



FINANCIAL STATEMENTS

June 30, 2019
(With Comparative Totals for 2018)

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 (Animal Humane), which comprise the statement of financial position as of June 30, 2019, 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 Animal Humane'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 Animal Humane'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 above present fairly, in all material respects, the financial position of Animal Humane as of June 30, 2019, 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 Animal Humane's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 2, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

PULAKOS CPAs, PC

September 24, 2019

Pulakos CPAs, PC

Animal Humane New Mexico

STATEMENTS OF FINANCIAL POSITION

June 30, 2019
(With Comparative Totals for 2018)

Assets

	<u>2019</u>	<u>2018</u>
Current assets		
Cash and cash equivalents	\$ 141,087	\$ 171,461
Accounts receivable, net	20,002	63,900
Contributions and grants receivable	284,083	221,970
Inventory - thrift store	53,528	59,358
Inventory - food and merchandise	29,939	70,519
Prepaid expenses	79,746	75,607
Total current assets	608,385	662,815
Property and equipment, net	9,882,931	9,359,322
Other assets		
Investments	2,565,919	2,702,752
Beneficial interest in remainder trust	118,330	118,934
	<u><u>\$ 13,175,565</u></u>	<u><u>\$ 12,843,823</u></u>

Liabilities and Net Assets

Current liabilities		
Accounts payable	\$ 141,707	\$ 263,168
Accrued expense	5,949	3,387
Accrued wages and other payroll liabilities	156,447	137,438
Line-of-credit	121,894	-
Current portion of long-term debt	54,009	-
Deferred revenue	48,509	60,267
Total current liabilities	528,515	464,260
Long term liabilities		
Long-term debt, noncurrent portion	233,086	-
Total liabilities	761,601	464,260
Net assets		
Without donor restrictions	11,855,498	11,825,446
With donor restrictions	558,466	554,117
Total net assets	<u><u>12,413,964</u></u>	<u><u>12,379,563</u></u>
	<u><u>\$ 13,175,565</u></u>	<u><u>\$ 12,843,823</u></u>

Animal Humane New Mexico

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2019
(With Comparative Totals for 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues, support and other income				
Public contributions and grants	\$ 2,555,877	\$ 1,587,002	\$ 4,142,879	\$ 3,860,881
Program service fees	1,125,305	-	1,125,305	1,090,952
In-kind contributions	688,304	-	688,304	670,399
Merchandise sales	863,363	-	863,363	848,202
Investment return, net of \$5,420 and \$6,545 in fees in 2019 and 2018, respectively	130,487	-	130,487	212,635
Special events	397,956	-	397,956	366,595
United Way contributions	141,350	-	141,350	116,026
Rental income	2,875	-	2,875	7,200
Change in value of split interest agreement	-	(604)	(604)	(8,262)
Gain on disposal of property and equipment	2,641	-	2,641	-
Net assets released from restrictions	1,582,049	(1,582,049)	-	-
Total revenues, support and other income	7,490,207	4,349	7,494,556	7,164,628
Expenses				
Program	6,200,951	-	6,200,951	5,873,914
Fundraising	823,139	-	823,139	801,154
Management and general	436,065	-	436,065	440,887
Total expenses	7,460,155	-	7,460,155	7,115,955
Change in net assets	30,052	4,349	34,401	48,673
Net assets, beginning of year	11,825,446	554,117	12,379,563	12,330,890
Net assets, end of year	<u>\$ 11,855,498</u>	<u>\$ 558,466</u>	<u>\$ 12,413,964</u>	<u>\$ 12,379,563</u>

See Notes to Financial Statements and Independent Auditors' Report

Animal Humane New Mexico

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019
(With Comparative Totals for 2018)

