

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

**FINANCIAL STATEMENTS**

**December 31, 2014**  
**(With Comparative Totals for 2013)**

## 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, 2014, and the related statements of activities and cash flows for the year 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' 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 present fairly, in all material respects, the financial position of the Shelter as of December 31, 2014, 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 2013 financial statements, and our report dated September 17, 2014, 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, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

July 22, 2015

  
Pulakos CPAs, PC

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

**STATEMENTS OF FINANCIAL POSITION**

**December 31, 2014**

**(With Comparative Totals for 2013)**

**Assets**

	<b>2014</b>	<b>2013</b>
	<hr/>	<hr/>
Current assets		
Cash and cash equivalents	\$ 335,175	\$ 265,223
Restricted cash	6,300	89,308
Certificate-of-deposit	-	300,120
Investments	8,354,953	8,289,733
Accounts receivable, net	39,877	88,751
Current portion of long-term pledge receivable	20,000	-
Bequests receivable	31,084	275,051
Other current assets	2,000	30,335
	<hr/>	<hr/>
Total current assets	8,789,389	9,338,521
Property and equipment, net	13,486,780	12,832,126
Long-term pledge receivable	60,000	-
Restricted investments	714,875	655,774
Beneficial interest in perpetual trusts	905,434	919,243
	<hr/>	<hr/>
	\$ 23,956,478	\$ 23,745,664
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**Liabilities and Net Assets**

Current liabilities		
Line-of-credit	\$ 878,160	\$ -
Accounts payable	505,228	180,658
Accrued liabilities	318,475	254,381
Deferred revenue	72,955	-
	<hr/>	<hr/>
Total current liabilities	1,774,818	435,039
Net assets		
Unrestricted	20,481,351	21,640,229
Temporarily restricted	693,882	658,501
Permanently restricted	1,006,427	1,011,895
	<hr/>	<hr/>
Total net assets	22,181,660	23,310,625
	<hr/>	<hr/>
	\$ 23,956,478	\$ 23,745,664
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**Santa Fe Animal Shelter and Humane Society, Inc.**

**STATEMENTS OF ACTIVITIES**

**Year Ended December 31, 2014  
(With Comparative Totals for 2013)**

	<b>2014</b>			<b>Total</b>	<b>2013 Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>		
Revenues, support and gains					
Public contributions	\$ 1,178,487	\$ 757,048	\$ -	\$ 1,935,535	\$ 2,000,876
Store sales	1,012,809	-	-	1,012,809	805,629
Government contracts	381,441	-	-	381,441	449,383
Fees	972,870	-	-	972,870	771,770
Special event revenue	173,899	-	-	173,899	109,488
Grants	210,522	-	-	210,522	248,430
Investment income and gains on investments	723,624	75,559	8,341	807,524	1,562,807
Net (loss) gain on beneficial interest in perpetual trusts	-	-	(13,809)	(13,809)	63,692
Net assets released from restrictions	797,226	(797,226)	-	-	-
<b>Total revenues, support and gains</b>	<b>5,450,878</b>	<b>35,381</b>	<b>(5,468)</b>	<b>5,480,791</b>	<b>6,012,075</b>
Expenses					
Program	5,311,041	-	-	5,311,041	4,281,763
Management	680,544	-	-	680,544	784,697
Fundraising	618,171	-	-	618,171	550,495
<b>Total expenses</b>	<b>6,609,756</b>	<b>-</b>	<b>-</b>	<b>6,609,756</b>	<b>5,616,955</b>
Change in net assets	(1,158,878)	35,381	(5,468)	(1,128,965)	395,120
Net assets, beginning of year	21,640,229	658,501	1,011,895	23,310,625	22,915,505
Net assets, end of year	\$ 20,481,351	\$ 693,882	\$ 1,006,427	\$ 22,181,660	\$ 23,310,625

