

ANIMAL HUMANE NEW MEXICO
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014



Animal Humane
NEW MEXICO
AnimalHumaneNM.org

**ANIMAL HUMANE NEW MEXICO
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Animal Humane New Mexico
Albuquerque, New Mexico

We have audited the accompanying financial statements of Animal Humane New Mexico, which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and changes in net assets, functional expenses, and cash flows 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Animal Humane New Mexico

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Animal Humane New Mexico as of June 30, 2015 and 2014 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Albuquerque, New Mexico
September 24, 2015

**ANIMAL HUMANE NEW MEXICO
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014**

ASSETS	2015	2014
CURRENT ASSETS		
Cash and Cash Equivalents (Note 3)	\$ 950,983	\$ 399,988
Accounts Receivable	9,092	21,597
Contributions and Grants Receivable	24,291	143,152
Inventory - Thrift Store	92,900	77,304
Inventory - Food and Merchandise	16,672	29,470
Prepaid Expenses	63,876	49,549
Total Current Assets	1,157,814	721,060
PROPERTY AND EQUIPMENT, net (Note 5)	7,541,980	7,399,809
OTHER ASSETS		
Investments (Note 6)	3,528,142	3,574,759
Beneficial interest in Remainder Trust (Note 8)	130,365	131,023
Total Other Assets	3,658,507	3,705,782
 Total Assets	 \$ 12,358,301	 \$ 11,826,651
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 50,490	\$ 38,328
Accrued Expenses	20,473	10,590
Accrued Wages and Other Payroll Liabilities	236,829	192,892
Deferred Revenue	48,522	51,800
Total Current Liabilities	356,314	293,610
NET ASSETS (Note 10)		
Unrestricted:		
Undesignated	11,731,178	9,508,694
Board Designated	95,556	96,673
Total Unrestricted	11,826,734	9,605,367
Temporarily Restricted	175,253	1,927,674
Total Net Assets	12,001,987	11,533,041
Total Liabilities and Net Assets	\$ 12,358,301	\$ 11,826,651

See accompanying Notes to Financial Statements.

**ANIMAL HUMANE NEW MEXICO
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2015**

	Unrestricted	Temporarily Restricted	Total
REVENUE, SUPPORT AND OTHER INCOME			
Contributions	\$ 3,054,630	\$ 724,629	\$ 3,779,259
Program Service Fees	926,724	-	926,724
In-Kind Contributions	773,192	-	773,192
Merchandise Sales	842,075	-	842,075
Investment Return, Net of \$6,757 in Fees	7,457	-	7,457
Special Events	716,905	-	716,905
United Way Contributions	189,587	-	189,587
Grant Income	22,241	-	22,241
Change in Value of Split Interest Agreement	658	-	658
Loss on Disposal of Assets	-	-	-
Net Assets Released from Restrictions:			
Restrictions Satisfied by Program Payments	2,477,050	(2,477,050)	-
Total Revenue, Support and Other Income	9,010,519	(1,752,421)	7,258,098
EXPENSES			
Program Services	5,403,654	-	5,403,654
Fundraising	883,168	-	883,168
Management and General	502,330	-	502,330
Total Expenses	6,789,152	-	6,789,152
CHANGE IN NET ASSETS	2,221,367	(1,752,421)	468,946
Net Assets - Beginning of Year	9,605,367	1,927,674	11,533,041
NET ASSETS - END OF YEAR	\$ 11,826,734	\$ 175,253	\$ 12,001,987

See accompanying Notes to Financial Statements.

**ANIMAL HUMANE NEW MEXICO
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2014**

	Unrestricted	Temporarily Restricted	Total
REVENUE, SUPPORT AND OTHER INCOME			
Contributions	\$ 1,823,993	\$ 1,677,318	\$ 3,501,311
Program Service Fees	1,016,910	-	1,016,910
In-Kind Contributions	1,033,934	-	1,033,934
Merchandise Sales	750,635	-	750,635
Investment Return, Net of \$7,645 in Fees	472,802	-	472,802
Special Events	264,175	-	264,175
United Way Contributions	177,019	-	177,019
Grant Income	25,725	-	25,725
Change in Value of Split Interest Agreement	11,122	-	11,122
Loss on Disposal of Assets	(78,779)	-	(78,779)
Net Assets Released from Restrictions:			
Restrictions Satisfied by Program Payments	1,181,222	(1,181,222)	-
Total Revenue, Support and Other Income	6,678,758	496,096	7,174,854
EXPENSES			
Program Services	5,086,844	-	5,086,844
Fundraising	684,780	-	684,780
Management and General	402,857	-	402,857
Total Expenses	6,174,481	-	6,174,481
CHANGE IN NET ASSETS	504,277	496,096	1,000,373
Net Assets - Beginning of Year	9,101,090	1,431,578	10,532,668
NET ASSETS - END OF YEAR	\$ 9,605,367	\$ 1,927,674	\$ 11,533,041

