



Animal Humane

NEW MEXICO

**Financial Statements
And
Independent Auditor's Report**

December 31, 2009

ANIMAL HUMANE ASSOCIATION OF NEW MEXICO

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ANIMAL HUMANE ASSOCIATION OF NEW MEXICO

OFFICIAL ROSTER

BOARD OF DIRECTORS

Emily Esterson	President
Susan Shires	Vice President
Krik Mielke, CPA	Treasurer
Ann Maddox Utterback	Secretary
Ben Benjamin	Director
Jean Bernstein	Director
Marci Blaze	Director
Jose Blanton	Director
James Denedy, CPA	Director
Bob Doak	Director
William Gralow	Director
Jamie Lewinger	Director
Laurie Maynez	Director
Marti Patridge	Director
Kenneth Thompson	Director

ADMINISTRATIVE STAFF

Peggy Weigle	Executive Director
David Lopez	Finance Director

O.D. WATERS, PC
CERTIFIED PUBLIC ACCOUNTANT

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To the Board of Directors of
Animal Humane Association of New Mexico
Albuquerque, New Mexico

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of financial position of the Animal Humane Association of New Mexico. (a nonprofit organization) as of December 31, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Animal Humane Association of New Mexico's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Animal Humane Association's 2008 financial statements and, in our report dated May 15, 2009; we expressed an unqualified opinion on those financial statements.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Animal Humane Association of New Mexico as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Ollie D. Waters, CPA
O.D. Waters, PC
Albuquerque, New Mexico
May 3, 2010

ANIMAL HUMANE ASSOCIATION OF NEW MEXICO
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2009
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2008)

ASSETS:	<u>2009</u>	<u>2008</u>
Current Assets		
Cash and Cash Equivalents (Note 2)	\$ 1,279,576	\$ 2,416,424
Short-Term Investments (Note 3)	250,536	129,971
Bequests Receivable	-	2,626
Contribution Receivable	3,000	-
Accounts Receivable	7,438	35,557
Prepaid Expenses (Note 4)	14,617	16,231
Inventory	87,846	99,000
Total Current Assets	<u>1,643,013</u>	<u>2,699,809</u>
Property & Equipment		
Property and Equipment (Note 5)	3,138,316	2,996,855
Less Accumulated Depreciation (Note 5)	(1,260,639)	(1,080,391)
Net Property & Equipment	<u>1,877,677</u>	<u>1,916,464</u>
Other Assets		
Investments Restricted for Long-Term Purposes (Note 3)	4,760,187	2,469,461
Beneficial Interest in Remainder Trust (Note 6)	116,338	114,065
Endowment Fund (Note 7)	88,160	75,798
Gift Annuity Receivable	-	7,478
Total Other Assets	<u>4,964,685</u>	<u>2,666,802</u>
Total Assets	<u>\$ 8,485,375</u>	<u>\$ 7,283,075</u>
LIABILITIES:		
Current Liabilities		
Accounts Payable	\$ 91,684	\$ 76,316
Accrued Wages	75,831	66,993
Accrued Compensated Absences (Note 8)	33,110	27,793
Payroll Liability	-	2,862
Gift Annuity Payable	-	7,478
Total Current Liabilities	<u>200,625</u>	<u>181,442</u>
Total Liabilities	<u>200,625</u>	<u>181,442</u>
NET ASSETS:		
Unrestricted (Note 10)	8,068,129	6,941,826
Temporarily Restricted (Note 10)	116,421	84,009
Permanently Restricted (Note 10)	100,200	75,798
Total Net Assets	<u>8,284,750</u>	<u>7,101,633</u>
Total Liabilities & Net Assets	<u>\$ 8,485,375</u>	<u>\$ 7,283,075</u>

