



Animal Humane

NEW MEXICO

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

June 30, 2011

ANIMAL HUMANE ASSOCIATION OF NEW MEXICO

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ANIMAL HUMANE ASSOCIATION OF NEW MEXICO

OFFICIAL ROSTER

BOARD OF DIRECTORS

Kenneth Thompson	President
Ben Benjamin	Vice President
Krik Mielke, CPA	Treasurer
Ann Maddox Utterback	Secretary
Jean Bernstein	Director
Marci Blaze	Director
Jose Blanton	Director
James Denedy, CPA	Director
Michelle Franks	Director
Annie Gardener	Director
Laurie Maynez	Director
Tim Nichols	Director
Marti Patridge	Director
Susan Shires	Director
Dr. Emily Walker	Director

ADMINISTRATIVE STAFF

Peggy Weigle	Executive Director
Sandy Phillips	Chief Financial Officer

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 Animal Humane Association of New Mexico (a nonprofit organization) as of June 30, 2011, and the related statements of activities, functional expenses, and cash flows for the eighteen months then ended. These financial statements are the responsibility of 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 twelve months summarized comparative information has been derived from the Animal Humane Association's December 31, 2009 financial statements and, in our report dated May 3, 2010; 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 Animal Humane Association of New Mexico as of June 30, 2011, and the changes in its net assets and its cash flows for the eighteen months then ended in conformity with accounting principles generally accepted in the United States of America.

Ollie D. Waters, CPA
Moye, Waters and Associates, LLC
Albuquerque, New Mexico
September 26, 2011

ANIMAL HUMANE ASSOCIATION OF NEW MEXICO
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2009)

ASSETS:	<u>2011</u>	<u>2009</u>
Current Assets		
Cash and Cash Equivalents (Note 2)	\$ 252,083	\$ 1,279,576
Short-Term Investments (Note 3)	325,300	250,536
Bequests Receivable	36,811	-
Contribution Receivable	-	3,000
Accounts Receivable	40,260	7,438
Prepaid Expenses (Note 4)	6,301	14,617
Inventory	110,797	87,846
Total Current Assets	<u>771,552</u>	<u>1,643,013</u>
Property & Equipment		
Property and Equipment (Note 5)	3,545,114	3,138,316
Less Accumulated Depreciation (Note 5)	<u>(1,575,616)</u>	<u>(1,260,639)</u>
Net Property & Equipment	<u>1,969,498</u>	<u>1,877,677</u>
Other Assets		
Investments Restricted for Long-Term Purposes (Note 3)	6,180,694	4,760,187
Beneficial Interest in Remainder Trust (Note 6)	111,895	116,338
Endowment Fund (Note 7)	101,070	88,160
Total Other Assets	<u>6,393,659</u>	<u>4,964,685</u>
Total Assets	<u>\$ 9,134,709</u>	<u>\$ 8,485,375</u>
LIABILITIES:		
Current Liabilities		
Accounts Payable	\$ 124,258	\$ 91,684
Accrued Wages	93,263	75,831
Accrued Compensated Absences (Note 8)	61,789	33,110
Deferred Revenue	21,312	-
Line of Credit (Note 9)	126,281	-
Total Current Liabilities	<u>426,903</u>	<u>200,625</u>
Total Liabilities	<u>426,903</u>	<u>200,625</u>
NET ASSETS:		
Unrestricted (Note 10)	8,590,981	8,068,129
Temporarily Restricted (Note 10)	16,625	116,421
Permanently Restricted (Note 10)	100,200	100,200
Total Net Assets	<u>8,707,806</u>	<u>8,284,750</u>
Total Liabilities & Net Assets	<u>\$ 9,134,709</u>	<u>\$ 8,485,375</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 EIGHTEEN MONTHS ENDED JUNE 30, 2011
(WITH COMPARATIVE TOTALS AS OF THE TWELVE MONTHS DECEMBER 31, 2009)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2011 Total</u>	<u>2009 Total</u>
REVENUE					
Individual & Corporate Contributions	\$ 3,245,708	\$ -	\$ -	\$ 3,245,708	\$ 2,373,032
Program Service Fees	1,616,672	-	-	1,616,672	858,957
Investment Return	880,535	-	-	880,535	983,851
Merchandise Sales	602,377	-	-	602,377	449,727
Special Events	270,113	-	-	270,113	164,017
Grant Income	149,745	16,625	-	166,370	39,496
United Way Contributions	193,803	-	-	193,803	102,237
Change in Value of Split Interest Agreement (Note 6)	(4,443)	-	-	(4,443)	2,273
In-Kind Contributions (Note 11)	933,884	-	-	933,884	519,033
Net Assets Released from Restrictions:					
Restrictions satisfied by program payments	116,421	(116,421)	-	-	-
Total Revenue	<u>8,004,815</u>	<u>(99,796)</u>	<u>-</u>	<u>7,905,019</u>	<u>5,492,623</u>
EXPENSES:					
Program	5,308,445	-	-	5,308,445	3,002,442
General & Administrative	784,087	-	-	784,087	388,577
Fundraising (Note 12)	1,389,431	-	-	1,389,431	918,487
Total Expenses	<u>7,481,963</u>	<u>-</u>	<u>-</u>	<u>7,481,963</u>	<u>4,309,506</u>
Change in Net Assets	522,852	(99,796)	-	423,056	1,183,117
Net Assets at Beginning of Year	8,068,129	116,421	100,200	8,284,750	7,101,633
Net Assets at End of Year	<u>\$ 8,590,981</u>	<u>\$ 16,625</u>	<u>\$ 100,200</u>	<u>\$ 8,707,806</u>	<u>\$ 8,284,750</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 EIGHTEEN MONTHS ENDED JUNE 30, 2011
(WITH COMPARATIVE TOTALS AS OF THE TWELVE MONTHS ENDED DECEMBER 31, 2009)