# Santa Fe Animal Shelter and Humane Society, Inc.

## STATEMENTS OF CASH FLOWS

**Year Ended December 31, 2014**  
**(With Comparative Totals for 2013)**

	<b>2014</b>	<b>2013</b>
Operating activities		
Change in net assets	\$ (1,128,965)	\$ 395,120
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	1,012,065	615,170
Net gain on investment activity	(805,965)	(1,621,779)
Donated investments	(10,667)	(22,561)
Net loss (gain) on beneficial interest in perpetual trusts	13,809	(63,692)
Net changes to operating assets and liabilities		
Accounts receivable	28,874	(77,142)
Bequests receivable	183,967	33,892
Other current assets	28,335	(28,335)
Accounts payable	324,570	(376,445)
Accrued liabilities	64,094	28,150
Deferred revenue	72,955	-
	(216,928)	(1,117,622)
Net cash used by operating activities		
Investing activities		
Proceeds from maturity of certificate-of-deposit	300,120	-
Proceeds from sale of investments	1,936,694	2,499,529
Purchases of investments and income reinvested	(1,244,383)	(200,000)
Purchases of property and equipment	(1,666,719)	(2,289,610)
	(674,288)	9,919
Net cash (used) provided by investing activities		
Financing activities - net borrowings on line-of-credit	878,160	-
Change in cash and equivalents	(13,056)	(1,107,703)
Cash and equivalents, beginning of year (including restricted cash)	354,531	1,462,234
Cash and equivalents, end of year (including restricted cash)	\$ 341,475	\$ 354,531
Supplemental cash flow disclosures - interest paid	\$ 1,192	\$ 982

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

## **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2014**  
**(With Comparative Totals for 2013)**

### **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, 2013, from which the summarized information was derived.

Certain amounts in the 2013 financial statements have been reclassified to conform with 2014 financial statement presentation.

#### Cash and Cash 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, 2014 and 2013, 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 unless otherwise specified by donor stipulations. Investment expenses were \$59,596 and \$81,148 in 2014 and 2013, respectively.

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

## **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2014**  
**(With Comparative Totals for 2013)**

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

#### 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 \$1,012,065 and \$615,170 in 2014 and 2013, respectively.

#### 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 and the Shelter that are subject to restrictions in that the principal be invested in perpetuity.

#### 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. Restricted contributions whose restriction is satisfied in the same year as contribution are recorded as unrestricted contributions.

#### Donated Goods and Services

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. 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 was zero and \$16,916 during 2014 and 2013, respectively.

#### Advertising

The Shelter expenses advertising costs as they are incurred (\$63,706 and \$59,000 in 2014 and 2013, 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.

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

## **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2014**  
**(With Comparative Totals for 2013)**

### **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 2011, 2012 and 2013 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.

#### Fair Value Measurement

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:

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.

#### Subsequent Events

The Shelter has evaluated all events occurring subsequent to December 31, 2014 and through July 22, 2015, which is the date that the financial statements were issued, and does not believe any events occurred during the period that would require either recognition or disclosure in the accompanying financial statements.

# Santa Fe Animal Shelter and Humane Society, Inc.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2014  
(With Comparative Totals for 2013)

### NOTE 2 – PROPERTY AND EQUIPMENT

	<u>2014</u>	<u>2013</u>
Buildings and improvements	\$ 11,526,327	\$ 11,518,732
Hospital facility	4,200,498	4,208,535
Construction in progress	1,515,243	-
Furniture and equipment	693,484	542,571
Leasehold improvements	470,644	470,644
Vehicles	<u>310,383</u>	<u>323,243</u>
	18,716,579	17,063,725
Less accumulated depreciation	<u>(5,229,799)</u>	<u>(4,231,599)</u>
	<u>\$ 13,486,780</u>	<u>\$ 12,832,126</u>

### NOTE 3 - PLEDGES RECEIVABLE

Pledges receivable are recorded at the net present value of estimated future cash flows. Management has determined that any discount on pledges receivable would be immaterial, and therefore has not recorded any such discount. The Shelter believes that all pledges receivable will be fully collectible when due and, therefore, has not recorded an allowance on pledges receivable.

Pledges receivable consist of the following as of December 31:

	<u>2014</u>
Receivables due in less than one year	\$ 20,000
Receivables due in one to five years	<u>60,000</u>
Total pledges receivable	<u>\$ 80,000</u>

There were no pledges receivable outstanding as of December 31, 2013.

