



FINANCIAL STATEMENTS

June 30, 2023
(With Comparative Totals for 2022)

INDEPENDENT AUDITORS' REPORT

Board of Directors
Animal Humane New Mexico

Opinion

We have audited the accompanying financial statements of Animal Humane Association of New Mexico, Inc. dba Animal Humane New Mexico (Animal Humane), which comprise the statement of financial position as of June 30, 2023 and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Animal Humane as of June 30, 2023 and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Animal Humane and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Animal Humane's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore, is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Animal Humane's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Animal Humane's ability to continue as a going concern for a reasonable period-of-time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Animal Humane's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 21, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

September 20, 2023

PULAKOS CPAs, PC

Pulakos CPAs, PC

Animal Humane New Mexico
STATEMENTS OF FINANCIAL POSITION
June 30, 2023
(With Comparative Totals for 2022)

<u>Assets</u>	<u>2023</u>	<u>2022</u>
Current assets		
Cash and cash equivalents	\$ 1,375,053	\$ 961,639
Accounts receivable, net	43,533	26,687
Grants receivable	69,200	-
Bequests receivable	218,000	-
Other receivable - Employee Retention Credit	713,380	-
Inventory - thrift store	112,923	83,256
Inventory - food and merchandise	62,834	66,149
Prepaid expenses	112,810	114,394
Total current assets	2,707,733	1,252,125
Property and equipment, net	8,573,673	8,820,439
Other assets		
Other receivable - Employee Retention Credit	-	1,198,507
Investments	6,441,013	5,049,156
Beneficial interest assets held at Albuquerque Community Foundation	121,360	114,007
Operating lease right-of-use assets, net	202,694	-
	\$ 18,046,473	\$ 16,434,234
<u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable	\$ 159,050	\$ 202,879
Accrued expense	30,185	24,427
Accrued wages and other payroll liabilities	327,555	291,325
Deferred revenue	37,300	20,995
Operating lease liability, current portion	134,708	-
Total current liabilities	688,798	539,626
Operating lease liability, noncurrent portion	77,785	-
Total liabilities	766,583	539,626
Net assets		
Without donor restrictions	16,664,158	15,415,532
With donor restrictions	615,732	479,076
Total net assets	17,279,890	15,894,608
	\$ 18,046,473	\$ 16,434,234

Animal Humane New Mexico

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2023
(With Comparative Totals for 2022)

	2023			2022 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenues, support and other income				
Public contributions and grants	\$ 4,570,556	\$ 757,433	\$ 5,327,989	\$ 4,043,611
Program service fees	1,410,478	-	1,410,478	1,481,192
Employee retention credit	-	-	-	713,380
In-kind contributions	756,488	-	756,488	706,901
Merchandise sales	1,044,230	-	1,044,230	903,974
Investment gains (losses), net of fees of \$9,842 and \$9,616 in 2023 and 2022, respectively	488,494	-	488,494	(608,204)
Special events	277,110	-	277,110	210,230
United Way contributions	133,078	-	133,078	116,377
Loss on disposal of property and equipment	(6,657)	-	(6,657)	(1,505)
Net assets released from restrictions	620,777	(620,777)	-	-
Total revenues, support and other income	9,294,554	136,656	9,431,210	7,565,956
Expenses				
Program	6,337,495	-	6,337,495	6,216,007
Fundraising	908,408	-	908,408	841,520
Management and general	800,025	-	800,025	489,672
Total expenses	8,045,928	-	8,045,928	7,547,199
Change in net assets	1,248,626	136,656	1,385,282	18,757
Net assets, beginning of year	15,415,532	479,076	15,894,608	15,875,851
Net assets, end of year	\$ 16,664,158	\$ 615,732	\$ 17,279,890	\$ 15,894,608

See Notes to Financial Statements and Independent Auditors' Report.