Program Services

	<u>Adoption</u>	<u>Animal Care</u>	<u>Clinic</u>	<u>Outreach</u>	<u>Thrift</u>
Expenses					
Salaries and wages	\$ 707,325	\$ 482,696	\$ 956,400	\$ 156,777	\$ 268,391
Payroll taxes and employee benefits	<u>126,617</u>	<u>86,373</u>	<u>141,992</u>	<u>25,579</u>	<u>51,148</u>
Total salaries and related expenses	833,942	569,069	1,098,392	182,356	319,539
Operating expenses					
Advertising	9,935	-	2,233	2,700	6,652
ASPCA expenses	458	-	-	76,902	-
Bank service fees	10,447	9	13,536	136	13,171
Cost of sales	57,810	1,332	31,839	-	40,886
Cremation/disposal costs	-	2,477	10,223	-	-
Direct mail	-	-	-	-	-
Education and training	2,234	1,485	5,475	856	24
Fundraising	23,729	368	30,536	32,997	46,535
In-kind expenses	516,583	-	44,716	-	83,392
Insurance	16,504	16,425	8,452	1,988	8,814
Maintenance and repairs	35,374	31,926	56,079	11,716	19,585
Miscellaneous	13,219	5,242	10,437	17,782	2,642
Professional fees	369	-	52,001	-	711
Rent and utilities	82,011	30,194	30,401	6,358	80,462
Supplies	21,474	150,660	347,176	5,436	6,047
Transportation	15,750	3,989	11,084	3,541	8,244
Veterinarian services	<u>69,178</u>	<u>-</u>	<u>23,321</u>	<u>-</u>	<u>-</u>
Total expenses before depreciation	1,709,017	813,176	1,775,901	342,768	636,704
Depreciation	<u>86,680</u>	<u>123,569</u>	<u>75,640</u>	<u>15,301</u>	<u>17,474</u>
Total functional expenses	<u><u>\$ 1,795,697</u></u>	<u><u>\$ 936,745</u></u>	<u><u>\$ 1,851,541</u></u>	<u><u>\$ 358,069</u></u>	<u><u>\$ 654,178</u></u>

The Center	Total Program Services	Supporting Services			2019 Total	2018 Total
		Fundraising	Management and General	Total Supporting Services		
\$ 257,153	\$ 2,828,742	\$ 358,463	\$ 264,213	\$ 622,676	\$ 3,451,418	\$ 3,337,352
31,426	463,135	56,942	43,136	100,078	563,213	557,621
288,579	3,291,877	415,405	307,349	722,754	4,014,631	3,894,973
2,867	24,387	16,831	3,174	20,005	44,392	58,171
-	77,360	-	-	-	77,360	103,822
5,936	43,235	25,753	1,506	27,259	70,494	75,116
4,695	136,562	-	-	-	136,562	114,057
-	12,700	-	-	-	12,700	20,246
-	-	236,512	-	236,512	236,512	200,383
801	10,875	1,704	3,285	4,989	15,864	15,317
13,565	147,730	63,116	960	64,076	211,806	188,807
38,572	683,263	4,540	500	5,040	688,303	670,399
14,340	66,523	1,683	12,511	14,194	80,717	74,685
59,419	214,099	15,467	17,699	33,166	247,265	260,831
25,920	75,242	1,864	7,078	8,942	84,184	94,527
6,238	59,319	(44)	19,397	19,353	78,672	21,834
46,403	275,829	4,155	10,733	14,888	290,717	264,419
10,870	541,663	15,887	13,343	29,230	570,893	501,059
4,138	46,746	3,015	6,800	9,815	56,561	63,362
-	92,499	-	-	-	92,499	40,686
522,343	5,799,909	805,888	404,335	1,210,223	7,010,132	6,662,694
82,378	401,042	17,251	31,730	48,981	450,023	453,261
<u>\$ 604,721</u>	<u>\$ 6,200,951</u>	<u>\$ 823,139</u>	<u>\$ 436,065</u>	<u>\$ 1,259,204</u>	<u>\$ 7,460,155</u>	<u>\$ 7,115,955</u>

Animal Humane New Mexico

STATEMENTS OF CASH FLOWS

Year Ended June 30, 2019
(With Comparative Totals for 2018)

