

BERGIN UNIVERSITY OF CANINE STUDIES
(A California Non-Profit Corporation)

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**
for the years ended June 30, 2023 and 2022

Weworski & Associates
Certified Public Accountants

BERGIN UNIVERSITY OF CANINE STUDIES
(A California Non-Profit Corporation)
June 30, 2023 and 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
BERGIN UNIVERSITY OF CANINE STUDIES
(A California Non-Profit Corporation)
Penngrove, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Bergin University of Canine Studies (a California Non-Profit Corporation), herein referred to as “the Organization”, which comprise the statement of financial position as of June 30, 2023 and 2022, and the related statements of activities and cash flows for the years 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 the Organization as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. 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 the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 the Organization’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 GAAS and *Government 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 GAAS and *Government 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 the Organization'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 the Organization'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 audits, significant audit findings, and certain internal control related matters that we identified during the audits.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information of related party transactions and financial responsibility supplemental schedule, as required by 34 C.F.R. Section 668.172 and 34 C.F.R. appendix A to Subpart L of Part 668, are required by the U.S. Department of Education and are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2023 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Wessel Associates

San Diego, California
August 24, 2023

BERGIN UNIVERSITY OF CANINE STUDIES
(A California Non-Profit Corporation)
STATEMENTS OF FINANCIAL POSITION
June 30, 2023 and 2022

ASSETS

	2023	2022
<u>Current assets:</u>		
Cash and cash equivalents	\$ 350,182	\$ 54,140
Investments	337,072	311,804
Accounts receivable, net of allowance for doubtful accounts of \$16,810 and \$16,810, respectively	11,686	10,399
Related party receivable	545,655	312,902
Other receivable	-	1,100
Inventory	95,000	95,000
Prepaid expenses and other current assets	44,078	85,962
Total current assets	1,383,673	871,307
Property, plant and equipment, net	2,652,179	992,174
<u>Other assets:</u>		
Restricted cash - funds held in escrow	32,109	-
Investments, restricted	6,913	6,913
Operating lease right-of-use asset, net	65,484	-
Deposits	58,665	58,570
Total other assets	163,171	65,483
Total assets	\$ 4,199,023	\$ 1,928,964

The accompanying notes are an integral part of these financial statements.

BERGIN UNIVERSITY OF CANINE STUDIES
(A California Non-Profit Corporation)
STATEMENTS OF FINANCIAL POSITION, Continued
June 30, 2023 and 2022

LIABILITIES AND NET ASSETS

	<u>2023</u>	<u>2022</u>
<u>Current liabilities:</u>		
Accounts payable	\$ 41,531	\$ 49,152
Accrued payroll and other accrued expenses	89,972	81,568
Student deposits and refunds payable	585	585
Deferred revenue	37,227	19,684
Related party line of credit	-	160,000
Current portion of operating lease liability	65,484	-
Current portion of notes payable	3,498	3,498
	<hr/>	<hr/>
Total current liabilities	238,297	314,487
Related party note payable, net of current portion	786,740	-
Notes payable, net of current portion	1,144,402	144,402
	<hr/>	<hr/>
Total liabilities	2,169,439	458,889
<u>Net assets:</u>		
Without donor restrictions	2,022,671	1,463,162
With donor restrictions	6,913	6,913
	<hr/>	<hr/>
Total net assets	2,029,584	1,470,075
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Total liabilities and net assets	\$ 4,199,023	\$ 1,928,964
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The accompanying notes are an integral part of these financial statements.

BERGIN UNIVERSITY OF CANINE STUDIES
(A California Non-Profit Corporation)
STATEMENTS OF ACTIVITIES
for the year ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
<u>Revenue, gains, and other support:</u>			
Tuition and fees	\$ 343,830	\$ -	\$ 343,830
Less: discounts and scholarships	(2,924)	-	(2,924)
Net tuition and fees	340,906	-	340,906
<u>Contributions:</u>			
Cash donations	110,459	-	110,459
In-kind donations	2,675	-	2,675
Charitable gifts	4,285	-	4,285
Investment income	30,522	-	30,522
Other revenue	2,112,524	-	2,112,524
Total revenue, gains, and other support	2,601,371	-	2,601,371
<u>Expenses:</u>			
Program services	1,866,555	-	1,866,555
Academic support	119,338	-	119,338
Fundraising	55,969	-	55,969
Total expenses	2,041,862	-	2,041,862
Change in net assets	559,509	-	559,509
<u>Net assets, Beginning</u>	1,463,162	6,913	1,470,075
<u>Net assets, Ending</u>	\$ 2,022,671	\$ 6,913	\$ 2,029,584

The accompanying notes are an integral part of these financial statements.

BERGIN UNIVERSITY OF CANINE STUDIES
(A California Non-Profit Corporation)
STATEMENTS OF ACTIVITIES, Continued
for the year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<u>Revenue, gains, and other support:</u>			
Tuition and fees	\$ 327,506	\$ -	\$ 327,506
Less: discounts and scholarships	(6,590)	-	(6,590)
Net tuition and fees	320,916	-	320,916
<u>Contributions:</u>			
Cash donations	769,248	-	769,248
In-kind donations	32,142	-	32,142
Charitable gifts	18,644	-	18,644
Investment income (expense):	(31,806)	-	(31,806)
Other revenue	889,350	-	889,350
Total revenue, gains, and other support	1,998,494	-	1,998,494
<u>Expenses:</u>			
Program services	1,749,120	-	1,749,120
Academic support	66,426	-	66,426
Fundraising	32,989	-	32,989
Total expenses	1,848,535	-	1,848,535
Change in net assets	149,959	-	149,959
<u>Net assets, Beginning</u>	1,313,203	6,913	1,320,116
<u>Net assets, Ending</u>	\$ 1,463,162	\$ 6,913	\$ 1,470,075

The accompanying notes are an integral part of these financial statements.

BERGIN UNIVERSITY OF CANINE STUDIES
(A California Non-Profit Corporation)
STATEMENTS OF CASH FLOWS
for the years ended June 30, 2023 and 2022

	2023	2022
<u>Cash flow from operating activities:</u>		
Cash received from revenues and other support	\$ 577,463	\$ 971,412
Cash paid for program and supporting services	(1,806,287)	(1,658,828)
Net cash used in operating activities	(1,228,824)	(687,416)
<u>Cash flow from investing activities:</u>		
Purchase of property and equipment	(66,066)	(30,063)
Proceeds/(purchase) of/from sale of investments, net	(55,790)	64,790
Net cash provided by (used in) investing activities	(121,856)	34,727
<u>Cash flow from financing activities:</u>		
Proceeds/(payments) from related party line of credit	(160,000)	(47,004)
Proceeds/(payments) from notes payable	-	(163,645)
Proceeds from related party license and service fees	1,838,831	793,216
Net cash provided by financing activities	1,678,831	582,567
Net increase (decrease) in cash	328,151	(70,122)
<u>Cash, cash equivalents, and restricted cash, Beginning</u>	54,140	124,262
<u>Cash, cash equivalents, and restricted cash, Ending</u>	\$ 382,291	\$ 54,140

The accompanying notes are an integral part of these financial statements.