Animal Humane New Mexico

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2023
(With Comparative Totals for 2022)

	Program Services					
	Adoption	Animal Care	Clinic	Outreach	Thrift	Pet Food Bank
Expenses						
Salaries and wages	\$ 673,788	540,401	669,866	171,132	382,825	4,605
Payroll taxes and employee benefits	91,600	69,353	84,227	20,074	52,378	692
Total salaries and related expenses	765,388	609,754	754,093	191,206	435,203	5,297
Operating expenses						
Advertising	1,695	483	1,413	1,526	12,284	-
Bank service fees	9,272	6	3,385	186	20,640	1
Cost of sales	19,971	-	8,204	-	(29,667)	-
Cremation/disposal costs	-	1,284	3,738	-	-	-
Direct mail	-	-	-	-	-	-
Education and training	4,096	1,866	7,874	1,599	822	-
Fundraising	9,168	11	2,848	27,329	27,962	-
In-kind expenses	76,660	-	22,191	4,500	234,016	174,384
Insurance	20,605	19,802	10,677	1,914	10,802	144
Maintenance and repairs	45,559	34,204	67,799	13,375	21,033	1,909
Miscellaneous	12,563	16,613	15,133	11,323	6,216	416
Professional fees	-	21	8,045	-	14,071	-
Rent and utilities	86,025	31,399	35,992	7,664	87,292	2,134
Supplies	42,976	124,686	149,791	6,139	24,888	251
Transportation	18,945	2,990	4,669	4,220	16,117	48
Veterinarian services	280	-	6,165	58,378	-	-
Total expenses before depreciation	1,113,203	843,119	1,102,017	329,359	881,679	184,584
Depreciation	94,589	130,754	69,839	15,042	14,334	989
Total functional expenses	<u>\$ 1,207,792</u>	<u>\$ 973,873</u>	<u>\$ 1,171,856</u>	<u>\$ 344,401</u>	<u>\$ 896,013</u>	<u>\$ 185,573</u>

<u>The Center</u>	<u>Total Program Services</u>	<u>Supporting Services</u>			<u>2023 Total</u>	<u>2022 Total</u>
		<u>Fundraising</u>	<u>Management and General</u>	<u>Total Supporting Services</u>		
804,874	\$ 3,247,491	\$ 337,707	568,544	\$ 906,251	\$ 4,153,742	\$ 3,918,087
92,081	410,405	51,161	59,399	110,560	520,965	463,280
896,955	3,657,896	388,868	627,943	1,016,811	4,674,707	4,381,367
11,588	28,989	6,610	7,827	14,437	43,426	45,959
31,086	64,576	38,337	528	38,865	103,441	97,922
7,017	5,525	-	-	-	5,525	58,802
-	5,022	-	-	-	5,022	12,633
-	-	252,021	-	252,021	252,021	233,340
71	16,328	3,505	10,516	14,021	30,349	7,261
27,212	94,530	90,626	162	90,788	185,318	108,296
227,964	739,715	14,041	-	14,041	753,756	638,881
38,868	102,812	2,558	15,145	17,703	120,515	110,048
69,139	253,018	32,740	26,461	59,201	312,219	300,343
24,725	86,989	11,341	8,240	19,581	106,570	72,551
10,845	32,982	-	23,569	23,569	56,551	105,837
63,100	313,606	7,509	13,159	20,668	334,274	336,751
33,549	382,280	40,135	23,880	64,015	446,295	520,830
4,620	51,609	2,316	8,176	10,492	62,101	30,633
-	64,823	-	-	-	64,823	49,171
1,446,739	5,900,700	890,607	765,606	1,656,213	7,556,913	7,110,625
111,248	436,795	17,801	34,419	52,220	489,015	436,574
<u>\$ 1,557,987</u>	<u>\$ 6,337,495</u>	<u>\$ 908,408</u>	<u>\$ 800,025</u>	<u>\$ 1,708,433</u>	<u>\$ 8,045,928</u>	<u>\$ 7,547,199</u>

Animal Humane New Mexico

STATEMENTS OF CASH FLOWS

Year Ended June 30, 2023
(With Comparative Totals for 2022)