See accompanying Notes to Financial Statements.

**ANIMAL HUMANE NEW MEXICO
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015**

	Program Services					Total Program Services	Supporting Services			Total
	Adoption	Animal Care	Clinic	Outreach	Thrift		Fundraising	Management and General	Total Supporting Services	
EXPENSES										
Salaries and Wages	\$ 677,355	\$ 390,380	\$ 846,610	\$ 159,547	\$ 150,610	\$ 2,224,502	\$ 291,358	\$ 289,218	\$ 580,576	\$ 2,805,078
Payroll Taxes and Employee Benefits	126,068	83,303	117,710	23,394	23,935	374,410	44,026	42,669	86,695	461,105
Total Salaries and Related Expenses	803,423	473,683	964,320	182,941	174,545	2,598,912	335,384	331,887	667,271	3,266,183
Advertising	34,117	-	3,123	1,363	8,455	47,058	4,175	(294)	3,881	50,939
Background Checks	54	27	120	2,477	67	2,745	11	27	38	2,783
Bank Service Fees	11,114	-	9,747	-	12,185	33,046	13,161	11,487	24,648	57,694
Cost of Sales	77,478	-	35,275	-	32,299	145,052	-	-	-	145,052
Cremation/Disposal Costs	-	5,158	7,399	-	-	12,557	-	-	-	12,557
Direct Mail	-	-	-	-	-	-	164,359	-	164,359	164,359
Education and Training	1,375	2,445	4,257	408	-	8,485	1,601	2,980	4,581	13,066
Facility Maintenance	32,818	60,081	16,473	11,893	27,455	148,720	6,049	22,559	28,608	177,328
Fundraising	905	-	1,612	30,744	37	33,298	215,300	1,494	216,794	250,092
In-Kind Expenses	377,592	67,233	79,944	39,541	112,556	676,866	95,438	888	96,326	773,192
Insurance	11,099	9,412	3,996	42,417	5,803	72,727	948	10,907	11,855	84,582
Maintenance and Repairs	35,038	12,822	62,495	6,910	9,294	126,559	8,712	11,788	20,500	147,059
Marketing	61,934	-	117,918	-	152,487	332,339	-	-	-	332,339
Miscellaneous	4,102	2,819	11,738	2,938	635	22,232	914	1,137	2,051	24,283
Professional Fees	581	-	290	2,061	758	3,690	826	18,921	19,747	23,437
Rent and Utilities	101,386	29,176	28,020	6,196	59,502	224,280	5,441	18,872	24,313	248,593
Supplies	30,344	135,174	246,282	26,887	6,360	445,047	12,378	25,010	37,388	482,435
Total ASPCA Expenses	4,893	-	(3,413)	113,676	-	115,156	(110)	(463)	(573)	114,583
Transportation	24,432	5,619	6,341	1,795	7,336	45,523	3,814	5,307	9,121	54,644
Veterinarian Services	1,510	-	30,220	40	-	31,770	-	-	-	31,770
Volunteer Appreciation	-	-	-	5,130	-	5,130	-	-	-	5,130
Total Expenses Before Depreciation	1,614,195	803,649	1,626,157	477,417	609,774	5,131,192	868,401	462,507	1,330,908	6,462,100
Depreciation	73,249	112,256	54,959	12,245	19,753	272,462	14,767	39,823	54,590	327,052
TOTAL EXPENSES	<u>\$ 1,687,444</u>	<u>\$ 915,905</u>	<u>\$ 1,681,116</u>	<u>\$ 489,662</u>	<u>\$ 629,527</u>	<u>\$ 5,403,654</u>	<u>\$ 883,168</u>	<u>\$ 502,330</u>	<u>\$ 1,385,498</u>	<u>\$ 6,789,152</u>

See accompanying Notes to Financial Statements.

