



FINANCIAL STATEMENTS

**June 30, 2017
(With Comparative Totals for 2016)**

INDEPENDENT AUDITORS' REPORT

Board of Directors
Animal Humane New Mexico

We have audited the accompanying financial statements of Animal Humane Association of New Mexico, Inc. dba Animal Humane New Mexico (AHNM), which comprises the statements of financial position as of June 30, 2017, 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.

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 audit. 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 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 AHNM'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 AHNM'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.

Opinion

In our opinion, the financial statements referred to present fairly, in all material respects, the financial position of AHNM as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited AHNM's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 19, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 20, 3016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

September 19, 2017


Pulakos CPAs, PC

Animal Humane New Mexico

STATEMENTS OF FINANCIAL POSITION

June 30, 2017

(With Comparative Totals for 2016)

Assets

	2017	2016
Current assets		
Cash and cash equivalents	\$ 446,731	\$ 387,273
Accounts receivable, net	92,348	30,989
Contributions and grants receivable	11,402	6,250
Inventory - thrift store	43,910	65,429
Inventory - food and merchandise	21,817	26,328
Prepaid expenses	82,519	85,999
Total current assets	698,727	602,268
Property and equipment, net	8,630,115	8,366,996
Other assets		
Investments	3,288,880	3,298,031
Beneficial interest in remainder trust	127,196	130,700
	\$ 12,744,918	\$ 12,397,995

Liabilities and Net Assets

Current liabilities		
Accounts payable	\$ 149,843	\$ 150,542
Accrued expense	11,187	20,329
Accrued wages and other payroll liabilities	184,924	132,379
Deferred revenue	68,074	47,387
Total current liabilities	414,028	350,637
Net assets		
Unrestricted		
Undesignated	12,087,785	11,721,528
Board designated	97,625	90,641
Total unrestricted	12,185,410	11,812,169
Temporarily restricted	145,480	235,189
Total net assets	12,330,890	12,047,358
	\$ 12,744,918	\$ 12,397,995

Animal Humane New Mexico

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2017
(With Comparative Totals for 2016)

	2017			2016 Total
	Unrestricted	Temporarily Restricted	Total	
Revenues, support and other income				
Public contributions	\$ 2,818,758	\$ 1,159,596	\$ 3,978,354	\$ 3,724,077
Program service fees	942,438	-	942,438	902,485
In-kind contributions	636,431	-	636,431	544,429
Merchandise sales	883,351	-	883,351	903,295
Investment return, net of \$6,837 and \$7,069 in fees in 2017 and 2016, respectively	328,429	-	328,429	39,995
Special events	351,559	-	351,559	338,203
United Way contributions	176,686	-	176,686	181,315
Grant income	28,568	-	28,568	12,626
Rental income	7,200	-	7,200	3,300
Change in value of split interest agreement	(3,504)	-	(3,504)	334
Loss on disposal of assets	(3,896)	-	(3,896)	(35,919)
Net assets released from restrictions	1,249,305	(1,249,305)	-	-
Total revenues, support and other income	7,415,325	(89,709)	7,325,616	6,614,140
Expenses				
Program	5,828,884	-	5,828,884	5,401,229
Fundraising	751,380	-	751,380	755,485
Management and general	461,820	-	461,820	412,055
Total expenses	7,042,084	-	7,042,084	6,568,769
Change in net assets	373,241	(89,709)	283,532	45,371
Net assets, beginning of year	11,812,169	235,189	12,047,358	12,001,987
Net assets, end of year	<u>\$ 12,185,410</u>	<u>\$ 145,480</u>	<u>\$ 12,330,890</u>	<u>\$ 12,047,358</u>

Animal Humane New Mexico

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2017
(With Comparative Totals for 2016)