BERGIN UNIVERSITY OF CANINE STUDIES
(A California Non-Profit Corporation)
STATEMENTS OF CASH FLOWS, Continued
for the years ended June 30, 2023 and 2022

<u>Reconciliation of change in net assets to net cash</u> <u>used in operating activities:</u>	<u>2023</u>	<u>2022</u>
Change in nets assets	\$ 559,509	\$ 149,959
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	193,003	128,431
Marketable security donation	-	(110,110)
Unrealized gain/loss on investments	30,522	(31,806)
Licensing and service fees	(2,071,786)	(883,328)
Changes in assets and liabilities:		
Accounts receivable, net	(1,287)	1,312
Grant receivable	-	30,002
Other receivable	1,100	(1,100)
Inventory	-	-
Prepaid expenses and other current assets	41,884	39,093
Deposits	(95)	(1,188)
Accounts payable	(7,621)	23,518
Accrued payroll and other accrued expenses	8,404	(147)
Student deposits and refunds payable	-	(4,102)
Deferred revenue	17,543	(27,950)
Net cash used in operating activities	<u>\$ (228,824)</u>	<u>\$ (687,416)</u>
<u>Reconciliation of cash, cash equivalents, and restricted cash</u> <u>to cash, cash equivalents, and restricted cash at the end of the year:</u>		
Cash and cash equivalents	\$ 350,182	\$ 54,140
Restricted cash	<u>32,109</u>	<u>-</u>
Cash, cash equivalents, and restricted cash at the end of the year	<u>\$ 382,291</u>	<u>\$ 54,140</u>

Supplemental Non-cash Transactions:

During the year ended June 30, 2023, the Organization entered into two notes payable totaling \$1,786,740 for the purchase of land and buildings as described in Note 8 and 9.

The accompanying notes are an integral part of these financial statements.

BERGIN UNIVERSITY OF CANINE STUDIES
(A California Non-Profit Corporation)
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023 and 2022

Note 1: Summary of Significant Accounting Policies

The following items comprise the significant accounting policies of the Organization. The policies reflect industry practices and conform to accounting principles generally accepted in the United States of America.

Organization's Activities

Bergin University of Canine Studies (the Organization) is a California Non-Profit Corporation that was founded in 1991 as an educational institution. The Organization is dedicated to enhancing the field of assistance dog work through research, development of methods and materials and educational programs for assistance dog work. The Organization offers Associates, Bachelors and Masters of Science degrees. The Organization also offers certificate programs in training dogs. The Organization is accredited by the Accrediting Council for Independent Colleges and Schools (ACICS). The Organization is in the process of obtaining accreditation with the Accrediting Commission of Career Schools and Colleges (ACCSC), as described further in Note 12.

The Organization is funded by tuition and fees, charitable gifts, grants, donations, group and service club contributions, bequests, sponsorships and ongoing fundraising activities.

Financial Statement Presentation

The Organization's financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958). This standard requires the classification of the Organization's financial position and activities according to two classes of net assets; without donor restrictions and without donor restrictions.

Net asset without donor restrictions - Net assets that are not subject to donor-imposed restrictions.

Net assets with donor restrictions - Net assets that are subject to donor-imposed restrictions.

As of June 30, 2023, the Organization has net assets without donor restrictions of \$2,022,671 and net assets with donor restrictions of \$6,913. As of June 30, 2022, the Organization has net assets without donor restrictions of \$1,463,162 and net assets with donor restrictions of \$6,913.

BERGIN UNIVERSITY OF CANINE STUDIES
(A California Non-Profit Corporation)
NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2023 and 2022

Note 1: Summary of Significant Accounting Policies, Continued

Basis of Accounting

The accounting records and accompanying financial statements have been maintained and prepared on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Restricted Cash

As described in Note 12, cash provided as financial protection to the U.S. Department of Education (the Department) is excluded from cash and cash equivalents and is included in restricted cash balances on the accompanying statements of financial position.

Investments

The Organization's investments consist of equity and fixed income securities. Investments with readily determinable fair values are stated at fair value. Management has determined all investments should be classified as Level 1 investments. Dividends, interest, realized and unrealized gains and losses on investments are included in investment income in the accompanying statements of activities.

Fair value of securities is based upon quoted market prices in active markets or estimated fair value when quoted market prices are not available. The cost basis for realized gains and losses on securities is determined on a specific identification basis.

The Organization recognizes transfers in and out of levels within fair value hierarchy at the end of the reporting period. There were no transfers between levels during the years ended June 30, 2023 and 2022.

BERGIN UNIVERSITY OF CANINE STUDIES
(A California Non-Profit Corporation)
NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2023 and 2022

Note 1: Summary of Significant Accounting Policies, Continued

Accounts Receivable

Accounts receivable consist of amounts due from students. An allowance for estimated uncollectible accounts receivable has been recorded based on management's assessment of collectability of the accounts. The Organization reviews its past due balances and accounts deemed uncollectible are written-off.

Inventory

The Organization trains dogs and has deferred \$2,500 of costs for each dog, which is what the Organization expects to receive when a dog has been properly trained.

Property, Plant and Equipment

Property and equipment are recorded at cost, or if donated, at fair value on the donation date. Donations are reported as without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property, plant and equipment are reported as with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies with donor restricted net assets to without donor restricted net assets at that time. Fixed assets are depreciated on the straight-line method over 5 to 25 years. Construction in progress represents items not yet placed in service and are not depreciated.

Right-of-Use Leases

On July 1, 2022, the Organization implemented ASU 2016-02, *Leases* (Topic 842) which requires the recognition of assets and liabilities by lessees for those leases classified as operating leases under GAAP. The transition was implemented under the modified retrospective transition method, which resulted in no cumulative-effect adjustment to net assets. The guidance requires that a lessee should recognize on the statement of financial position a liability to make lease payments and a right-to-use asset representing the Organization's right to use the underlying assets for the term of the lease. At lease inception, the Organization determines the lease term. The guidance allows a lessee who enters into a lease with a term of 12 months or less to make an accounting policy election by class of underlying assets not to recognize assets and liabilities. The Organization determines if an arrangement is a lease at inception and evaluates the lease agreement to determine whether the lease is a

BERGIN UNIVERSITY OF CANINE STUDIES
(A California Non-Profit Corporation)
NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2023 and 2022

Note 1: Summary of Significant Accounting Policies, Continued

Right-of-Use Leases, Continued

finance or operating lease. Right-of-use (“ROU”) assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Organization uses the risk-free interest rate based on the information available at the commencement to determine the present value of lease payments over the lease term. As of June 30, 2023, the Organization has one operating lease that consists of teaching and administrative space.

As part of the adoption, the Organization elected to not recognize ROU assets or lease liabilities for leases with a term of 12 months or less, as permitted by the short-term lease practical expedient. In transition, the Organization also applied the package of practical expedients that permit entities to not reassess (i) whether expired or existing contracts contain a lease under the new standard, (ii) the lease classification for expired or existing leases, or (iii) whether previously capitalized initial direct costs would qualify for capitalization under the new standard. The Organization also applied the practical expedient that permits a lessee to account for lease and non-lease components in a contract as a single lease component. In addition, the Organization used hindsight during transition. See Note 10 for more information about the Organization’s lease-related obligations.

Revenue Recognition

Tuition and Fees

The Organization recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). The Organization identifies a contract for revenue recognition when there is approval and commitment from both parties, the rights of the parties and payment terms are identified, the contract has commercial substance and the collectability of consideration is probable. The Organization evaluates each contract to determine the number of distinct performance obligations in the contract, which requires the use of judgment. The Organization’s contracts include promises for educational services and course materials which are distinct performance obligations.

Tuition revenue is primarily derived from postsecondary education services provided to students. Generally, tuition and other fees are paid upfront and recorded in contract liabilities in advance of the date when education services are provided to the student. A tuition receivable is recorded for the portion of tuition not paid in advance. In some instances, installment billing is available to students which reduces the amount of cash consideration received in advance of performing the service. The

BERGIN UNIVERSITY OF CANINE STUDIES
(A California Non-Profit Corporation)
NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2023 and 2022

Note 1: Summary of Significant Accounting Policies, Continued

Revenue Recognition, Continued

contractual terms and conditions associated with installment billing indicate that the student is liable for the total contract price; therefore, mitigating the Organization's exposure to losses associated with nonpayment.