**ANIMAL HUMANE NEW MEXICO
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2014**

	Program Services					Total Program Services	Supporting Services			Total
	Adoption	Animal Care	Clinic	Outreach	Thrift		Fundraising	Management and General	Total Supporting Services	
EXPENSES										
Salaries and Wages	\$ 631,664	\$ 366,610	\$ 767,434	\$ 135,330	\$ 161,901	\$ 2,062,939	\$ 265,069	\$ 233,015	\$ 498,084	\$ 2,561,023
Payroll Taxes and Employee Benefits	95,958	66,067	103,036	13,904	23,794	302,759	36,572	45,208	81,780	384,539
Total Salaries and Related Expenses	727,622	432,677	870,470	149,234	185,695	2,365,698	301,641	278,223	579,864	2,945,562
Advertising	32,276	-	1,958	2,911	2,701	39,846	7,081	776	7,857	47,703
Background Checks	159	80	252	2,361	49	2,901	-	74	74	2,975
Bank Service Fees	11,820	277	9,880	46	10,812	32,835	11,059	13,684	24,743	57,578
Cost of Sales	73,880	-	40,380	-	8,028	122,288	-	-	-	122,288
Cremation/Disposal Costs	-	3,366	12,348	-	-	15,714	-	-	-	15,714
Direct Mail	-	-	-	-	-	-	158,414	-	158,414	158,414
Education and Training	1,805	200	5,336	1,089	-	8,430	460	640	1,100	9,530
Facility Maintenance	25,516	46,714	12,808	9,248	21,347	115,633	-	-	-	115,633
Fundraising	-	-	-	-	-	-	101,074	2,337	103,411	103,411
In-Kind Expenses	485,891	110,120	168,028	28,350	181,075	973,464	57,000	3,471	60,471	1,033,935
Insurance	10,596	9,586	6,082	1,856	3,319	31,439	981	8,766	9,747	41,186
Maintenance and Repairs	34,532	14,792	55,482	6,688	8,742	120,236	6,639	13,068	19,707	139,943
Marketing	72,254	-	97,148	-	104,691	274,093	-	-	-	274,093
Miscellaneous	4,179	2,283	11,911	3,454	107	21,934	1,199	1,608	2,807	24,741
Professional Fees	-	-	-	1,319	-	1,319	-	20,041	20,041	21,360
Rent and Utilities	96,741	45,298	25,250	8,685	62,267	238,241	4,069	18,352	22,421	260,662
Supplies	24,008	113,539	212,302	9,837	11,087	370,773	20,633	11,692	32,325	403,098
Transportation	13,621	1,663	3,857	3,354	13,359	35,854	1,924	4,082	6,006	41,860
Veterinarian Services	2,498	-	29,478	19,361	-	51,337	-	-	-	51,337
Volunteer Appreciation	-	24	-	6,255	-	6,279	-	-	-	6,279
Total Expenses Before Depreciation	1,617,398	780,619	1,562,970	254,048	613,279	4,828,314	672,174	376,814	1,048,988	5,877,302
Depreciation	63,838	113,900	48,786	11,410	20,596	258,530	12,606	26,043	38,649	297,179
TOTAL EXPENSES	<u>\$ 1,681,236</u>	<u>\$ 894,519</u>	<u>\$ 1,611,756</u>	<u>\$ 265,458</u>	<u>\$ 633,875</u>	<u>\$ 5,086,844</u>	<u>\$ 684,780</u>	<u>\$ 402,857</u>	<u>\$ 1,087,637</u>	<u>\$ 6,174,481</u>

See accompanying Notes to Financial Statements.

