

**Santa Fe Animal Shelter and Humane Society, Inc.**

**FINANCIAL STATEMENTS**

**December 31, 2012**  
**(With Comparative Totals for 2011)**

## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Santa Fe Animal Shelter and Humane Society, Inc.

We have audited the accompanying financial statements of Santa Fe Animal Shelter and Humane Society, Inc. (the Shelter), which comprise the statements of financial position as of December 31, 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Shelter's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Shelter's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Shelter as of December 31, 2012, 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.

***Report on Summarized Comparative Information***

We have previously audited the Shelter's 2011 financial statements, and our report dated November 20, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

August 26, 2013

  
Pulakos CPAs, PC

# Santa Fe Animal Shelter and Humane Society, Inc.

## STATEMENTS OF FINANCIAL POSITION

**December 31, 2012**

**(With Comparative Totals for 2011)**

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Current assets		
Cash and cash equivalents	\$ 1,461,166	\$ 174,169
Certificate-of-deposit	298,317	-
Restricted cash	1,068	1,062
Investments	8,927,528	6,099,615
Accounts receivable, net	11,609	48,713
Bequest receivable	308,943	5,391,820
Current capital pledges receivable	-	118,557
Land held-for-sale	-	300,000
Other current assets	2,000	24,500
Total current assets	11,010,631	12,158,436
Property and equipment, net	11,157,686	7,652,809
Temporarily restricted investments	674,971	650,602
Beneficial interest in perpetual trusts	855,551	805,168
	\$ 23,698,839	\$ 21,267,015
<b><u>Liabilities and Net Assets</u></b>		
Current liabilities		
Accounts payable	\$ 557,103	\$ 143,327
Accrued liabilities	226,231	250,451
Current portion of note payable to related party	-	300,000
Total current liabilities	783,334	693,778
Net assets		
Unrestricted	19,747,405	18,432,234
Temporarily restricted	2,312,549	1,335,835
Permanently restricted	855,551	805,168
Total net assets	22,915,505	20,573,237
	\$ 23,698,839	\$ 21,267,015

**Santa Fe Animal Shelter and Humane Society, Inc.**

**STATEMENTS OF ACTIVITIES**

**Year Ended December 31, 2012  
(With Comparative Totals for 2011)**

	<b>2012</b>			<b>Total</b>	<b>2011 Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>		
Revenues, support and gains					
Public contributions	\$ 2,039,224	\$ 2,962,500	\$ -	\$ 5,001,724	\$ 13,660,183
Store sales	488,834	-	-	488,834	447,450
Government contracts	359,136	-	-	359,136	343,783
Fees	1,114,125	-	-	1,114,125	1,072,141
Special event revenue	62,699	-	-	62,699	92,525
Grants	83,816	-	-	83,816	41,000
Investment income	15,047	-	-	15,047	47,824
Realized and unrealized gains on investments	365,801	24,369	-	390,170	83,113
Gain (loss) on beneficial interest in perpetual trusts	-	-	50,383	50,383	(46,246)
Net assets released from restrictions	2,010,155	(2,010,155)	-	-	-
<b>Total revenues, support and gains</b>	<b>6,538,837</b>	<b>976,714</b>	<b>50,383</b>	<b>7,565,934</b>	<b>15,741,773</b>
Expenses					
Program	4,188,247	-	-	4,188,247	3,646,914
Management	530,380	-	-	530,380	541,396
Fundraising	505,039	-	-	505,039	455,248
<b>Total expenses</b>	<b>5,223,666</b>	<b>-</b>	<b>-</b>	<b>5,223,666</b>	<b>4,643,558</b>
Change in net assets	1,315,171	976,714	50,383	2,342,268	11,098,215
Net assets, beginning of year	18,432,234	1,335,835	805,168	20,573,237	9,475,022
Net assets, end of year	\$ 19,747,405	\$ 2,312,549	\$ 855,551	\$ 22,915,505	\$ 20,573,237