Tuition revenue is recognized ratably over the instruction period. The Organization generally uses the time elapsed method, an input measure, as it best depicts the simultaneous consumption and delivery of tuition services.

The Organization's refund policy may permit students who do not complete a course to be eligible for a refund for the portion of the course they did not attend. Refunds generally result in a reduction of deferred revenue during the period that the student drops or withdraws from a class.

The transaction price is stated in the contract and known at the time of contract inception, as such there is variable consideration for situations when a student drops from a program based on the Organization's refund policy and additional charges if a student requires additional hours to complete the program beyond the contracted end date. The Organization believes that its experience with these situations is of little predictive value because the future performance of students is dependent on each individual and the amount of variable consideration is highly susceptible to factors outside of the Organization's influence. Accordingly, no variable consideration has been included in the transaction price or recognized as income until the constraint has been eliminated. Revenue is allocated to each performance obligation based on its standalone selling price. Any discounts within the contract are allocated across all performance obligations unless observable evidence exists that the discount relates to a specific performance obligation or obligations in the contract. The Organization generally determines standalone selling prices based on prices charged to students. The Organization excludes from revenue taxes assessed by a governmental authority as these are agency transactions collected on their behalf from the customer.

Significant judgments include the allocation of the contract price across performance obligations, the methodology for earning tuition ratably over the instruction period, estimates for the amount of variable consideration included in the transaction price as well as the determination of the impact of the constraints preventing the variable consideration from being recognized in revenue.

BERGIN UNIVERSITY OF CANINE STUDIES
(A California Non-Profit Corporation)
NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2023 and 2022

Note 1: Summary of Significant Accounting Policies, Continued

Revenue Recognition, Continued

Contributions

Cash contributions are recorded as revenue upon receipt or promise to give. Net assets with donor-imposed restrictions are reclassified net assets without donor restrictions when an event occurs which satisfies the donor-imposed restriction. Non-cash contributions of assets are recorded as contributions at fair value at the date the donation is received. Contributions of services are recognized if the services received create or enhance non-financial assets, require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased by the Organization.

Contract assets and liabilities

The Organization has contract assets and contract liabilities associated with its recognition of revenue. Contract assets consists of accounts receivable. Contract liabilities consist of deferred revenue and student deposits and refunds payable, which is the unearned portion of tuition revenue. The beginning and ending balances of the following items are as follows as of June 30, 2023 and July 1, 2022:

	2023	2022
Contract assets:		
Accounts receivable	\$ 11,686	\$ 10,399
Contract liabilities:		
Student deposits and refunds payable	\$ 585	\$ 585
Deferred revenue	\$ 37,227	\$ 19,684

Advertising Costs

Advertising, promotion and similar costs are expensed as incurred and included in program services on the accompanying statements of activities.

Income Taxes

The Organization is tax-exempt under Section 501(c)(3) of the Internal Revenue Code and is not liable for federal or state income taxes. The Organization could be liable for unrelated business income tax, should it have any income from trade or business activities regularly carried on that are unrelated to the purposes for which it was granted tax exemption. Management does not believe the Organization has any unrelated business income.

BERGIN UNIVERSITY OF CANINE STUDIES
(A California Non-Profit Corporation)
NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2023 and 2022

Note 1: Summary of Significant Accounting Policies, Continued

Income Taxes, Continued

U.S. GAAP requires the Organization's management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would be sustained upon examination by the Internal Revenue Service (IRS). The Organization has analyzed the tax positions taken by the Organization and believes there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

The Organization's tax filings are subject to audit by various taxing authorities. As of June 30, 2023, the earliest tax year still subject to examination is 2020 for federal purposes and 2019 for state purposes. The Organization believes their estimates are appropriate based on current facts and circumstances.

Functional Expenses

The costs of providing the program and supporting services have been summarized on a functional basis in Note 13. The allocation of functional expenses in Note 13 presents the natural classification detail of expenses by function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses are tracked using direct identification methodology of charging specific expenses as either program services, academic support or fundraising.

Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Depending on the nature of the asset or liability, various techniques and assumptions can be used to estimate fair value.

The definition of the fair value hierarchy is as follows:

Level 1 - Quoted prices in active markets for identical assets and liabilities.

Level 2 - Observable inputs other than quoted prices in active markets for similar assets and liabilities.

BERGIN UNIVERSITY OF CANINE STUDIES
(A California Non-Profit Corporation)
NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2023 and 2022

Note 1: Summary of Significant Accounting Policies, Continued

Fair Value, Continued

Level 3 - Inputs for which significant valuation assumptions are unobservable in a market and therefore value is based on the best available data, some of which is internally developed and considers risk premiums that market participants would require.

The Organization's investments are reported at fair value. The Organization's remaining financial instruments primarily consist of cash and cash equivalents, restricted cash, accounts receivable, inventory, ROU asset and liability, accounts payable, accrued payroll and other accrued expenses, deferred revenue and debt. The carrying values of the Organization's financial instruments approximate fair value.

Concentration of Credit Risk

The Organization maintains its cash balance and cash equivalents in financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. The Organization performs ongoing evaluations of these institutions to limit concentration risk exposure.

A portion of revenues and accounts receivable at June 30, 2023 and 2022 are a direct result of the Organization's participation in the Financial Student Aid (FSA) programs, which represent a major source of student tuition. The FSA programs are subject to political budgetary considerations. There is no assurance that funding will be maintained at current levels. The FSA programs are subject to significant regulatory requirements. Any regulatory violation could have a material effect on the Organization.

New Accounting Pronouncements

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes for not-for-profit entities with contributed nonfinancial assets, or gifts-in-kind. The amendments in this ASU should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The Organization has implemented the following guidance, no material impacts were noted.

BERGIN UNIVERSITY OF CANINE STUDIES
(A California Non-Profit Corporation)
NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2023 and 2022

Note 1: Summary of Significant Accounting Policies, Continued

New Accounting Pronouncements, Continued

In March 2023, the FASB issued ASU 2023-01, *Leases* (Topic 842). The amendments in ASU 2023-01 provides guidance in GAAP for non-public entities in determining whether a related party arrangement between entities under common control (a common control arrangement) is classified as a lease (a common control lease) and the amortization of leasehold improvements associated with common control leases. The guidance allows private companies and not-for-profit entities to use the written terms and conditions of a common control arrangement to determine if a lease exists, and if so, the classification of an accounting for that lease. Topic 842 requires leasehold improvements to be amortized over the shorter of the remaining lease term and the useful life of the improvements. The amendment in ASU 2023-01 allows the lessee of a common control lease to amortize leasehold improvements over its useful life as long as the lessee controls the use of the underlying asset, regardless of the lease term, unless the lessor obtained the right to control the underlying asset through a lease with a non-related party. If the lessee no longer controls the use of the underlying asset, leasehold improvements are accounted for as a transfer between related parties through an adjustment to equity. The provisions of ASU 2023-01 are effective for the fiscal periods beginning after December 15, 2023, including interim periods within those fiscal years. Early application is permitted. The Organization has not yet elected this accounting guidance.

Note 2: Related Party Transactions

Paws for Purple Hearts

The Organization has a licensing and service fee contract with Paws for Purple Hearts (PPH) located in Penngrove, California, described in Note 7. During the years ended June 30, 2023 and 2022, the Organization recognized \$2,071,786 and \$883,828, respectively, in licensing and service fee revenue and received \$1,838,831 and \$793,216, respectively, from PPH related to the licensing and service fee contract and has been included in other revenue in the accompanying statements of activities. As of June 30, 2023 and 2022, the Organization has outstanding receivable of \$545,655 and \$312,902, respectively, related to the contract, which has been included in the related party receivable on the accompanying statements of financial position.