	<u>2019</u>	<u>2018</u>
Operating activities		
Change in net assets	\$ 34,401	\$ 48,673
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	450,023	453,261
Gain on disposal of property and equipment	(2,641)	-
Provision for uncollectible pledges receivable	(12)	39
Realized/unrealized gain on investments	(92,243)	(324,891)
Beneficial interest in remainder trust	604	8,262
Effects of changes in operating assets and liabilities		
Accounts receivable	43,910	28,409
Contributions and grants receivable	(62,113)	(210,568)
Inventory	46,410	(64,150)
Prepaid expenses	(4,139)	6,912
Accounts payable	(121,461)	113,325
Accrued expenses	2,562	(7,800)
Accrued wages and other payroll liabilities	19,009	(47,486)
Deferred revenue	(11,758)	(7,807)
Net cash provided (used) by operating activities	302,552	(3,821)
Investing activities		
Proceeds from sale of investments	744,721	1,355,694
Purchases of investments and reinvestment of interest and and dividends	(515,645)	(444,675)
Proceeds from disposal of property and equipment	5,064	-
Purchases of property and equipment	(976,055)	(1,182,468)
Net cash used by investing activities	(741,915)	(271,449)
Financing activities		
Net borrowings on line-of-credit	121,894	-
Payments on note payable	(12,905)	-
Borrowings on note payable	300,000	-
Net cash provided by investing activities	408,989	-
Change in cash and equivalents	(30,374)	(275,270)
Cash and equivalents, beginning of year	171,461	446,731
Cash and equivalents, end of year	\$ 141,087	\$ 171,461
Supplemental information - cash paid for interest	\$ 4,583	\$ -

Animal Humane New Mexico

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

(With Comparative Totals for 2018)

NOTE 1 – NATURE OF BUSINESS

Animal Humane Association of New Mexico, Inc. dba Animal Humane New Mexico (Animal Humane), 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 Animal Humane 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 Animal Humane. 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.

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

Animal Humane 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.

Animal Humane 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 Animal Humane. 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, 2019

(With Comparative Totals for 2018)

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, 2018, from which the summarized information was derived. Certain amounts in the 2018 financial statements have been reclassified to conform with the presentation of the 2019 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 of \$1,161 and \$6,138 for the years ended June 30, 2019 and 2018, 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. Animal Humane capitalizes all expenditures for property in excess of \$1,000.

Animal Humane New Mexico

NOTES TO FINANCIAL STATEMENTS

June 30, 2019
(With Comparative Totals for 2018)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investments

Investments in mutual and exchange traded funds are measured at fair market value in the statements of financial position. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the statement of activities and changes in net assets as increases or decreases in 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. 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 ("US GAAP"), 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. The balances with donor restrictions were \$558,466 and \$554,117 at June 30, 2019 and 2018, respectively.

Revenue Recognition

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

Animal Humane New Mexico

NOTES TO FINANCIAL STATEMENTS

June 30, 2019
(With Comparative Totals for 2018)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Donated Assets and Services

Donated assets and services are recorded at their estimated fair values as of the date of contribution and capitalized if exceeding Animal Humane's threshold policy. Contributions of services are recognized in the financial statements if the services received enhance or create non-financial assets, require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. 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.

Animal Humane received donated media advertising, goods, and professional services in the amount of \$688,304 and \$670,399 for the years ended June 30, 2019 and 2018, respectively.

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, 2019 and 2018 was \$44,392 and \$58,171, respectively.

Functional Classification of Expenses

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

Fair Value Measurement

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

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

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

Animal Humane New Mexico

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

(With Comparative Totals for 2018)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fair Value Measurement – Continued

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 2019 or 2018.