SEE INDEPENDENT AUDITOR'S REPORT

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

ANIMAL HUMANE ASSOCIATION OF NEW MEXICO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2008)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2009 Total</u>	<u>2008 Total</u>
REVENUE					
Individual & Corporate Contributions	\$ 2,065,761	\$ 307,271	\$ -	\$ 2,373,032	\$ 2,025,917
Program Service Fees	858,957	-	-	858,957	768,865
Investment Return	983,851	-	-	983,851	(896,118)
Merchandise Sales	449,727	-	-	449,727	390,094
Special Events	164,017	-	-	164,017	130,612
Grant Income	39,496	-	-	39,496	40,256
United Way Contributions	102,237	-	-	102,237	104,783
Change in Value of Split Interest Agreement (Note 6)	2,273	-	-	2,273	9,431
Disposition of Fixed Assets	-	-	-	-	-
In-Kind Contributions (Note 11)	519,033	-	-	519,033	170,532
Net Assets Released from Restrictions:					
Restrictions satisfied by program payments	250,457	(274,859)	24,402	-	-
Total Revenue	<u>5,435,809</u>	<u>32,412</u>	<u>24,402</u>	<u>5,492,623</u>	<u>2,744,372</u>
EXPENSES:					
Program	3,002,442	-	-	3,002,442	2,406,358
General & Administrative	388,577	-	-	388,577	389,423
Fundraising (Note 12)	918,487	-	-	918,487	883,164
Total Expenses	<u>4,309,506</u>	<u>-</u>	<u>-</u>	<u>4,309,506</u>	<u>3,678,945</u>
Change in Net Assets	1,126,303	32,412	24,402	1,183,117	(934,573)
Net Assets at Beginning of Year	6,941,826	84,009	75,798	7,101,633	8,036,206
Net Assets at End of Year	<u>\$ 8,068,129</u>	<u>\$ 116,421</u>	<u>\$ 100,200</u>	<u>\$ 8,284,750</u>	<u>\$ 7,101,633</u>

SEE INDEPENDENT AUDITOR'S REPORT

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

ANIMAL HUMANE ASSOCIATION OF NEW MEXICO
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2008)

	<u>Program Services</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>2009 Total</u>	<u>2008 Total</u>
Salaries and Wages	\$ 1,480,228	\$ 155,854	\$ 311,101	\$ 1,947,183	\$ 1,824,822
Employee Benefits (Note 13)	128,146	17,892	22,836	168,874	162,334
Payroll Taxes	107,894	26,438	23,038	157,370	143,827
In-Kind Expenses	329,493	5,210	184,330	519,033	170,532
Operating Supplies	335,099	11,976	2,481	349,556	323,084
Printing & Publications	35,333	5,836	161,455	202,624	182,774
Cost of Sales	168,788	-	-	168,788	71,990
Utilities	67,809	4,682	24,733	97,224	89,082
Fundraising	-	-	82,611	82,611	78,295
Advertising	54,057	15,551	4,641	74,249	75,552
Professional Fees	13,931	43,259	7,591	64,781	52,857
Maintenance and Repairs	43,519	11,735	8,240	63,494	82,406
Insurance	24,030	4,025	8,131	36,186	29,809
Telephone	20,920	8,222	5,998	35,140	36,028
Office Supplies	12,732	10,895	5,314	28,941	34,454
Occupancy (Note 14)	3,286	-	25,294	28,580	21,144
Bank and Credit Card Fees	-	26,679	34	26,713	21,134
Other	3,666	6,198	7,566	17,430	7,924
Meals and Lodging	7,300	7,354	949	15,603	24,908
Transportation	6,593	2,993	5,626	15,212	25,138
Postage	1,604	1,311	10,870	13,785	11,123
Dues and Subscriptions	3,107	1,801	492	5,400	7,109
Licenses and Permits	3,555	330	180	4,065	13,959
Education and Training	2,322	1,166	75	3,563	5,200
Other Personnel	1,842	91	25	1,958	2,001
Investment Fees	-	745	-	745	25,867
Cash Over & Short	388	-	(238)	150	(740)
Depreciation (Note 5)	146,800	18,334	15,114	180,248	156,332
	<u>3,002,442</u>	<u>388,577</u>	<u>918,487</u>	<u>4,309,506</u>	<u>3,678,945</u>

SEE INDEPENDENT AUDITOR'S REPORT

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

ANIMAL HUMANE ASSOCIATION OF NEW MEXICO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2008)