# Santa Fe Animal Shelter and Humane Society, Inc.

## STATEMENTS OF CASH FLOWS

**Year Ended December 31, 2012**  
**(With Comparative Totals for 2011)**

	<b>2012</b>	<b>2011</b>
Operating activities		
Change in net assets	\$ 2,342,268	\$ 11,098,215
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	510,694	421,673
Gain on sale of property and equipment	-	(17,950)
Net realized and unrealized gain on investments	(390,170)	(83,113)
Donated land	-	(300,000)
Donated investments	(849,172)	(710,412)
Change in value of beneficial interest in perpetual trusts	(50,383)	45,664
Net changes to operating assets and liabilities		
Accounts receivable	37,104	(11,124)
Bequest receivable	5,082,877	(5,368,008)
Capital pledges receivable	118,557	100,000
Other current assets	22,500	12,500
Accounts payable	413,776	99,510
Accrued liabilities	(24,220)	112,577
Net cash provided by operating activities	7,213,831	5,399,532
Investing activities		
(Purchase) redemption of certificate-of-deposit	(298,317)	300,000
Proceeds from sale of investments	3,988,629	738,000
Purchases of investments and income reinvested	(5,601,569)	(6,246,829)
Proceeds from sale of property and equipment	-	414,086
Purchases of property and equipment	(4,015,571)	(245,059)
Net cash used by investing activities	(5,926,828)	(5,039,802)
Financing activities		
Payments on note payable to bank	-	(183,137)
Payments on note payable to related party	-	(437,438)
Change in restricted cash	(6)	(735)
Net cash used by financing activities	(6)	(621,310)
Change in cash and equivalents	1,286,997	(261,580)
Cash and equivalents, beginning of year	174,169	435,749
Cash and equivalents, end of year	\$ 1,461,166	\$ 174,169
Supplementary information		
Cash paid for interest	\$ -	\$ 39,904
Full satisfaction of debt through transfer of land held-for-sale to debt holder	\$ 300,000	\$ -

# **Santa Fe Animal Shelter and Humane Society, Inc.**

## **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2012**  
**(With Comparative Totals for 2011)**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### Organization

The Santa Fe Animal Shelter and Humane Society, Inc. (the Shelter) is a non-profit organization advocating the reduction of animal suffering by curbing overpopulation, teaching compassion, and supporting healthy relationships between people and animals. As part of its adoption program, the Shelter operates a spay-neuter clinic and all animals undergo neutering prior to finalization of adoption.

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

#### Financial Statement Presentation

The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Shelter's financial statements for the year ended December 31, 2011, from which the summarized information was derived.

#### Net Assets

Unrestricted net assets are available for general use in achieving the Shelter's organization goals.

Temporarily restricted net assets are resources received from activities and contributors, which are designated to be expended in a specific manner or within a specified time.

Permanently restricted net assets are trusts held by third-parties that are subject to restrictions in that the principal be invested in perpetuity.

#### Cash and Equivalents

The Shelter considers all liquid investments purchased with a maturity date of three months or less as cash equivalents.

#### Accounts Receivable

Management reviews the collectability of its receivables and, if necessary, records an allowance for its estimate of uncollectible accounts. Bad debt history and current facts and circumstances are the primary bases for this estimate. When an account is deemed uncollectible, it is charged off against the allowance. Allowance for doubtful accounts was zero at December 31, 2012 and 2011, respectively.

# **Santa Fe Animal Shelter and Humane Society, Inc.**

## **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2012**  
**(With Comparative Totals for 2011)**

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

#### Capital Pledges Receivable

Management reviews the collectability of its pledges receivable and, if necessary, directly writes off items deemed uncollectible. In 2012 and 2011, the Shelter recognized expenses relating to the write-off of capital pledges of \$23,000 and zero, respectively. The Shelter believes all pledges receivable are collectible; therefore, no allowance was recorded at December 31, 2012 and 2011, respectively.

#### Investments

Investments consist primarily of money market funds, mutual funds, equities, and fixed income securities, and are stated at quoted fair market value (FMV). Investment income, and realized and unrealized gains or losses are considered unrestricted income. Investment expenses were \$66,361 and \$30,154 in 2012 and 2011, respectively.

#### Property and Equipment

Property and equipment is recorded at cost or estimated fair value at date of donation. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. The Shelter capitalizes items over \$500 with an estimated useful life greater than three years.

Depreciation expense was \$510,694 and \$421,673 in 2012 and 2011, respectively.

#### Contributions

The Shelter reports contributions received as either unrestricted, temporarily restricted or permanently restricted support, depending on the existence or nature of any donor restrictions. Unconditional promises to give are recognized as revenue and pledges receivable when the promise to give is made.

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated professional services that create or enhance non-financial assets or that require specialized skills, are recorded at their fair values in the period received.

#### Donated Goods and Services

The Shelter receives donations of various items used in operations, primarily related to the welfare of animals housed at the Shelter's facility. The value of donated goods recognized as in-kind revenues in the accompanying statements of activities were \$32,462 and \$53,304 during 2012 and 2011, respectively.