# Santa Fe Animal Shelter and Humane Society, Inc.

## NOTES TO FINANCIAL STATEMENTS

**December 31, 2014**  
**(With Comparative Totals for 2013)**

### NOTE 4 – INVESTMENTS

	2014		2013	
	Cost	FMV	Cost	FMV
Unrestricted				
Equities	\$ 6,123,687	\$ 7,135,194	\$ 6,096,055	\$ 7,090,131
Money market	1,200,880	1,200,880	1,176,680	1,176,680
Alternative	22,561	18,879	22,561	22,922
	7,347,128	8,354,953	7,295,296	8,289,733
Designated and restricted				
Mutual funds	524,618	599,517	473,406	524,359
Money market	45,737	45,736	99,505	99,505
Fixed income	37,050	37,712	-	-
Oil and gas rights	31,910	31,910	31,910	31,910
	639,315	714,875	604,821	655,774
	\$ 7,986,443	\$ 9,069,828	\$ 7,900,117	\$ 8,945,507

### NOTE 5 – LINE-OF-CREDIT

In July 2014, the Shelter entered into a line-of-credit agreement with a financial institution for the purpose of financing construction of the behavioral center. The line-of-credit allows up to \$5,162,000 to be drawn upon as needed. The line-of-credit bears variable interest at prime (3.25% at December 31, 2014 and 2013) plus 2.00%, with a floor rate of 5.50%, and requires monthly payments of interest only. The line is secured by the Shelter's investments held with the lender. The balance was \$878,160 and zero at December 31, 2014 and 2013, respectively.

### NOTE 6 – RESTRICTED NET ASSETS

#### Temporarily Restricted Net Assets

Various contributions have been temporarily restricted by the donor:

	2014	2013
Stewart fund	\$ 581,972	\$ 531,212
Pledge receivable	80,000	-
Oil and gas interests	31,910	31,910
Hankins grant	-	58,561
Training center	-	36,818
	\$ 693,882	\$ 658,501

# Santa Fe Animal Shelter and Humane Society, Inc.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2014  
(With Comparative Totals for 2013)

### NOTE 6 – RESTRICTED NET ASSETS - CONTINUED

#### Temporarily Restricted Net Assets - Continued

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 \$581,972 and \$531,212 as of December 31, 2014 and 2013, respectively.

Net assets released from restriction are as follows:

	<u>2014</u>	<u>2013</u>
Behavioral center	\$ 668,471	\$ -
Hankins grant	58,561	1,439
Training center	36,818	12,295
Stewart fund	24,799	97,469
Other	8,577	12,000
Hospital	<u>-</u>	<u>1,576,464</u>
	<u>\$ 797,226</u>	<u>\$ 1,699,667</u>

#### Beneficial Interest in Perpetual Trusts

Included in permanently restricted net assets are the beneficial interests of 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 Shelter and are recorded as unrestricted investment income. The assets are recognized at fair market value. Adjustments to the fair market value of the assets are recognized as permanently restricted unrealized gains or losses. The fair market values of these trusts were \$905,434 and \$919,243 at December 31, 2014 and 2013, respectively.

# Santa Fe Animal Shelter and Humane Society, Inc.

## NOTES TO FINANCIAL STATEMENTS

**December 31, 2014**  
**(With Comparative Totals for 2013)**

### NOTE 7 – FAIR VALUE MEASUREMENTS

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, 2014.

*Money market, 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 value at the time of donation, with annual evaluation for impairment or other valuation changes.

The following table sets forth by level, within the fair value hierarchy, the Shelter’s assets at fair value as of December 31, 2014 and 2013:

#### Assets at Fair Value as of December 31, 2014

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market	\$ 1,251,013	\$ -	\$ -	\$ 1,251,013
Fixed income	37,035	-	-	37,035
Equities				
Large value	4,602,486	-	-	4,602,486
Large core	2,023,959	-	-	2,023,959
Large growth	592,186	-	-	592,186
Mid cap core	512,360	-	-	512,360
Alternative investments				
Hedge fund	-	-	18,879	18,879
Oil and gas rights	-	31,910	-	31,910
Pledges receivable	-	60,000	-	60,000
Beneficial interest in perpetual trusts	905,434	-	-	905,434
	<u>\$ 9,924,473</u>	<u>\$ 91,910</u>	<u>\$ 18,879</u>	<u>\$ 10,035,262</u>

