



## **FINANCIAL STATEMENTS**

**June 30, 2022**  
**(With Comparative Totals for 2021)**

## 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, 2022 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, 2022 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 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 15, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

September 21, 2022

PULAKOS CPAs, PC

Pulakos CPAs, PC

# Animal Humane New Mexico

## STATEMENTS OF FINANCIAL POSITION

**June 30, 2022**

**(With Comparative Totals for 2021)**

### **Assets**

	<u><b>2022</b></u>	<u><b>2021</b></u>
Current assets		
Cash and cash equivalents	\$ 961,639	\$ 1,512,413
Accounts receivable, net	26,687	8,958
Inventory - thrift store	83,256	56,094
Inventory - food and merchandise	66,149	26,787
Prepaid expenses	<u>114,394</u>	<u>110,649</u>
Total current assets	1,252,125	1,714,901
Property and equipment, net	8,820,439	9,170,032
Other assets		
Other receivable - Employee Retention Credit	1,198,507	485,127
Investments	5,049,156	4,909,102
Beneficial interest assets held at Albuquerque Community Foundation	<u>114,007</u>	<u>122,016</u>
	<u><u>\$ 16,434,234</u></u>	<u><u>\$ 16,401,178</u></u>

### **Liabilities and Net Assets**

Current liabilities		
Accounts payable	\$ 202,879	\$ 167,091
Accrued expense	24,427	59,247
Accrued wages and other payroll liabilities	291,325	274,625
Deferred revenue	<u>20,995</u>	<u>24,364</u>
Total liabilities	539,626	525,327
Net assets		
Without donor restrictions	15,415,532	15,433,951
With donor restrictions	<u>479,076</u>	<u>441,900</u>
Total net assets	<u>15,894,608</u>	<u>15,875,851</u>
	<u><u>\$ 16,434,234</u></u>	<u><u>\$ 16,401,178</u></u>

# Animal Humane New Mexico

## STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

**Year Ended June 30, 2022**  
**(With Comparative Totals for 2021)**

	<b>2022</b>			<b>2021</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	<b>Total</b>
Revenues, support and other income				
Public contributions and grants	\$ 3,627,505	\$ 416,106	\$ 4,043,611	\$ 5,431,572
Program service fees	1,481,192	-	1,481,192	1,412,244
Employee retention credit	713,380	-	713,380	485,127
In-kind contributions	706,901	-	706,901	569,221
Merchandise sales	903,974	-	903,974	639,437
Investment (losses) gains, net of fees of \$9,616 and \$6,893 in 2022 and 2021, respectively	(608,204)	-	(608,204)	758,500
Special events	210,230	-	210,230	246,633
United Way contributions	116,377	-	116,377	129,912
Change in value of split interest agreement	-	-	-	(1,226)
(Loss) gain on disposal of property and equipment	(1,505)	-	(1,505)	6,826
Net assets released from restrictions	378,930	(378,930)	-	-
 Total revenues, support and other income	 7,528,780	 37,176	 7,565,956	 9,678,246
Expenses				
Program	6,216,007	-	6,216,007	5,655,975
Fundraising	841,520	-	841,520	812,866
Management and general	489,672	-	489,672	465,506
 Total expenses	 7,547,199	 -	 7,547,199	 6,934,347
 Change in net assets	 (18,419)	 37,176	 18,757	 2,743,899
 Net assets, beginning of year	 15,433,951	 441,900	 15,875,851	 13,131,952
 Net assets, end of year	 <u>\$ 15,415,532</u>	 <u>\$ 479,076</u>	 <u>\$ 15,894,608</u>	 <u>\$ 15,875,851</u>

See Notes to Financial Statements and Independent Auditors' Report.