During October 2022, the Organization entered into a note payable with PPH as part of the purchase of land and buildings in Canyonville, Oregon. The note payable is for \$786,790 and includes an interest rate of 5%. The note payable matures in October 2032. As of June 30, 2023, the Organization had an

BERGIN UNIVERSITY OF CANINE STUDIES
(A California Non-Profit Corporation)
NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2023 and 2022

Note 2: Related Party Transactions, Continued

outstanding balance on the note payable of \$786,740, as described further in Note 8. During the year ended June 30, 2023, the Organization paid interest expense of \$29,505 associated with this note payable.

Other Related Party Transactions

The Organization has a non-cancelable operating lease with James Anthony Bergin and Bonita Mae Bergin Trust (Bergin Trust), which is located in Penngrove, California, as described in Note 11. Bonita Mae Bergin is the founder and board member of the Organization. During the years ended June 30, 2023 and 2022, the Organization paid rent of \$66,000 and \$66,050, respectively, to the Bergin Trust.

During the years ended June 30, 2023 and 2022, the Organization paid expense reimbursements and premiums for long-term insurance for Bonita Mae Bergin totaling \$4,725 and \$4,059, respectively.

Related Party Line of Credit

The Organization has a line of credit with the CEO and Board Member for a total debt facility of \$400,000, as described in Note 8. During the year ended June 30, 2023, the Organization paid the line of credit in full for \$160,000. During the year ended June 30, 2022, the Organization received advances on the line of credit of \$160,000. As of June 30, 2022, the Organization had a balance outstanding on the line of credit of \$160,000. During the year ended June 30, 2023 and 2022, the Organization paid interest expense of \$8,388 and \$8,288, respectively, on the line of credit.

Note 3: Information about Financial Assets and Liquidity

The Organization's financial assets without donor or other restrictions limiting their use, available within one year of the statement of financial position date for general expenditure, are as follows as of June 30, 2023:

Cash and cash equivalents	\$ 350,182
Investments	337,072
Accounts receivable, net	<u>11,686</u>
	<u>\$ 698,940</u>

The Organization's liquidity management policy is to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

BERGIN UNIVERSITY OF CANINE STUDIES
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NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2023 and 2022

Note 4: Investments

The Organization's investments comprise the following as of June 30, 2023:

	<u>Adjusted Cost</u>	<u>Unrealized Gains (loss)</u>	<u>Fair Value</u>
Equity securities	\$ 131,814	\$ 137,297	\$ 269,111
Fixed income securities	<u>85,086</u>	<u>(10,212)</u>	<u>74,874</u>
	<u>\$ 216,900</u>	<u>\$ 127,085</u>	<u>\$ 343,985</u>

The Organization's investments comprise the following as of June 30, 2022:

	<u>Adjusted Cost</u>	<u>Unrealized Gains (loss)</u>	<u>Fair Value</u>
Equity securities	\$ 96,418	\$ 171,208	\$ 267,626
Fixed income securities	<u>57,210</u>	<u>(6,119)</u>	<u>51,091</u>
	<u>\$ 153,628</u>	<u>\$ 165,089</u>	<u>\$ 318,717</u>

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to level of risk associated with certain investment securities it is at least reasonably possible that changes in any of these factors could materially affect amounts reported.

Note 5: Fair Value Measurement

The following is a description of the valuation methodologies used for assets measured at fair value:

Equity and Fixed income securities: Valued at the closing price reported on the active market on which the individual securities are traded and categorized as level 1 of the fair value hierarchy.

BERGIN UNIVERSITY OF CANINE STUDIES
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NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2023 and 2022

Note 5: Fair Value Measurement, Continued

The preceding method described may produce a settlement value calculation that may not be indicative of net realizable value or reflective of future settlement values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants the use of different methodologies or assumptions to determine the settlement value of certain financial instruments could result in a different settlement value measurement at the reporting date. The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2023:

	<u>Fair Value</u>	<u>Level 1</u>
Equity Securities	\$ 269,111	\$ 269,111
Fixed income securities	74,874	74,874
	<u>\$ 343,985</u>	<u>\$ 343,985</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2022:

	<u>Fair Value</u>	<u>Level 1</u>
Equity Securities	\$ 267,626	\$ 267,626
Fixed income securities	51,091	51,091
	<u>\$ 318,717</u>	<u>\$ 318,717</u>

BERGIN UNIVERSITY OF CANINE STUDIES
(A California Non-Profit Corporation)
NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2023 and 2022

Note 6: Property and Equipment

Property, plant and equipment consist of the following as of June 30,:

	2023	2022
Land	\$ 270,243	\$ -
Buildings	1,531,382	-
Furniture and fixtures	73,102	78,607
Leasehold improvements	1,054,080	1,014,890
Machinery and equipment	123,775	288,807
Autos and trucks	74,788	74,788
	3,127,370	1,457,092
Less: accumulated depreciation	(475,191)	(464,918)
	\$ 2,726,967	\$ 1,066,962

Depreciation expense for the years ended June 30, 2023 and 2022 was \$193,003 and \$128,431, respectively, and is included in program services on the accompanying statements of activities.

The following is additional information for property and equipment that is required to support the calculation of the composite score in the financial responsibility supplemental schedule in the accompanying supplemental information:

Pre-implementation property, plant and equipment:	
Property, plant and equipment as of June 30, 2022	\$ 11,882
Less: 2023 depreciation expense	(11,882)
Pre-implementation property, plant and equipment as of June 30, 2023	\$ -
Post-implementation property, plant and equipment acquired with debt:	
Property, plant and equipment as of June 30, 2022	\$ -
Add: 2023 purchases of property, plant and equipment	1,801,616
Less: 2023 depreciation expense	(45,941)
Post-implementation property, plant and equipment as of June 30, 2023	\$ 1,755,675
Post-implementation property, plant and equipment acquired without debt:	
Property, plant and equipment as of June 30, 2022	\$ 980,292
Add: 2023 purchases of property, plant and equipment	48,913
Less: 2023 depreciation expense	(132,701)
Post-implementation property, plant and equipment as of June 30, 2023	\$ 896,504

BERGIN UNIVERSITY OF CANINE STUDIES
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NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2023 and 2022

Note 7: Agreements

The Organization has an agreement with PPH overseeing the choice of dogs purchased or obtained by PPH for breeding, training and/or placement, helping breed and whelp puppies as well as oversees the training of pups and dogs to be raised by PPH that the Organization believes are suitable candidates for training by veterans suffering from psychological scars including PTSD, providing and updating the curriculum for teaching veterans about training service and assistance dogs, and consulting regarding dogs being trained by PPH. PPH has agreed to obtain dogs approved by the Organization, provide for the health and maintenance of the dogs, to the extent possible, and all instructors of PPH shall be the Organization's graduates. In addition, after their training in the PPH program, the Organization then makes the final determination as to whether or not any of the trained dogs can be placed with injured Veterans as a service or assistance dog. Finally, the Organization will make the final determination as to which dog is placed with which Veteran. The agreement requires PPH to reimburse the Organization for the cost of services and expenses, and an annual licensing fee of 10% of PPH's revenue for the first \$249,999, 12% of revenue from \$250,000 to \$499,000, 21% of revenue from \$500,000 to \$749,000, 30% of revenue from \$750,000 to \$1,000,000 and 36% of revenue from \$1,000,000 to \$10,000,000. Prior to January 1, 2022, the annual licensing fee was 9.75% of PPH's revenue from \$250,000 to \$499,000, 8.5% of revenue from \$500,000 to \$749,000, 7.25% of revenue from \$750,000 to \$1,000,000 and 6% of revenue in excess of \$1,000,000. During the years ended June 30, 2023 and 2022, the Organization recorded \$2,071,786 and \$883,828, respectively, for licensing and service fees and is included in other revenue on the accompanying statements of activities. As of June 30, 2023 and 2022, the Organization is due \$545,655 and \$312,902, respectively, from PPH related to the above agreement and is included in related party receivable on the accompanying statements of financial position.