**ANIMAL HUMANE NEW MEXICO
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 468,946	\$ 1,000,373
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	327,052	297,179
Loss on Disposal of Assets	-	78,779
Realized/Unrealized (Gain) Loss on Investments	82,017	(371,046)
Reinvested Interest and Dividends	(89,474)	(101,756)
Effects of Changes in Operating Assets and Liabilities:		
Accounts Receivable	12,505	14,204
Contributions and Grants Receivable	118,861	117,051
Inventory	(2,798)	(48,012)
Prepaid Expenses	(14,327)	(6,307)
Beneficial Interest in Remainder Trust	658	11,122
Accounts Payable	12,162	(29,145)
Accrued Expenses	9,883	(502)
Accrued Wages and Other Payroll Liabilities	43,937	16,887
Deferred Revenue	(3,278)	14,585
Net Cash Provided by Operating Activities	966,144	993,412
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	405,927	1,617,775
Purchases of Investments	(351,853)	(986,370)
Purchases of Property and Equipment	(469,223)	(2,742,231)
Net Cash Used by Investing Activities	(415,149)	(2,110,826)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	550,995	(1,117,414)
Cash and Cash Equivalents - Beginning of Year	399,988	1,517,402
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 950,983	\$ 399,988

See accompanying Notes to Financial Statements.

**ANIMAL HUMANE NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 1 NATURE OF BUSINESS

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

- To support and improve the lives of New Mexico's cats and dogs through sheltering, adoption, humane education and veterinary services.
- To provide shelter for companion animals, as well as appropriate nutrition, veterinary care, and individual attention from the volunteer and paid staff while in the care and custody of AHNM. 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 through media outreach and as a part of the educational programs for the young.

AHNM operates New Mexico's first full service, donor-subsidized veterinary clinic for qualifying owners in need. AHNM 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 AHNM facility, thus increasing adoption rates and reducing euthanasia rates throughout New Mexico.

AHNM 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.

AHNM 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 AHNM. The board is limited to a minimum of 5 members and a maximum of 18 members. The term served by a board member is three years, with no member being able to serve more than two consecutive terms.

In February of 2012, the board of directors approved a major renovation of the campus and veterinary facilities. This project, designated as Project Humane, is a three-year, \$5,600,000 upgrade of facilities. Project Humane is designed to provide more humane housing for every pet on campus, to support their behavioral and medical health, increase humane education space and additional welcoming facilities for the public. The project will be completed in the fall of 2015.

**ANIMAL HUMANE NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates in Preparing Financial Statements

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

The accompanying financial statements are presented in accordance with the accounting and reporting standards required by Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. FASB ASC 958 requires AHNM to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets. These assets result from revenues from providing services, producing goods, unrestricted contributions and dividends and interest from income-providing assets less applicable related expenses. AHNM treats restricted contributions whose restrictions are satisfied during the same fiscal year as unrestricted support. All contributions made to AHNM are considered to be available for unrestricted use unless specifically restricted by the donor.

Temporarily Restricted Net Assets. These assets result from contributions and other inflows of assets whose use by AHNM is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of AHNM pursuant to those stipulations.

Permanently Restricted Net Assets. These assets have donor-imposed restrictions that stipulate that resources be maintained permanently but permit AHNM to expend part or all of the income or economic benefits derived from the donated assets. AHNM had no permanently restricted net assets at June 30, 2015 and 2014.

Cash and Cash Equivalents

AHNM considers investments with an initial maturity date of 90 days or less as cash equivalents. The balances maintained by AHNM in the individual accounts may, at times, exceed federally insured limits. AHNM does not believe that its risk for amounts in excess of federally insured limits is significant.

Fair Value of Financial Instruments

In determining fair value, AHNM uses various valuation approaches within the fair value measurement framework of accounting standards. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

**ANIMAL HUMANE NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments (Continued)

Accounting standards establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The standards define levels within the hierarchy based on the reliability of inputs as follows:

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data.

Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

There are three general valuation techniques that may be used to measure fair value, as described below:

Market Approach: Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sales transactions, market trades or other sources.

Cost Approach: Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost).

Income Approach: Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

AHNM carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values based on quoted prices in active markets in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities and changes in net assets.

**ANIMAL HUMANE NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts, Contributions and Grants Receivable

AHNM utilizes the allowance method for receivable valuation and for estimated collectability. The allowance is based on experience and other circumstances which may affect the collectability of the account. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivable. AHNM had an allowance of \$2,963 and \$1,129 for the years ended June 30, 2015 and 2014, respectively.

Inventory

Inventory consisting of pet supplies is valued at the lower of cost or market using the first-in, first-out method. Donated inventory is valued at its estimated fair value on the date of donation.

