

ESPAÑOLA VALLEY HUMANE SOCIETY

FINANCIAL REPORT

DECEMBER 31, 2017

ESPAÑOLA VALLEY HUMANE SOCIETY

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Kharyn L. Cover, CPA, PC

Independent Auditor's Report

To the Board of Directors of
Española Valley Humane Society

I have audited the accompanying financial statements of Española Valley Humane Society, d.b.a. Española Humane, which comprises the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, cash flows and functional expenses 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 in the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. Accordingly, I 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 evaluation the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Española Humane as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Kharyn Cover, CPA, PC

Albuquerque, New Mexico
August 15, 2018

**ESPAÑOLA VALLEY HUMANE SOCIETY
STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016**

ASSETS	2017	2016
CURRENT ASSETS		
Cash	\$ 302,957	118,899
Contract receivable	21,238	28,131
Pledges receivable	1,025	7,284
Inventory	202,130	152,331
Other current assets	18,311	25,182
Total current assets	<u>545,661</u>	<u>331,827</u>
INVESTMENTS IN MARKETABLE SECURITIES (Note 2)		
Endowment Fund Note 4)	<u>706,427</u>	<u>472,729</u>
FIXED ASSETS		
Leasehold improvements	411,309	411,309
Land held for sale (Note 11)	165,000	165,000
Equipment and software	132,198	125,123
Vehicles	78,811	80,311
Office furniture and fixtures	17,563	17,563
	<u>804,881</u>	<u>799,306</u>
Accumulated depreciation	<u>(352,600)</u>	<u>(322,602)</u>
	<u>452,281</u>	<u>476,704</u>
Total assets	<u>\$1,704,369</u>	<u>1,281,260</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of credit payable (Note 8)	\$ -	30,000
Accounts payable	53,515	46,187
Accrued liabilities	55,285	37,022
Total current liabilities	<u>108,800</u>	<u>113,209</u>
NET ASSETS		
Unrestricted:		
Undesignated	756,628	751,695
Board designated endowment fund (Note 4)	<u>391,773</u>	<u>170,295</u>
Total unrestricted net assets	1,148,401	921,990
Temporarily restricted (Note 5)	292,168	91,061
Permanently restricted (Note 4)	<u>155,000</u>	<u>155,000</u>
Total net assets	<u>1,595,569</u>	<u>1,168,051</u>
Total liabilities and net assets	<u>\$1,704,369</u>	<u>1,281,260</u>

The Notes to Financial Statements are an integral part of these statements.

ESPAÑOLA VALLEY HUMANE SOCIETY
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2017 and 2016

UNRESTRICTED NET ASSETS	2017	2016
SUPPORT AND REVENUE		
Contracts	\$ 250,339	223,343
Shelter revenues	64,710	66,953
Clinic revenues	81,688	48,004
Contributions	470,904	417,279
Donated goods and services (Note 6)	50,213	55,474
Grants - unrestricted	52,719	28,360
Unrealized loss on valuation of land held for sale (Note 11)	-	(35,000)
Special events, net of direct costs of \$191,079 and \$97,437 in 2017 and 2016, respectively	210,242	207,292
Thrift store sales, net of costs of sales in 2017 and 2016 of \$158,541 and \$215,065, respectively	741,166	740,338
Gain (loss) on disposition of assets	(900)	-
Investment income (Note 2)	-	3,182
	<u>1,921,081</u>	<u>1,755,225</u>
Release of restrictions	157,840	210,422
Total support and revenue	<u>2,078,921</u>	<u>1,965,647</u>
EXPENSES		
Program services		
Clinic	518,282	441,358
Shelter	618,202	685,124
Thrift stores	524,249	515,546
Total program expenses	<u>1,660,733</u>	<u>1,642,028</u>
Management and general	99,677	109,041
Fundraising	92,100	64,381
Total expenses	<u>1,852,510</u>	<u>1,815,450</u>
Change in unrestricted net assets	<u>226,411</u>	<u>150,197</u>
TEMPORARILY RESTRICTED NET ASSETS		
Contributions and pledges receivable	271,572	115,249
Endowment investment income (loss) Note 2)	87,375	35,778
Release of restrictions (Note 5)	<u>(157,840)</u>	<u>(210,422)</u>
Change in temporarily restricted net assets	<u>201,107</u>	<u>(59,395)</u>
Change in total net assets	427,518	90,802
Net assets, beginning of year	<u>1,168,051</u>	<u>1,077,249</u>
Net assets, end of year	<u>\$ 1,595,569</u>	<u>1,168,051</u>