	2023	2022
Operating activities		
Change in net assets	\$ 1,385,282	\$ 18,757
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	489,015	436,574
Loss on disposal of property and equipment	6,657	1,505
Implementation of new lease standard	9,799	-
Realized/unrealized (gain) loss on investments	(416,942)	696,388
Beneficial interest assets held at		
Albuquerque Community Foundation	(7,353)	8,009
Effects of changes in operating assets and liabilities		
Accounts receivable, net	(16,846)	(17,729)
Grants receivable	(69,200)	-
Bequests receivable	(218,000)	-
Other receivable - Employee Retention Credit	485,127	(713,380)
Inventory	(26,352)	(66,524)
Prepaid expenses	1,584	(3,745)
Accounts payable	(43,829)	35,788
Accrued expenses	5,758	(34,820)
Accrued wages and other payroll liabilities	36,230	16,700
Deferred revenue	16,305	(3,369)
	1,637,235	374,154
Net cash provided by operating activities		
Investing activities		
Proceeds from sale of investments	521,532	192,274
Purchases of investments and reinvestment of interest and dividends	(1,496,447)	(1,028,716)
Purchases of property and equipment	(248,906)	(88,486)
	(1,223,821)	(924,928)
Net cash used by investing activities		
Change in cash and equivalents	413,414	(550,774)
Cash and equivalents, beginning of year	961,639	1,512,413
Cash and equivalents, end of year	\$ 1,375,053	\$ 961,639

Animal Humane New Mexico
NOTES TO FINANCIAL STATEMENTS

June 30, 2023
(With Comparative Totals for 2022)

NOTE 1 – NATURE OF BUSINESS

Founded in 1965, Animal Humane New Mexico (Animal Humane) is the state’s leading private 501(c)(3) nonprofit animal welfare organization serving more than 10,000 homeless & at-risk dogs and cats each year. Animal Humane was incorporated under the laws of the State of New Mexico on September 1, 1965. The stated mission of Animal Humane is as follows:

- To support and improve the lives of New Mexico’s cats and dogs through sheltering, adoptions, humane education and veterinary services. We envision a society in which every animal is treated with respect & compassion.
- 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 Animal Humane. We never euthanize based on age or length of stay & since 2010, have re-homed 100% of healthy pets in our care. 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 for spaying and neutering of companion animals through media outreach and as a part of the educational programs for the young.
- To provide support to pet owners considering the surrender of their pet due to financial, behavioral, medical or housing needs. Keeping these pets in loving homes reduces the number of shelter pets in our care.

Animal Humane operates the following Programs in support of our mission:

The Adoptions Program. We help to connect homeless dogs and cats with loving new homes through our adoptions program. We have two locations in Albuquerque where adoption advisors will help find the perfect pet for each interested new parent. Animal Humane has adopted 100% of the healthy pets in our care since January 2010 and total outgoing pets in 2023 reached 3,066; this equates to a 99% Live Release Rate for the operating cycle. Every adopted pet receives quality medical care at our Campus Clinic and 1,931 cats and dogs were sterilized prior to adoption. Additionally, medical procedures/treatments (e.g., laceration repairs, mass removals, ringworm/parvovirus/parasite treatment) needed to ready pets for adoption are performed by our Clinic & Animal Care Teams.

Animal Humane New Mexico

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

(With Comparative Totals for 2022)

NOTE 1 – NATURE OF BUSINESS – CONTINUED

Animal Humane’s Donor-subsidized Veterinary Clinic, located on our 4-acre Main Campus, plays a critical role in ensuring pets stay healthy and with their families. We provide much needed care for those who cannot afford to take their pets to private veterinary practices. Animal Humane’s mission to provide access to quality veterinary care is a crucial link to having owners and their pets living happy, healthy lives together. Renovated in October 2007, with funding from private donors and foundations, Animal Humane’s Clinic also provides quality medical care for the thousands of homeless pets that we shelter annually, many of whom require spay/neuter in addition to medical procedures ranging from dentals to blood or urinalysis to orthopedic surgery. Each of our shelter pets also receives behavior training as well as abundant love and attention from our staff and volunteers. Fees from their visits, along with all other clients, generates revenue to support our annual operations. In 2023, our expert medical team conducted 814 appointments, 208 spay/neuter procedures, and 43 special surgeries for pets owned by low-income owners.

