



# **Animal Protection of New Mexico, Inc. and Affiliate**

Combined Financial Statements  
and  
Independent Auditors' Report

December 31, 2015 and 2014

# **Animal Protection of New Mexico, Inc. and Affiliate**

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## Independent Auditors' Report

To the Board of Directors  
Animal Protection of New Mexico, Inc. and Affiliate

We have audited the accompanying combined financial statements of Animal Protection of New Mexico, Inc. (APNM) (a nonprofit organization) and affiliate, which comprise the combined statement of financial position as of December 31, 2015, and the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined 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 the entity'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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of Animal Protection of New Mexico, Inc. and affiliate as of December 31, 2015, 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.

### **Other Matter**

The combined financial statements of APNM as of and for the year ended December 31, 2014, were audited by other auditors whose report dated July 14, 2015 expressed an unmodified opinion on those financial statements.

Loftis Group <sup>LLC</sup>

Albuquerque, New Mexico  
April 22, 2016

## Combined Financial Statements

**Animal Protection of New Mexico, Inc. and Affiliate**  
**Combined Statements of Financial Position**  
**December 31,**

	2015	2014
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 572,429	\$ 335,095
Accounts receivable	100,533	118,356
Prepaid expense	15,043	20,984
Total current assets	688,005	474,435
Property and equipment, net	2,417,648	21,264
Endowment investments	784,475	832,662
Other long-term assets	1,665	1,665
Total assets	\$ 3,891,793	\$ 1,330,026
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable	\$ 48,464	\$ 40,218
Accrued expense	16,891	39,660
Due to others	41,000	-
Total current liabilities	106,355	79,878
Net assets		
Unrestricted	\$ 3,425,498	807,063
Temporarily restricted	250,716	335,361
Permanently restricted	109,224	107,724
Total net assets	3,785,438	1,250,148
Total liabilities and net assets	\$ 3,891,793	\$ 1,330,026

The accompanying notes are an integral part of these financial statements.

**Animal Protection of New Mexico, Inc. and Affiliate**  
**Combined Statement of Activities**  
**For the Year Ended December 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenues and other support</b>				
Grants and contracts	\$ 1,527,889	\$ -	\$ -	\$ 1,527,889
Contributions	128,664	71,649	1,500	201,813
In-kind contributions	2,486,812	-	-	2,486,812
Investment loss	(9,418)	-	-	(9,418)
Other income	29,306	-	-	29,306
Net assets released from restriction	156,294	(156,294)	-	-
Total support and revenue	<u>4,319,547</u>	<u>(84,645)</u>	<u>1,500</u>	<u>4,236,402</u>
<b>Expenses</b>				
Program services				
Advocacy campaigns	801,884	-	-	801,884
Public assistance - education and outreach	289,642	-	-	289,642
Direct animal service programs	49,451	-	-	49,451
Wildlife campaigns	117,145	-	-	117,145
Total program services	<u>1,258,122</u>	<u>-</u>	<u>-</u>	<u>1,258,122</u>
Supporting services				
Management and general	374,549	-	-	374,549
Fundraising	68,441	-	-	68,441
Total supporting services	<u>442,990</u>	<u>-</u>	<u>-</u>	<u>442,990</u>
Total expenses	<u>1,701,112</u>	<u>-</u>	<u>-</u>	<u>1,701,112</u>
Change in net assets	2,618,435	(84,645)	1,500	2,535,290
Net assets, beginning of year	807,063	335,361	107,724	1,250,148
<b>Net assets, end of year</b>	<u>\$ 3,425,498</u>	<u>\$ 250,716</u>	<u>\$ 109,224</u>	<u>\$ 3,785,438</u>

The accompanying notes are an integral part of these financial statements.

**Animal Protection of New Mexico, Inc. and Affiliate**  
**Combined Statement of Activities**  
**For the Year Ended December 31, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenues and other support</b>				
Grants and contracts	\$ 1,079,371	\$ 135,598	\$ -	\$ 1,214,969
Contributions	176,790	200	-	176,990
Investment income	47,494	-	-	47,494
Other income	15,964	-	-	15,964
Net assets released from restrictions	<u>154,527</u>	<u>(154,527)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>1,474,146</u>	<u>(18,729)</u>	<u>-</u>	<u>1,455,417</u>
<b>Expenses</b>				
Program services				
Advocacy campaigns	503,846	-	-	503,846
Public assistance - education and outreach	240,130	-	-	240,130
Direct animal service programs	47,036	-	-	47,036
Wildlife campaigns	<u>11,802</u>	<u>-</u>	<u>-</u>	<u>11,802</u>
Total program services	<u>802,814</u>	<u>-</u>	<u>-</u>	<u>802,814</u>
Supporting services				
Management and general	246,943	-	-	246,943
Fundraising	<u>118,544</u>	<u>-</u>	<u>-</u>	<u>118,544</u>
Total supporting services	<u>365,487</u>	<u>-</u>	<u>-</u>	<u>365,487</u>
Total expenses	<u>1,168,301</u>	<u>-</u>	<u>-</u>	<u>1,168,301</u>
Change in net assets	305,845	(18,729)	-	287,116
Net assets, beginning of year	<u>501,218</u>	<u>354,090</u>	<u>107,724</u>	<u>963,032</u>
<b>Net assets, end of year</b>	<u>\$ 807,063</u>	<u>\$ 335,361</u>	<u>\$ 107,724</u>	<u>\$ 1,250,148</u>

