measured at the present value of future lease payments discounted using the rate implicit in the lease, or the risk-free rate when the implicit rate is not readily determinable. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Operating lease expense is recognized on a straight-line basis over the lease term.

Berkeley Humane has elected the short-term lease exemption for leases with an initial term of 12 months or less and does not recognize right-of-use assets or lease liabilities for such leases. Lease payments for short-term leases are recognized on a straight-line basis over the lease term.

Notes to Financial Statements
December 31, 2025 and 2024

2. Summary of Significant Accounting Policies (continued)

Payroll Liabilities – Berkeley Humane records payroll and related liabilities as incurred. Full-time employees accrue paid vacation time in accordance with Berkeley Humane’s personnel policies, subject to a maximum accrual limit. Accrued and unused vacation time is paid out upon termination of employment. Sick leave and holiday benefits are provided in accordance with organizational policy and applicable California state law. As of December 31, 2025 and 2024, management has determined that all accrued paid time off obligations have been properly recorded within accrued payroll and related liabilities on the statement of financial position.

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 any particular purpose, such as an operating reserve and has opted to do so as of December 31, 2025 and 2024 as outlined in Note 9.

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. CSC reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. Gifts of long-lived assets and gifts of cash or unconditional promises to give restricted for the acquisition or construction of long-lived assets are recognized as donor-restricted support when received or promised. The related donor restrictions are released to net assets without donor restrictions when the long-lived assets are placed in service, unless otherwise stipulated by the donor.

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 statements of activities as net assets released from restrictions.

Contributions of Nonfinancial Assets – Contributed services and in-kind contributions are reflected at the fair value of the contribution received in accordance with *ASC 958-605, Not-for-Profit Entities – Revenue Recognition*. 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.

In addition to contributed nonfinancial assets, volunteers may contribute time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Notes to Financial Statements
December 31, 2025 and 2024

2. Summary of Significant Accounting Policies (continued)

Revenue and Revenue Recognition – Berkeley Humane recognizes revenue in accordance with U.S. GAAP applicable to contributions and exchange transactions, including *ASC 958, Not-for-Profit Entities*, and *ASC 606, Revenue from Contracts with Customers*. Berkeley Humane's significant revenue streams are as follows:

- **Program Revenue** – Revenue from adoptions, hospital services, and training services is recognized when the related event or service occurs and the performance obligation is satisfied. Amounts received in advance of the service or performance obligation, are recorded as deferred revenue and recognized as income in the period the services are provided.
- **Contributed and Grant Revenue** – Berkeley Humane recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received, regardless of whether any related donor-imposed restrictions have been fulfilled. 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 a donor-imposed time or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restriction.

Certain payments may include both exchange and contribution components. Such transactions are evaluated in accordance with applicable accounting guidance to determine the appropriate revenue recognition and to allocate amounts between exchange revenue and contribution revenue, when applicable.

Functional Allocation of Expenses – The costs of providing program and other activities have been summarized on a functional basis in the statement of activities and changes in net assets in accordance with the requirements of *ASC 958-205 - Not-for-Profit Entities - Presentation of Financial Statements*. The statement of functional expenses presents the natural classification detail of expenses by function. Expenses that can be directly identified with a specific program or supporting service are charged directly to that function.

Other costs that benefit more than one function have been allocated among the programs and supporting services on an equitable basis, as determined by management. Personnel expenses are allocated based on estimated time and effort, supported by Berkeley Humane's payroll records and allocation methodology.

Advertising and Promotion – The costs of marketing are charged to expense as incurred. Marketing expense amounted to \$241,028 and \$258,488 for the years ended December 31, 2025 and 2024, respectively.

Income Taxes – Berkeley Humane is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from California franchise and income taxes under Section 23701d of the California Revenue and Taxation Code. Berkeley Humane has been classified as a publicly supported organization and not a private foundation under Section 509(a)(2) of the Internal Revenue Code.

U.S. GAAP provides accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by Berkeley Humane in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination.

**Notes to Financial Statements
December 31, 2025 and 2024**

3. Investments and Fair Value Measurements

Berkeley Humane has a finance committee which has the responsibility to oversee Berkeley Humane’s return objectives (generally lower rates of return associated with less volatile investments) and to define the risk parameters. The committee routinely oversees investment performance and reviews cash flows necessary to sustain Berkeley Humane’s operating activities.