Project Fetch: Launched in 2009, Project Fetch is a flagship program that demonstrates our shelter’s commitment to serving homeless pets throughout New Mexico. Animal Humane’s 2023 99% Live Release Rate (LRR) is a stark contrast to New Mexico’s LRR near 80%. Year-round we partner with private and municipal shelters throughout New Mexico, as well as large and small rescue groups, to give at-risk pets the second chance they deserve. During 2023, our shelter transferred in 1,887 pets from 35 partner agencies across 16 counties. Our 2023 transfer level was lower than pre-pandemic times, as staffing levels and the extreme medical & behavioral needs of locally surrendered pets, at times impacted our ability to transfer in pets.

Animal Humane also operates Pet Health Fairs, which are low-cost vaccine & microchip clinics in & around the Albuquerque area. Our goal is to provide needed services for dogs & cats in underserved neighborhoods, while increasing overall community health & access to care. During 2022 and 2023, we held 2 and 4 Pet Health Fairs, respectively in New Mexico. At these events we provide core vaccinations and microchips in addition to leashes, collars, harnesses and community resources for follow up vaccinations, spay/neuter services and veterinary care. We rely on the generosity of community veterinarians and veterinary techs who donate their time & skillset to make these events possible. The average length of an event is four hours with 2-4 veterinarians, 1-12 veterinary techs, and serving 20-127 pets.

Since 2016, our Safety Net Program has offered vital support to pet owners considering surrender of a beloved pet due to behavioral, medical or housing needs. Often, in these moments, families want to keep their pets but are unable to afford the needed care to do so. Safety Net gives us, with help from our generous community partners, the opportunity to assist, covering critical costs and connecting pet parents with resources to keep these pets in their homes & their families together. The benefits to our community are tremendous:

Animal Humane New Mexico

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

(With Comparative Totals for 2022)

NOTE 1 – NATURE OF BUSINESS – CONTINUED

- Pets are kept out of shelters, protecting limited resources to help pets for whom the shelter is the only option.
- Our community partners – such as veterinarian–connect in new ways with community members and increase their life-saving work.
- By aiding families in staying together, we support the physical and emotional benefits–including higher levels of empathy, better physical health and reduced grief from unnecessary loss–that pet-owning individuals carry into our communities.

Pet Food Bank: During 2023, Animal Humane’s devoted Pet Food Bank Volunteers distributed over 95,000 pounds of pet food (kibble, wet & treats) and cat litter (as available) generously donated by community partners or purchased through directed donations. Pet food is shared with pet owners who cannot afford to feed their cats or dogs and homebound Senior Citizens in collaboration with the Albuquerque Department of Senior Affairs meal delivery program. Our twice weekly distribution days ensure pets are fed while providing the opportunity for our Team to discuss other resources that will help keep treasured pets with their owners.

Our Behavior Modification program helps pets who are not socialized to human contact or are experiencing trauma from past interactions. Our trained specialists work with shelter pets and are also available to all pet owners who are experiencing behavior concerns with their dogs or cats. Our behavior Team provides recommendations on many common issues from houstraining to managing multiple pets in owners’ homes through our free Behavior Helpline.

Our Outreach program includes providing humane education to children and adults alike. We offer a broad curriculum both in local schools and on our Campus. Camp Humane, for ages 5-13, offers a wide variety of topics and activities to teach how to care for pets and how to treat them humanely and respectfully. Our expert team is also available to give educational presentations to classrooms, community groups and businesses on animal welfare organizations in the community to evaluate pets as potential candidates for their outreach programs.

Our Trap/Neuter/Return (TNR) program sterilizes free-roaming and feral cats already living outdoors in cities, towns, and rural areas. These community felines are humanely trapped, medically evaluated, vaccinated and sterilized by our veterinarians, then returned to their original location. Animal Humane endorses TNR as the only proven humane and effective method to manage feral cat colonies.

Animal Humane’s Working Cat program seeks to provide a perfect home for cats whose temperament is not ideal for typical house pet adoption. These cats are usually former street cats who are comfortable outdoors and typically prefer little to no human contact.

Animal Humane New Mexico
NOTES TO FINANCIAL STATEMENTS

June 30, 2023
(With Comparative Totals for 2022)

NOTE 1 – NATURE OF BUSINESS – CONTINUED

Working Cats, like all adoptable pets at Animal Humane, are examined by our Donor-subsidized Veterinary Clinic Team, spayed/neutered, microchipped, and vaccinated. Working Cat applicants are pre-screened to ensure an ideal adoption match between each cat and his or her new family.