Note 8: Related Party Debt

Paws for Purple Hearts Note Payable

During October 2022, the Organization entered into a note payable of \$786,740 with PPH as part of the purchase of land and buildings in Canyonville, Oregon. The note payable includes an interest rate of 5.00% and matures in October 2032. The note requires interest only payments of \$3,278 beginning in October 2022. Beginning in November 2027, the note requires principal and interest payments totaling \$14,848 through October 2032. As of June 30, 2023, the outstanding balance on the note payable was \$786,740 and is included in the related party notes payable on the accompanying statements of financial position.

BERGIN UNIVERSITY OF CANINE STUDIES
(A California Non-Profit Corporation)
NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2023 and 2022

Note 8: Related Party Debt, Continued

Future maturities of related party notes payable described above are as follows:

<u>Year ending June 30,</u>	
2028	\$ 93,916
Thereafter	<u>692,824</u>
	<u>\$ 786,740</u>

Related Party Line of Credit

The Organization has a line of credit with the CEO and Board Member for a total debt facility of \$400,000. The terms of the line of credit require interest only payments of the prime rate as published in the Wall Street Journal (4.75% as of June 30, 2023 and 3.25% as of June 30, 2022) over the 120-month term line of credit that matures in April 2030. On the maturity date, all unpaid principal and accrued interest will be due and payable. During the year ended June 30, 2023, the Organization paid the line of credit in full for \$160,000. As of June 30, 2022, the outstanding balance of the line of credit was \$160,000.

During the years ended June 30, 2023 and 2022, interest expense associated with related party debt totaled \$37,983 and \$8,288, respectively, and is included in program services on the accompanying statements of activities.

Note 9: Debt

The Organization entered into a \$161,645 note payable under the Paycheck Protection Program (PPP), provided by the Small Business Administration (SBA), a loan program designed to provide direct incentive for small businesses to keep their workers employed. The SBA will forgive the loan if the employees remain employed for 8 to 24 weeks and the money is used for payroll, rent, mortgage interest or utilities. During October 2021, the Organization received notice of forgiveness of the PPP loan in full. As a result, during the year ended June 30, 2022, the Organization recorded the full amount of the original PPP loan as grant income on the accompanying statements of activities.

The Organization has a note payable of \$149,900 under the COVID-19 Economic Injury Disaster Loans (EIDL), provided by the SBA. The loan program is designed to provide economic relief to businesses that are currently experiencing a temporary loss of revenue due to COVID-19. The note payable requires monthly payments beginning in March 2022 of \$641, including interest of 2.75%. The note payable will mature in May 2050. As of June 30, 2023 and 2022, the outstanding balance of the note payable was \$147,900, respectively, and is included in notes payable on the accompanying statements of financial position.

BERGIN UNIVERSITY OF CANINE STUDIES
(A California Non-Profit Corporation)
NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2023 and 2022

Note 9: Debt, Continued

During October 2022, the Organization purchased land and buildings in Canyonville, Oregon. As part of the purchase, the Organization entered into a note payable of \$1,000,000 with the sellers. The note has an interest rate of 5.00% and matures in December 2027. The note requires interest only payments of \$4,167 beginning in February 2023. Beginning in February 2024, the note requires principal and interest payments totaling \$5,969 through December 2027, at which time all unpaid principal and interest is due and payable. As of June 30, 2023, the outstanding balance on the note payable was \$1,000,000 and is included in the notes payable on the accompanying statements of financial position.

Future maturities of the note payables are as follows:

<u>Year ending June 30,</u>	
2024	\$ 13,005
2025	26,622
2026	27,890
2027	29,221
2028	923,973
Thereafter	<u>127,189</u>
	<u><u>\$ 1,147,900</u></u>

During the years ended June 30, 2023 and 2022, interest expense associated with debt totaled \$29,241 and \$4,417, respectively, and is included in program services on the accompanying statements of activities.

The following additional information for long-term debt is required to support the calculation of the composite score in the Supplementary Information Financial Responsibility Supplemental Schedule:

Allowable Post-implementation Long-term debt:	
Post-implementation Long-Term Debt as of June 30, 2022	\$ -
Post-implementation Long-Term Debt as of June 30, 2023	\$ 1,786,740
Post-implementation Long-term debt not for the purpose of Preoperty, Plant & Equipment or liability greater than asset value:	
Post-implementation Long-Term Debt as of June 30, 2022	\$ 147,900
Post-implementation Long-Term Debt as of June 30, 2023	\$ 147,900

BERGIN UNIVERSITY OF CANINE STUDIES
(A California Non-Profit Corporation)
NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2023 and 2022

Note 10: Right-of-Use Leases

The Organization leases its teaching and administrative facilities in Penngrove, California. The Organization leases the facility under a non-cancelable operating lease that expires in June 2024. The lease requires monthly payments of \$5,500. In addition, the Organization has month-to-month leases for modular buildings and student housing.

The Organization's weighted-average remaining lease term relating to its operating leases is 1 year with a weighted-average discount rate of 1.68%. As of June 30, 2023, the Organization has no financing leases.

Future maturities of operating leases, which exist at June 30, 2023, by year and in aggregate, are as follows:

<u>Year ending June 30,</u>		
2024	\$	66,000
Thereafter		<u>-</u>
	Total lease payments	66,000
	Less: imputed interest	<u>(516)</u>
	Present value of lease payments	65,484
	Less: current portion	<u>(65,484)</u>
	Long-term operating lease liability	<u>\$ -</u>

Total lease expense for the year ended June 30, 2023 was \$64,405 and is included in program services on the accompanying statements of activities. The Organization had short-term lease expense for the year ended of June 30, 2023 of \$165,582 and is included in program services on the accompanying statements of activities. Rent expense for the year ended June 30, 2022, was \$198,616 and is included in program services on the accompanying statements of activities. The leases included above were determined to be post-implementation and there were no pre-implementation leases noted.

Note 11: Simple IRA Plan

The Organization sponsors a Simple IRA plan covering substantially all employees. Under the Plan, employees contribute a specified percentage of their salary, or fixed dollar amount, to the plan. The Organization may agree to make "nonselective" contributions to their employees' Simple IRA plans. For the years ended June 30, 2023 and 2022, the Organization made matching contributions of \$11,812 and \$11,266, respectively, to the Plan.

BERGIN UNIVERSITY OF CANINE STUDIES
(A California Non-Profit Corporation)
NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2023 and 2022

Note 12: Commitments and Contingencies

Regulatory Matters

The Organization is accredited by ACICS and is approved to participate in the Title IV federal aid programs. Organizations that are accredited and participate in Title IV federal financial aid programs must comply with rules and regulations of their accrediting body and the U.S. Department of Education (the Department). As a result, the Organization may in the future be subject from time to time to audits, investigations, claims of noncompliance or lawsuits by government agencies, regulatory bodies, or third parties. There can be no assurance that such matters will not occur and if they do occur will not have a material adverse effect on these financial statements.

Accreditation

On August 19, 2022, the federal recognition of ACICS as an accrediting body by the Department was withdrawn. As a result, all institutions accredited by ACICS have 18 months to obtain accreditation from another accrediting body recognized by the Department to continue to participate in Title IV funding. The Organization is seeking to obtain accreditation with Accrediting Commission of Career Schools and Colleges (ACCSC).

