

Santa Fe Animal Shelter and Humane Society, Inc.

FINANCIAL STATEMENTS

December 31, 2016
(With Comparative Totals for 2015)

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 statement of financial position as of December 31, 2016, 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, 2016, 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 2015 financial statements, and our report dated November 9, 2016, 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, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

July 19, 2017


Pulakos CPAs, PC

Santa Fe Animal Shelter and Humane Society, Inc.

STATEMENTS OF FINANCIAL POSITION

December 31, 2016
(With Comparative Totals for 2015)

Assets

	2016	2015
Current assets		
Cash and cash equivalents	\$ 452,315	\$ 123,399
Restricted cash	1,139	1,140
Investments	5,265,207	6,809,190
Accounts receivable, net	29,426	69,297
Current portion of long-term pledge receivable	20,000	20,000
Bequests receivable	21,328	109,040
Other current assets	2,000	2,000
Total current assets	5,791,415	7,134,066
Property and equipment, net	12,204,885	13,048,336
Long-term pledge receivable	-	40,000
Restricted investments	861,635	706,660
Beneficial interest in perpetual trusts	766,405	843,090
	\$ 19,624,340	\$ 21,772,152

Liabilities and Net Assets

Current liabilities		
Line-of-credit	\$ 1,676,969	\$ 1,678,160
Accounts payable	261,690	133,530
Accrued liabilities	219,645	225,682
Deferred revenue	19,990	-
Total current liabilities	2,178,294	2,037,372
Net assets		
Unrestricted	15,710,317	18,094,425
Temporarily restricted	777,000	695,870
Permanently restricted	958,729	944,485
Total net assets	17,446,046	19,734,780
	\$ 19,624,340	\$ 21,772,152

Santa Fe Animal Shelter and Humane Society, Inc.

STATEMENTS OF ACTIVITIES

**Year Ended December 31, 2016
(With Comparative Totals for 2015)**

	2016			Total	2015 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Revenues, support and gains					
Public contributions	\$ 1,127,667	\$ 98,224	\$ -	\$ 1,225,891	\$ 1,126,413
Store sales	1,333,741	-	-	1,333,741	1,223,690
Government contracts	402,877	-	-	402,877	390,130
Fees	1,567,059	-	-	1,567,059	1,262,650
Special event revenue	308,677	-	-	308,677	373,760
Grants	264,441	-	-	264,441	367,860
Investment income and gains on investments	564,310	49,706	402	614,418	16,914
Net gain (loss) on beneficial interest in perpetual trusts	-	-	13,842	13,842	(62,344)
Net assets released from restrictions	66,800	(66,800)	-	-	-
Total revenues, support and gains	5,635,572	81,130	14,244	5,730,946	4,699,073
Expenses					
Program	6,505,907	-	-	6,505,907	5,821,790
Management	646,582	-	-	646,582	590,794
Fundraising	867,191	-	-	867,191	733,369
Total expenses	8,019,680	-	-	8,019,680	7,145,953
Change in net assets	(2,384,108)	81,130	14,244	(2,288,734)	(2,446,880)
Net assets, beginning of year	18,094,425	695,870	944,485	19,734,780	22,181,660
Net assets, end of year	\$ 15,710,317	\$ 777,000	\$ 958,729	\$ 17,446,046	\$ 19,734,780

Santa Fe Animal Shelter and Humane Society, Inc.

STATEMENTS OF CASH FLOWS

Year Ended December 31, 2016
(With Comparative Totals for 2015)

	2016	2015
Operating activities		
Change in net assets	\$ (2,288,734)	\$ (2,446,880)
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	1,053,222	997,935
Net gain on investment activity	(614,418)	(16,914)
Donated investments	-	(15,225)
Net loss on beneficial interest in perpetual trusts	76,685	62,344
Net changes to operating assets and liabilities		
Accounts receivable	39,871	(49,420)
Bequests receivable	87,712	(57,956)
Pledge receivable	40,000	20,000
Accounts payable	128,160	(371,698)
Accrued liabilities	(6,037)	(92,793)
Deferred revenue	19,990	(72,955)
	(1,463,549)	(2,043,562)
Investing activities		
Proceeds from sale of investments	2,198,132	1,978,921
Purchases of investments and income reinvested	(194,706)	(392,804)
Purchases of property and equipment	(209,771)	(559,491)
	1,793,655	1,026,626
Financing activities - net (repayments) borrowings on line-of-credit	(1,191)	800,000
Change in cash and equivalents	328,915	(216,936)
Cash and equivalents, beginning of year (including restricted cash)	124,539	341,475
Cash and equivalents, end of year (including restricted cash)	\$ 453,454	\$ 124,539
Supplemental cash flow disclosures - interest paid	\$ 42,315	\$ 10

Santa Fe Animal Shelter and Humane Society, Inc.

