



FINANCIAL STATEMENTS

**June 30, 2018
(With Comparative Totals for 2017)**

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 statement of financial position as of June 30, 2018, 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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 19, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

PULAKOS CPAs, PC

November 2, 2018

Pulakos CPAs, PC

Animal Humane New Mexico

STATEMENTS OF FINANCIAL POSITION

June 30, 2018

(With Comparative Totals for 2017)

Assets

	<u>2018</u>	<u>2017</u>
Current assets		
Cash and cash equivalents	\$ 171,461	\$ 446,731
Accounts receivable, net	63,900	92,348
Contributions and grants receivable	221,970	11,402
Inventory - thrift store	59,358	43,910
Inventory - food and merchandise	70,519	21,817
Prepaid expenses	75,607	82,519
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Total current assets	662,815	698,727
Property and equipment, net	9,359,322	8,630,115
Other assets		
Investments	2,702,752	3,288,880
Beneficial interest in remainder trust	118,934	127,196
	<hr/>	<hr/>
	<u>\$ 12,843,823</u>	<u>\$ 12,744,918</u>

Liabilities and Net Assets

Current liabilities		
Accounts payable	\$ 263,168	\$ 149,843
Accrued expense	3,387	11,187
Accrued wages and other payroll liabilities	137,438	184,924
Deferred revenue	60,267	68,074
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Total current liabilities	464,260	414,028
Net assets		
Unrestricted		
Undesignated	12,066,908	12,087,785
Board designated	99,442	97,625
	<hr/>	<hr/>
Total unrestricted	12,166,350	12,185,410
Temporarily restricted	213,213	145,480
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Total net assets	12,379,563	12,330,890
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	<u>\$ 12,843,823</u>	<u>\$ 12,744,918</u>

Animal Humane New Mexico

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2018
(With Comparative Totals for 2017)

	2018			2017
	Unrestricted	Temporarily Restricted	Total	Total
Revenues, support and other income				
Public contributions	\$ 2,617,051	\$ 1,236,530	\$ 3,853,581	\$ 3,978,354
Program service fees	1,090,952	-	1,090,952	942,438
In-kind contributions	670,399	-	670,399	636,431
Merchandise sales	848,202	-	848,202	883,351
Investment return, net of \$6,545 and \$6,837 in fees in 2018 and 2017, respectively	212,635	-	212,635	328,429
Special events	366,595	-	366,595	351,559
United Way contributions	116,026	-	116,026	176,686
Grant income	7,300	-	7,300	28,568
Rental income	7,200	-	7,200	7,200
Change in value of split interest agreement	(8,262)	-	(8,262)	(3,504)
Loss on disposal of assets	-	-	-	(3,896)
Net assets released from restrictions	1,168,797	(1,168,797)	-	-
Total revenues, support and other income	7,096,895	67,733	7,164,628	7,325,616
Expenses				
Program	5,873,914	-	5,873,914	5,828,884
Fundraising	801,154	-	801,154	751,380
Management and general	440,887	-	440,887	461,820
Total expenses	7,115,955	-	7,115,955	7,042,084
Change in net assets	(19,060)	67,733	48,673	283,532
Net assets, beginning of year	12,185,410	145,480	12,330,890	12,047,358
Net assets, end of year	\$ 12,166,350	\$ 213,213	\$ 12,379,563	\$ 12,330,890

See Notes to Financial Statements and Independent Auditors' Report.

Animal Humane New Mexico

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2018
(With Comparative Totals for 2017)

	Program Services				
	Adoption	Animal Care	Clinic	Outreach	Thrift
Expenses					
Salaries and wages	\$ 693,496	\$ 484,120	\$ 923,585	\$ 164,133	\$ 274,742
Payroll taxes and employee benefits	127,390	89,451	139,669	29,849	48,901
Total salaries and related expenses	820,886	573,571	1,063,254	193,982	323,643
Operating expenses					
Advertising	14,431	-	1,750	3,926	11,951
Bank service fees	12,687	-	13,696	12	13,231
Cost of sales	66,510	-	26,963	-	20,391
Cremation/disposal costs	-	3,875	16,371	-	-
Direct mail	-	-	-	-	-
Education and training	3,477	2,252	2,207	466	36
Fundraising	18,521	66	23,455	33,583	36,797
In-kind expenses	466,589	-	65,993	-	85,306
Insurance	15,677	16,346	8,693	1,833	8,460
Maintenance and repairs	42,770	48,226	66,266	14,432	28,042
Miscellaneous	4,064	4,365	52,979	15,347	2,217
Professional fees	427	-	544	13	800
Rent and utilities	81,991	31,933	34,330	7,509	74,814
Supplies	24,502	146,481	286,728	3,126	7,187
Total ASPCA expenses	646	-	933	102,243	-
Transportation	21,619	5,769	6,030	2,203	12,263
Veterinarian services	32,138	-	5,721	2,827	-
Total expenses before depreciation	1,626,935	832,884	1,675,913	381,502	625,138
Depreciation	114,337	126,484	83,142	15,724	18,524
Total functional expenses	<u>\$ 1,741,272</u>	<u>\$ 959,368</u>	<u>\$ 1,759,055</u>	<u>\$ 397,226</u>	<u>\$ 643,662</u>