	<u>Program Services</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>2011 Total</u>	<u>2009 Total</u>
Salaries and Wages	\$ 2,628,326	\$ 432,931	\$ 365,695	\$ 3,426,952	\$ 1,947,183
Employee Benefits (Note 13)	176,718	30,143	25,279	232,140	168,874
Payroll Taxes	233,111	37,531	31,787	302,429	157,370
In-Kind Expenses	439,681	48,146	446,057	933,884	519,033
Operating Supplies	501,731	20,818	6,880	529,429	349,556
Printing & Publications	31,775	214	248,805	280,794	202,624
Cost of Sales	258,078	-	-	258,078	168,788
Utilities	112,486	7,211	36,447	156,144	97,224
Maintenance and Repairs	119,372	27,864	8,176	155,412	63,494
Occupancy (Note 14)	121,481	-	-	121,481	28,580
Professional Fees	76,698	36,437	5,550	118,685	64,781
Fundraising	-	-	112,083	112,083	82,611
Advertising	70,933	1,505	15,013	87,451	74,249
Telephone	51,778	20,354	6,346	78,478	35,140
Meals and Lodging	45,630	22,020	2,522	70,172	15,603
Bank and Credit Card Fees	48,915	12,600	67	61,582	26,713
Office Supplies	31,576	19,321	6,350	57,247	28,941
Insurance	33,579	8,518	12,551	54,648	36,186
Transportation	31,757	7,361	12,028	51,146	15,212
Postage	7,047	3,629	15,601	26,277	13,785
Education and Training	10,794	10,337	2,627	23,758	3,563
Dues and Subscriptions	4,965	3,829	1,303	10,097	5,400
Other	13,036	3,682	1,901	18,619	24,348
Depreciation (Note 5)	258,978	29,636	26,363	314,977	180,248
	<u>\$ 5,308,445</u>	<u>\$ 784,087</u>	<u>\$ 1,389,431</u>	<u>\$ 7,481,963</u>	<u>\$ 4,309,506</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 EIGHTEEN MONTHS ENDED JUNE 30, 2011
(WITH COMPARATIVE TOTALS AS OF THE TWELVE MONTHS ENDED DECEMBER 31, 2009)