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from individual & corporate donors	\$ 2,372,658	\$ 2,025,917
Cash received from beneficial interest in remainder trust	-	80,912
Cash received from program services	887,076	738,518
Cash received from merchandise sales	292,093	304,703
Cash received from special events	164,017	130,612
Cash received from interest and dividends	37,787	127,455
Cash receipts from grant income	39,495	40,256
Cash receipts from United Way contributions	102,237	104,783
Cash paid for expenses	(1,151,028)	(1,149,907)
Cash paid to and on behalf of employees	(2,262,133)	(2,122,267)
Net cash (used) provided by operating activities	<u>482,202</u>	<u>280,982</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	425,957	1,116,290
Establishment of Endowment	-	(100,000)
Purchases of investments	(1,831,081)	(285,000)
Investment in fixed assets	(141,461)	(291,725)
Reinvested interest and gains	(72,465)	(115,274)
Net cash (used) provided by investing activities	<u>(1,619,050)</u>	<u>324,291</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
None	-	-
Net cash provided by financing activities	-	-
Net (decrease) increase in cash and cash equivalents	(1,136,848)	605,273
Cash and cash equivalents at beginning of year	2,416,424	1,811,151
Cash and cash equivalents at end of year	<u>\$ 1,279,576</u>	<u>\$ 2,416,424</u>
RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ 1,183,117	\$ (934,573)
Adjustments to reconcile increases in net assets to cash provided by operating activities:		
Depreciation	180,248	156,332
Unrealized (gain) loss on investments	(946,064)	1,023,573
Net non cash transactions		
(Increases) Decreases in Operating Assets		
(Increase) Decrease in Bequest Receivable	(374)	66,162
(Increase) Decrease of Interest in Remainder Trust	(2,273)	5,319
(Increase) Decrease in Inventory	11,154	(13,401)
(Increase) Decrease in Prepaid Expenses	1,614	(6,013)
(Increase) Decrease in Accounts Receivable	28,119	(30,347)
Increases (Decreases) in Operating Liabilities		
Increase (Decrease) in Accrued Payroll Liabilities	11,293	8,716
Increase (Decrease) in Accounts Payable	15,368	5,214
Net cash (used) provided by operating activities	<u>\$ 482,202</u>	<u>\$ 280,982</u>

SEE INDEPENDENT AUDITOR'S REPORT

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

**ANIMAL HUMANE ASSOCIATION OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Note 1. Summary of Significant Accounting Policies

A. Function of Entity

The Animal Humane Association of New Mexico (AHANM), dba Animal Humane New Mexico, a nonprofit organization, was founded in September of 1965 and incorporated under laws of the State of New Mexico on July 8th, 1997. The stated mission of AHANM is as follows:

- Is to provide shelter for companion animals as well as appropriate nutrition, veterinary care, and individual attention from the volunteer staff and paid staff while in the care and custody of the Organization. This service includes the selection and adoption to appropriate families and individuals.
- To alleviate suffering in all animals which includes acting as a resource for individuals and groups interested in the prevention of cruelty and exploitation of all animals.
- To educate the public in the humane treatment of animals which includes such activities as speaking to children and adults in schools, lecturing on responsible pet ownership, and programs for spaying and neutering.
- To promote programs which advocate spaying and neutering of companion animals by any and all means of public communication and as apart of the educational programs for the young.

AHANM is New Mexico's first and only full service, low cost, veterinary clinic for qualifying owners in need. AHANM provides behavior assessment and training to pet owners and sponsors a shelter transfer program that enables other New Mexico animal shelters to transfer selected pets from their facilities to the AHANM facility thus increasing adoption rates and reducing euthanasia rates statewide.

The Animal Humane Association of New Mexico is funded by individual & corporate donations, program service fees, income from the sale of donated merchandise, fund raising events, and grants from various charitable foundations.

AHANM is governed by a Board of Directors, which has the responsibility for determining policy and for the execution and evaluation of programs and activities conducted by the Organization. The Board is limited to a minimum of seven members and a maximum of fifteen members. The term served by a Board member is three years, with no member being able to serve more than two consecutive terms.

B. Tax Exempt Status

AHANM is exempt from Federal Income taxes under section 501C(3) of the Internal Revenue Code and is not considered a private foundation within the meaning of Section 509 (A) of the Code.

C. Basis of Accounting

The accompanying financial statements have been prepared using the accrual method of accounting. Under the accrual method of accounting, revenues are recognized when earned rather than received, and expenses are recognized when the related liability is incurred rather than when paid.

**ANIMAL HUMANE ASSOCIATION OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Note 1. Summary of Significant Accounting Policies-continued

D. Financial Statement Presentation

The accompanying financial statements have been prepared following the guidance required under Accounting Standards Codification (ASC) #958-605 “*Not-for-Profit Entities-Revenue Recognition*” and (ASC) #958-205, “*Not-for-Profit Entities-Presentation of Financial Statements.*” Under guidance expressed in these statements, “An organization’s net assets and its revenues, expenses, gains and losses are classified based on whether they are restricted by donors. Amounts for each of these three classes of net assets; permanently restricted, temporarily restricted, and unrestricted, are required to be displayed in a statement of financial position and amounts of change in each of these classes of net assets are required to be displayed in a statement of activities. Recognition of the expiration of donor-imposed restrictions in the period in which the restrictions expire is required. Expirations of restrictions that simultaneously increase one class of net assets and decrease another (reclassifications) are reported separately from other transactions in the “statement of activities”.