Foster Care: Animal Humane’s Foster Care program is a tremendous safety net for our shelter and the pets we serve. During 2023, 646 unduplicated pets were fostered by devoted caregivers with these same pets being harbored in homes on 868 instances. Foster Caregivers continue to be a valuable lifeline as they care for our pets undergoing heartworm treatment, recovering from orthopedic surgeries, or learning how to trust humans if they have never known unconditional love in their lives. Through the exquisite gifts of time, patience and nurturing, our Foster Caregivers provide a haven for our homeless pets to grow and recover before starting new lives with their adopters.

Animal Humane also operates a doggie day care, boarding as well as an agility and obedience training facility known as The Center on a 2.28-acre parcel across the street from our shelter’s Main Campus. At The Center, adopters may continue to instill the lessons expertly taught by our shelter Behavior Team during their pet’s stay in our care, and Albuquerqueans with an enthusiasm for agility, behavior training & specialty classes may seek out our talented instructors to further their pet’s training. Our diverse classes offer instruction for every stage of your dog’s life and at every level for owners.

Animal Humane is funded by individual and corporate donations, fundraising events, and grants from various charitable foundations. We also operate a 6,000 square-foot Thrift Shop, located at 4646 Menaul Blvd. NE, which is filled with gently used and new items generously donated by our community. The vast offerings, which include clothing, furniture, household goods, antiques and collectibles, give pet lovers a unique avenue to support our life-saving work through shopping and/or donating. Our location on Menaul Boulevard’s “Thrift Store Row” makes our store an inviting stop for Thrifters and pet lovers alike. Equally important, our thriving Thrift Shop generates healthy revenue to contribute toward our shelter’s operational needs.

Animal Humane is governed by a Board of Directors. The Board is responsible for establishing Animal Humane’s mission and for ensuring that management carries out the mission. The Board is legally accountable for Animal Humane’s operations. The Board has 3 main functions – Policy Making; Strategic Planning; and Fiduciary Accountability. The board is limited to a minimum of five (5) members and a maximum of 18 members. The term served by a board member is three (3) years, with no member being able to serve more than two (2) consecutive terms.

Animal Humane New Mexico
NOTES TO FINANCIAL STATEMENTS

June 30, 2023
(With Comparative Totals for 2022)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Animal Humane’s financial statements for the year ended June 30, 2022, from which the summarized information was derived. Certain amounts in the 2022 financial statements have been reclassified to conform with the presentation of the 2023 financial statements.

Estimates

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

Cash and Cash Equivalents

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

Accounts, Contributions and Grants Receivable

Animal Humane 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. Animal Humane had an allowance for uncollectible receivables of \$1,036 and \$1,155 as of June 30, 2023 and 2022, respectively.

Inventory

Inventory consisting of pet food and supplies is valued at the lower of cost or market using the first-in, first-out method. Donated inventory, consisting of Thrift Store merchandise and pet food is valued at 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 3 to 39 years. Animal Humane capitalizes all expenditures for property in excess of \$1,000.

Animal Humane New Mexico
NOTES TO FINANCIAL STATEMENTS

June 30, 2023
(With Comparative Totals for 2022)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investments

Investments in mutual and exchange traded funds are measured at fair market value in the statements of financial position. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statement of activities and changes in net assets as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law. Stock market volatility can have a significant impact on the carrying value of investments. Animal Humane does not intend to spend these funds for current operating obligations, although there is no restriction prohibiting them from doing so. Therefore, all investments are classified as non-current in the accompanying statements of financial position.

Basis of Presentation

The financial statements of Animal Humane have been prepared in accordance with accounting principles generally accepted in the United States of America, which require Animal Humane to report information regarding its financial position and activities and changes in net assets according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of Animal Humane. These net assets may be used at the discretion of Animal Humane's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Animal Humane or by the passage-of-time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities and changes in net assets. The balances with donor restrictions were \$615,732 and \$479,076 at June 30, 2023 and 2022, respectively.