# Santa Fe Animal Shelter and Humane Society, Inc.

## NOTES TO FINANCIAL STATEMENTS

**December 31, 2014**  
**(With Comparative Totals for 2013)**

### NOTE 7 – FAIR VALUE MEASUREMENTS - CONTINUED

#### Assets at Fair Value as of December 31, 2013

	Level 1	Level 2	Level 3	Total
Money market	\$ 1,276,185	\$ -	\$ -	\$ 1,276,185
Equities				
Large value	3,893,982	-	-	3,893,982
Large core	1,846,742	-	-	1,846,742
Large growth	961,673	-	-	961,673
Mid cap value	701,725	-	-	701,725
Mid cap core	210,368	-	-	210,368
Alternative investments				
Hedge fund	-	-	22,922	22,922
Oil and gas rights	-	31,910	-	31,910
Beneficial interest in perpetual trusts	919,243	-	-	919,243
	\$ 9,809,918	\$ 31,910	\$ 22,922	\$ 9,864,750

#### Level 3 Investments

The following tables present the Shelter's activities for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2014 and 2013:

	2014	2013
Beginning balance	\$ 22,922	\$ -
Contributions	-	22,561
Gains	1,451	361
Settlements	(5,494)	-
Ending balance	\$ 18,879	\$ 22,922

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

## **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2014**  
**(With Comparative Totals for 2013)**

### **NOTE 8 – 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 and permanently restricted net assets meet the definition of endowment funds under UPMIFA. The Shelter has determined that the permanently restricted net assets, which are held in trust, do not meet the definition of endowment funds under UPMIFA, as 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.

The Shelter's endowment funds consist of temporarily and permanently restricted endowments, restricted by the donor for time and purpose. A reconciliation of endowment activities for the years ending December 31, 2014 and 2013 is as follows:

# Santa Fe Animal Shelter and Humane Society, Inc.

## NOTES TO FINANCIAL STATEMENTS

**December 31, 2014**  
**(With Comparative Totals for 2013)**

### NOTE 8 – ENDOWMENTS – CONTINUED

	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, December 31, 2012	\$ 564,680	\$ 78,382	\$ 643,062
Investment return			
Interest and dividends, net of fees	4,230	2,360	6,590
Net realized and unrealized gains	59,771	11,910	71,681
Distributions	(97,469)	-	(97,469)
Endowment net assets, December 31, 2013	531,212	92,652	623,864
Investment return			
Interest and dividends, net of fees	14,804	3,919	18,723
Net realized and unrealized gains	25,288	8,341	33,629
Contributions	10,668	-	10,668
Distributions	-	(3,919)	(3,919)
Endowment net assets, December 31, 2014	<u>\$ 581,972</u>	<u>\$ 100,993</u>	<u>\$ 682,965</u>

### NOTE 9 – COMMITMENTS AND CONTINGENCIES

#### Retirement Plan

The Shelter has a simple IRA plan for employees who have worked for the Shelter for at least two years. The Shelter makes an annual contribution to the plan for eligible employees in the amount of 2% of the employee's wages for that year. Employer contributions are 100% vested. In 2014 and 2013, the Shelter incurred expenses relating to the plan of \$24,465 and \$21,339, respectively.

#### Operating Leases

The Shelter leases certain property and equipment under operating lease agreements expiring through October 2018. Monthly lease expense under the various agreements ranges from \$173 to \$4,534. The following is a schedule by year of future minimum lease payments under operating leases as of December 31, 2014, 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, 2014  
(With Comparative Totals for 2013)

### NOTE 9 – COMMITMENTS AND CONTINGENCIES - CONTINUED

#### Operating Leases – Continued

Future minimum lease payments are as follows:

2015	\$	70,829
2016		4,642
2017		3,777
2018		3,148

Rental expense was \$101,407 and \$83,599 in 2014 and 2013, 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 under an operating lease agreement which expires in June 2015. Monthly lease income under the agreement is \$1,600.

Future minimum lease receipts for 2015 are \$9,600.

#### 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 \$600,000 from one major donor and \$1,050,000 from two major donors in 2014 and 2013, respectively.

### NOTE 10 – RELATED PARTY TRANSACTIONS

#### 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 basis as a part of the Executive Director's compensation package.

#### Architectural Services

In 2014 and 2013, the Shelter received architectural services for the construction of its behavioral center and animal hospital from a member of the Board of Directors. Fees paid to this Board member were \$103,343 and \$97,634 in 2014 and 2013, respectively.