Amounts for the AHANM’s total assets, liabilities and net assets are to be reported in a statement of financial position; the change in the AHANM’s net assets is reported in a statement of activities; and the change in its cash and cash equivalents is reported in a statement of cash flows.

E. Statement of Cash Flows

For purposes of the statement of cash flows, AHANM considers all highly liquid investments as cash equivalents. At December 31, 2009, AHANM did not own any cash equivalents. Cash includes cash held in checking accounts at local banking institutions and in short term investment accounts.

F. Fair Values Measured on Recurring Basis

In September 2006, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Codification (ASC) #820, Fair Value Measurements and Disclosures. ASC #820 defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements. As of January 1, 2009, AHANM has adopted ASC #820.

ASC #820 establishes 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 measurement) and the lowest to unobservable inputs in which little or no market data exists (Level 3 measurements). The three levels of the fair value hierarchy under ASC #820 are described below.

Basis of Fair Value Measurement

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable either directly or indirectly.

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

**ANIMAL HUMANE ASSOCIATION OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Note 1. Summary of Significant Accounting Policies-continued

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following tables set forth, by level within the fair value hierarchy, AHANM's assets and liabilities at fair value as of December 31, 2009. As required by ASC #820, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The table below represents fair value measurement hierarchy of the assets at fair values as of December 31, 2009:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Short Term Investments	\$5,010,723	\$5,010,723	\$ -	\$ -
Contribution Receivable	3,000	-	3,000	-
Accounts Receivable	7,438	-	7,438	-
Beneficial Interest in Remainder Trust	116,338	116,338	-	-
Endowment Fund	<u>88,160</u>	<u>-</u>	<u>88,160</u>	<u>-</u>
Total assets	<u>\$5,225,659</u>	<u>\$5,127,061</u>	<u>\$ 98,598</u>	<u>\$ -</u>

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

G. Fixed Assets

Fixed assets are stated at cost. AHANM capitalizes all acquisitions at cost in excess of \$1,000 with a useful life of more than one year. Depreciation, which includes the assets recorded under capital leases, is computed principally using the straight-line method over the estimated useful lives of individual assets.

H. Estimates

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

I. Contribution of Services

Contributions of services are recognized in the financial statements of AHANM only if the services received (a) create or enhance nonfinancial assets of (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

J. Inventory

Inventory is recorded in the period received and measured at fair value. In accordance with ASC #330-10-30, contributed inventory is recorded at its estimated selling price.

**ANIMAL HUMANE ASSOCIATION OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Note 1. Summary of Significant Accounting Policies-continued

K. Donated Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specified purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, AHANM reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. AHANM reclassifies temporarily restricted net assets to unrestricted net assets at that time.

L. Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

M. Restricted and Unrestricted Support and Revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

N. Expense Allocation

The costs of providing various programs have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

O. Reclassifications

Certain 2008 amounts may have been reclassified in order to conform to the 2009 financial statement presentation.

P. Prior –Year Comparative Information

The financial statements include prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with financial statements for the year ended December 31, 2008 from which the summarized information was derived.

**ANIMAL HUMANE ASSOCIATION OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Note 1. Summary of significant accounting policies-continued

Q. Endowment Fund

During the year ended December 31, 2009, the Financial Accounting Standards Board (FASB) issued FASB Staff Position 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 Disclosure for All Endowment Funds* which includes the following financial statement disclosure requirements for AHANM for the year ended December 31, 2009.

- Classification of net assets

Endowment funds are used to account for investments in which the principal is temporarily or permanently restricted or Board designated for a specific purpose.

- Interpretation of Relevant Law

AHANM has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, AHANM classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time of the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
 - The purpose of the organization and the donor-restricted endowment fund
 - General economic conditions
 - The possible effect of inflation and deflation
 - The expected total return from income and the appreciation of investments
 - Other resources of the organization
 - The investment policies of the organization
- Spending Policy
 - The amount and timing of each year's distribution shall be as stated in the Albuquerque Community Foundation's current distribution policy. AHANM will be notified annually following the end of the Foundation's fiscal year of the amount available for distribution. AHANM may elect, in writing, to receive all or part of its current distribution. During the year ended December 31, 2009 earnings from the endowment fund used in operations were \$0.