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.

Animal Humane New Mexico
NOTES TO FINANCIAL STATEMENTS

June 30, 2023
(With Comparative Totals for 2022)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 Animal Humane’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. Donated services consist of veterinary services provided at our Pet Health Fairs. Some services are provided by volunteers who perform a variety of tasks that benefit Animal Humane but are not recorded, as they do not meet the above criteria. See Note 13 for more information regarding contributed nonfinancial assets.

Advertising

Animal Humane 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, 2023 and 2022 was \$43,426 and \$45,959, respectively.

Functional Classification of Expenses

The cost of providing the various programs and all other activities has been summarized on a functional basis in the statements of activities and changes in net assets and the statements 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.

Fair Value Measurement

Accounting principles generally accepted in the United States of America, establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Animal Humane has the ability to access.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; Quoted prices for identical or similar assets or liabilities in inactive markets; Inputs other than quoted prices that are observable for the asset or liability; Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Animal Humane New Mexico
NOTES TO FINANCIAL STATEMENTS

June 30, 2023
(With Comparative Totals for 2022)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fair Value Measurement – Continued

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Tax Exempt Status

Animal Humane has received tax-exempt status under Code Section 501(c)(3) of the Internal Revenue Code. Animal Humane has adopted accounting principles generally accepted in the United States of America, as they relate to uncertain tax positions for all open tax years. Animal Humane is not currently under audit nor has Animal Humane been contacted by any taxing jurisdiction. Income from certain activities not directly related to Animal Humane's tax-exempt purpose are subject to taxation as unrelated business income. Management believes that all positions taken would be upheld under an examination and that there are no uncertain tax positions.

Any interest and penalties recognized associated with a tax position would be classified as current in Animal Humane's financial statements. No interest or penalties were recorded in 2023 or 2022.

New Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which supersedes existing guidance for accounting for leases under Topic 840, *Leases*. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition* to Topic 842; ASU 2018-10, *Codification Improvements* to Topic 842, *Leases*; ASU 2018-11, *Leases* (Topic 842): Targeted Improvements; ASU 2018-20, *Narrow-scope Improvements for Lessors*; and ASU 2019-01, *Leases* (Topic 842): *Codification Improvements*. The most significant change in the new leasing guidance is the requirement to recognize right-to-use (ROU) assets and lease liabilities for operating leases on the statements of financial position.

Animal Humane elected to adopt these ASUs effective July 1, 2022 and utilized all of the available practical expedients. The adoption had a material impact on Animal Humane's statements of financial position but did not have a material impact on the income statements. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases. Adoption of the standard required Animal Humane to record, as of July 1, 2022, operating lease ROU assets of approximately \$334,000 and net operating lease liabilities of \$334,000.

Subsequent Events

Animal Humane has evaluated all events occurring subsequent to June 30, 2023 through September 20, 2023, which is the date that the financial statements were issued and does not believe that any events occurring during this period require either recognition or disclosure in the accompanying financial statements.

Animal Humane New Mexico
NOTES TO FINANCIAL STATEMENTS

June 30, 2023
(With Comparative Totals for 2022)

NOTE 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 1,375,053	\$ 961,639
Investments	6,441,013	5,049,156
Beneficial interest in assets held at		
Albuquerque Community Foundation	121,360	114,007
Other receivable – Employee Retention Credit	713,380	-
Grants receivable	69,200	-
Bequests receivable	218,000	-
Accounts receivable, net	43,533	26,687
Total financial assets	8,981,539	6,151,489
Financial assets not available for use within one year:		
Net assets with donor restrictions	615,732	479,076
Beneficial interest in assets held at		
Albuquerque Community Foundation	121,360	114,007
Other receivable – Employee Retention Credit	-	1,198,507
Total financial assets not available for use within one year	737,092	1,791,590
Financial assets available to meet cash needs for general expenditure within one year from June 30, 2023 and 2022	\$ 8,244,447	\$ 4,359,899

Animal Humane manages its cash flow and liquidity on an on-going basis to ensure that sufficient funds are available to cover current operational needs. Animal Humane’s goal is generally to maintain a level of liquid financial assets sufficient to cover 45 days of operating expenses. As part of its liquidity plan, Animal Humane is continuously evaluating the amount of cash on hand and expected to be collected within 30 days, against current financial obligations.