Borrowers Defense to Repayment

On October 28, 2016, the U.S. Department of Education published its new regulations with an effective date of July 1, 2017. The new regulations allow a borrower to assert a defense to repayment on the basis of a substantial misrepresentation, any other misrepresentation in cases where certain other factors are present, a breach of contract or a favorable nondefault contested judgment against a school for its act or omission relating to the making of the borrower's loan or the provision of educational services for which the loan was provided. In addition, the financial responsibility standards contained in the new regulations establish the conditions or events that trigger the requirement for an institution to provide the Department with financial protection in the form of a letter of credit or other security against potential institutional liabilities. Triggering conditions or events include, among others, certain state, federal or accrediting agency actions or investigations. The new regulations also prohibit schools from requiring that students agree to settle future disputes through arbitration. Management believes no misrepresentations have occurred nor has any agency actions or investigations occurred as of the date of these financial statements.

BERGIN UNIVERSITY OF CANINE STUDIES
(A California Non-Profit Corporation)
NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2023 and 2022

Note 12: Commitments and Contingencies, Continued

Restricted Cash (U.S. Department of Education)

As a result of the Organization's accrediting body, ACICS, no longer being recognized by the Department, the Organization was required to post a letter of credit of \$32,109 in favor of the Department. In lieu of posting a letter of credit, the Organization entered into an escrow agreement with the Department to hold \$32,109 in the Organization's favor. As of June 30, 2023, the Organization has restricted cash of \$32,109, for the funds held in an escrow by the Department.

Composite Score

The Department requires institutions to meet standards of financial responsibility. The Department deems an institution financially responsible when the composite score is at least 1.5. For the year ended June 30, 2023, the Organization's composite score was 2.8.

Litigation

Management does not believe the Organization is currently party to any pending or threatened litigation arising from services currently or formerly performed by the Organization. To the extent that there may be pending or threatened litigation that management is unaware of, they do not believe there to be any possible claims that could have a material adverse effect on their business, results of operations or financial condition.

BERGIN UNIVERSITY OF CANINE STUDIES
(A California Non-Profit Corporation)
NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2023 and 2022

Note 13: Functional Expenses

The following tables present expenses by both their nature and function for the year ended June 30, 2023:

	Program Services	Academic Support	Fundraising	Total
Salaries	\$ 739,585	\$ 74,842	\$ 29,791	\$ 844,218
Employee benefits, payroll taxes and compensation insurance	126,902	8,981	3,575	139,458
Total salaries and related expenses	866,487	83,823	33,366	983,676
Expenses:				
Equipment	18,907	1,470	630	21,007
Equipment leases	7,362	-	387	7,749
Equipment repair	4,928	-	259	5,187
Bank charges	5,460	682	-	6,142
Interest	54,505	14,747	-	69,252
Insurance	26,248	1,993	-	28,241
Marketing	18,423	-	4,606	23,029
Occupancy	327,406	-	-	327,406
Postage	5,240	237	948	6,425
Legal and accounting	-	12,987	-	12,987
Off-site faculty	41,543	-	-	41,543
Software	21,444	-	1,080	22,524
Outside services	132,949	-	5,957	138,906
Supplies	55,680	3,275	6,551	65,506
Taxes and licenses	46,331	124	2,185	48,640
Travel	23,026	-	-	23,026
Library	18,103	-	-	18,103
Total expenses	1,674,042	119,338	55,969	1,849,349
Depreciation	192,513	-	-	192,513
	<u>\$ 1,866,555</u>	<u>\$ 119,338</u>	<u>\$ 55,969</u>	<u>\$ 2,041,862</u>

BERGIN UNIVERSITY OF CANINE STUDIES
(A California Non-Profit Corporation)
NOTES TO THE FINANCIAL STATEMENTS, Continued
June 30, 2023 and 2022

Note 13: Functional Expenses, Continued

The following tables present expenses by both their nature and function for the year ended June 30, 2022:

	Program Services	Academic Support	Fundraising	Total
Salaries	\$ 854,851	\$ 43,006	\$ 14,976	\$ 912,833
Employee benefits, payroll taxes and compensation insurance	154,985	4,235	978	160,198
Total salaries and related expenses	1,009,836	47,241	15,954	1,073,031
Expenses:				
Equipment	5,962	-	-	5,962
Equipment leases	9,910	-	-	9,910
Equipment repair	5,034	-	-	5,034
Bank charges	6,041	-	-	6,041
Interest	3,121	-	-	3,121
Insurance	16,082	1,974	-	18,056
Marketing	11,098	-	4,265	15,363
Occupancy	269,190	-	-	269,190
Postage	3,769	-	4,594	8,363
Legal and accounting	1,733	15,150	-	16,883
Off-site faculty	24,795	-	-	24,795
Software	24,979	5	-	24,984
Outside services	83,347	-	6,103	89,450
Supplies	57,409	237	-	57,646
Taxes and licenses	32,031	-	2,073	34,104
Travel	12,552	1,819	-	14,371
Library	25,134	-	-	25,134
Miscellaneous	18,666	-	-	18,666
Total expenses	1,620,689	66,426	32,989	1,720,104
Depreciation	128,431	-	-	128,431
	<u>\$ 1,749,120</u>	<u>\$ 66,426</u>	<u>\$ 32,989</u>	<u>\$ 1,848,535</u>

Operating expenses are allocated functionally on a direct basis. Certain categories of expenses are attributable to more than one function, such as salaries, benefits and payroll taxes, services and professional fees, supplies, and penalties and interest.

Note 14: Subsequent Events

Subsequent events were evaluated through August 24, 2023, which is the date the financial statements were available to be issued.

Supplementary Information

BERGIN UNIVERSITY OF CANINE STUDIES
(A California Non-Profit Corporation)
SUPPLEMENTARY INFORMATION
(Information Required by the U.S. Department of Education)
for the years ended June 30, 2023 and 2022

Related Party Transactions

The Organization participates in FSA under the Title IV programs administered by the U.S. Department of Education pursuant to the Higher Education Act of 1965, as amended (HEA). The Organization must comply with the regulations promulgated under the HEA. Those regulations require that all related party transactions be disclosed, regardless of their materiality to the basic financial statements.

Paws for Purple Hearts

The Organization has a licensing and service fee contract with Paws for Purple Hearts (PPH) located in Penngrove, California, described in Note 7. During the years ended June 30, 2023 and 2022, the Organization recognized \$2,071,786 and \$883,828, respectively, in licensing and service fee revenue and received \$1,838,831 and \$793,216, respectively, from PPH related to the licensing and service fee contract and has been included in other revenue in the accompanying statements of activities. As of June 30, 2023 and 2022, the Organization has outstanding receivable of \$545,655 and \$312,902, respectively, related to the contract, which has been included in the related party receivable on the accompanying statements of financial position.

During October 2022, the Organization entered into a note payable with PPH as part of the purchase of land and buildings in Canyonville, Oregon. The note payable is for \$786,790 and includes an interest rate of 5%. The note payable matures in October 2032. As of June 30, 2023, the Organization had an outstanding balance on the note payable of \$786,740, as described further in Note 8. During the year ended June 30, 2023, the Organization paid interest expense of \$29,505 associated with this note payable.

Other Related Party Transactions

The Organization has a non-cancelable operating lease with James Anthony Bergin and Bonita Mae Bergin Trust (Bergin Trust), which is located in Penngrove, California, as described in Note 11. Bonita Mae Bergin is the founder and board member of the Organization. During the years ended June 30, 2023 and 2022, the Organization paid rent of \$66,000 and \$66,050, respectively, to the Bergin Trust.

During the years ended June 30, 2023 and 2022, the Organization paid expense reimbursements and premiums for long-term insurance for Bonita Mae Bergin totaling \$4,725 and \$4,059, respectively.

The financial statements and accompanying notes should be
read in connection with the supplementary information.