**ANIMAL HUMANE ASSOCIATION OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Note 1. Summary of significant accounting policies-continued

Endowment Net Asset Composition by Type of Funds as of December 31, 2009 includes:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Donor restricted endowment fund	-0-	-0-	100,200
Board designated endowment fund	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	<u>-0-</u>	<u>-0-</u>	<u>100,200</u>

Changes in Endowment Net Assets for the year ended December 31, 2009 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Endowment net assets, beginning of year	-0-	-0-	75,798
Investment income (loss)	13,244	-0-	-0-
Contributions	-0-	-0-	-0-
Appropriation of endowments assets for expenditures	(882)	-0-	-0-
Transfers to create board designated endowment funds	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Endowment net assets, end of year	<u>12,362</u>	<u>-0-</u>	<u>75,798</u>

R. Uncertain Tax Positions

AHANM annually evaluates all federal and state income tax positions. This process includes an analysis of whether these income tax positions the Organization takes meet the definition of an uncertain tax position under the Income Taxes Topic of the Financial Accounting Standards Codification.

Note 2. Cash Balances

AHANM's cash balance on the Statement of Financial Position consists of the following at December 31, 2009:

	<u>Balance</u>
Banking Institutions	761,714
Investment Account	<u>517,862</u>
Total Cash	<u>\$1,279,576</u>

At December 31, 2009, the total bank balances were \$1,279,576 of which \$908,911 was insured by federal depository insurance leaving \$370,665 uninsured and uncollateralized. AHANM has not experienced any losses in such accounts and management does not believe it is exposed to any significant credit risk.

**ANIMAL HUMANE ASSOCIATION OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Note 3. Short – Term Investments and Investments Restricted for Long-Term Purposes

AHANM carries investments with readily determinable fair values. Market value at December 31, 2009 is as follows:

Short – term investments:	
Certificates of Deposit	795,127
Mutual Funds	<u>4,215,596</u>
Total Investments	<u>5,010,723</u>

Investment return is summarized as follows:

Unrealized Gain	871,997
Interest Income & Realized Gains	<u>111,854</u>
Total Investment return	<u>983,851</u>

Average Investments	3,805,077
Net Investment Return	983,851
Average Return on Investments	26%

Investments are reported on the Statement of Financial Position as follows:

Short-Term Investments	\$ 250,536
Investments Restricted for Long-Term Purposes	<u>4,760,187</u>
Total Investment	<u>\$5,010,723</u>

Note 4. Prepaid Expenses

Prepaid expense represents amounts paid in advance for the following:

Prepaid Insurance	\$7,451
Prepaid Software	6,742
Employee Advances	<u>424</u>
Total	<u>\$14,617</u>

Note 5. Property and Equipment

The components of property and equipment at December 31, 2009 are as follows:

Building	2,215,327
Furniture and Fixtures	624,804
Vehicles	201,313
Major Repairs in Progress	17,427
Land	58,674
Office Equipment	<u>20,771</u>
Total Property & Equipment	\$3,138,316
Accumulated Depreciation	<u>(1,260,639)</u>
Net Property & Equipment	<u>\$1,877,677</u>

Depreciation expense for the year ended December 31, 2009 was \$180,248.

ANIMAL HUMANE ASSOCIATION OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

Note 6. Beneficial Interests in Remainder Trusts

On March 31, 1994, AHANM was awarded an interest in the Charitable Remainder Trust of Frank Viquesney. The Bank of America administers the Trust. The Trust document calls for the equal distribution of assets upon the death of the Trust's remaining beneficiaries. AHANM is irrevocably entitled to 25% of the remaining net assets upon termination. AHANM's interest in the Trust's assets is recorded at fair market value with adjustments made annually for increases or decreases in value. The present value of the Trust agreement was calculated using a discount rate of 6%. The present value of the Estate's net assets at termination was estimated using a value of \$770,841 in remaining net assets with a discount rate of 6% for 9 years. During the fiscal year ended December 31, 2009 the Estate experienced an increase in asset value of \$2,273. This increase represents current income and is recorded as unrestricted revenue on AHANM's statement of activity.

Detail of amount displayed in the statement of position is as follows:

Beneficial Interest in:	
Viquesney Trust	<u>116,338</u>
Total Beneficial Interest in Remainder Trust	<u>\$116,338</u>

Detail of amount displayed in the statement of activity is as follows:

Change in Value of Split Interest Agreement:	
Viquesney Trust (gain in value)	<u>2,273</u>
Net Change in Value	<u>\$ 2,273</u>

Note 7. Endowment Fund

The Animal Humane / New Mexico Endowment Fund, held by the Albuquerque Community Foundation, is stated at fair value, which represents contributions made under the endowment, plus earnings, less withdrawals and management fees.