Investments consist primarily of marketable securities and other highly liquid instruments held in investment brokerage accounts. Although all investments are classified as current assets, certain amounts are subject to donor restrictions or Board designation for long-term purposes.

As of December 31, 2025 and 2024, investments of \$5,349,192 and \$5,983,065, respectively, were subject to donor-imposed restrictions for capital improvements and construction and, therefore, were not available for general expenditure as outlined in Note 5. In addition, as of December 31, 2025 and 2024, investments of \$899,666 were designated by the Board of Directors as quasi-endowment funds and are described in Note 9.

As of December 31, 2025 and 2024, investments of \$3,455,962 and \$1,785,915, respectively, were not subject to donor restrictions or Board designation and were available to support near-term operational needs. Berkeley Humane considers these unrestricted investments a component of its overall liquidity management strategy and invests available cash balances in liquid investment vehicles designed to preserve capital while generating investment return.

Investments consisted of the following at December 31:

	2025	2024
Money market funds	\$ 3,730,893	\$ 6,572,255
Exchange-traded products (ETPs)	5,970,403	1,226,414
Equities	3,524	866,449
Real estate investment trust (REIT)	-	3,528
Total investments	\$ 9,704,820	\$ 8,668,646

Investments are reported at fair value in the financial statements 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 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, 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 Berkeley Humane’s own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. U.S. 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.

**Notes to Financial Statements
December 31, 2025 and 2024**

3. Investments and Fair Value Measurements (continued)

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 that cannot be corroborated by observable market data. 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, 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.

As of December 31, 2025 and 2024, all investments measured at fair value are classified within Level 1 of the fair value hierarchy because they consist of money market funds, equities, and exchange-traded products with readily determinable fair values based on quoted prices in active markets.

Berkeley Humane also holds a beneficial interest in trust, as described in Note 4, which is classified within Level 3 of the fair value hierarchy because the valuation is based on information provided by the trustee and other unobservable inputs.

The following table presents Berkeley Humane’s assets measured at fair value on a recurring basis at December 31, 2025:

	Total	Level 1	Level 2	Level 3
Money market funds	\$ 3,730,893	\$ 3,730,893	-	-
Exchange-traded products	5,970,403	5,970,403	-	-
Equities	3,524	3,524	-	-
Beneficial interest in trust	6,359	-	-	6,359
Total	\$ 9,711,179	\$ 9,704,820	\$ -	\$ 6,359

The following table presents Berkeley Humane’s assets measured at fair value on a recurring basis at December 31, 2024:

	Total	Level 1	Level 2	Level 3
Money market funds	\$ 6,572,255	\$ 6,572,255	-	-
Exchange-traded products	1,226,414	1,226,414	-	-
Equities	866,449	866,449	-	-
Real estate investment trust	3,528	3,528	-	-
Beneficial interest in trust	6,832	-	-	6,832
Total	\$ 8,675,478	\$ 8,668,646	\$ -	\$ 6,832

**Notes to Financial Statements
December 31, 2025 and 2024**

4. 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 are 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 \$6,359 and \$6,832 as of December 31, 2025 and 2024, respectively. The change in the value of the beneficial interest in trust amounted to (\$473) and (\$146) for the years ended December 31, 2025 and 2024, respectively, and is reflected as a component of net assets with donor restrictions on the statement of activities and changes in net assets.

5. Liquidity and Availability

The following table reflects Berkeley Humane's financial assets available within one year of the statement of financial position date, reduced by amounts that are not available for general expenditures because of donor restrictions or Board designations. Financial assets are considered unavailable for general expenditures when they are subject to donor-imposed restrictions for specific purposes, designated by the Board for long-term purposes, or otherwise not expected to be used to meet general expenditures within one year.