The accompanying notes are an integral part of these financial statements.

**Animal Protection of New Mexico, Inc. and Affiliate**  
**Combined Statement of Functional Expenses**  
**For the Year Ended December 31, 2015**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries	\$ 442,322	\$ 190,599	\$ 40,498	\$ 673,419
Contributions to other organizations	192,000	-	-	192,000
Payroll taxes and fringe benefits	81,439	36,292	12,654	130,385
Animal and veterinarian services	100,715	-	-	100,715
Rent	45,762	16,352	971	63,085
Professional fees	29,062	33,472	12	62,546
Office supplies	31,530	27,310	1,964	60,804
Public education and outreach	50,573	1,524	1,393	53,490
Hardware support	27,207	17,861	2,223	47,291
Graphic design	46,900	75	252	47,227
Depreciation	40,253	2,612	590	43,455
Contract services	2,229	35,717	4,215	42,161
Printing	32,762	1,383	687	34,832
Facility and food	34,634	-	-	34,634
Telephone	17,840	6,057	1,617	25,514
Travel	21,672	2,239	695	24,606
Employee education	22,600	505	25	23,130
Website maintenance and development	14,250	-	-	14,250
Insurance	9,185	2,009	-	11,194
Other	9,763	-	456	10,219
Postage	5,424	542	189	6,155
Total expenses	<u>\$ 1,258,122</u>	<u>\$ 374,549</u>	<u>\$ 68,441</u>	<u>\$ 1,701,112</u>

**The accompanying notes are an integral part of these financial statements.**

**Animal Protection of New Mexico, Inc. and Affiliate**  
**Combined Statement of Functional Expenses**  
**For the Year Ended December 31, 2014**

	Program Services	Management and General	Fundraising	Total Expenses
Salaries	\$ 378,656	\$ 130,391	\$ 54,958	\$ 564,005
Contributions to other organizations	117,650	-	750	118,400
Payroll taxes and fringe benefits	68,272	24,319	12,996	105,587
Animal and veterinarian services	48,797	-	-	48,797
Rent	15,024	6,094	974	22,092
Professional fees	12,929	25,094	4,581	42,604
Office supplies	9,000	12,608	3,281	24,889
Public education and outreach	12,194	1,009	-	13,203
Hardware support	9,340	11,548	1,694	22,582
Graphic design	7,574	-	2,142	9,716
Depreciation	4,232	1,877	774	6,883
Contract services	27,321	23,371	3,081	53,773
Printing	16,285	790	3,153	20,228
Telephone	15,863	4,420	1,504	21,787
Travel	20,091	2,119	612	22,822
Employee education	1,552	-	-	1,552
Website maintenance and development	30,685	1,388	1,306	33,379
Insurance	1,044	1,558	-	2,602
Postage	3,017	357	507	3,881
Fundraising Programs	133	-	26,231	26,364
	3,155	-	-	3,155
Total expenses	<u>\$ 802,814</u>	<u>\$ 246,943</u>	<u>\$ 118,544</u>	<u>\$ 1,168,301</u>

**The accompanying notes are an integral part of these financial statements.**

**Animal Protection of New Mexico, Inc. and Affiliate**  
**Combined Statements of Cash Flows**  
**For the Years Ended December 31,**