NOTES TO FINANCIAL STATEMENTS

**December 31, 2016
(With Comparative Totals for 2015)**

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.

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, 2015, from which the summarized information was derived.

Certain amounts in the 2015 financial statements have been reclassified to conform with 2016 financial statement presentation.

Working Capital

The Shelter has experienced substantial losses from operations during its past three fiscal years. Management plans to maintain sufficient working capital to sustain operations through a combination of increasing efforts for public support and reducing operating expenditures.

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.

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, 2016 and 2015, respectively.

Santa Fe Animal Shelter and Humane Society, Inc.

NOTES TO FINANCIAL STATEMENTS

**December 31, 2016
(With Comparative Totals for 2015)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 \$70,916 and \$86,714 in 2016 and 2015, 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 \$1,053,222 and \$997,935 in 2016 and 2015, 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 2016 and 2015, respectively.

Advertising

The Shelter expenses advertising costs as they are incurred (\$65,869 and \$62,380 in 2016 and 2015, respectively).

Santa Fe Animal Shelter and Humane Society, Inc.

NOTES TO FINANCIAL STATEMENTS

**December 31, 2016
(With Comparative Totals for 2015)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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 2013, 2014 and 2015 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.

Santa Fe Animal Shelter and Humane Society, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016
(With Comparative Totals for 2015)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Subsequent Events

The Shelter has evaluated all events occurring subsequent to December 31, 2016 and through July 19, 2017, 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.

NOTE 2 – PROPERTY AND EQUIPMENT

	<u>2016</u>	<u>2015</u>
Buildings and improvements	\$ 13,584,035	\$ 13,487,180
Hospital facility	4,202,640	4,202,640
Furniture and equipment	846,088	764,800
Leasehold improvements	470,650	470,650
Vehicles	<u>378,226</u>	<u>350,800</u>
	19,481,639	19,276,070
Less accumulated depreciation	<u>(7,276,754)</u>	<u>(6,227,734)</u>
	<u>\$ 12,204,885</u>	<u>\$ 13,048,336</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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Receivables due in less than one year	\$ 20,000	\$ 20,000
Receivables due in one to five years	<u>-</u>	<u>40,000</u>
Total pledges receivable	<u>\$ 20,000</u>	<u>\$ 60,000</u>

Santa Fe Animal Shelter and Humane Society, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016
(With Comparative Totals for 2015)

NOTE 4 – INVESTMENTS

	2016		2015	
	Cost	FMV	Cost	FMV
Unrestricted				
Equities	\$ 2,550,256	\$ 3,034,603	\$ 3,385,233	\$ 3,834,091
Fixed income	1,765,983	1,734,372	1,341,205	1,371,608
Money market	480,792	480,792	1,587,110	1,587,110
Alternative	22,561	15,440	22,561	16,381
	4,819,592	5,265,207	6,336,109	6,809,190
Designated and restricted				
Mutual funds	415,084	484,963	325,177	355,020
Fixed income	327,615	323,225	153,452	157,517
Oil and gas rights	30,110	30,110	31,910	31,910
Money market	23,337	23,337	162,213	162,213
	796,146	861,635	672,752	706,660
	\$ 5,615,738	\$ 6,126,842	\$ 7,008,861	\$ 7,515,850

NOTE 5 – LINE-OF-CREDIT

The Shelter has 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 (3.50% and 3.25% at December 31, 2016 and 2015, respectively) 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 \$1,676,969 and \$1,678,160 at December 31, 2016 and 2015, respectively.

Santa Fe Animal Shelter and Humane Society, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016
(With Comparative Totals for 2015)

NOTE 6 – RESTRICTED NET ASSETS

Temporarily Restricted Net Assets

Various contributions have been temporarily restricted by the donor:

	<u>2016</u>	<u>2015</u>
Stewart fund	\$ 628,666	\$ 578,960
St. Francis fund	60,893	25,000
Public contribution funds	37,331	-
Pledge receivable	20,000	60,000
Oil and gas interests	<u>30,110</u>	<u>31,910</u>
	<u>\$ 777,000</u>	<u>\$ 695,870</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 \$628,666 and \$578,960 as of December 31, 2016 and 2015, respectively.

Net assets released from restriction are as follows:

	<u>2016</u>	<u>2015</u>
Behavioral center	\$ -	\$ 100,000
St. Francis fund	25,000	50,000
Oil and gas interests	1,800	-
Other	<u>40,000</u>	<u>20,000</u>
	<u>\$ 66,800</u>	<u>\$ 170,000</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 \$766,405 and \$843,090 at December 31, 2016 and 2015, respectively.

In 2016, the Shelter received a liquidation in the amount of \$90,572 from one of the perpetual trusts.