		Supporting Services				
The Center	Total Program Services	Fundraising	Management and General	Total Supporting Services	2018 Total	2017 Total
\$ 176,322	\$ 2,716,398	\$ 359,217	\$ 261,737	\$ 620,954	\$ 3,337,352	\$ 3,286,791
17,146	452,406	49,773	55,442	105,215	557,621	561,311
193,468	3,168,804	408,990	317,179	726,169	3,894,973	3,848,102
3,525	35,583	19,849	2,739	22,588	58,171	53,174
7,203	46,829	27,303	984	28,287	75,116	70,395
193	114,057	-	-	-	114,057	159,356
-	20,246	-	-	-	20,246	13,299
-	-	200,383	-	200,383	200,383	187,860
1,361	9,799	2,187	3,331	5,518	15,317	14,036
7,990	120,412	67,478	917	68,395	188,807	190,451
43,745	661,633	8,298	468	8,766	670,399	636,431
9,459	60,468	1,608	12,609	14,217	74,685	60,835
18,000	217,736	18,771	24,324	43,095	260,831	243,613
9,469	88,441	3,606	2,480	6,086	94,527	92,431
1,022	2,806	-	19,028	19,028	21,834	23,572
19,385	249,962	4,526	9,931	14,457	264,419	279,672
5,731	473,755	16,284	11,020	27,304	501,059	481,094
-	103,822	-	-	-	103,822	197,357
4,196	52,080	4,173	7,109	11,282	63,362	54,748
-	40,686	-	-	-	40,686	7,283
324,747	5,467,119	783,456	412,119	1,195,575	6,662,694	6,613,709
48,584	406,795	17,698	28,768	46,466	453,261	428,375
<u>\$ 373,331</u>	<u>\$ 5,873,914</u>	<u>\$ 801,154</u>	<u>\$ 440,887</u>	<u>\$ 1,242,041</u>	<u>\$ 7,115,955</u>	<u>\$ 7,042,084</u>

Animal Humane New Mexico

STATEMENTS OF CASH FLOWS

Year Ended June 30, 2018
(With Comparative Totals for 2017)

	<u>2018</u>	<u>2017</u>
Operating activities		
Change in net assets	\$ 48,673	\$ 283,532
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	453,261	428,375
Loss on disposal of assets	-	3,896
Provision for uncollectible pledges receivable	39	(553)
Realized/unrealized gain on investments	(324,891)	(255,054)
Beneficial interest in remainder trust	8,262	3,504
Reinvested interest and dividends	(61,768)	(60,687)
Effects of changes in operating assets and liabilities		
Accounts receivable	28,409	(60,806)
Contributions and grants receivable	(210,568)	(5,152)
Inventory	(64,150)	26,030
Prepaid expenses	6,912	3,480
Accounts payable	113,325	(699)
Accrued expenses	(7,800)	(9,142)
Accrued wages and other payroll liabilities	(47,486)	52,545
Deferred revenue	(7,807)	20,687
Net cash provided by operating activities	(65,589)	429,956
Investing activities		
Proceeds from sale of investments	1,355,694	895,156
Purchases of investments	(382,907)	(570,264)
Purchases of property and equipment	(1,182,468)	(695,390)
Net cash used by investing activities	(209,681)	(370,498)
Change in cash and equivalents	(275,270)	59,458
Cash and equivalents, beginning of year	446,731	387,273
Cash and equivalents, end of year	<u>\$ 171,461</u>	<u>\$ 446,731</u>

Animal Humane New Mexico

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

(With Comparative Totals for 2017)

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 (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, 2018
(With Comparative Totals for 2017)

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, 2017, 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 \$6,138 and \$1,106 for the years ended June 30, 2018 and 2017, 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, 2018

(With Comparative Totals for 2017)

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 as increases or decreases in unrestricted net assets 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. AHNM 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.

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, 2018 and 2017, 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.

Animal Humane New Mexico

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

(With Comparative Totals for 2017)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Donated Assets and Services – Continued

AHNM received donated media advertising, goods, and professional services in the amount of \$670,399 and \$636,431 for the years ended June 30, 2018 and 2017, respectively.

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, 2018 and 2017 was \$58,171 and \$53,174, 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, 2018
(With Comparative Totals for 2017)

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 2015, 2016 and 2017 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 2018 or 2017.

Subsequent Events

AHNM has evaluated all events occurring subsequent to June 30, 2018 through November 2, 2018, 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, 2018.

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 5%.