	2015	2014
<b>Cash flows from operating activities</b>		
Cash received from grants and contracts	\$ 1,545,772	\$1,231,979
Cash received from contributions	276,813	176,990
Cash received from other	29,306	15,964
Cash paid to employees and suppliers	(1,635,168)	(1,160,163)
Interest and dividend income	16,694	16,085
Net cash provided by operating activities	233,417	280,855
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments	388,087	18,163
Purchases of investments	(356,083)	(2,550)
Purchases of capital assets	(28,087)	(15,673)
Net cash provided (used) by investing activities	3,917	(60)
Net increase in cash and cash equivalents	237,334	280,795
Cash and cash equivalents, beginning of year	335,095	54,300
Cash and cash equivalents, end of year	\$ 572,429	\$ 335,095
<b>Reconciliation of change in net assets to net cash provided by operating activities</b>		
Change in net assets	\$ 2,535,290	\$ 287,116
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	43,455	6,883
Contributed property and equipment	(2,411,752)	-
Net realized and unrealized loss (gain) on investments	16,183	(42,408)
Changes in assets and liabilities		
Accounts receivable	17,823	17,010
Prepaid expense	5,941	(1,020)
Accounts payable	8,246	585
Due to others	41,000	
Accrued expense	(22,769)	12,689
Total adjustments	(2,301,873)	(6,261)
Net cash provided by operating activities	\$ 233,417	\$ 280,855

The accompanying notes are an integral part of these financial statements.

**Animal Protection of New Mexico, Inc. and Affiliate**  
**Notes to Combined Financial Statements**  
**December 31, 2015 and 2014**

**1) Nature of Organization**

Animal Protection of New Mexico, Inc. and APNM Foundation (APNMF) have been working to promote the humane treatment of animals since 1979. APNM is a nonprofit, 501 (c)(3) organization supported by donations, volunteers and grants. APNM provides public assistance through consultation, education, and outreach on animal protection issues. It promotes animal advocacy campaigns with an emphasis on improving public policies and practices related to the treatment of animals through legislative and non-legislative means, by promoting and implementing humane strategies and when possible, by establishing partnerships with agencies. APNM provides financial assistance to agencies involved in investigating and prosecuting animal cruelty, to organizations rehabilitating victims of animal cruelty, to victims of domestic violence needing emergency safe housing for their animals, to individuals for companion animal spay/neuter and other veterinary services, and for equine feed and veterinary assistance.

Animal Protection of New Mexico Foundation, Inc. was incorporated as a non-profit organization in 2001. The Foundation is considered an affiliate organization of APNM, as it was organized exclusively for holding and investing assets to provide financial support for APNM.

**2) Summary of Significant Accounting Policies**

Principles of Combination

The combined financial statements include the accounts of APNM and the Foundation, collectively referred to as the "Organization". The Foundation's financial information is combined with APNM's information since APNM has both an economic interest and control of the Foundation through a majority voting interest in its governing board. All material intra-entity transactions have been eliminated.

Basis of Accounting

The combined financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets.

**Animal Protection of New Mexico, Inc. and Affiliate**  
**Notes to Combined Financial Statements**  
**December 31, 2015 and 2014**

2) Summary of Significant Accounting Policies — continued

Revenues and Other Support

In order to support the various programs, the Organization generates revenue and support through a variety of sources. The primary sources of revenue include contributions and grants from foundations.

The Organization reports contributions received as unrestricted, temporarily restricted, or permanently restricted depending on the absence or existence and nature of any donor restrictions. All donor-restricted revenue is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities as net assets released from restriction. If the restriction is satisfied in the same period the contribution is received, the contribution is reported as unrestricted.

Donated Materials and Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Donated materials and services are recorded as in-kind contributions in the accompanying financial statements at the estimated value at date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specified purpose. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. The organization received and recognized approximately \$2,412,000 of contributed building, land and equipment during the year ended December 31, 2015 and approximately \$10,000 of donated goods during the year ended December 31, 2014. The Organization received and recognized approximately \$74,000 of contributed computer support, advertising and other professional services during the year ended December 31, 2015. The Organization received and recognized approximately \$28,000 of contributed computer support, graphic design and other professional services during the year ended December 31, 2014.

A substantial number of volunteers have donated their services to the Organization. No amounts have been recognized in the financial statements for these services as they do not meet the recognition requirements under U.S. generally accepted accounting principles.

**Animal Protection of New Mexico, Inc. and Affiliate**  
**Notes to Combined Financial Statements**  
**December 31, 2015 and 2014**

2) Summary of Significant Accounting Policies — continued

Cash and Cash Equivalents

The Organization considers all highly liquid investments, except for money market funds within managed investment accounts, with initial maturities of three months or less to be cash equivalents.

Investments

Investments in equity securities with readily-determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the combined statements of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

Accounts Receivable

Accounts receivable are for grants and contributions and are reported at their outstanding balances which approximate fair value. The Organization considers all receivables to be fully collectible. Accordingly, no allowance for doubtful accounts is required. Management determines whether an allowance is necessary based on the evaluation of the collectability of the receivables, including the nature of the receivable, historical losses and economic conditions. If amounts become uncollectible, they will be charged to expense when that determination is made. The Organization considers all receivables outstanding for over 90 days to be past due.