	Program Services				
	Adoption	Animal Care	Clinic	Outreach	Thrift
Expenses					
Salaries and wages	\$ 742,284	\$ 493,735	\$ 894,368	\$ 157,044	\$ 303,264
Payroll taxes and employee benefits	139,682	94,173	142,040	31,139	51,007
	881,966	587,908	1,036,408	188,183	354,271
Total salaries and related expenses					
Operating expenses					
Advertising	19,887	-	1,538	8,347	11,013
Bank service fees	13,610	-	11,227	31	15,481
Cost of sales	64,541	-	29,834	-	64,981
Cremation/disposal costs	-	4,005	9,294	-	-
Direct mail	-	-	-	-	-
Education and training	2,743	1,837	4,592	375	-
Fundraising	22,979	192	23,217	34,294	38,773
In-kind expenses	450,371	535	68,967	65	103,357
Insurance	14,365	15,862	8,231	1,383	8,226
Maintenance and repairs	41,528	44,554	68,069	14,918	35,480
Miscellaneous	9,317	5,825	46,127	23,158	2,892
Professional fees	1,360	-	756	-	1,282
Rent and utilities	89,401	42,691	32,654	9,488	78,601
Supplies	24,798	161,156	250,046	3,652	8,196
Total ASPCA expenses	-	7	-	197,350	-
Transportation	24,889	3,358	4,338	2,080	8,640
Veterinarian services	1,559	-	5,724	-	-
	1,663,314	867,930	1,601,022	483,324	731,193
Total expenses before depreciation					
Depreciation	116,442	130,913	87,832	16,946	17,829
	1,779,756	998,843	1,688,854	500,270	749,022
Total functional expenses	\$ 1,779,756	\$ 998,843	\$ 1,688,854	\$ 500,270	\$ 749,022

<u>The Center</u>	<u>Total Program Services</u>	<u>Supporting Services</u>			<u>2017 Total</u>	<u>2016 Total</u>
		<u>Fundraising</u>	<u>Management and General</u>	<u>Total Supporting Services</u>		
\$ 64,426	\$ 2,655,121	\$ 351,606	\$ 280,064	\$ 631,670	\$ 3,286,791	\$ 3,045,129
1,262	459,303	48,490	53,518	102,008	561,311	569,360
65,688	3,114,424	400,096	333,582	733,678	3,848,102	3,614,489
301	41,086	10,776	1,312	12,088	53,174	89,574
2,471	42,820	19,386	8,189	27,575	70,395	57,708
-	159,356	-	-	-	159,356	175,704
-	13,299	-	-	-	13,299	15,604
-	-	187,860	-	187,860	187,860	195,747
-	9,547	1,467	3,022	4,489	14,036	12,402
3,492	122,947	66,320	1,184	67,504	190,451	208,107
11,330	634,625	1,233	573	1,806	636,431	544,429
34	48,101	1,366	11,368	12,734	60,835	54,688
1,740	206,289	15,775	21,549	37,324	243,613	193,174
1,412	88,731	2,033	1,667	3,700	92,431	57,925
1,992	5,390	-	18,182	18,182	23,572	29,021
8,452	261,287	5,459	12,926	18,385	279,672	278,995
1,526	449,374	18,562	13,158	31,720	481,094	455,065
-	197,357	-	-	-	197,357	119,695
89	43,394	3,288	8,066	11,354	54,748	42,919
-	7,283	-	-	-	7,283	38,933
98,527	5,445,310	733,621	434,778	1,168,399	6,613,709	6,184,179
13,612	383,574	17,759	27,042	44,801	428,375	384,590
<u>\$ 112,139</u>	<u>\$ 5,828,884</u>	<u>\$ 751,380</u>	<u>\$ 461,820</u>	<u>\$ 1,213,200</u>	<u>\$ 7,042,084</u>	<u>\$ 6,568,769</u>

Animal Humane New Mexico

STATEMENTS OF CASH FLOWS

Year Ended June 30, 2017
(With Comparative Totals for 2016)

	2017	2016
Operating activities		
Change in net assets	\$ 283,532	\$ 45,371
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	428,375	384,590
Loss on disposal of assets	3,896	35,919
Provision for uncollectible pledges receivable	(553)	(1,902)
Contribution of property and equipment	-	(270,000)
Realized/unrealized (gain) loss on investments	(255,054)	20,629
Donation of investments	-	(7,943)
Beneficial interest in remainder trust	3,504	(334)
Reinvested interest and dividends	(60,687)	(65,749)
Effects of changes in operating assets and liabilities		
Accounts receivable	(60,806)	(19,995)
Contributions and grants receivable	(5,152)	18,041
Inventory	26,030	17,815
Prepaid expenses	3,480	(22,124)
Accounts payable	(699)	100,052
Accrued expenses	(9,142)	(144)
Accrued wages and other payroll liabilities	52,545	(104,450)
Deferred revenue	20,687	(1,135)
Net cash provided by operating activities	429,956	128,641
Investing activities		
Proceeds from sale of investments	895,156	530,413
Purchases of investments	(570,264)	(247,239)
Purchases of property and equipment	(695,390)	(975,525)
Net cash used by investing activities	(370,498)	(692,351)
Change in cash and equivalents	59,458	(563,710)
Cash and equivalents, beginning of year	387,273	950,983
Cash and equivalents, end of year	\$ 446,731	\$ 387,273

Animal Humane New Mexico

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

(With Comparative Totals for 2016)

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 campus, 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 five (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.