Animal Humane New Mexico

NOTES TO FINANCIAL STATEMENTS

June 30, 2018
(With Comparative Totals for 2017)

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, 2018 and 2017:

Assets at Fair Value as of June 30, 2018				
	Level 1	Level 2	Level 3	Total
Mutual funds				
Bond funds	\$ 869,875	\$ -	\$ -	\$ 869,875
Equity funds	1,004,159	-	-	1,004,159
Total mutual funds	1,874,034	-	-	1,874,034
Exchange-traded funds	729,276	-	-	729,276
Funds held at Albuquerque				
Community Foundation	-	-	99,442	99,442
Beneficial interest in remainder trust	-	118,934	-	118,934
	<u>\$ 2,603,310</u>	<u>\$ 118,934</u>	<u>\$ 99,442</u>	<u>\$ 2,821,686</u>
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>

Animal Humane New Mexico

NOTES TO FINANCIAL STATEMENTS

June 30, 2018
(With Comparative Totals for 2017)

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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 97,625	\$ 90,641
Dividends and interest	1,188	1,188
Distributions	(3,872)	(3,811)
Investment gains	5,540	10,910
Investment management fees	<u>(1,039)</u>	<u>(1,303)</u>
Ending balance	<u>\$ 99,442</u>	<u>\$ 97,625</u>

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, 2018 and 2017, 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, 2018
(With Comparative Totals for 2017)

NOTE 4 – PROPERTY AND EQUIPMENT

	<u>2018</u>	<u>2017</u>
Buildings and improvements	\$ 8,216,675	\$ 7,791,499
Furniture and equipment	948,698	818,748
Land improvements	662,238	621,850
Vehicles	193,752	190,659
Leasehold improvements	114,525	103,617
Software	96,231	93,292
Construction in progress	<u>434,150</u>	<u>224,528</u>
	10,666,269	9,844,193
Less accumulated depreciation	(2,876,629)	(2,430,141)
Land	<u>1,569,682</u>	<u>1,216,063</u>
	<u>\$ 9,359,322</u>	<u>\$ 8,630,115</u>

Depreciation expense for the years ended June 30, 2018 and 2017 was \$453,261 and \$428,375, respectively. No interest was capitalized on the construction in progress for the years ended June 30, 2018 and 2017.

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 5%. The estimated present value of AHNM's interest in the Trust at June 30, 2018 and 2017 was \$118,934 and \$127,196, 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, 2018 and 2017, respectively.

Animal Humane New Mexico

NOTES TO FINANCIAL STATEMENTS

June 30, 2018
(With Comparative Totals for 2017)

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, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Balance – beginning of year	\$ 97,625	\$ 90,641
Plus: current year additions	6,728	12,098
Less: current year expenditures	<u>(4,911)</u>	<u>(5,114)</u>
Balance – end of year	<u>\$ 99,442</u>	<u>\$ 97,625</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, 2018 and 2017 were:

	<u>2018</u>	<u>2017</u>
ASPCA	\$ 96,626	\$ 76,980
PetSmart	22,474	43,610
Other	<u>94,113</u>	<u>24,890</u>
Total temporarily restricted	<u>\$ 213,213</u>	<u>\$ 145,480</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, 2018 and 2017, fundraising expense was \$801,154 and \$751,380, respectively. Funds raised as a result of these expenses were \$4,343,504 and \$4,535,167 for the years ended June 30, 2018 and 2017, respectively. This resulted in a fundraising ratio of 18% and 17% for the years ended June 30, 2018 and 2017, respectively.

Animal Humane New Mexico

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

(With Comparative Totals for 2017)

NOTE 9 – RETIREMENT PLAN

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, 2018 and 2017 totaled \$48,662 and \$43,327, respectively.

NOTE 10 – LEASES

AHNM leases an adoption center, a thrift shop, and various equipment under operating leases that expire at various times through October 2023. Rental expenses under these leases were \$133,693 and \$145,081 for the years ended June 30, 2018 and 2017, respectively. Minimum lease payments for each of the remaining years subsequent to June 30, 2018 are as follows:

Year ending June 30:

2019	\$ 80,264
2020	27,023
2021	13,643
2022	7,982
2023	<u>1,349</u>
Total	<u>\$ 130,261</u>

NOTE 11 – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS - NOT-FOR-PROFIT REPORTING FRAMEWORK

The Financial Accounting Standards Board issued Accounting Standards Update (ASU) - Presentation of Financial Statements for Not-for-Profit Entities. The main provisions of the ASU require a not-for-profit entity to present two asset classes (with and without donor restrictions), requires a classified balance sheet, requires additional qualitative and quantitative information regarding how the entity manages its liquid resources including the restrictions that affect the use of those resources, requires disclosure of expenses by both their natural classification and their functional classification, methods used to allocate costs among program and supporting functions, as well as other various additional disclosure requirements. The ASU is effective for AHNM's year end June 30, 2019. Management has evaluated the impact of the statement and has determined that the accounting information systems are sufficient to implement the effects of this ASU.