Santa Fe Animal Shelter and Humane Society, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016
(With Comparative Totals for 2015)

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, 2016.

Money market, fixed income securities, mutual funds, equities, alternative investments and beneficial 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.

Pledges receivable: Present value of future cash flows.

The following table sets forth by level, within the fair value hierarchy, the Shelter’s assets at fair value as of December 31, 2016 and 2015:

Assets at Fair Value as of December 31, 2016

	Level 1	Level 2	Level 3	Total
Money market	\$ 504,129	\$ -	\$ -	\$ 504,129
Fixed income	2,057,597	-	-	2,057,597
Equities				
Large value	1,679,154	-	-	1,679,154
Large core	1,149,006	-	-	1,149,006
Large growth	357,631	-	-	357,631
Mid cap core	184,519	-	-	184,519
Mid cap value	149,256	-	-	149,256
Alternative investments				
Hedge fund	-	-	15,440	15,440
Oil and gas rights	-	30,110	-	30,110
Pledges receivable	-	20,000	-	20,000
Beneficial interest in perpetual trusts	766,405	-	-	766,405
	\$ 6,847,697	\$ 50,110	\$ 15,440	\$ 6,913,247

Santa Fe Animal Shelter and Humane Society, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016
(With Comparative Totals for 2015)

NOTE 7 – FAIR VALUE MEASUREMENTS – CONTINUED

Assets at Fair Value as of December 31, 2015

	Level 1	Level 2	Level 3	Total
Money market	\$ 1,749,324	\$ -	\$ -	\$ 1,749,324
Fixed income	1,529,125	-	-	1,529,125
Equities				
Large value	1,885,709	-	-	1,885,709
Large core	1,287,079	-	-	1,287,079
Large growth	631,353	-	-	631,353
Mid cap core	235,690	-	-	235,690
Mid cap value	149,279	-	-	149,279
Alternative investments				
Hedge fund	-	-	16,381	16,381
Oil and gas rights	-	31,910	-	31,910
Pledges receivable	-	60,000	-	60,000
Beneficial interest in perpetual trusts	843,090	-	-	843,090
	<u>\$ 8,310,649</u>	<u>\$ 91,910</u>	<u>\$ 16,381</u>	<u>\$ 8,418,940</u>

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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Beginning balance	\$ 16,381	\$ 18,879
Contributions	-	-
Gains	1,254	585
Settlements	<u>(2,195)</u>	<u>(3,083)</u>
Ending balance	<u>\$ 15,440</u>	<u>\$ 16,381</u>

Santa Fe Animal Shelter and Humane Society, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016
(With Comparative Totals for 2015)

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, 2016 and 2015 is as follows:

Santa Fe Animal Shelter and Humane Society, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016
(With Comparative Totals for 2015)

NOTE 8 – ENDOWMENTS – CONTINUED

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, December 31, 2014	\$ 581,972	\$ 100,993	\$ 682,965
Investment return			
Interest and dividends, net of fees	10,837	2,359	13,196
Net realized and unrealized gains	(13,849)	(1,957)	(15,806)
Contributions	-	-	-
Distributions	-	-	-
Endowment net assets, December 31, 2015	578,960	101,395	680,355
Investment return			
Interest and dividends, net of fees	14,431	5,757	20,188
Net realized and unrealized gains	35,275	13,308	48,583
Liquidation from perpetual trust	-	90,527	90,527
Distributions	-	-	-
Endowment net assets, December 31, 2016	\$ 628,666	\$ 210,987	\$ 839,653

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 2016 and 2015, the Shelter incurred expenses relating to the plan of \$27,873 and \$31,880, respectively.

Operating Leases

The Shelter leases certain property and equipment under operating lease agreements expiring through April 2020. 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, 2016, 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, 2016
(With Comparative Totals for 2015)

NOTE 9 – COMMITMENTS AND CONTINGENCIES – CONTINUED

Operating Leases – Continued

Future minimum lease payments are as follows:

2017	\$	73,080
2018		62,515
2019		59,515
2020		1,752

Rental expense was \$78,369 and \$91,200 in 2016 and 2015, 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 a portion of their facilities to the City of Santa Fe and Santa Fe County under separate operating lease agreements that expire in June 2019 and June 2021, respectively. Monthly lease income under these agreements is \$3,105.

Future minimum lease receipts are as follows: 2017 - \$37,260; 2018 - \$37,260; 2019 - \$27,180; 2020 - \$17,100; and 2021 - \$8,550.

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 from one major donor of \$175,036 and \$100,000 in 2016 and 2015, 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 as a part of the Executive Director's compensation package. This residence was sold to the Executive Director subsequent to December 31, 2016, at an amount approximating the fair market value of the residence at the time of the sale.