Reclassifications

Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 presentation. These reclassifications have no impact on Animal Humane's change in net assets.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Animal Humane has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Subsequent Events

Animal Humane has evaluated all events occurring subsequent to June 30, 2019 through September 24, 2019, 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, 2019
(With Comparative Totals for 2018)

NOTE 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

	<u>2019</u>	<u>2018</u>
Financial assets:		
Cash and cash equivalents	\$ 141,087	\$ 171,461
Investments	2,565,919	2,702,752
Accounts receivable, net	20,002	63,900
Contributions and grants receivable	<u>284,083</u>	<u>221,970</u>
Total financial assets	3,011,091	3,160,083
Financial assets not available for use within one year:		
Net assets with donor restrictions	558,466	554,117
Less: net assets with donor restrictions expected to be met in less than one year	(440,136)	(435,183)
Board designated net assets	<u>101,161</u>	<u>99,442</u>
Total financial assets not available for use within one year	<u>219,491</u>	<u>218,376</u>
Financial assets available to meet cash needs for general expenditure within one year from June 30, 2019 and 2018	<u>\$ 2,791,600</u>	<u>\$ 2,941,707</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, 2019.

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 Animal Humane'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, 2019
(With Comparative Totals for 2018)

NOTE 4 – FAIR VALUE MEASUREMENT – CONTINUED

Beneficial interest in remainder trust: Valued at the present value of Animal Humane’s 25% remainder interest in assets held in trust utilizing a discount rate of 5%.

The following table sets forth by level, within the fair value hierarchy Animal Humane’s assets at fair value as of June 30, 2019 and 2018:

Assets at Fair Value as of June 30, 2019				
	Level 1	Level 2	Level 3	Total
Mutual funds				
Bond funds	\$ 682,673	\$ -	\$ -	\$ 682,673
Equity funds	891,775	-	-	891,775
Total mutual funds	1,574,448	-	-	1,574,448
Exchange-traded funds	890,310	-	-	890,310
Funds held at Albuquerque				
Community Foundation	-	-	101,161	101,161
Beneficial interest in remainder trust	-	118,330	-	118,330
	<u>\$ 2,464,758</u>	<u>\$ 118,330</u>	<u>\$ 101,161</u>	<u>\$ 2,684,249</u>
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>

Animal Humane New Mexico

NOTES TO FINANCIAL STATEMENTS

June 30, 2019
(With Comparative Totals for 2018)

NOTE 4 – FAIR VALUE MEASUREMENT – CONTINUED

Level 3 Investments

The following tables present Animal Humane’s activities for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 99,442	\$ 97,625
Dividends and interest	1,536	1,188
Distributions	(4,776)	(3,872)
Investment gains	5,056	5,540
Investment management fees	<u>(97)</u>	<u>(1,039)</u>
Ending balance	<u>\$ 101,161</u>	<u>\$ 99,442</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, 2019 and 2018, respectively.

The unobservable inputs are the underlying assets at Albuquerque Community Foundation and Animal Humane 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, 2019
(With Comparative Totals for 2018)

NOTE 5 – PROPERTY AND EQUIPMENT

	<u>2019</u>	<u>2018</u>
Buildings and improvements	\$ 9,510,091	\$ 8,216,675
Furniture and equipment	1,051,598	948,698
Land improvements	662,238	662,238
Vehicles	190,659	193,752
Leasehold improvements	114,525	114,525
Software	73,207	96,231
Construction in progress	<u>11,653</u>	<u>434,150</u>
	11,613,971	10,666,269
Less accumulated depreciation	(3,300,722)	(2,876,629)
Land	<u>1,569,682</u>	<u>1,569,682</u>
	<u>\$ 9,882,931</u>	<u>\$ 9,359,322</u>

Depreciation expense for the years ended June 30, 2019 and 2018 was \$450,023 and \$453,261, respectively. No interest was capitalized on the construction in progress for the years ended June 30, 2019 and 2018.

NOTE 6 – BENEFICIAL INTEREST IN REMAINDER TRUST

On March 31, 1994, Animal Humane was awarded an interest in the Charitable Remainder Trust (the Trust) of Frank Visquesney. Bank of America administers the Trust. Animal Humane is irrevocably entitled to 25% of the remaining net assets upon termination. Animal Humane'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 Animal Humane'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 Animal Humane's interest in the Trust at June 30, 2019 and 2018 was \$118,330 and \$118,934, respectively.