NOTE 4 – FAIR VALUE MEASUREMENT

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023.

Mutual Funds and Exchange-traded Funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Animal Humane New Mexico

NOTES TO FINANCIAL STATEMENTS

June 30, 2023
(With Comparative Totals for 2022)

NOTE 4 – FAIR VALUE MEASUREMENT – CONTINUED

The following table sets forth by level, within the fair value hierarchy Animal Humane’s assets at fair value as of June 30, 2023 and 2022:

Assets at Fair Value as of June 30, 2023				
	Level 1	Level 2	Level 3	Total
Mutual funds				
Money Market funds	\$ 557,665	\$ -	\$ -	\$ 557,665
Fixed Income	977,046	-	-	977,046
Bond funds	545,729	-	-	545,729
Equity funds	1,555,547	-	-	1,555,547
Total mutual funds	3,635,987	-	-	3,635,987
Exchange-traded funds	2,805,026	-	-	2,805,026
	<u>\$ 6,441,013</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,441,013</u>

Assets at Fair Value as of June 30, 2022				
	Level 1	Level 2	Level 3	Total
Mutual funds				
Money Market funds	\$ 620,800	\$ -	\$ -	\$ 620,800
Bond funds	825,224	-	-	825,224
Equity funds	1,394,509	-	-	1,394,509
Total mutual funds	2,840,533	-	-	2,840,533
Exchange-traded funds	2,208,623	-	-	2,208,623
	<u>\$ 5,049,156</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,049,156</u>

NOTE 5 – BENEFICIAL INTEREST IN ASSETS HELD BY ALBUQUERQUE COMMUNITY FOUNDATION

Animal Humane has established and is the beneficiary of an endowment fund helped by the Albuquerque Community Foundation (ACF). Under the terms of the endowment agreement, ACF holds variance power over the assets, which are held in a pooled fund. Animal Humane has a spending policy governing the distribution of earnings from the fund during the years ended June 30, 2023 and 2022, Animal Humane received zero and \$5,456 in distributions, respectively. The balance of the beneficial interest in the assets held by ACF was \$121,360 and \$114,007 as of June 30, 2023 and 2022, respectively.

Animal Humane New Mexico
NOTES TO FINANCIAL STATEMENTS

June 30, 2023
(With Comparative Totals for 2022)

NOTE 6 – PROPERTY AND EQUIPMENT

	2023	2022
Buildings and improvements	\$ 9,490,663	\$ 9,425,576
Furniture and equipment	1,134,680	1,069,914
Land improvements	800,026	719,936
Vehicles	196,247	197,997
Leasehold improvements	135,965	135,965
Software	74,556	74,556
Construction in progress	54,012	85,580
	11,886,149	11,709,524
Less accumulated depreciation	(4,882,158)	(4,458,767)
Land	1,569,682	1,569,682
	\$ 8,573,673	\$ 8,820,439

Depreciation expense for the years ended June 30, 2023 and 2022 was \$489,015 and \$436,574, respectively. No interest was capitalized on the construction in progress for the years ended June 30, 2023 and 2022, respectively.

NOTE 7 – LONG-TERM DEBT

Line-of-Credit

Animal Humane had a \$500,000 revolving line-of-credit from New Mexico Bank & Trust to help finance its short-term needs. The line was secured by company assets with interest payable monthly on outstanding balances and matured in December 2022. Interest was calculated using Wall Street Journal Prime rate, with a 4.00% floor. The line-of-credit was closed during 2023. The balance due on the line-of-credit was zero at June 30, 2023 and 2022, respectively.