Property and Equipment

Property and equipment are recorded at cost if purchased or, if donated, at its estimated fair value on the date of donation. Depreciation is recorded on the straight-line basis over the estimated useful lives of the assets, which range from 5 to 30 years. AHNM capitalizes all expenditures for property in excess of \$1,000.

Impairment of Long-lived Assets and Long-lived Assets to be Disposed of

AHNM reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of, if any, are reported at the lower of the carrying amount or the fair value less costs to sell.

Revenue Recognition

Support from contributions, grants and special events is recognized when awarded, earned, or when expenditures have been incurred in accordance with provisions of the contributions and special event. Program service fee revenue is recognized when the service is performed. Merchandise sales revenue is recognized at the point of sale. Monies received but not earned during the fiscal year are recorded as deferred revenue.

Donated Assets and Services

Donated assets and services are recorded at their estimated fair values as of the date of contribution and capitalized if exceeding AHNM's threshold policy. Contributions of services are recognized in the financial statements if the services received enhance or create non-financial assets, require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Services include skilled animal workers, writers, and finance professionals. Some services are provided by volunteers who perform a variety of tasks that benefit AHNM but are not recorded as they do not meet the above criteria.

**ANIMAL HUMANE NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Classification of Expenses

The cost of providing the various programs and all other activities has been summarized on a functional basis in the statement of activities and the statement of functional expenses. Expenses that can be identified with a specific program are recorded as direct costs according to their natural expenditure classification. Other common costs have been allocated among the programs and supporting services benefited based on various relationships.

Advertising

AHNM uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2015 and 2014 was \$50,939 and \$47,703, respectively.

Income Taxes

AHNM is a non-profit corporation and qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. As such, its normal activities do not result in any income tax liability.

AHNM files informational tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, AHNM is subject to examination by federal, state, local and foreign jurisdictions, where applicable.

Subsequent Events

Management evaluated subsequent events through September 24, 2015, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2015, but prior to September 24, 2015 that provided additional evidence about conditions that existed at June 30, 2015 have been recognized in the financial statements for the fiscal year ended June 30, 2015. Events or transactions that provided evidence about conditions that did not exist at June 30, 2015 but arose before the financial statements were available to be issued have not been recognized in the financial statements for the fiscal year ended June 30, 2015.

Subsequent to year-end, AHNM entered into a purchase agreement related to certain land for a purchase price of \$750,000. \$500,000 of the purchase price will be paid by AHNM and \$250,000 will be through receipt of a charitable donation letter. As of the report date, the land has not been purchased.

**ANIMAL HUMANE NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 3 CASH BALANCES

AHNM's cash balances on the statement of financial position consisted of the following at June 30:

	2015	2014
Banking Institutions	\$ 211,513	\$ 392,036
Investment Account	739,470	7,952
Total	\$ 950,983	\$ 399,988

NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS

In determining fair value, AHNM uses various valuation approaches within the ASC 820 fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability. ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. ASC 820 defines levels within the hierarchy based on the reliability of inputs as follows:

- *Level 1* – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;
- *Level 2* – Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and
- *Level 3* – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

AHNM owns funds held and invested in a pool by the Albuquerque Community Foundation. The fund includes investments in marketable securities, private equity, multi-strategy funds, real assets, real estate, land, remainder trust assets, and remainder trust liabilities. These funds are classified within Level 3 of the valuation hierarchy since underlying investments in the Foundation's funds are not observable.

**ANIMAL HUMANE NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following tables present assets measured at fair value by classification within the fair value hierarchy as of June 30.

	2015			
	Fair Value Measurement Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments	\$ 3,432,586	\$ -	\$ -	\$ 3,432,586
Funds Held at Albuquerque Community Foundation	-	-	95,556	95,556
Beneficial Interest in Remainder Trust	130,365	-	-	130,365
Total Assets at Fair Value	<u>\$ 3,562,951</u>	<u>\$ -</u>	<u>\$ 95,556</u>	<u>\$ 3,658,507</u>

	2014			
	Fair Value Measurement Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments	\$ 3,478,086	\$ -	\$ -	\$ 3,478,086
Funds Held at Albuquerque Community Foundation	-	-	96,673	96,673
Beneficial Interest in Remainder Trust	131,023	-	-	131,023
Total Assets at Fair Value	<u>\$ 3,609,109</u>	<u>\$ -</u>	<u>\$ 96,673</u>	<u>\$ 3,705,782</u>

The following is a reconciliation of the beginning and ending balances of assets and liabilities measured at fair value on a recurring basis that include significant unobservable (Level 3) inputs during the years ended June 30, 2015 and 2014.