Animal Humane New Mexico

NOTES TO FINANCIAL STATEMENTS

June 30, 2019
(With Comparative Totals for 2018)

NOTE 7 – LONG-TERM DEBT

	<u>2019</u>	<u>2018</u>
Note payable to a financial institution, monthly payments of principal and interest of \$5,813, interest at rate of 6.00%. Secured by substantially all assets. Maturity date of March 2024.	\$ 287,095	\$ -
Less current portion	<u>(54,009)</u>	<u>-</u>
Long-term debt, less current portion above	<u>\$ 233,086</u>	<u>\$ -</u>

Annual fiscal year maturities of long-term debt are as follows:

2020	\$ 54,009
2021	57,340
2022	60,876
2023	64,631
2024	50,239

Line-of-Credit

Animal Humane 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. The balance due on the line-of-credit was \$121,894 and zero at June 30, 2019 and 2018, respectively.

NOTE 8 – BOARD DESIGNATED NET ASSETS

The Board has created a fund with the Albuquerque Community Foundation for the purpose of investing in the community. The changes in net assets of the board-designated fund consist of the following for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Balance – beginning of year	\$ 99,442	\$ 97,625
Plus: current year additions	6,592	6,728
Less: current year expenditures	<u>(4,873)</u>	<u>(4,911)</u>
Balance – end of year	<u>\$ 101,161</u>	<u>\$ 99,442</u>

Animal Humane New Mexico

NOTES TO FINANCIAL STATEMENTS

June 30, 2019
(With Comparative Totals for 2018)

NOTE 9 – NET ASSETS WITH DONOR RESTRICTION

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

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
Specific program services	\$ 156,053	\$ 213,213
Subject to the passage of time:		
Contributions and grants receivable, net	284,083	221,970
Beneficial interest in remainder trust	<u>118,330</u>	<u>118,934</u>
	<u><u>\$ 558,466</u></u>	<u><u>\$ 554,117</u></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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Satisfaction of purpose restrictions:		
Specific program services	\$ 1,394,231	\$ 1,267,846
Subject to the passage of time:		
Collection of contributions and grants receivable	<u>187,818</u>	<u>11,402</u>
	<u><u>\$ 1,582,049</u></u>	<u><u>\$ 1,279,248</u></u>

NOTE 10 – FUNDRAISING

Animal Humane sponsors the Doggie Dash, Caturday 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, 2019 and 2018, fundraising expense was \$823,139 and \$801,154, respectively. Funds raised as a result of these expenses were \$4,682,185 and \$4,343,504 for the years ended June 30, 2019 and 2018, respectively. This resulted in a fundraising ratio of 18% for the years ended June 30, 2019 and 2018, respectively.

Animal Humane New Mexico

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

(With Comparative Totals for 2018)

NOTE 11 – 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, 2019 and 2018 totaled \$46,963 and \$48,662, respectively.

NOTE 12 – LEASES

Animal Humane leases an adoption center, a Thrift Shop, and various equipment under operating leases that expire at various times through April 2024. Rental expenses under these leases were \$136,694 and \$133,693 for the years ended June 30, 2019 and 2018, respectively. Minimum lease payments for each of the remaining fiscal years subsequent to June 30, 2019 are as follows:

2020	\$ 149,238
2021	138,398
2022	104,622
2023	72,337
2024	<u>47,689</u>
Total	<u>\$ 512,284</u>

NOTE 13 – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

A new standard has been issued by FASB that will require significant changes in the method and timing of recognition of certain contract revenues and related incremental expenses (such as sales commissions) once it becomes effective for nonpublic entities. This standard will be adopted by Animal Humane beginning in 2020 and will entail certain retrospective adjustments at that time. The effects of this change on Animal Humane's financial statements have not yet been determined.

Effective for its annual financial statements for 2021, 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.