Note 8. Accrued Compensated Absences

Employees of AHANM earn annual leave based on stated policies. Annual leave is payable to the employee upon termination. These accrued amounts are shown as a liability on the statement of financial position and the related change in liability is reflected as an expense for the year in which the change occurs.

Note 9. Line of Credit

AHANM maintains a \$150,000 revolving line of credit from New Mexico Bank & Trust to help finance its short-term capital needs. The line is secured by receivables with interest payable monthly on outstanding balances. At December 31, 2009, the lines effective interest rate was 5.50%. No borrowings or repayments occurred during the year. There was no balance due on the Line of Credit at December 31, 2009.

**ANIMAL HUMANE ASSOCIATION OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Note 10. Net Assets

The Animal Humane Association of New Mexico classifies its net assets into the following categories:

Unrestricted – net assets that are not subject to donor-imposed stipulations. This includes certain amounts designated by the Board for grants, endowments and other purposes.

Temporarily Restricted – net assets subject to donor-imposed stipulations that may, or will be met either by actions of AHANM and/or the passage of time. Temporarily restricted net assets at December 31, 2009 are as follows:

Program specific activities	<u>\$116,421</u>
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Permanently Restricted – Permanently restricted net assets are assets subject to the donor imposed restriction that they be permanently maintained by the Albuquerque Community Foundation for the benefit of AHANM. This class of net assets consists of the AHANM Endowment Fund investments to be held indefinitely, the income from which is expendable to support programmatic activities.

Permanently restricted net assets at December 31, 2009 consisted of:

Animal Humane/New Mexico Endowment Fund	<u>\$ 100,200</u>
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Note 11. In-Kind Contributions and Expenses

AHANM received donated media advertising, professional services and trained volunteer services in the amount of \$519,033. In addition AHANM received over 18,000 hours of donated services that did not meet the criteria for inclusion in the financial statements.

Note 12. Fundraising

AHANM sponsors the Doggie Dash, the Cookie Campaign, Art for Animals, and operates thrift stores in two locations in order to raise awareness for their mission, to raise funds for the Organization and to persuade potential donors to make contributions to the Organization. For the year ended December 31, 2009, fund raising expense was \$918,487. Funds raised as a result of these expenses were approximately \$3,158,319. This resulted in a fundraising ratio of 29% (\$918,487 in expenses divided by \$3,158,319 in revenue).

Note 13. Retirement Plans

AHANM participates in a defined contribution retirement plan administered by Mutual of America. This plan is for the benefit of all eligible professional and support staff of AHANM who qualify under applicable participation requirements. Under the terms of the plan, contributions are made under Section 403(b) of the Code and are invested, at the discretion of the plan participant, in one or more of the investment vehicles available under the plan. The plan provides for AHANM to match participant contributions up to 3% of eligible salary. Retirement expense for the year ended December 31, 2009 totaled \$16,410.

Note 14. Occupancy

AHANM leased its north valley thrift store under an operating lease that expired December 31, 2009. Rental expenses under the operating lease were approximately \$25,294.

**ANIMAL HUMANE ASSOCIATION OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Note 15. Donor Advised Endowment Fund

A donor advised endowment fund has been established in the name of Robert and Barbara Clemmensen Fund for Animal Humane at the Albuquerque Community Foundation. The donor to this fund maintains variance power over the fund beneficiaries and as a result the account balance in the endowment fund is not eligible for inclusion in the Organization's financial statements. The balance in this fund as of December 31, 2009 is \$97,682.

Note 16. Subsequent Events

AHANM has opened two additional adoption centers to service the West and the Northeast sections of the Albuquerque metropolitan area.

**ANIMAL HUMANE ASSOCIATION OF NEW MEXICO
EXIT CONFERENCE
FOR THE YEAR ENDED DECEMBER 31, 2009**

EXIT CONFERENCE

On July 15th, 2010 an exit conference was held at the offices of AHANM. In attendance were the following:

Representing Animal Humane Association of New Mexico

Krik Mielke, CPA	Treasurer
Ben Benjamin	Director
James Denedy, CPA	Director
Laurie Maynez	Director
Peggy Weigle	Executive Director
David Lopez	Finance Director

Representing the Auditors

Ollie D. Waters, CPA	Auditor
Veronica Villanueva	Auditor