# Santa Fe Animal Shelter and Humane Society, Inc.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2012  
(With Comparative Totals for 2011)

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### Income Taxes

The Shelter is a nonprofit charitable corporation and has been recognized as tax-exempt under Section 501(c)(3) of the Internal Revenue Code. The Shelter has adopted accounting principles generally accepted in the United States of America, as they relate to uncertain tax positions, and has evaluated its tax positions taken for open tax years. Currently, the 2009, 2010 and 2011 tax years are open and subject to examination by the Internal Revenue Service and New Mexico Taxation and Revenue Department. Management believes that the activities of the Shelter are within their tax-exempt purpose, and that there are no uncertain tax positions.

#### Advertising

The Shelter expenses advertising costs as they are incurred (\$46,722 and \$48,113 in 2012 and 2011, respectively).

#### Financial Instruments

The carrying amounts of cash, receivables, payables, accrued expenses, and other liabilities approximate fair value due to short maturity periods of these instruments.

#### Subsequent Events

The Shelter has evaluated all events occurring subsequent to December 31, 2012 and through August 23, 2013, which is the date that the financial statements were issued, and has recorded or disclosed any events occurring during this period in the accompanying financial statements.

### NOTE 2 - PROPERTY AND EQUIPMENT

	<u>2012</u>	<u>2011</u>
Buildings and improvements	\$ 11,213,488	\$ 9,145,469
Construction in progress	1,979,287	74,623
Furniture and equipment	814,789	770,701
Leasehold improvements	470,644	470,644
Vehicles	<u>296,507</u>	<u>298,107</u>
	14,774,715	10,759,544
Less accumulated depreciation	<u>(3,617,029)</u>	<u>(3,106,735)</u>
	<u>\$ 11,157,686</u>	<u>\$ 7,652,809</u>

# Santa Fe Animal Shelter and Humane Society, Inc.

## NOTES TO FINANCIAL STATEMENTS

**December 31, 2012**  
**(With Comparative Totals for 2011)**

### NOTE 3 – INVESTMENTS

	<u>2012</u>		<u>2011</u>	
	<u>Cost</u>	<u>FMV</u>	<u>Cost</u>	<u>FMV</u>
Unrestricted				
Cash and cash equivalents	\$ 2,221,775	\$ 2,221,775	\$ 2,852,072	\$ 2,852,072
Fixed income	458,758	455,991	552,556	556,095
Equities	6,083,527	6,249,762	2,567,294	2,691,448
Designated and restricted				
Fixed income	554,879	554,879	542,145	542,145
Mutual funds	79,997	88,182	79,012	76,547
Oil and gas rights	<u>31,910</u>	<u>31,910</u>	<u>31,910</u>	<u>31,910</u>
	<u>\$ 9,430,846</u>	<u>\$ 9,602,499</u>	<u>\$ 6,619,825</u>	<u>\$ 6,750,217</u>

### NOTE 4 - NOTES PAYABLE

	<u>2012</u>	<u>2011</u>
Note payable to a related party, 6.25%, monthly interest only payments of \$7,704, no set maturity date, balance settled in full in 2012.	<u>\$ -</u>	<u>\$ 300,000</u>

### NOTE 5 - RESTRICTED NET ASSETS

#### Temporarily Restricted Net Assets

Various contributions have been temporarily restricted by the donor:

	<u>2012</u>	<u>2011</u>
Capital campaign	\$ -	\$ 118,557
Hospital	1,576,464	500,000
Stewart fund	564,680	546,897
Gordon fund	78,382	71,796
Training center	49,113	48,613
Oil and gas interests	31,910	31,910
Other	<u>12,000</u>	<u>18,062</u>
	<u>\$ 2,312,549</u>	<u>\$ 1,335,835</u>

# Santa Fe Animal Shelter and Humane Society, Inc.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2012  
(With Comparative Totals for 2011)

### NOTE 5 - RESTRICTED NET ASSETS – CONTINUED

Net assets released to or from restriction are as follows:

	<u>2012</u>	<u>2011</u>
Stewart fund	\$ -	\$ 6,952
Capital campaign	118,557	99,265
Gordon fund	-	12,643
Hospital	1,873,536	-
Other	<u>18,062</u>	<u>62,013</u>
	<u>\$ 2,010,155</u>	<u>\$ 180,873</u>

An agreement under which the Shelter received certain temporarily restricted funds states that any income plus 10% of the original principal balance may be withdrawn annually. The principal balance on these funds was \$643,061 and \$618,692 as of December 31, 2012 and 2011, respectively.

#### Permanently Restricted Net Assets

Permanently restricted net assets consist of two trusts held by third-parties that are subject to restrictions in that the principal be invested in perpetuity. Annual trust distributions may be used for the operations of the Shelters and are recorded as unrestricted investment income. The trust assets are recognized at fair market value. Adjustments to the fair market value of the trusts are recognized as permanently restricted unrealized gains or losses. The fair market values of these trusts were \$855,551 and \$805,168 at December 31, 2012 and 2011, respectively.