Animal Humane New Mexico

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

(With Comparative Totals for 2016)

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 AHNM's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

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

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.

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 \$1,106 and \$1,061 for the years ended June 30, 2017 and 2016, 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 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.

Animal Humane New Mexico

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

(With Comparative Totals for 2016)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Net Assets

Unrestricted net assets result from revenues from providing services, producing goods, unrestricted contributions and dividends and interest from income-providing assets less applicable related expenses. All contributions made to AHNM are considered available for unrestricted use unless specifically restricted by the donor.

Temporarily restricted net 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 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, 2017 and 2016, 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.

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. 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.

AHNM received donated media advertising, goods, and professional services in the amount of \$636,431 and \$544,429 for the years ended June 30, 2017 and 2016, respectively.

Animal Humane New Mexico

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

(With Comparative Totals for 2016)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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, 2017 and 2016 was \$53,173 and \$82,452, 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 AHNM 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.

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.

Animal Humane New Mexico

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

(With Comparative Totals for 2016)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Tax Exempt Status

AHNM has received tax-exempt status under Code Section 501(c)(3) of the Internal Revenue Code. AHNM has adopted accounting principles generally accepted in the United States of America, as they relate to uncertain tax positions for all open tax years. Currently, the 2014, 2015 and 2016 tax years are open and subject to examination by the Internal Revenue Service and New Mexico Taxation and Revenue Department. However, AHNM is not currently under audit nor has AHNM been contacted by any of these jurisdictions. Income from certain activities not directly related to AHNM'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 AHNM's financial statements. No interest or penalties were recorded in 2017 or 2016.

Subsequent Events

AHNM has evaluated all events occurring subsequent to June 30, 2017 through September 19, 2017, 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.

NOTE 3 – 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, 2017.

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

Funds held at Albuquerque Community Foundation: Valued at net realizable value, as determined by the quoted prices as provided by the investment manager, which pools all funds and allocated investment activity to each fund accordingly.

Beneficial interest in remainder trust: Valued at the present value of AHNM's 25% remainder interest in assets held in trust utilizing a discount rate of 4%.

Animal Humane New Mexico

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

(With Comparative Totals for 2016)

NOTE 3 – FAIR VALUE MEASUREMENT – CONTINUED

The following table sets forth by level, within the fair value hierarchy AHNM’s assets at fair value as of June 30, 2017 and 2016:

Assets at Fair Value as of June 30, 2017

	Level 1	Level 2	Level 3	Total
Mutual funds				
Bond funds	\$ 1,083,241	\$ -	\$ -	\$ 1,083,241
Equity funds	1,090,872	-	-	1,090,872
Total mutual funds	2,174,113	-	-	2,174,113
Exchange-traded funds	1,017,142	-	-	1,017,142
Funds held at Albuquerque				
Community Foundation	-	-	97,625	97,625
Beneficial interest in remainder trust	-	127,196	-	127,196
	<u>\$ 3,191,255</u>	<u>\$ 127,196</u>	<u>\$ 97,625</u>	<u>\$ 3,416,076</u>

Assets at Fair Value as of June 30, 2016

	Level 1	Level 2	Level 3	Total
Mutual funds				
Bond funds	\$ 1,172,938	\$ -	\$ -	\$ 1,172,938
Equity funds	1,125,081	-	-	1,125,081
Total mutual funds	2,298,019	-	-	2,298,019
Exchange-traded funds	909,371	-	-	909,371
Funds held at Albuquerque				
Community Foundation	-	-	90,641	90,641
Beneficial interest in remainder trust	-	130,700	-	130,700
	<u>\$ 3,207,390</u>	<u>\$ 130,700</u>	<u>\$ 90,641</u>	<u>\$ 3,428,731</u>

Animal Humane New Mexico

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

(With Comparative Totals for 2016)

NOTE 3 – FAIR VALUE MEASUREMENT – CONTINUED

Level 3 Investments

The following tables present AHNM’s activities for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2017 and 2016:

	2017	2016
Beginning balance	\$ 90,641	\$ 95,556
Dividends and interest	1,188	1,971
Distributions	(3,811)	(3,841)
Investment gains (losses)	10,910	(2,243)
Investment management fees	(1,303)	(802)
Ending balance	\$ 97,625	\$ 90,641

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, 2017 and 2016, respectively.