BERGIN UNIVERSITY OF CANINE STUDIES
(A California Non-Profit Corporation)
SUPPLEMENTARY INFORMATION, Continued
(Information Required by the U.S. Department of Education)
for the years ended June 30, 2023 and 2022

Related Party Transactions, Continued

Related Party Line of Credit

The Organization has a line of credit with the CEO and Board Member for a total debt facility of \$400,000, as described in Note 8. During the year ended June 30, 2023, the Organization paid the line of credit in full for \$160,000. During the year ended June 30, 2022, the Organization received advances on the line of credit of \$160,000. As of June 30, 2022, the Organization had a balance outstanding on the line of credit of \$160,000. During the year ended June 30, 2023 and 2022, the Organization paid interest expense of \$8,388 and \$8,288, respectively, on the line of credit.

Financial Responsibility

The U.S. Department of Education issued regulations, effective July 1, 2020, regarding additional disclosures deemed necessary to calculate certain ratios for determining sufficient financial responsibility under Title IV. These disclosures are not required by accounting principles generally accepted in the United States of America, but are intended for use by the U.S. Department of Education and to ensure compliance with Federal Title IV regulations.

For the year ended June 30, 2023, the Organization's composite score was 2.8, as calculated on page 39.

The information above as well as the information presented on pages 31 through 39, is required by the U.S. Department of Education and is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The financial statements and accompanying notes should be
read in connection with the supplementary information.

BERGIN UNIVERSITY OF CANINE STUDIES
(A California Non-Profit Corporation)
SUPPLEMENTARY INFORMATION, Continued
(Information Required by the U.S. Department of Education)
for the year ended June 30, 2023

FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE

Lines		Primary Reserve Ratio:		
		Expendable Net Assets:		
25	Statement of Financial Position - Net assets without donor restrictions	Net assets without donor restrictions		2,022,671
31	Statement of Financial Position - Net assets with donor restrictions	Net assets with donor restrictions		6,913
4	Statement of Financial Position - Related party receivable and Related party note	Secured and Unsecured related party receivable	545,655	
4	Statement of Financial Position - Related party receivable and Related party note	Unsecured related party receivable		545,655
8	Statement of Financial Position - Property, plant and equipment, net	Property, plant and equipment, net (includes Construction in progress)	2,652,179	
FS Note line 8A	Note of the Financial Statements - Statement of Financial Position - Property, Plant and Equipment - pre-implementation	Property, plant and equipment - pre-implementation		-
FS Note line 8B	Note of the Financial Statements - Statement of Financial Position - Property, Plant and Equipment - post-implementation with outstanding debt for original purchase	Property, plant and equipment - post-implementation with outstanding debt for original purchase		1,755,675
FS Note line 8D	Note of the Financial Statements - Statement of Financial Position - Property, Plant and Equipment - post-implementation without outstanding debt for original purchase	Property, plant and equipment - post-implementation without outstanding debt for original purchase		896,504
FS Note line 8C	Note of the Financial Statement - Statement of Financial Position - Construction in	Construction in progress		-
9	Statement of Financial Position - Lease right-of-use assets, net	Lease right-of-use asset, net	65,484	
Excluded Line 9 Note Leases	Note of Financial Statements - Statement of Financial Position - Lease right-of-use assets pre-implementation	Lease right-of-use asset pre-implementation		-
M9 Note Leases	Note of Financial Statements - Statement of Financial Position - Lease right-of-use assets post-implementation	Lease right-of-use asset post-implementation		65,484
10	Statement of Financial Position - Goodwill	Intangible assets		-
18	Statement of Financial Position - Post-employment and pension liabilities	Post-employment and defined pension plan liabilities		-
14, 21, 23	Statement of Financial Position - Note Payable and Line of Credit for long-term purposes (both current and long-term) and Line of Credit for Construction in process	Long-term debt - for long-term purposes	1,934,640	
14, 21, 23 Note Debt A	Statement of Financial Position - Note Payable and Line of Credit for long-term purposes (both current and long-term) and Line of Credit for Construction in process	Long-term debt for long-term purposes pre-implementation		-

The financial statements and accompanying notes should be read in connection with this supplementary information.

BERGIN UNIVERSITY OF CANINE STUDIES
(A California Non-Profit Corporation)
SUPPLEMENTARY INFORMATION, Continued
(Information Required by the U.S. Department of Education)
for the year ended June 30, 2023

FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE, Continued

14, 21, 23 Note Debt B	Statement of Financial Position - Note Payable and Line of Credit for long-term purposes (both current and long-term) and Line of Credit for Construction in process	Long-term debt for long-term purposes post-implementation		1,755,675
14, 21, 23 Note Debt C	Statement of Financial Position - Note Payable and Line of Credit for long-term purposes (both current and long-term) and Line of Credit for Construction in process	Line of Credit for Construction in process		-
22	Statement of Financial Position - Lease right-of-use of asset liability	Lease right-of-use asset liability	65,484	
Excluded Line 22 Note Leases	Statement of Financial Position - Lease right-of-use of asset liability pre-implementation	Pre-implementation right-of-use leases		-
Line 22 Note Leases	Statement of Financial Position - Lease right-of-use of asset liability pre-implementation	Post-implementation right-of-use leases		65,484
26	Statement of Financial Position - Annuities	Annuities with donor restrictions		-
27	Statement of Financial Position - Term Endowments	Term endowments with donor restrictions		-
28	Statement of Financial Position - Life Income Funds	Life income funds with donor restrictions		-
30	Statement of Financial Position - Perpetual Funds	Net assets with donor restrictions restricted in		-
		Total Expenses and Losses:		
45	Statement of Activities - Total Operating Expenses, (Total from Statement of Activities prior to adjustments)	Total expenses without donor restrictions - taken directly from Statement of Activities		2,041,862
(36), 47, 48	Statement of Activities Non-Operating (Investment return appropriate for spending), Investments, net of annual spending gain (loss) and Other gains (loss) - (Total from Statement of Activities prior to adjustments)	Non-Operating and Net Investment (loss)		-
(36), 47	Statement of Activities - (Investment return appropriated for spending) and Investments, net of annual spending, gain (loss)	Net investment losses		-

Lines		Equity Ratio		
		Modified Net Assets:		
25	Statement of Financial Position - Net Assets without Donor Restrictions	Net assets without donor restrictions		2,022,671
31	Statement of Financial Position - Total Net Assets with Donor Restrictions	Net assets with donor restrictions		6,913
10	Statement of Financial Position - Goodwill	Intangible assets		-
4	Statement of Financial Position - Related party receivable and Related party note	Secured and Unsecured related party receivable	545,655	

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BERGIN UNIVERSITY OF CANINE STUDIES
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FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE, Continued

4	Statement of Financial Position - Related party receivable and Related party note	Unsecured related party receivable		545,655
		Modified Assets:		
12	Statement of Financial Position - Total assets	Total assets		4,199,023
Excluded Line 9 Note Leases	Note of Financial Statements - Statement of Financial Position - Lease right-of-use asset pre-implementation	Lease right-of-use asset - pre-implementation		-
Excluded Line 22 Note Leases	Statement of Financial Position - Lease right-of-use asset liability pre-implementation	Pre-implementation right-of-use leases		-
10	Statement of Financial Position - Goodwill	Intangible assets		-
4	Statement of Financial Position - Related party receivable and Related party note	Secured and Unsecured related party receivable	545,655	
4	Statement of Financial Position - Related party receivable and Related party note	Unsecured related party receivable		545,655

Lines		Net Income Ratio:		
50	Statement of Activities - Change in Net Assets Without Donor Restrictions	Change in Net Assets Without Donor Restrictions		559,509
39, (38), 49	Statement of Activities - (Net assets released from restriction), Total Operating Revenue and Other Additions and Sale of Fixed Assets, gains (losses)	Total Revenues and Gains		2,570,849

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BERGIN UNIVERSITY OF CANINE STUDIES
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FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE, Continued