# Animal Humane New Mexico

## STATEMENTS OF FUNCTIONAL EXPENSES

**Year Ended June 30, 2022**  
**(With Comparative Totals for 2021)**

	Program Services					
	Adoption	Animal Care	Clinic	Outreach	Thrift	Pet Food Bank
Expenses						
Salaries and wages	\$ 669,565	\$ 512,945	\$ 919,264	\$ 180,920	\$ 251,395	\$ 47,994
Payroll taxes and employee benefits	77,981	61,663	115,677	21,059	33,442	4,509
Total salaries and related expenses	747,546	574,608	1,034,941	201,979	284,837	52,503
Operating expenses						
Advertising	3,672	521	971	1,077	7,381	-
Bank service fees	8,661	-	9,944	80	16,456	-
Cost of sales	24,087	-	32,771	-	-	-
Cremation/disposal costs	-	1,069	11,564	-	-	-
Direct mail	-	-	-	-	-	-
Education and training	908	350	2,458	490	838	-
Fundraising	2,797	8	3,960	323	7,408	-
In-kind expenses	66,361	-	89,499	2,300	150,296	163,576
Insurance	18,368	18,217	10,082	1,700	8,777	1,121
Maintenance and repairs	45,971	35,402	65,611	11,797	28,749	1,717
Miscellaneous	4,968	5,166	10,286	12,774	3,081	15,152
Professional fees	7,603	5,754	37,933	2,476	3,731	57
Rent and utilities	89,116	31,565	37,599	7,800	89,351	2,310
Supplies	21,660	118,391	278,061	2,429	10,980	719
Transportation	5,560	1,931	6,863	933	5,297	1,161
Veterinarian services	-	-	197	48,974	-	-
Total expenses before depreciation	1,047,278	792,982	1,632,740	295,132	617,182	238,316
Depreciation	78,836	110,901	67,170	13,263	6,948	1,585
Total functional expenses	<u>\$ 1,126,114</u>	<u>\$ 903,883</u>	<u>\$ 1,699,910</u>	<u>\$ 308,395</u>	<u>\$ 624,130</u>	<u>\$ 239,901</u>

<u>The Center</u>	<u>Total Program Services</u>	<u>Supporting Services</u>			<u>2022 Total</u>	<u>2021 Total</u>
		<u>Fundraising</u>	<u>Management and General</u>	<u>Total Supporting Services</u>		
\$ 690,751	\$ 3,272,834	\$ 344,042	\$ 301,211	\$ 645,253	\$ 3,918,087	\$ 3,472,758
69,790	384,121	43,163	35,996	79,159	463,280	519,059
760,541	3,656,955	387,205	337,207	724,412	4,381,367	3,991,817
10,905	24,527	9,282	12,151	21,433	45,960	36,265
26,137	61,278	36,213	430	36,643	97,921	94,534
1,944	58,802	-	-	-	58,802	64,377
-	12,633	-	-	-	12,633	8,006
-	-	233,340	-	233,340	233,340	237,832
44	5,088	106	2,067	2,173	7,261	4,242
6,815	21,311	86,252	733	86,985	108,296	97,311
163,249	635,281	3,600	-	3,600	638,881	569,221
35,707	93,972	1,928	14,148	16,076	110,048	98,103
72,334	261,581	18,296	20,466	38,762	300,343	267,197
16,647	68,074	2,339	2,138	4,477	72,551	65,208
18,984	76,538	3,479	25,820	29,299	105,837	85,093
59,737	317,478	6,493	12,780	19,273	336,751	305,477
28,392	460,632	33,330	26,868	60,198	520,830	507,649
2,779	24,524	1,743	4,366	6,109	30,633	14,129
-	49,171	-	-	-	49,171	35,125
1,204,215	5,827,845	823,606	459,174	1,282,780	7,110,625	6,481,586
109,459	388,162	17,914	30,498	48,412	436,574	452,761
<u>\$ 1,313,674</u>	<u>\$ 6,216,007</u>	<u>\$ 841,520</u>	<u>\$ 489,672</u>	<u>\$ 1,331,192</u>	<u>\$ 7,547,199</u>	<u>\$ 6,934,347</u>

# Animal Humane New Mexico

## STATEMENTS OF CASH FLOWS

**Year Ended June 30, 2022**  
**(With Comparative Totals for 2021)**

	<u>2022</u>	<u>2021</u>
Operating activities		
Change in net assets	\$ 18,757	\$ 2,743,899
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	436,574	452,761
Loss (gain) on disposal of property and equipment	1,505	(6,826)
Provision for uncollectible receivables	-	479
Realized/unrealized loss (gain) on investments	696,388	(672,250)
Beneficial interest assets held at		
Albuquerque Community Foundation	8,009	24,569
Beneficial interest in remainder trust	-	151,379
Effects of changes in operating assets and liabilities		
Accounts receivable, net	(17,729)	(161)
Inventory	(66,524)	(10,769)
Prepaid expenses	(3,745)	(39,429)
Other receivable - Employee Retention Credit	(713,380)	(485,127)
Accounts payable	35,788	81,304
Accrued expenses	(34,820)	39,064
Accrued wages and other payroll liabilities	16,700	42,916
Deferred revenue	(3,369)	(77,184)
	<u>374,154</u>	<u>2,244,625</u>
Net cash provided by operating activities	374,154	2,244,625
Investing activities		
Proceeds from sale of investments	192,274	261,543
Purchases of investments and reinvestment of interest and dividends	(1,028,716)	(1,605,531)
Proceeds from disposal of property and equipment	-	6,826
Purchases of property and equipment	(88,486)	(178,468)
	<u>(924,928)</u>	<u>(1,515,630)</u>
Net cash used by investing activities	(924,928)	(1,515,630)
Change in cash and equivalents	(550,774)	728,995
Cash and equivalents, beginning of year	<u>1,512,413</u>	<u>783,418</u>
Cash and equivalents, end of year	<u>\$ 961,639</u>	<u>\$ 1,512,413</u>