	2025	2024
Cash	\$ 517,218	\$ 223,540
Program receivables	556	1,175
Investments	9,704,820	8,668,646
Financial assets available within one year	10,222,594	8,893,361
Less: amounts not available to be used within one year:		
Financial assets restricted for capital improvements	(5,349,192)	(5,983,065)
Donor-restricted net assets: program	(7,000)	(2,162)
Board-designated net assets	(899,666)	(899,666)
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,966,736</u>	<u>\$ 2,008,468</u>

**Notes to Financial Statements
December 31, 2025 and 2024**

5. Liquidity and Availability (continued)

Current financial assets restricted for capital improvements include investments that are restricted by donors for capital improvements and, therefore, are not available for general expenditures. Total donor-restricted net assets related to the capital improvements also include amounts already invested in construction in process, which are not financial assets and therefore are excluded from the table above. The related donor restrictions remain in place until the capital improvements are completed and placed in service.

Berkeley Humane also holds investments that are designated by the Board of Directors to function as a quasi-endowment. Although these investments are not donor-restricted and may be made available for operations or other purposes at the discretion of the Board, they are excluded from financial assets available for general expenditures within one year because the Board has designated them for long-term support of Berkeley Humane’s mission and programs.

Berkeley Humane regularly monitors liquidity to manage operating needs and program commitments. As part of its liquidity management, Berkeley Humane structures its financial assets to be available as general expenditures, liabilities, and other obligations come due. Amounts subject to donor-imposed purpose restrictions are not available for general expenditures and are used in accordance with donor stipulations.

6. Property and Equipment

Property and equipment consisted of the following at December 31:

	2025	2024
Land	\$ 85,214	\$ 85,214
Building and improvements	849,329	838,804
Construction in process	2,399,901	784,561
Furniture and equipment	484,005	403,889
Vehicles	223,529	223,529
Property and equipment, gross	4,041,978	2,335,997
Less: accumulated depreciation	(1,261,509)	(1,200,263)
Total property and equipment, net	\$ 2,780,469	\$ 1,135,734

Depreciation expense amounted to \$61,246 and \$68,098 for the years ended December 31, 2025 and 2024, respectively.

7. Lease Commitments

Berkeley Humane leases its Thrift Store facility under a multi-year operating lease expiring on January 31, 2029. Berkeley Humane is responsible for its proportionate share of building, maintenance, and operating expenses which includes insurance, taxes, and utilities.

Berkeley Humane leases its office space under a multi-year operating lease expiring on January 31, 2031. Berkeley Humane is responsible for its proportionate share of building, maintenance, and operating expenses which includes insurance, taxes, and utilities.

**Notes to Financial Statements
December 31, 2025 and 2024**

7. Lease Commitments (continued)

Berkeley Humane also leases certain equipment on a month-to-month basis. These arrangements qualify as short-term leases, and related lease payments are recognized as expense as incurred. Berkeley Humane had no finance leases in effect for the years ended December 31, 2025 and 2024. Total lease costs recognized on the statement of functional expenses consist of the following for the years ended December 31:

	2025	2024
Operating lease expense	\$ 116,033	\$ 153,507
Short-term lease expense	26,606	16,820
Total lease expenses	\$ 142,639	\$ 170,327

Total cash paid for amounts included in the measurement of lease liabilities amounted to \$103,419 and \$135,421 for the years ended December 31, 2025 and 2024, respectively.

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

	2025	2024
Weighted-average remaining lease term (in months)	49.97	43.08
Weighted-average discount rate	3.64%	3.52%

As of December 31, 2025, future minimum payments under lease agreements are as follows:

Year Ending:	Total
December 31, 2026	\$ 200,609
December 31, 2027	186,980
December 31, 2028	173,234
December 31, 2029	82,061
December 31, 2030	75,091
December 31, 2031	6,268
Total Lease Payments	724,243
Less: Imputed interest	(51,555)
Present value of lease liabilities	\$ 672,688

8. Economic Injury Disaster Loan

EIDL Loan Program Under the CARES Act

During the year ended December 31, 2020, Berkeley Humane received a \$150,000 loan under the U.S. Small Business Administration (“SBA”) Economic Injury Disaster Loan (“EIDL”) program established pursuant to the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act. The EIDL program was designed to provide working capital assistance to organizations experiencing economic disruption related to the COVID-19 pandemic. Berkeley Humane incurred loan processing fees of \$100 in connection with the borrowing. The loan bears interest at a fixed rate of 2.75% per annum and matures in June 2050. Monthly principal and interest payments of approximately \$641 commenced in June 2021. Interest accrues from the date of disbursement. As of December 31, 2025 and 2024, the outstanding loan balance was \$74,501 and \$91,785, respectively. Interest expense totaled \$2,408 and \$2,887, respectively, for the years ended December 31, 2025 and 2024.