The unobservable inputs are the underlying assets at Albuquerque Community Foundation and AHNM follows 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:

<u>Asset Class</u>	<u>Minimum</u>	<u>Maximum</u>
Equities	30%	60%
Fixed income/cash	5%	35%
Real assets	0%	30%
Multi-strategy	5%	35%

Animal Humane New Mexico

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

(With Comparative Totals for 2016)

NOTE 4 – PROPERTY AND EQUIPMENT

	<u>2017</u>	<u>2016</u>
Buildings and improvements	\$ 7,791,499	\$ 7,723,659
Furniture and equipment	818,748	750,650
Land improvements	621,850	309,364
Vehicles	190,659	190,659
Leasehold improvements	103,617	103,617
Software	93,292	78,292
Construction in progress	<u>224,528</u>	<u>28,013</u>
	9,844,193	9,184,254
Less accumulated depreciation	(2,430,141)	(2,039,899)
Land	<u>1,216,063</u>	<u>1,222,641</u>
	<u>\$ 8,630,115</u>	<u>\$ 8,366,996</u>

Depreciation expense for the years ended June 30, 2017 and 2016 was \$428,375 and \$384,590, respectively. No interest was capitalized on the construction in progress for the years ended June 30, 2017 and 2016, as there was no use on the line-of-credit during those years.

NOTE 5 – BENEFICIAL INTEREST IN REMAINDER TRUST

On March 31, 1994, AHNM was awarded an interest in the Charitable Remainder Trust (the Trust) of Frank Visquesney. 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 trust, discounted at a rate of 4%. The estimated present value of AHNM's interest in the Trust at June 30, 2017 and 2016 was \$127,196 and \$130,700, respectively.

NOTE 6 – 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. There was no balance due on the line-of-credit at June 30, 2017 and 2016, respectively.

Animal Humane New Mexico

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

(With Comparative Totals for 2016)

NOTE 7 – NET ASSETS

Board Designated

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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Balance – beginning of year	\$ 90,641	\$ 95,556
Plus: current year additions	12,098	1,971
Less: current year expenditures	<u>(5,114)</u>	<u>(6,886)</u>
Balance – end of year	<u>\$ 97,625</u>	<u>\$ 90,641</u>

Temporarily Restricted

Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met by either action of AHNM and/or the passage of time. Temporarily restricted net assets at June 30, 2017 and 2016 were:

	<u>2017</u>	<u>2016</u>
Capital campaign and program-specific activities	\$ -	\$ 5,000
ASPCA	76,980	127,266
PetSmart	43,610	57,569
Other	<u>24,890</u>	<u>45,354</u>
Total temporarily restricted	<u>\$ 145,480</u>	<u>\$ 235,189</u>

NOTE 8 – FUNDRAISING

AHNM sponsors the Doggie Dash, Feline Film Festival and operates a thrift shop in order to raise awareness for their mission and to persuade potential donors to contribute to AHNM. For the years ended June 30, 2017 and 2016, fundraising expense was \$751,397 and \$755,485, respectively. Funds raised as a result of these expenses were \$4,535,167 and \$4,256,221 for the years ended June 30, 2017 and 2016, respectively. This resulted in a fundraising ratio of 17% and 18% for the years ended June 30, 2017 and 2016, respectively.

Animal Humane New Mexico

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

(With Comparative Totals for 2016)

NOTE 9 – 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, 2017 and 2016 totaled \$43,327 and \$36,192, respectively.

NOTE 10 – LEASES

AHNM leases an adoption center, a thrift shop, and various equipment under operating leases that expire at various times through November 2021. Rental expenses under these leases were \$145,081 and \$149,098 for the years ended June 30, 2017 and 2016, respectively. Minimum lease payments for each of the remaining years subsequent to June 30, 2017 are as follows:

Year ending June 30:

2018	\$ 116,345
2019	39,874
2020	24,425
2021	18,986
2022	<u>4,430</u>
Total	<u>\$ 204,060</u>