# **Animal Humane New Mexico**

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022**

**(With Comparative Totals for 2021)**

### **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 2022 reached 3,224; this equates to a 96% Live Release Rate for the operating cycle. Every adopted pet receives quality medical care at our Campus Clinic and 1,919 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, 2022**

**(With Comparative Totals for 2021)**

### **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. As New Mexico’s only full-service low-cost veterinary clinic exclusively serving qualifying low-income pet owners, 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. More than 30% of our Clinic clients are Senior Citizens. Fees from their visits, along with all other clients, generates revenue to support our annual operations. In 2022, our expert medical team conducted 2,723 appointments, 3,377 spay/neuter procedures, and 350 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 2022 96% 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 2022, our shelter transferred in 1,659 pets from 32 partner agencies across 17 counties. Our 2022 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 2021 and 2022, we held 2-4 Pet Health Fairs in New Mexico each year. 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 three veterinarians, 3-6 veterinary techs, and serving 100 -150 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, 2022**

**(With Comparative Totals for 2021)**

### **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 veterinarians—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 2022, Animal Humane’s devoted Pet Food Bank Volunteers distributed over 80,000 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 housetraining 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, 2022**

**(With Comparative Totals for 2021)**

### **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 2022, 625 unduplicated pets were fostered by devoted caregivers with these same pets being harbored in homes on 961 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, 2022**

**(With Comparative Totals for 2021)**

### **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, 2021, from which the summarized information was derived. Certain amounts in the 2021 financial statements have been reclassified to conform with the presentation of the 2022 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 \$1,155 and \$2,061 as of June 30, 2022 and 2021, 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 its estimated fair value on the date of donation.

# Animal Humane New Mexico

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

(With Comparative Totals for 2021)

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### 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.

#### 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 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 \$479,076 and \$441,900 at June 30, 2022 and 2021, respectively.

# **Animal Humane New Mexico**

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022**

**(With Comparative Totals for 2021)**

### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

#### 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 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 15 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, 2022 and 2021 was \$45,960 and \$36,265, 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:

# **Animal Humane New Mexico**

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022**

**(With Comparative Totals for 2021)**

### **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

#### Fair Value Measurement – Continued

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.

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 2022 or 2021.

#### Subsequent Events

Animal Humane has evaluated all events occurring subsequent to June 30, 2022 through September 21, 2022, 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, 2022**  
**(With Comparative Totals for 2021)**

### NOTE 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 961,639	\$ 1,512,413
Investments	5,049,156	4,909,102
Beneficial interest in assets held at		
Albuquerque Community Foundation	114,007	122,016
Other receivable – Employee Retention Credit	1,198,507	485,127
Accounts receivable, net	<u>26,687</u>	<u>8,958</u>
 Total financial assets	 7,349,996	 7,037,616
 Financial assets not available for use within one year:		
Net assets with donor restrictions	479,076	441,900
Beneficial interest in assets held at		
Albuquerque Community Foundation	114,007	122,016
Other receivable – Employee Retention Credit	<u>1,198,507</u>	<u>485,127</u>
 Total financial assets not available for use within one year	 <u>1,791,590</u>	 <u>1,049,043</u>
 Financial assets available to meet cash needs for general expenditure within one year from June 30, 2022 and 2021	  <u>\$ 5,558,406</u>	  <u>\$ 5,988,573</u>

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, 2021.