	2015	2014
Balance - Beginning of Year	\$ 96,673	\$ 92,770
Dividends/Interest	1,747	1,593
Distributions	(3,783)	(3,623)
Purchases	-	-
Investment Gains	1,951	6,945
Investment Management Fees	(1,032)	(1,012)
Balance - End of Year	<u>\$ 95,556</u>	<u>\$ 96,673</u>

**ANIMAL HUMANE NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Unrealized gains and losses applicable to instruments valued using significant unobservable inputs (Level 3) are included in the statements of activities and changes in net assets for the years ended June 30, 2015 and 2014.

The unobservable inputs are the underlying assets at Albuquerque Community Foundation and follow their asset allocation policy. The asset allocation policy was developed using appropriate best practice tools such as a mean/variance optimizer or other tools as appropriate. Per the policy, Albuquerque Community Foundation assets are invested according to the following strategic allocation and upper limit ranges for each asset class as stated below:

Asset Class	Minimum	Maximum
Equities	30%	60%
Fixed Income/Cash	5%	35%
Real Assets	0%	30%
Multi-Strategy	5%	35%

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2015	2014
Building	\$ 7,502,483	\$ 7,423,618
Construction in Progress	127,598	16,188
Furniture and Equipment	628,483	540,107
Land Improvements	261,512	82,986
Leasehold Improvements	21,406	26,465
Software	60,945	51,709
Vehicles	188,659	209,655
	8,791,086	8,350,728
Less: Accumulated Depreciation	(1,695,211)	(1,397,024)
Land	446,105	446,105
Total	\$ 7,541,980	\$ 7,399,809

Depreciation expense for the years ended June 30, 2015 and 2014 was \$327,052 and \$297,179, respectively. No interest was capitalized on the construction in progress for the years ended June 30, 2015 and 2014 as there was no use of the line of credit during the year.

**ANIMAL HUMANE NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 6 INVESTMENTS

The following tables represent fair value measurement hierarchy of the assets at fair values as of June 30:

	2015		
	Cost	Estimated Fair Value	Market Value Over (Under) Cost
Mutual Funds:			
Bond Fund	\$ 1,233,264	\$ 1,232,111	\$ (1,153)
Equity Funds	1,040,968	1,243,881	202,913
Other Assets:			
Other Assets	581,767	956,594	374,827
Albuquerque Community Foundation Funds	100,200	95,556	(4,644)
Total	<u>\$ 2,956,199</u>	<u>\$ 3,528,142</u>	<u>\$ 571,943</u>

Investment return is summarized as follows:

Unrealized Losses	\$ (359,374)
Interest Dividend Income and Realized Gains	373,588
Change in Beneficial Interest in Remainder Trust	658
Investment Fees	<u>(6,757)</u>
Net Investment Return	<u>\$ 8,115</u>
 Average Investments	 \$ 3,621,705
Average Return on Investments	0.22%

**ANIMAL HUMANE NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 6 INVESTMENTS (CONTINUED)

	2014		
	Cost	Estimated Fair Value	Market Value Over (Under) Cost
Mutual Funds:			
Bond Fund	\$ 1,160,738	\$ 1,205,420	\$ 44,682
Equity Funds	724,850	985,920	261,070
Other Assets:			
Other Assets	653,983	1,286,747	632,764
Albuquerque Community Foundation Funds	100,200	96,673	(3,527)
Total	\$ 2,639,771	\$ 3,574,760	\$ 934,989

Investment return is summarized as follows:

Unrealized Gains	\$ 359,617
Interest and Dividend Income and Realized Gains	120,830
Change in Beneficial Interest in Remainder Trust	11,122
Investment Fees	(7,645)
Net Investment Return	\$ 483,924
 Average Investments	 \$ 3,696,427
Average Return on Investments	13%

NOTE 7 ENDOWMENT FUND

An unrestricted endowment fund was created by the board of directors in 2008. The balance at June 30, 2015 and 2014 was \$95,556 and \$96,673, respectively. Distributions may be received in total or partial. For the years ended June 30, 2015 and 2014, the endowment fund distribution was \$3,783 and \$3,623, respectively.