### NOTE 6 - FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States of America establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

# **Santa Fe Animal Shelter and Humane Society, Inc.**

## **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2012**  
**(With Comparative Totals for 2011)**

### **NOTE 6 - FAIR VALUE MEASUREMENTS - CONTINUED**

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Shelter has the ability to access.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; Quoted prices for identical or similar assets or liabilities in inactive markets; Inputs other than quoted prices that are observable for the asset or liability; Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2012.

*Cash and cash equivalents, fixed income securities, mutual funds, equities and interests in perpetual trusts:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Oil and gas rights:* Valued at the fair market at the time of donation.

# Santa Fe Animal Shelter and Humane Society, Inc.

## NOTES TO FINANCIAL STATEMENTS

**December 31, 2012**  
**(With Comparative Totals for 2011)**

### NOTE 6 - FAIR VALUE MEASUREMENTS - CONTINUED

The following table sets forth by level, within the fair value hierarchy, the Shelter's assets at fair value as of December 31, 2012:

<b>Assets at Fair Value as of December 31, 2012</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and cash equivalents	\$ 2,221,775	\$ -	\$ -	\$ 2,221,775
Fixed income - government obligations	1,010,870	-	-	1,010,870
Equities				
Financial services sector	362,068	-	-	362,068
Technology sector	599,290	-	-	599,290
Consumer staples sector	742,973	-	-	742,973
Industrials sector	592,318	-	-	592,318
Healthcare sector	369,278	-	-	369,278
Basic materials sector	17,086	-	-	17,086
Energy sector	400,066	-	-	400,066
Communication services sector	1,057,211	-	-	1,057,211
Real estate sector	6,259	-	-	6,259
Consumer discretionary sector	548,069	-	-	548,069
Utilities sector	1,555,144	-	-	1,555,144
Mutual funds	88,182	-	-	88,182
Oil and gas rights	-	31,910	-	31,910
Beneficial interest in perpetual trusts	855,551	-	-	855,551
	<b>\$ 10,426,140</b>	<b>\$ 31,910</b>	<b>\$ -</b>	<b>\$ 10,458,050</b>

# Santa Fe Animal Shelter and Humane Society, Inc.

## NOTES TO FINANCIAL STATEMENTS

**December 31, 2012**  
**(With Comparative Totals for 2011)**

### NOTE 6 - FAIR VALUE MEASUREMENTS - CONTINUED

The following table sets forth by level, within the fair value hierarchy, the Shelter's assets at fair value as of December 31, 2011:

<b>Assets at Fair Value as of December 31, 2011</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and cash equivalents	\$ 2,852,072	\$ -	\$ -	\$ 2,852,072
Fixed income				
Corporate obligations	450,400	-	-	450,400
Government obligations	647,840	-	-	647,840
Equities				
Financial services sector	272,183	-	-	272,183
Technology sector	395,274	-	-	395,274
Consumer staples sector	343,863	-	-	343,863
Industrials sector	191,872	-	-	191,872
Healthcare sector	62,896	-	-	62,896
Basic materials sector	154,527	-	-	154,527
Energy sector	243,955	-	-	243,955
Communication services sector	348,496	-	-	348,496
Consumer discretionary sector	261,310	-	-	261,310
Utilities sector	417,072	-	-	417,072
Mutual funds	76,547	-	-	76,547
Oil and gas rights	-	31,910	-	31,910
Beneficial interest in perpetual trusts	805,168	-	-	805,168
	<u>\$ 7,523,475</u>	<u>\$ 31,910</u>	<u>\$ -</u>	<u>\$ 7,555,385</u>

# **Santa Fe Animal Shelter and Humane Society, Inc.**

## **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2012**  
**(With Comparative Totals for 2011)**

### **NOTE 7 - ENDOWMENTS**

The Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) provides industry guidance to organizations similar to the Shelter. The State of New Mexico adopted UPMIFA effective July 1, 2009. The Shelter has determined that certain temporarily restricted net assets meet the definition of endowment funds under UPMIFA. The Shelter has determined that its permanently restricted net assets do not meet the definition of endowment funds under UPMIFA as these assets are held in trust, over which the Shelter is not the trustee.

#### Endowment Investment and Spending Policies

The Shelter has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for initiatives supported by its endowments while seeking to maintain the purchasing power of the endowments.