*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, 2022**  
**(With Comparative Totals for 2021)**

### 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, 2022 and 2021:

<b>Assets at Fair Value as of June 30, 2022</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
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>
<b>Assets at Fair Value as of June 30, 2021</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Mutual funds				
Money Market funds	\$ 580,800	\$ -	\$ -	\$ 580,800
Bond funds	763,534	-	-	763,534
Equity funds	1,414,350	-	-	1,414,350
Total mutual funds	2,758,684	-	-	2,758,684
Exchange-traded funds	2,150,418	-	-	2,150,418
	<u>\$ 4,909,102</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,909,102</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, 2022 and 2021, Animal Humane received \$5,456 and \$3,984 in distributions, respectively. The balance of the beneficial interest in the assets held by ACF was \$114,007 and \$122,016 as of June 30, 2022 and 2021, respectively.

# Animal Humane New Mexico

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022  
(With Comparative Totals for 2021)

### NOTE 6 – PROPERTY AND EQUIPMENT

	<u>2022</u>	<u>2021</u>
Buildings and improvements	\$ 9,425,576	\$ 9,415,505
Furniture and equipment	1,069,914	1,054,084
Land improvements	719,936	664,466
Vehicles	197,997	197,997
Leasehold improvements	135,965	117,877
Software	74,556	73,207
Construction in progress	<u>85,580</u>	<u>154,319</u>
	11,709,524	11,677,455
Less accumulated depreciation	(4,458,767)	(4,077,105)
Land	<u>1,569,682</u>	<u>1,569,682</u>
	<u>\$ 8,820,439</u>	<u>\$ 9,170,032</u>

Depreciation expense for the years ended June 30, 2022 and 2021 was \$436,574 and \$452,761, respectively. No interest was capitalized on the construction in progress for the years ended June 30, 2022 and 2021, respectively.

During 2022, Management identified an asset on its books that was disposed of in 2013. The book value of this asset was \$85,801, which was removed from both net property and equipment and net assets in the accompanying financial statements.

### NOTE 7 – LONG-TERM DEBT

#### Line-of-Credit

Animal Humane maintains a \$500,000 revolving line-of-credit from New Mexico Bank & Trust to help finance its short-term needs. The line is secured by company assets with interest payable monthly on outstanding balances and matures in December 2022. Interest is calculated using Wall Street Journal Prime rate, with a 4.00% floor. The balance due on the line-of-credit was zero at June 30, 2022 and 2021, respectively.

# Animal Humane New Mexico

## NOTES TO FINANCIAL STATEMENTS

**June 30, 2022**  
**(With Comparative Totals for 2021)**

### 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Balance – beginning of year	\$ 122,016	\$ 97,447
Plus: current year (losses) additions	(2,553)	29,543
Less: current year expenditures	<u>(5,456)</u>	<u>(4,974)</u>
Balance – end of year	<u>\$ 114,007</u>	<u>\$ 122,016</u>

### NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods.

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Specific program services	<u>\$ 479,076</u>	<u>\$ 441,900</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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Satisfaction of purpose restrictions:		
Specific program services	\$ 378,930	\$ 455,009
Subject to the passage of time:		
Collection of contributions and grants receivable	-	5,220
Collection of beneficial interest in remainder trust	<u>-</u>	<u>151,379</u>
	<u>\$ 378,930</u>	<u>\$ 611,608</u>

# **Animal Humane New Mexico**

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022**

**(With Comparative Totals for 2021)**

### **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, 2022 and 2021, fundraising expense was \$841,520 and \$812,866, respectively. Funds raised as a result of these expenses were \$4,370,218 and \$5,808,117 for the years ended June 30, 2022 and 2021, respectively. This resulted in a fundraising ratio of 19% and 14% for the years ended June 30, 2022 and 2021, respectively.

### **NOTE 11 – PAYCHECK PROTECTION PROGRAM (PPP) LOANS**

In April 2020, Animal Humane entered into a Loan Agreement and Promissory Note (SBA Loan) pursuant to the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) administered by the U.S. Small Business Administration. Animal Humane received total loan proceeds of \$795,100 for this loan. The loan was scheduled to mature on April 20, 2022, carries a 1.00% interest rate, and is subject to the terms and conditions applicable to loans administered by the U.S. Small Business Administration under the CARES Act. Animal Humane recorded contribution revenue of \$733,691 in 2020, which was included in public contributions and grants revenue in the accompanying statements of activities and changes in net assets. Proceeds for which conditions were not met were \$61,409 as of June 30, 2020. This deferred revenue was recognized as public contributions and grants revenue, which is included in public contributions and grants revenue in the accompanying statement of activities and changes in net assets for the year ended June 30, 2021, upon receiving formal notice of forgiveness from the lender.