STATEMENT OF FINANCIAL POSITION

Line		
1	Cash, cash equivalents, and restricted cash	\$ 382,291
2	Accounts receivable, net	11,686
3	Prepaid expense and other current assets	139,078
4	Related party receivable	545,655
5	Contributions receivable, net	-
6	Grant receivable	-
7	Investments	343,985
8	Property, plant and equipment, net	2,652,179
9	Lease right-of-use assets, net	65,484
10	Goodwill and intangible assets, net	-
11	Deposits	58,665
12		Total Assets <u>\$ 4,199,023</u>
13	Line of credit - short term	\$ -
14	Line of credit - short term for CIP	-
15	Accounts payable and accrued expenses	131,503
16	Related party notes payable	786,740
17	Deferred income and student deposits	37,812
18	Post-employment and pension liability	-
19	Line of credit - operating	-
20	Other liabilities	-
21	Notes payable	1,147,900
22	Leases right-of-use assets liability	65,484
23	Line of credit for long term purposes	-
24		Total Liabilities <u>2,169,439</u>
25	Net Assets without Donor Restrictions	2,022,671
	Net Assets with Donor Restrictions	
26	Annuities	-
27	Term endowments	-
28	Life income funds	-
29	Other restricted by purpose and time	6,913
30	Restricted in perpetuity	-
31		Total Net Assets with Donor Restrictions <u>6,913</u>
32		Total Net Assets <u>2,029,584</u>
33		Total Liabilities and Net Assets <u>\$ 4,199,023</u>

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BERGIN UNIVERSITY OF CANINE STUDIES
(A California Non-Profit Corporation)
SUPPLEMENTARY INFORMATION, Continued
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FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE, Continued

STATEMENT OF ACTIVITIES

Line

	Changes in Net Assets without Donor Restrictions:	
	Operating Revenue and Other Additions:	
34	Tuition and fees, net	\$ 340,906
35	Contributions and grants	117,419
36	Investment return appropriated for spending	-
37	Auxiliary enterprises	2,112,524
38	Net assets released from restriction	-
39	Total Operating Revenue and Other Additions	2,570,849
	Operating Expenses and Other Deductions:	
40	Instructional program services	1,866,555
41	General and administrative	119,338
42	Fundraising	55,969
43	Interest expense	-
44	Depreciation and amortization	-
45	Total Operating Expenses	2,041,862
46	Change in Net Assets from Operations	528,987
	Non-Operating Changes	
47	Investments, net of annual spending, gain (loss)	-
48	Other gains (losses)	30,522
49	Sale of fixed assets, gains (losses)	-
	Total Non-Operating Changes	30,522
50	Change in Net Assets Without Donor Restrictions	559,509
	Change in Net Assets With Donor Restrictions:	
51	Contributions and grants	-
52	Investment return, net	-
53	Net assets released from restrictions	-
54	Change in Net assets With Donor Restrictions	-
55	Change in Net Assets	559,509
56	Net Assets, Beginning of Year	1,470,075
57	Net Assets, End of Year	\$ 2,029,584

The financial statements and accompanying notes should be
read in connection with this supplementary information.

BERGIN UNIVERSITY OF CANINE STUDIES
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FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE, Continued

Note for Line 9 - Lease right-of-use assets

A.	Lease right-of-use assets - pre-implementation	\$ -	Removed from assets
B.	Lease right-of-use assets - post implementation	65,484	
	Total	\$ 65,484	

Note for Line 22 - Lease right-of-use asset liability

A.	Lease right-of-use assets - pre-implementation	\$ -	Removed from liabilities
B.	Lease right-of-use assets - post implementation	65,484	
	Total	\$ 65,484	

Note for Line 8 - Net Property, Plant and Equipment

A.	Pre-Implementation Property, Plant and Equipment		\$ -
B.	Post-Implementation Property, Plant and Equipment		1,755,675
	Land	270,243	
	Buildings	1,485,432	
	Computers	-	
C.	Construction in progress		-
D.	Post-Implementation Property, Plant and Equipment		896,504
	Total		\$ 2,652,179

- A. This is the ending balance on the last financial statement submission prior to the implementation of the regulations -
- Less any depreciation or disposals.
- B. This is the balance of assets purchased after the implementation of the regulations that was purchased by obtaining debt.
- C. Asset value of the Construction in progress.
- D. Post-Implementation Property, Plant and Equipment with no outstanding debt.

Notes for Line 14, 21 and 23 - Long-term debt for long term purposes

A.	Pre-Implementation Long-term Debt		\$ -
B.	Allowable Post-Implementation Long-term Debt		1,755,675
	Land	270,243	
	Buildings	1,516,497	
	Computers	-	
C.	Construction in progress - debt		-
D.	Long-term debt not for the purchase of Property, Plant and Equipment or liability greater than assets value		178,965
	Total		\$ 1,934,640

- A. This is the ending balance of the last financial statement submission prior to the implementation of the regulations -
- Less in repayments.
- B. This is the lessor of actual outstanding debt of each asset or the value of the asset.
- C. All debt associated with Construction in progress up to the asset value for construction on progress is included.
- D. Long-term debt not for the purchase of Property, Plant and Equipment.

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BERGIN UNIVERSITY OF CANINE STUDIES
(A California Non-Profit Corporation)
SUPPLEMENTARY INFORMATION, Continued
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FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE, Continued

Calculating the Composite Score without pre-implementation leases

	Lines		
*Primary Reserve Ratio = Expendable Net Assets	25+31-30-(26+27+28)-10- (8+9)+18+(M14+M21+M22+M23)-4	587,425	0.2877
/Total Expenses and Losses Without Donor Restrictions	45	2,041,862	
<hr/>			
*Equity Ratio = Modified Net Assets	25+31-10-4	1,483,929	0.4062
/Modified assets	12-10-4	3,653,368	
<hr/>			
Net Income Ratio = Change in Net Assets Without Donor Restrictions	50	559,509	0.2176
/Total Revenue and Gains Without Donor Restrictions	39-36+48+49	2,570,849	

***All pre-implementation right-of-use assets and liabilities are removed from total assets and total M# - For post implementation debt not directly related to purchase of assets.**

Step 1: Calculate the strength factor score for each ratio by using the following algorithms:

Primary Reserve strength factor score = 10 x the primary reserve ratio result

Equity strength factor score = 6 x the equity ratio result

Negative net income ratio result: Net Income strength factor score = 1 + (25 x net income ratio result)

Positive net income ratio result: Net Income strength factor score = 1 + (50 x net income ratio result)

Zero result for net income ratio: Net Income strength factor score = 1

If the strength factor score for any ratio is greater than or equal to 3, the strength factor score for the ratio is 3
 If the strength factor score for any ratio is less than or equal to -1, the strength factor score for that ratio is -1

Step 2: Calculate the weighted score for each ratio and calculate the composite score by adding the three weighted scores:

Primary Reserve weighted score = 40% x the primary reserve strength factor

Equity weighted score = 40% x the equity strength factor score

Net income weighted score = 20% x the net income strength factor score

Composite Score = the sum of all weighted scores

Round the composite score to one digit after the decimal point to determine the final score

RATIO	Ratio	Strength Factor	Weight	Composite Score
Primary Reserve Ratio	0.2877	2.8769	40%	1.1508
Equity Ratio	0.4062	2.4371	40%	0.9748
Net Income Ratio	0.2176	3.0000	20%	0.6000
				2.7256
TOTAL Composite Score - Rounded				<u>2.7</u>

The financial statements and accompanying notes should be
 read in connection with this supplementary information.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
BERGIN UNIVERSITY OF CANINE STUDIES
(A California Non-Profit Corporation)
Penngrove, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Bergin University of Canine Studies (a California Non-Profit Corporation), herein referred to as “the Organization”, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 24, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization’s internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Newark's Association

San Diego, California
August 24, 2023