	<u>2011</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from individual & corporate donors	\$ 3,176,075	\$ 2,372,658
Cash received from program services	1,640,984	887,076
Cash received from merchandise sales	321,348	292,093
Cash received from special events	270,113	164,017
Cash received from interest and dividends	255,813	37,787
Cash receipts from grant income	166,370	39,495
Cash receipts from United Way contributions	193,803	102,237
Cash paid for expenses	(1,972,613)	(1,151,028)
Cash paid to and on behalf of employees	(3,915,410)	(2,262,133)
Net cash provided by operating activities	<u>136,483</u>	<u>482,202</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	481,683	425,957
Purchases of investments	(1,104,140)	(1,831,081)
Investment in fixed assets	(406,798)	(141,461)
Reinvested interest and gains	(261,002)	(72,465)
Net cash used investing activities	<u>(1,290,257)</u>	<u>(1,619,050)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	382,698	-
Principal payments	(256,417)	-
Net cash provided by financing activities	<u>126,281</u>	<u>-</u>
Net decrease in cash and cash equivalents	(1,027,493)	(1,136,848)
Cash and cash equivalents at beginning of year	1,279,576	2,416,424
Cash and cash equivalents at end of year	<u>\$ 252,083</u>	<u>\$ 1,279,576</u>
RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Increase in Net Assets	\$ 423,056	\$ 1,183,117
Adjustments to reconcile increases in net assets to cash provided by operating activities:		
Depreciation	314,977	180,248
Unrealized gain on investments	(624,722)	(946,064)
Net non cash transactions		
(Increases) Decreases in Operating Assets:		
(Increase) Decrease in Bequest Receivable	(33,811)	(374)
(Increase) Decrease of Interest in Remainder Trust	4,443	(2,273)
(Increase) Decrease in Inventory	(22,951)	11,154
(Increase) Decrease in Prepaid Expenses	8,316	1,614
(Increase) Decrease in Accounts Receivable	(32,822)	28,119
Increases (Decreases) in Operating Liabilities:		
Increase (Decrease) in Accrued Payroll Liabilities	46,111	11,293
Increase (Decrease) in Accounts Payable	32,574	15,368
Increase (Decrease) in Deferred Revenue	21,312	-
Net cash provided by operating activities	<u>\$ 136,483</u>	<u>\$ 482,202</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 EIGHTEEN MONTHS ENDED JUNE 30, 2011**

Note 1. Summary of Significant Accounting Policies

A. Function of Entity

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:

- 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 companion animals which includes acting as a resource for individuals and groups interested in the prevention of cruelty and exploitation of companion 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 a part of the educational programs for the young.

AHANM operates New Mexico's first and only full service, donor subsidized, 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 and corporate donations, program service fees, income from the sale of donated merchandise, fundraising 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 eighteen 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 EIGHTEEN MONTHS ENDED JUNE 30, 2011**

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. Expiration 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 June 30, 2011, AHANM owned \$50,541 in 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 which 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 EIGHTEEN MONTHS ENDED JUNE 30, 2011**

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 June 30, 2011. 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 June 30, 2011:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments Restricted for LT Purposes	\$6,180,694	\$6,180,694	\$ -	\$ -
Short-Term Investments	325,300	325,300		
Bequests Receivable	36,811	-	36,811	-
Accounts Receivable	40,260	-	40,260	-
Beneficial Interest in Remainder Trust	111,895	111,895	-	-
Endowment Fund	<u>100,200</u>	<u>-</u>	<u>100,200</u>	<u>-</u>
Total assets	<u>\$6,795,160</u>	<u>\$6,617,889</u>	<u>\$177,271</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 EIGHTEEN MONTHS ENDED JUNE 30, 2011**

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 2009 amounts may have been reclassified in order to conform to the 2011 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 twelve months ended December 31, 2009 from which the summarized information was derived.

**ANIMAL HUMANE ASSOCIATION OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED JUNE 30, 2011**

Note 1. Summary of significant accounting policies-continued

Q. Endowment Fund

During the twelve months 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 eighteen months ended June 30, 2011.

- 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 eighteen months ended June 30, 2011 earnings from the endowment fund used in operations were \$0.

**ANIMAL HUMANE ASSOCIATION OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED JUNE 30, 2011**

Note 1. Summary of significant accounting policies-continued

Endowment Net Asset Composition by Type of Funds as of June 30, 2011 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 eighteen months ended June 30, 2011 are as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	-0-	88,160	88,160
Investment income (loss)	14,435	-0-	14,435
Contributions	-0-	-0-	-0-
Appropriation of endowments assets for expenditures	(1,525)	-0-	(1,525)
Transfers to create board designated endowment funds	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Endowment net assets, end of year	<u>12,910</u>	<u>-0-</u>	<u>101,070</u>

R. Uncertain Tax Positions

On July 1, 2009 AHANM adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10, Accounting for Income Taxes. There were no uncertain tax positions taken by AHANM for the eighteen months ended June 30, 2011. AHANM's policy is to classify income tax penalties and interest, when applicable, according to their natural classification. Under the statute of limitations, AHANM tax returns are no longer subject to examination by tax authorities for years prior to 2008.

S. Change of Year End

AHANM has changed its financial year end from December 31, to June 30 annually. The financial statements for the current period represent transactions for the eighteen month period January 1, 2010 to June 30, 2011. The prior period information, displayed for comparative purposes only, represent the twelve month period from January 1, 2009 to December 31, 2009.

Note 2. Cash Balances

AHANM's cash balance on the Statement of Financial Position consists of the following at June 30, 2011:

	<u>Balance</u>
Banking Institutions	57,947
Investment Account	<u>194,136</u>
Total Cash	<u>\$252,083</u>

All deposits with financial institutions are fully insured with the Federal Deposit Insurance Corporation.