In February 2021, Animal Humane entered into another SBA Loan pursuant to the PPP under the CARES Act administered by the U.S. Small Business Administration. Animal Humane received total loan proceeds of \$766,684 for this loan. The loan was scheduled to mature on February 12, 2026, carried a 1.00% interest rate, and was subject to the terms and conditions applicable to loans administered by the U.S. Small Business Administration under the CARES Act. Animal Humane has elected to account for this transaction as a conditional contribution pursuant to Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605, Financial Statements of not-for-profit organizations – revenue recognition. Accordingly, Animal Humane recorded contribution revenue of \$766,684 from the 2021 PPP Loan, plus the \$61,409 of deferred revenue from the 2020 PPP loan, for a total of \$828,093, as contributions and grants revenue in the accompanying statement of activities and changes in net assets for the year ended June 30, 2021. In May 2022 Animal Humane received formal notice of forgiveness from the lender.

# Animal Humane New Mexico

## NOTES TO FINANCIAL STATEMENTS

**June 30, 2022**  
**(With Comparative Totals for 2021)**

### **NOTE 12 – EMPLOYEE RETENTION CREDIT**

In 2022 and 2021, Animal Humane filed for the Employee Retention Credit pursuant to the CARES Act. The credit is based on a percentage of wages paid by eligible employers during defined time periods, with eligibility being determined based on several factors, including reduction in gross receipts and suspension or reduction of operations due to COVID-19. Animal Humane has elected to account for this transaction as a conditional contribution, pursuant to Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605, Financial Statements for Not-For-Profit Organizations – Revenue Recognition. Accordingly, Animal Humane recorded contribution revenue of \$713,380 and \$485,127 in 2022 and 2021, respectively.

### **NOTE 13 – 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, 2022 and 2021 totaled \$38,926 and \$46,900, respectively.

#### Leases

Animal Humane leases an adoption center, a Thrift Shop, and various equipment under operating leases that expire at various times through December 2026. Rental expenses under these leases were \$145,531 and \$141,336 for the years ended June 30, 2022 and 2021, respectively. Leases expiring during fiscal year 2022 are anticipated to renew under similar terms and circumstances. Minimum lease payments for each of the remaining fiscal years subsequent to June 30, 2022 are as follows:

2023	\$ 163,354
2024	140,418
2025	62,346
2026	13,876
2027	<u>2,774</u>
Total	<u>\$ 382,768</u>

# Animal Humane New Mexico

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022  
(With Comparative Totals for 2021)

### NOTE 13 – COMMITMENTS AND CONTINGENCIES - CONTINUED

#### COVID-19 Pandemic

During 2021, Animal Humane was subject to the New Mexico Department of Health mandated temporary closing of businesses that were deemed non-essential and requested citizens of the State to adopt behavioral changes in response to the COVID-19 outbreak in the State. Additionally, at a national and international level, government restrictions on travel and the behavioral changes by the public due to COVID-19 outbreaks across the globe are negatively impacting various industries and the related world markets. During 2022, these restrictions were gradually relaxed, and all departments and programs are in operation. Future recurrence of these restrictions is possible and there is considerable uncertainty around the duration and ultimate financial impact of these potential actions.

### NOTE 14 – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Effective for its annual financial statements for fiscal year 2023, Animal Humane is subject to new accounting standards issued by FASB that will require significant changes in accounting for operating leases under which Animal Humane is lessee. Upon adoption, among other effects, Animal Humane will be required to record assets and liabilities for all operating lease obligations with terms of 12 months or greater. These changes will entail certain retrospective adjustments. The qualitative effects on Animal Humane's future financial statements of these changes and related retrospective adjustments have not yet been determined.

### NOTE 15 – CONTRIBUTED NONFINANCIAL ASSETS

Animal Humane received the following nonfinancial assets during 2022 and 2021 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>2022</u>	<u>2021</u>
Advertising	\$ <u>500,166</u>	\$ <u>569,221</u>

Pet food – used for our Pet Food Bank. Pet food is donated by individuals and retail stores 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 2022 Cost of Dog Food Study. Management began tracking the value of donated pet food in 2022.

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

# **Animal Humane New Mexico**

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2022**  
**(With Comparative Totals for 2021)**

### **NOTE 15 – CONTRIBUTED NONFINANCIAL 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.

	<u><b>2022</b></u>
Volunteer	<u>\$ 2,300</u>

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.

	<u><b>2022</b></u>	<u><b>2021</b></u>
Thrift	<u>\$ 843,647</u>	<u>\$ 585,769</u>

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