NOTE 8 – BOARD DESIGNATED NET ASSETS

The Board has created a fund with the Albuquerque Community Foundation for the purpose of investing in the community. The changes in net assets of the board-designated fund consist of the following for the years ended June 30, 2023 and 2022:

	2023	2022
Balance – beginning of year	\$ 114,007	\$ 122,016
Plus: current year (losses) additions	8,625	(2,553)
Less: current year expenditures	(1,272)	(5,456)
Balance – end of year	\$ 121,360	\$ 114,007

Animal Humane New Mexico

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

(With Comparative Totals for 2022)

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were as follows for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Specific program services	\$ 397,732	\$ 479,076
Time restricted – bequest receivable	<u>218,000</u>	<u>-</u>
	<u>\$ 615,732</u>	<u>\$ 479,076</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage-of-time or other events specified by the donors as follows for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Specific program services	<u>\$ 620,777</u>	<u>\$ 378,930</u>

NOTE 10 – FUNDRAISING

Animal Humane sponsors the Doggie Dash, Feline Fiesta and operates a Thrift Shop in order to raise awareness for their mission and to persuade potential donors to contribute to Animal Humane. For the years ended June 30, 2023 and 2022, fundraising expense was \$908,408 and \$841,520, respectively. Funds raised as a result of these expenses were \$5,738,177 and \$4,370,218 for the years ended June 30, 2023 and 2022, respectively. This resulted in a fundraising ratio of 16% and 19% for the years ended June 30, 2023 and 2022, respectively.

NOTE 11 – LEASING ACTIVITIES

Animal Humane has operating leases for buildings and equipment. These leases have remaining lease terms of 1 year to 5 years. One building lease has an option to extend from 5-10 years.

The maturities of lease liabilities of operating leases are as follows for fiscal years ending June 30:

2024	\$ 134,708
2025	56,969
2026	17,139
2027	8,206
2028	<u>1,738</u>
Total lease payments	218,760
Less: interest	<u>(6,267)</u>
Present value of lease liability	<u>\$ 212,493</u>

Animal Humane New Mexico

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

(With Comparative Totals for 2022)

NOTE 11 – LEASING ACTIVITIES – CONTINUED

Animal Humane does not record lease liabilities or ROU assets for leases with an initial term of 12 months or less. Total lease expense for the years ending June 30, 2023 and 2022 was \$162,176 and \$145,531, respectively. Operating lease expense is recognized on a straight-line basis.

As of June 30, 2023, the weighted average remaining lease term was 1.9 years, and the weighted average discount rate was 2.78%. Total cash paid for leases was \$153,820 in 2023.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Retirement Plan

Animal Humane participates in a defined contribution retirement plan. This Plan is for the benefit of all eligible professional and support staff of Animal Humane 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 Animal Humane to match participant contributions up to 3% of eligible salary. Animal Humane's contribution to the Plan for the years ended June 30, 2023 and 2022 totaled \$26,729 and \$38,926, respectively.

NOTE 13 – CONTRIBUTED NON-FINANCIAL ASSETS

Animal Humane received the following nonfinancial assets during 2023 and 2022 that were utilized for programmatic and fundraising purposes:

Advertising – used for development and adoptions. These were valued by the donor using the standard rates in effect for their customers who purchase similar advertising spots.

	<u>2023</u>	<u>2022</u>
Advertising	\$ 560,831	\$ 500,166

Pet food – used for our Pet Food Bank. Pet food is donated by individuals, retail stores, and online retailers and distributed to pet owners based on need. Food was valued at an aggregate estimate of \$2 per pound as various types and qualities of food are received. This value was obtained from an industry group's 2023 Cost of Dog Food Study. Management began tracking the value of donated pet food in 2022.

	<u>2023</u>	<u>2022</u>
Pet food	\$ 174,384	\$ 163,576

Animal Humane New Mexico
NOTES TO FINANCIAL STATEMENTS

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(With Comparative Totals for 2022)

NOTE 13 – CONTRIBUTED NON-FINANCIAL ASSETS – CONTINUED

Volunteer veterinarians and vet techs – for our Pet Health Fairs. Local veterinarians and vet techs provide staffing for our community events. These services are recorded at the rates Animal Humane pays for the same services. Management began tracking the value of volunteer services in 2022.

	2023	2022
Volunteer hours	4,500	2,300

Thrift items were donated to the Animal Humane thrift store. These items were monetized through sale to the general public in a retail environment. The funds were then used to support Animal Humane’s programs.

	2023	2022
Thrift items	\$ 982,935	\$ 843,647

None of the assets provided were subject to donor-imposed restrictions.