NOTE 8 BENEFICIAL INTERESTS IN REMAINDER TRUST

On March 31, 1994, AHNM was awarded an interest in the Charitable Remainder Trust (the Trust) of Frank Visquesney. The Bank of America administers the Trust. AHNM is irrevocably entitled to 25% of the remaining net assets upon termination. AHNM'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 AHNM's 25% interest at termination was estimated based on the current market value of the entire trust of \$659,555, discounted at a rate of 4% for six years. During the year ended June 30, 2015, the Trust experienced a decrease in asset value of \$658. During the year ended June 30, 2014, the Trust experienced a decrease in asset value of \$11,122. The estimated present value of ANHM's interest in the Trust at June 30, 2015 and 2014 is \$130,365 and \$131,023, respectively.

**ANIMAL HUMANE NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 9 LINE OF CREDIT

AHNM maintains a \$150,000 revolving line of credit from New Mexico Bank & Trust to help finance its short-term needs. The line is secured by receivables with interest payable monthly on outstanding balances. Interest is calculated using Wall Street Journal Prime with a 4% floor. June 30, 2015, the line's effective interest rate was 4%. There was no balance due on the line of credit at June 30, 2015 and 2014.

NOTE 10 NET ASSETS

Board Designated – In the fiscal year ended June 30, 2012, the board approved the establishment of board designated funds. The purpose of the funds is to segregate \$2,000,000 for the funding of Project Humane. The changes in net assets of the board designated fund consist of the following for the years ended June 30:

	2015	2014
Balance - Beginning of Year	\$ 96,673	\$ 592,770
Plus Current Year Additions	2,666	3,903
Less: Current Year Expenditures	(3,783)	(500,000)
Balance - End of Year	<u>\$ 95,556</u>	<u>\$ 96,673</u>

Temporarily Restricted – Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met either by actions of AHNM and/or the passage of time. Temporarily restricted net assets at June 30 were:

	2015	2014
Capital Campaign and Program-Specific Activities	\$ -	\$ 1,759,253
ASPCA	95,388	108,024
PetSmart	53,615	35,232
Other	26,250	25,165
Total Temporarily Restricted	<u>\$ 175,253</u>	<u>\$ 1,927,674</u>

NOTE 11 IN-KIND CONTRIBUTIONS AND EXPENSES

AHNM received donated media advertising, professional services and trained volunteer services in the amount of \$773,192 and \$1,033,934 for the years ended June 30, 2015 and 2014, respectively.

**ANIMAL HUMANE NEW MEXICO
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NOTE 12 FUNDRAISING

AHNM sponsors the Doggie Dash, Montezuma Ball (2015), and operates a thrift store in order to raise awareness for their mission and to persuade potential donors to make contributions to AHNM. For the years ended June 30, 2015 and 2014, fundraising expense was \$883,168 and \$684,780, respectively. Funds raised as a result of these expenses were \$4,707,992 and \$3,968,230 for the years ended June 30, 2015 and 2014, respectively. This resulted in a fundraising ratio of 19% and 17% for the years ended June 30, 2015 and 2014, respectively.

NOTE 13 RETIREMENT PLANS

AHNM participates in a defined contribution retirement plan. This plan is for the benefit of all eligible professional and support staff of AHNM 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 AHNM to match participant contributions up to 3% of eligible salary. AHNM's contribution to the plan for the years ended June 30, 2015 and 2014 totaled \$32,712 and \$26,744, respectively.

NOTE 14 LEASES

AHNM leases an adoption center, a thrift store, and various equipment under operating leases that expire at various times through 2018. Rental expenses under these leases were \$157,426 and \$156,464 for the years ended June 30, 2015 and 2014, respectively. Minimum lease payments for each of the remaining years subsequent to June 30, 2015 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2016	\$ 113,140
2017	60,985
2018	7,883
Thereafter	-
Total	<u>\$ 182,008</u>

NOTE 15 COMMITMENTS AND CONTINGENCIES

Concentration of Credit Risk

AHNM maintains cash depository accounts with New Mexico Bank and Trust. These deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Balances in these accounts may at times exceed the federally insured amount. The Company has not experienced, and management believes it is not exposed to, significant credit risk from excess deposits.