**Notes to Financial Statements
December 31, 2025 and 2024**

8. Economic Injury Disaster Loan (continued)

Future principal payments on the EIDL loan are as follows as of December 31, 2025:

Year Ending:	Total
December 31, 2026	\$ 17,749
December 31, 2027	18,243
December 31, 2028	18,748
December 31, 2029	15,006
Total principal payments	\$ 69,749

9. Net Assets

Net assets without donor restrictions represent resources available to support Berkeley Humane’s operations and mission-related activities that are not subject to donor-imposed restrictions. As of December 31, 2025 and 2024, net assets without donor restrictions totaled \$6,276,323 and \$4,673,723, respectively.

Board-Designated Net Assets

The Board of Directors has designated a portion of net assets without donor restrictions to function as quasi-endowment funds and strategic operating reserves. As of December 31, 2025 and 2024, board-designated net assets totaled \$899,666. These amounts are intended to support long-term organizational sustainability, including certain infrastructure improvements, investment-related reserves, and other strategic purposes as determined by the Board of Directors. Because board-designated net assets remain under the control of the Board of Directors, the Board may modify or remove these designations at its discretion.

Changes in board-designated net assets for the years ended December 31 are as follows:

	2025	2024
Board-designated net assets, beginning of year	\$ 899,666	\$ 899,666
Investment return, net	32,866	111,651
Board-approved appropriation for expenditure	(32,866)	(111,651)
Board-designated net assets, end of year	\$ 899,666	\$ 899,666

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

	2025	2024
Beneficial interest in trust	\$ 6,359	\$ 6,832
Capital improvements	1,500,000	1,500,000
Capital campaign	4,912,637	3,506,345
Other program	7,000	2,162
Total net assets with donor restrictions, net	\$ 6,425,996	\$ 5,015,339

As of December 31, 2025 and 2024, net assets with donor restrictions include contributions restricted for the construction of Berkeley Humane’s new facility. In accordance with ASC 958-205, donor-imposed restrictions associated with long-lived assets are released when the related asset is placed into service. Accordingly, amounts restricted for the construction project will be released from donor restrictions and reclassified to net assets without donor restrictions upon the building being placed into service.

**Notes to Financial Statements
December 31, 2025 and 2024**

10. Contributions of Nonfinancial Services

Berkeley Humane receives contributions of nonfinancial services related to medical services for adoption animals. These services have been valued by management at fair value, based on rates for similar services.

Contributions of nonfinancial services for the years ended December 31, 2025 and 2024 amounted to \$107,788 and \$224,541, respectively.

11. Special Events

Berkeley Humane presents gross special event revenue on the statement of activities and changes in net assets, with the cost of direct donor benefits reported separately on the statement of functional expenses. Direct donor benefits represent actual costs incurred by Berkeley Humane to provide meals, entertainment and other goods and services to attendees.

The following schedule presents the components of gross special event revenue and the related direct donor benefit costs for the years ended December 31:

	2025	2024
Ticket sales, sponsorships, and other contributions	\$ 518,494	\$ 498,798
Less: Cost of direct donor benefits	(136,234)	(111,928)
Total special event revenue, net of direct benefit costs	\$ 382,260	\$ 386,870

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, 2025 and 2024, Berkeley Humane made contributions totaling \$65,094 and \$67,152, respectively, to the Plan.

13. Related Party Transactions

In compliance with *ASC 850, Related Party Disclosures*, Berkeley Humane has evaluated its related party transactions for the years ended December 31, 2025 and 2024, and has determined that there were no related party transactions, relationships, or balances that require disclosure in the financial statements.

**Notes to Financial Statements
December 31, 2025 and 2024**

14. 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 contracts and service agreements with outside contractors, and (d) financial risks associated with funds on deposit at bank 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.

15. Subsequent Events

In compliance with *ASC 855, Subsequent Events*, Berkeley Humane has evaluated subsequent events through May 7, 2026, the date the financial statements were available to be issued. In the opinion of management, there are no subsequent events which necessitate disclosure.