**ANIMAL HUMANE ASSOCIATION OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED JUNE 30, 2011**

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

AHANM carries investments with readily determinable fair values. Market value at June 30, 2011 is as follows:

Short – term investments:	
Certificates of Deposit	750,919
Mutual Funds	<u>5,755,075</u>
Total Investments	<u>6,505,994</u>

Investment return is summarized as follows:

Unrealized Gain	624,722
Interest Income & Realized Gains	<u>255,813</u>
Total Investment return	<u>880,535</u>

Average Investments	5,386,602
Net Investment Return	777,444
Average Return on Investments	14%

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

Short-Term Investments	\$ 325,300
Investments Restricted for Long-Term Purposes	<u>6,180,694</u>
Total Investment	<u>\$6,505,994</u>

Note 4. Prepaid Expenses

Prepaid expense represents amounts paid in advance for the following:

Prepaid Insurance	\$3,651
Prepaid Conferences	<u>2,650</u>
Total	<u>\$6,301</u>

Note 5. Property and Equipment

The components of property and equipment at June 30, 2011 are as follows:

Building	2,444,565
Furniture and Fixtures	672,917
Vehicles	201,313
Major Repairs in Progress	146,873
Land	58,674
Office Equipment	<u>20,772</u>
Total Property & Equipment	\$3,545,114
Less Accumulated Depreciation	<u>1,575,616</u>
Net Property & Equipment	<u>\$1,969,498</u>

Depreciation expense for the eighteen months ended June 30, 2011 was \$314,977. No interest has been capitalized on the construction in progress for the eighteen months ended June 30, 2011.

**ANIMAL HUMANE ASSOCIATION OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED JUNE 30, 2011**

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 eighteen months ended June 30, 2011 the Estate experienced a decrease in asset value of \$4,443. This decrease 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>111,895</u>
Total Beneficial Interest in Remainder Trust	<u>\$111,895</u>

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

Change in Value of Split Interest Agreement:	
Viquesney Trust (loss in value)	<u>(4,443)</u>
Net Change in Value	<u>\$ (4,443)</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 June 30, 2011, the lines effective interest rate was 5.50%. Borrowings of \$382,698 and repayments of \$256,417 occurred during the eighteen months ended June 30, 2011. The balance due on the Line of Credit at June 30, 2011 was \$126,281.

**ANIMAL HUMANE ASSOCIATION OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED JUNE 30, 2011**

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 June 30, 2011 are as follows:

Program specific activities	<u>\$16,625</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 June 30, 2011 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.

Note 12. Fundraising

AHANM sponsors the Doggie Dash, the Cookie Campaign, Art for Animals, and operates a thrift store 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 eighteen months ended June 30, 2011, fund raising expense was \$1,397,329. Funds raised as a result of these expenses were approximately \$5,407,255. This resulted in a fundraising ratio of 26% (\$1,397,329 in expenses divided by \$5,407,255 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 eighteen months ended June 30, 2011 totaled \$25,839.

**ANIMAL HUMANE ASSOCIATION OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
FOR THE EIGHTEEN MONTHS ENDED JUNE 30, 2011**

Note 14. Occupancy

AHANM leases two additional adoption centers under operating leases that expire April and October 2012. Rental expenses under these leases were approximately \$94,124. Minimum lease payments for each of the remaining years subsequent to June 30, 2011 are as follows:

2012	62,434
2013	<u>30,063</u>
Total minimum payments	<u>\$92,497</u>

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 June 30, 2011 is \$112,045.

Note 16. Related Party Transaction

AHANM leases space from a firm owned by a member of the Board. The lease requires monthly payments of \$3,339 through April 30, 2012. Lease payments for the eighteen months ended June 30, 2011 totaled \$44,567.

**ANIMAL HUMANE ASSOCIATION OF NEW MEXICO
EXIT CONFERENCE
FOR THE EIGHTEEN MONTHS ENDED JUNE 30, 2011**

EXIT CONFERENCE

On October 13th, 2011 an exit conference was held at the offices of AHANM. In attendance were the following:

Representing Animal Humane Association of New Mexico

Kenneth Thompson	President
Ben Benjamin	Vice President
Krik Mielke, CPA	Treasurer
James Denedy, CPA	Director
Tim Nichols	Director
Sandy Phillips	Chief Financial Officer

Representing the Auditors

Ollie D. Waters, CPA	Auditor
Veronica Villanueva	Auditor