The Notes to Financial Statements are an integral part of these statements.

ESPAÑOLA VALLEY HUMANE SOCIETY
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in total net assets	\$ 427,518	90,802
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	30,598	27,272
Donated marketable securities	(529)	(4,100)
(Gain) loss on disposition of assets	900	-
Dividend income, net of investment expenses	(9,208)	(7,036)
Realized (gain) loss on sale of marketable securities	(26,244)	6,038
Unrealized (gain) loss on marketable securities	(51,923)	(37,800)
Unrealized loss on valuation of land held for sale	-	35,000
(Increase) decrease in contracts receivable	6,893	(7,071)
(Increase) decrease in pledges receivable	6,259	1,938
(Increase) decrease in inventory	(49,799)	(77,682)
(Increase) decrease in other current assets	6,871	59
Increase (decrease) in account payable	7,328	(10,174)
Increase (decrease) in accrued liabilities	18,263	(20,505)
Net cash provided by (applied to) operating activities	<u>366,927</u>	<u>(3,259)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(7,075)	(54,142)
Investment in endowment fund	<u>(145,794)</u>	-
Net cash provided by (applied to) investing activities	<u>(152,869)</u>	<u>(54,142)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings (repayments) on line of credit	<u>(30,000)</u>	30,000
Net increase (decrease) in cash	184,058	(27,401)
Cash, beginning of year	<u>118,899</u>	<u>146,300</u>
Cash, end of year	<u>\$ 302,957</u>	<u>118,899</u>

The Notes to Financial Statements are an integral part of these statements.

ESPAÑOLA VALLEY HUMANE SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017

	Program Services			Management and		Total Expenses	
	Clinic	Shelter	Thrift Stores	Total	General		Fundraising
Personnel							
Salaries and wages	\$ 302,352	369,695	294,173	966,220	36,510	41,611	1,044,341
Payroll taxes	23,091	28,031	21,684	72,806	4,106	1,285	78,197
Employee benefits	23,415	27,423	20,220	71,058	10,137	9,790	90,985
Total personnel costs	348,858	425,149	336,077	1,110,084	50,753	52,686	1,213,523
Advertising	4,108	4,346	1,133	9,587	-	1,611	11,198
Banking fees and interest	2,239	2,782	16,129	21,150	321	3,016	24,487
Depreciation	15,520	12,076	2,578	30,174	424	-	30,598
Education, meetings and conferences	1,550	3,090	222	4,862	614	4,224	9,700
Insurance	4,873	13,568	12,053	30,494	3,116	-	33,610
Program expenses	17,872	-	-	17,872	-	-	17,872
Postage, printing & shipping	18	6	115	139	330	2,073	2,542
Contract and professional fees	3,613	33,613	23,575	60,801	17,244	12,121	90,166
Occupancy	13,104	31,456	102,687	147,247	7,528	-	154,775
Repairs and maintenance	4,792	4,077	3,646	12,515	1,126	-	13,641
Supplies	96,855	74,866	16,526	188,247	4,178	11,576	204,001
Telephones	4,587	6,253	6,262	17,102	3,056	548	20,706
Travel, meals and entertainment	-	802	-	802	1,285	237	2,324
Vehicle expense	5	3,991	2,388	6,384	-	2,343	8,727
Other expenses	288	2,127	858	3,273	9,702	1,665	14,640
Total expenses	\$ 518,282	618,202	524,249	1,660,733	99,677	92,100	1,852,510

The Notes to Financial Statements are an integral part of this statement.