In determining the prudent amount to distribute in a given year, the Shelter considers the donor’s intent, the purpose of the fund as stated in the fund agreement, and relevant economic factors. The Shelter’s current spending policy with regards to its endowments is determined annually by the Board of Directors.

The investment policies establish a return objective through diversification of asset classes. The current long-term return objective is the rate of inflation plus spending, net of any investment fees. To satisfy its long-term rate of return objectives, the Shelter relies on a total return strategy in which investment returns may be achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Shelter targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The Shelter’s endowment funds include donor-restricted assets. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

# Santa Fe Animal Shelter and Humane Society, Inc.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2012  
(With Comparative Totals for 2011)

### NOTE 7 – ENDOWMENTS - CONTINUED

The Shelter's endowment funds entirely consist of temporarily restricted endowments, restricted by the donor for time and purpose. A reconciliation of endowment activities for the years ending December 31, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Endowment net assets, beginning of year	\$ 618,692	\$ 415,953
Investment return		
Interest and dividends	16,186	15,359
Net realized and unrealized gains	<u>8,183</u>	<u>(2,465)</u>
Total investment return	<u>24,369</u>	<u>12,894</u>
Contributions	-	189,845
Distributions	<u>-</u>	<u>-</u>
	<u>-</u>	<u>189,845</u>
Endowment net assets, end of year	<u>\$ 643,061</u>	<u>\$ 618,692</u>

### NOTE 8 – LINE-OF-CREDIT

In July 2012, the Shelter entered into a line-of-credit agreement with a financial institution. The line-of-credit allows for up to \$299,373 to be drawn upon as needed. The line-of-credit bears variable interest at prime (3.25% at December 31, 2012) plus 1.50%, with a floor rate of 5.50%, and requires monthly payments of interest only. The line is secured by the Shelter's certificate of deposit. The line-of-credit matures July 2013, at which time all unpaid principal and interest is due. The balance was zero at December 31, 2012.

### NOTE 9 - COMMITMENTS AND CONTINGENCIES

#### Operating Leases

The Shelter leases certain property and equipment under operating lease agreements expiring through May 2016. Monthly lease expense under the various agreements ranges from \$60 to \$900. The following is a schedule by year of future minimum lease payments under operating leases as of December 31, 2012, that have initial or remaining lease terms in excess of one year.



# Santa Fe Animal Shelter and Humane Society, Inc.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2012  
(With Comparative Totals for 2011)

### NOTE 9 - COMMITMENTS AND CONTINGENCIES – CONTINUED

Future minimum lease payments are as follows:

2013	\$	17,559
2014		12,526
2015		7,920
2016		300

Rental expense was \$64,006 and \$121,006 in 2012 and 2011, respectively.

The Shelter also leases land from the City of Santa Fe for a one-time fee of \$1,000. The original lease was entered into on May 31, 2000 for a term of 99 years, with the option to extend for an additional 49 years.

#### Lease Income

The Shelter leases 800 square feet of their facilities to the City of Santa Fe, which expires in June 2015. Monthly lease income under the agreement is \$1,600.

Future minimum lease receipts are as follows:

2013	\$	19,200
2014		19,200
2015		9,600

#### Retirement Plan

The Shelter has a simple IRA plan for employees who have worked for the Shelter for at least two years. At the end of the third year of employment, the Shelter makes a contribution to the plan for eligible employees in the amount of 2% of the employee's wages for that year. All contributions are always 100% vested. In 2012 and 2011, the Shelter incurred expenses relating to the plan of \$17,999 and \$16,504, respectively.

#### Concentrations of Risk

The Shelter maintains cash balances in financial institutions, which at times exceed federally insured limits.

#### Major Donors

The Shelter had unrestricted contributions of \$1,347,407 from one major donor in 2012 and an outstanding receivable balance of \$308,943 as of December 31, 2012. The Shelter had unrestricted contributions of \$12,937,231 from one major donor in 2011 and an outstanding receivable balance of \$5,391,820 as of December 31, 2011.

# **Santa Fe Animal Shelter and Humane Society, Inc.**

## **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2012**  
**(With Comparative Totals for 2011)**

### **NOTE 10 – RELATED PARTY TRANSACTIONS**

#### Land Held-for-Disposal

In 2011, the Shelter was bequested land. The land was held for disposal as of December 31, 2011 and was transferred in January 2012 to the chair of the Board of Directors for its appraised value of \$300,000. The transfer of the land was in full satisfaction of \$300,000 in notes payable to the chair.

#### Residence for Executive Director

In January 2012, the Shelter purchased residential real estate for approximately \$545,000 for investment purposes. Currently, the property is occupied by the Shelter's Executive Director on a rent-free as a part of the Executive Director's compensation package.