ESPAÑOLA VALLEY HUMANE SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016

	Program Services			Management and		Total Expenses	
	Clinic	Shelter	Thrift Stores	Total	General		Fundraising
Personnel							
Salaries and wages	\$ 241,915	395,470	268,812	906,197	44,675	34,258	985,130
Payroll taxes	27,897	46,459	32,997	107,353	4,177	2,531	114,061
Employee benefits	14,678	35,402	17,117	67,197	4,212	2,306	73,715
Total personnel costs	284,490	477,331	318,926	1,080,747	53,064	39,095	1,172,906
Advertising	2,720	8,347	2,694	13,761	-	210	13,971
Banking fees and interest	1,590	2,462	14,745	18,797	994	2,516	22,307
Depreciation	11,219	12,812	2,817	26,848	424	-	27,272
Education, meetings and conferences	473	3,437	593	4,503	328	1,718	6,549
Insurance	6,826	18,560	13,544	38,930	3,101	-	42,031
Program expenses	12,492	-	-	12,492	-	-	12,492
Postage, printing & shipping	37	64	500	601	375	2,325	3,301
Contract and professional fees	17,557	48,784	21,881	88,222	28,695	10,199	127,116
Occupancy	12,890	31,509	110,564	154,963	7,528	-	162,491
Repairs and maintenance	5,433	3,056	5,766	14,255	210	-	14,465
Supplies	78,739	65,701	16,443	160,883	3,817	6,614	171,314
Telephones	5,050	6,568	5,662	17,280	2,738	-	20,018
Travel, meals and entertainment	1,388	1,489	-	2,877	-	-	2,877
Vehicle expense	60	3,220	1,277	4,557	20	1,465	6,042
Other expenses	394	1,784	134	2,312	7,747	239	10,298
Total expenses	\$ 441,358	685,124	515,546	1,642,028	109,041	64,381	1,815,450

The Notes to Financial Statements are an integral part of this statement.

ESPAÑOLA VALLEY HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization Activity. Española Valley Humane Society, d.b.a Española Humane, is a not-for-profit organization formed on December 18, 1992. Española Humane improves the lives of animals in underserved communities, specifically Española, northern Santa Fe County, Rio Arriba County, and the pueblos of Ohkay Owingeh, San Ildefonso and Santa Clara. In these communities, too many unwanted animals are born and too few are adopted. The programs operated by Española Humane are as follows:

- *Clinic.* Española Humane operates a spay/neuter clinic that offers free surgeries and vaccinations to the pets of area residents, which results in 4,800 spay/neuter surgeries and over 13,000 vaccinations every year. The goal is to reduce the number of unwanted animals and create a healthier community for pets, their families and their neighbors.
- *Shelter.* Española Humane also manages a municipal shelter that receives 2,700 animals each year. The shelter welcomes every animal, including the very elderly, ill, aggressive or injured. Many animals are not able to be rehomed but Española Humane proudly adopts out 84% of these at-risk pets. Since the shelter is owned by the city, Española Humane has very little overhead and 91% of donations go directly to animal care.
- *Thrift Stores.* To support the mission, Española Humane operates two resale stores in Santa Fe. The Barkin Boutique features high-end clothing, jewelry, shoes and handbags while the Barkin Attic specializes in furniture, art and collectibles. Both stores accept donations of new and gently used items and the Barkin Attic has a team who picks up estate and large furniture.

Basis of Presentation. The accompanying financial statements are prepared in accordance with the Not-for-Profit Organizations Audit Guide issued by the American Institute of Certified Public Accountants. Net assets of Española Humane and changes therein are classified and reported as follows:

Unrestricted Net Assets. Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the board of directors.

Temporarily Restricted Net Assets. Net assets that are subject to donor-imposed stipulations that may or will be met by the occurrence of a specific event or the passage of time. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets. Net assets required to be maintained in perpetuity, with only the income used for operating activities, due to donor imposed restrictions.

**ESPAÑOLA VALLEY HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment. Purchased property and equipment is recorded at cost. Donated property is recorded at the estimated fair value at the date of donation. Assets are capitalized that have a useful life in excess of two years and cost in excess of \$1,000. Maintenance, repairs and renewals, which neither materially add to the value nor appreciably prolong its life, are expensed. Depreciation on buildings and equipment is calculated on the straight-line method over the estimated useful lives of the assets. The estimated useful lives are:

Leasehold improvements	10-25 years
Furniture and equipment	5-10 years
Vehicles	5-10 years

Revenue. The organization receives contract revenue from local governments. The organization also receives support from contributions from individuals, foundations and corporate donors and from fees charged for various services.

Contributions. Contributions received, including unconditional promises to give, are recorded in the year received. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Non-cash donations of goods are recorded at their estimated fair value at the date of donation.

Donated Services. Española Humane recognizes any donated services which require specific expertise to perform the services that otherwise would have been paid for if not donated. The value of such services is recorded at the fair value of such services. Española Humane receives a substantial amount of services donated by volunteers. No amounts have been reflected for those services since they do not meet the above requirements.

Receivables. Receivables at year-end consist mostly of contract receivables from local governments. As such, no allowance for doubtful accounts has been established. No allowance for uncollectible receivables has been recorded with respect to other accounts receivable, as management believes these to be fully collectible.

Functional Allocation of Expenses. The costs of providing services and various programs and supporting services have been allocated to functions in the statements of functional expenses based on relative costs in each program or project. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising. Española Humane uses advertising to promote its programs among the audiences it serves. The costs of advertising are expensed as incurred.

Income Taxes. The organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is not considered a private foundation. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

ESPAÑOLA VALLEY HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Española Humane adopted FASB Accounting Standards Codification (ASC) 740-10, relating to accounting for uncertain tax positions. ASC 740-10 prescribes a recognition threshold and measurement process for accounting for uncertain tax positions and also provides guidance on various related matters such as derecognition, interest, penalties and disclosure required. Española Humane has no unrecognized tax benefit which would require an adjustment to the January 1, 2017 beginning balance of net assets and had no unrecognized tax benefits at December 31, 2017. Española Humane files an exempt organization return in the U.S. federal jurisdiction. Española Humane is no longer subject to income tax examinations by taxing authorities for years beginning before 2014 for its federal filings.

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

NOTE 2. INVESTMENTS

Investments are presented in the financial statements at fair value based on quoted market prices (Level 1). Fair values, cost and unrealized appreciation (depreciation) consist of the following:

	2017		
	Cost	Fair Value	Appreciation (Depreciation)
Money markets	\$ 36,546	36,546	-
Equities	529	507	(22)
Exchange Traded Funds	566,351	635,732	69,381
Alternative investments	30,967	33,642	2,675
Total	\$ 634,393	706,427	72,034

	2016		
	Cost	Fair Value	Appreciation (Depreciation)
Money markets	\$ 12,217	12,217	-
Equities	203,951	223,864	19,913
Exchange Traded Funds	181,824	184,718	2,894
Fixed income	45,576	42,059	(3,517)
Alternative investments	9,050	9,871	821
	<u>452,618</u>	<u>472,729</u>	<u>20,111</u>

ESPAÑOLA VALLEY HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 2. INVESTMENTS (CONTINUED)

The following summarizes the relationship between cost and market values of investments:

	Cost	Market Value	Excess (Deficit) Market or Cost
Balance at end of year	<u>\$ 634,393</u>	<u>\$ 706,427</u>	\$ 72,034
Balance at beginning of year	<u>\$ 452,618</u>	<u>\$ 472,729</u>	20,111
Unrealized gain			<u>\$ 51,923</u>

Net investment income consists of the following:

	2017	2016
Dividends and interest	\$ 14,277	11,125
Fees	(5,069)	(3,927)
Realized gains (losses)	26,244	(6,038)
Unrealized gains (losses)	<u>51,923</u>	<u>37,800</u>
	<u>\$ 87,375</u>	<u>38,960</u>

Net investment income is reported as follows:

	2017	2016
Unrestricted	\$ -	3,182
Temporarily restricted	<u>87,375</u>	<u>35,778</u>
	<u>\$ 87,375</u>	<u>38,960</u>

NOTE 3. FAIR VALUE MEASUREMENT

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS 157). This statement provides a new definition for fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

Española Humane adopted the provisions of this statement as of January 1, 2010 for its financial assets and liabilities that are re-measured and reported at fair value each reporting period. Española Humane does not have nonfinancial assets and nonfinancial liabilities applicable to the statement.

ESPAÑOLA VALLEY HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 4. ENDOWMENTS

Effective July 1, 2009, the State of New Mexico enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the provisions of which apply to funds existing on or established after that date.

Effective January 1, 2010, Española Humane adopted the provisions of FASB Staff Position FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act*, and

Enhanced Disclosures for All Endowment Funds (FSP 117-1). FSP 117-1 provides guidance on the net asset classification of donor restricted funds for a not-for-profit organization that is subject to an enacted version of UPMIFA and also required disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds.

The Española Valley Humane Society's endowment consists of donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Interpretation of Relevant Law

Based on the interpretation of UPMIFA by the Board of Directors of Española Humane, the guidance in FSP 117-1, and absent explicit donor stipulations to the contrary, Española Humane classifies the endowment contributions made at the direction of the donor as permanently restricted net assets. The remaining portion of the donor-restricted endowment funds that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Española Humane in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Española Humane considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of Espanola Humane and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of Espanola Humane
7. The investment policies of Espanola Humane

ESPAÑOLA VALLEY HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 4. ENDOWMENTS (CONTINUED)

Changes in endowment net assets for the years ended December 31, 2017 and 2016 are as follows:

	2017			
	Designated Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets 12-31-16	\$ 170,295	72,279	155,000	397,574
Investment return:				
Net investment income	-	35,452	-	35,452
Net appreciation (depreciation)	-	51,923	-	51,923
Total investment return	-	87,375	-	87,375
Contributions	221,478	-	-	221,478
Appropriated for expenditure	-	-	-	-
Endowment net assets 12-31-17	<u>\$ 391,773</u>	<u>159,654</u>	<u>155,000</u>	<u>706,427</u>
	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets 12-31-15	\$ 170,295	36,501	155,000	361,796
Investment return:				
Net investment income	-	(591)	-	(591)
Net appreciation (depreciation)	-	36,369	-	36,369
Total investment return	-	35,778	-	35,778
Contributions	-	-	-	-
Appropriated for expenditure	-	-	-	-
Endowment net assets 12-31-16	<u>\$ 170,295</u>	<u>72,279</u>	<u>155,000</u>	<u>397,574</u>

(b) Funds with Deficiencies

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the original value of the fund. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. Española Humane currently has no such deficiencies.

ESPAÑOLA VALLEY HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 4. ENDOWMENTS (CONTINUED)

(c) To fulfill the stated objectives of the endowment, current funds, as well as future contributions made to the endowment, will remain invested for long-term growth until such time as the Board shall determine that all or part of the endowment shall be used to provide an income stream for specific Española Humane operational expenses. Under this policy, as approved by the Board of Directors, the endowment assets are invested with the care, skill, prudence, and diligence under circumstances then prevailing that a prudent investor acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims. Investment of each fund shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

(d) *Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return objectives, Española Humane relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Española Humane targets a diversified asset allocation, ensuring that no more than 5% may be invested in any single, non-diversified asset without the permission of the finance committee.

(e) *Spending Policy and How the Investment Objectives Relate to Spending Policy*

To fulfill the stated objectives of the endowment, current funds, as well as future contributions made to the endowment, will remain invested for long-term growth until such time as the Board shall determine that all or part of the endowment shall be used to provide an income stream for specific Española Humane operational expenses.

The Board may choose to utilize or borrow funds from the endowment in the event of “extraordinary circumstances or opportunity”. Such an event must be deemed a necessary or of significant benefit to the long-term health of Española Humane.

NOTE 5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31 are comprised of:

	2017	2016
Pledges receivable	\$ 1,025	7,284
Pet Amigos	23,347	9,267
Spay / Neuter & vaccines program	64,076	1,328
Animal care	25,000	-
Dog kennel renovation	10,000	-
Spay / Neuter Marketing	8,286	-
Other	780	903
Undistributed endowment earnings (Note 4)	<u>159,654</u>	<u>72,279</u>
	<u>\$ 292,168</u>	<u>91,061</u>

ESPAÑOLA VALLEY HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 5. TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

Releases of temporarily restricted net assets at December 31 are comprised of:

	2017	2016
Pledges received	\$ 7,284	9,222
Spay/Neuter & vaccines programs	145,922	121,871
Spay / Neuter Marketing	3,591	-
Pet Amigos program	920	22,785
Animal care	-	25,000
Clinic remodel and expansion	-	4,000
Feline care and control	-	25,000
Other	123	2,544
	<u>\$ 157,840</u>	<u>210,422</u>

NOTE 6. NON-CASH CONTRIBUTIONS

During the years ended December 31, 2017 and 2016, the following materials and services were provided to Española Humane at no cost:

	2017	2016
Donated rent and utilities (Note 7)	\$ 49,684	51,374
Donated marketable securities	529	4,100
	<u>\$ 50,213</u>	<u>55,474</u>

NOTE 7. LEASE COMMITMENTS

Española Humane operates the shelter and clinic on property owned by the City of Española (City). In accordance with the contract with the City to operate the shelter, the City provides the facilities and related utilities at no charge to Española Humane. The City estimates that the fair value of the donated space is \$2,000 a month, or \$24,000 annually, and the donated utilities are valued at \$26,184. This contract with the City is renewable annually.

Española Humane operates two Santa Fe thrift stores out of leased facilities. The Barkin' Boutique has a five-year lease expiring May 31, 2021. The monthly lease payment is \$2,696, plus common area maintenance (CAM) fees, currently \$522 monthly. The Barkin' Attic has a month-to-month lease expiring March 31, 2018. Rent is currently \$3,438 plus CAM fees of \$612.

Rent expense, including CAM charges, during 2017 and 2016 was \$114,623 and \$122,078, respectively, for these leases. The lease commitment for the next five years is as follows:

2018	\$ 32,352
2019	\$ 32,352
2020	\$ 32,352
2021	\$ 13,480

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NOTE 8. LINE OF CREDIT

Española Humane has a \$100,000 line of credit with a local bank dated September 19, 2014 and expiring April 1, 2018, renewable annually. Under the terms of the note, interest is payable monthly, computed at prime plus 1%, 4.5% at December 31, 2017. All outstanding principal balances are due at maturity. This note is secured by substantially all assets of Española Humane. As of December 31, 2017, there is \$100,000 available to draw on the line of credit. On August 6, 2018, this line of credit was renewed with the same repayment terms, maturing July 1, 2020.

NOTE 9. PENSION PLAN

A 401(k) plan was adopted in January 2015. An employee who is reasonably expected to earn \$5,000 in the current calendar year is eligible to participate in this plan upon the completion of the 90 day probationary period. Española Humane will match employees' contributions up to 3% of the employees' gross wages. Española Humane's contribution to the plan during 2017 and 2016 was \$14,965 and \$13,459, respectively.

NOTE 10. SUBSEQUENT EVENTS

Española Humane evaluated subsequent events after the balance sheet date of December 31, 2017 through August 15, 2018, which was the date the financial statements were available to be issued, and concluded that no additional disclosures are required.

NOTE 11. VALUATION OF DONATED LAND

At the end of 2013, undeveloped land was donated to Española Humane, valued at \$200,000 at the date of donation. This property was listed for sale shortly after donation. As of December 31, 2017, this land is still available for sale, currently listed at \$165,000.