Property and Equipment

Purchased property and equipment are stated at cost. Donated property and equipment that are to be used by the Organization are capitalized at their estimated fair value on the date of the gift. Depreciation is computed using the straight-line method over the estimated useful lives of five to forty-five years. All acquisitions of property and equipment in excess of \$500 are capitalized.

Functional Allocation of Expenses

Expenses are charged directly to program and supporting services based on specific identification, when possible. Costs benefitting more than one service are allocated based on measures such as management's estimates of time spent, square footage, etc.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, prepaid expense, payables and accrued expense approximate fair value due to the short maturity periods of these instruments.

**Animal Protection of New Mexico, Inc. and Affiliate**  
**Notes to Combined Financial Statements**  
**December 31, 2015 and 2014**

2) Summary of Significant Accounting Policies — continued

Advertising

The Organization expenses advertising as incurred. Advertising expense was \$46,442, including donated advertising of \$39,337 in 2015 and \$4,044, including donated advertising of \$2,650 in 2014.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported changes in net assets. Actual results could differ from those estimates.

Income Taxes

APNM and the Foundation are nonprofit organizations that qualify as exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and are not considered to be private foundations. Therefore, no provision for income taxes has been included in these combined financial statements.

APNM and the Foundation's income tax filings are subject to audit by various taxing authorities. Their open audit periods are 2012 to 2015. The Organization believes that it has appropriate support for any tax positions taken and, as such, it does not have any uncertain tax positions that are material to the financial statements.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Subsequent Events

Subsequent events were evaluated through April 21, 2016, which is the date the financial statements were available to be issued. Management believes that there are no material subsequent events that have arisen that would require accrual.

**Animal Protection of New Mexico, Inc. and Affiliate**  
**Notes to Combined Financial Statements**  
**December 31, 2015 and 2014**

**3) Accounts Receivable**

Accounts receivable consist of the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Grants receivable	\$ 37,440	\$ 68,000
Contributions receivable	20,582	31,981
Other	4,185	7,847
Due from related organization	<u>38,326</u>	<u>10,528</u>
	<u>\$ 100,533</u>	<u>\$ 118,356</u>

**4) Property and Equipment**

Property and equipment consist of the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Building	\$ 1,503,040	\$ -
Land	696,960	-
Office equipment and software	67,733	58,816
Leasehold improvements	2,000	2,000
Furniture and fixtures	<u>226,684</u>	<u>1,043</u>
Total cost	2,496,417	61,859
Less accumulated depreciation	<u>(78,769)</u>	<u>(40,595)</u>
Net property and equipment	<u>\$ 2,417,648</u>	<u>\$ 21,264</u>

Depreciation expense was \$43,455 and \$6,883 for the years ended 2015 and 2014, respectively.

**5) Investments**

The following summarizes the investment income in the combined statement of activities, and includes income from interest bearing cash accounts, investments, beneficial interest in assets held by others and endowment fund investments for the years ended December 31:

**Animal Protection of New Mexico, Inc. and Affiliate**  
**Notes to Combined Financial Statements**  
**December 31, 2015 and 2014**

5) Investments — continued

	2015	2014
Interest and dividend income	\$ 16,694	\$ 16,085
Net realized and unrealized gain (loss)	(16,183)	42,408
Investment management fees	(9,929)	(10,999)
Total investment (loss) income	\$ (9,418)	\$ 47,494

6) **Endowment Fund Investments and Spending Policy**

APNM has endowment funds that are held by its affiliate, the Foundation, and by the Albuquerque Community Foundation ("ACF") as a part of their pooled investments.

The Foundation follows its governing documents in administering the Foundation's investment assets and spending policy. The Board of Directors has determined that the majority of the Foundation's contributions are subject to the terms of its governing documents. Under these terms, the Board of Directors has the ability to disburse or accumulate the income or principal of the funds as it sees fit in its sole discretion.

The Foundation has adopted investment and spending policies approved by the Board of Directors, endowment assets attempt to provide income sufficient for the Foundation's annual distribution, preservation of capital over a market cycle, and moderate growth. The Foundation's assets cannot be invested in investments that are counter to its purpose. The investment policy establishes an achievable return objective through diversification of assets. Currently, the long-term return objective is 8%, but the Board will direct its investment advisors to achieve a total portfolio, long-term average return of approximately 5%-6%. The investments' liquidity and risk profile should be commensurate with the net asset classification of the assets and the specific objectives of that classification.

The Foundation Board determines the distribution to APNM each calendar year. The Board may direct the distribution from the investments of up to five percent of the market value of the investments as of the end of the prior fiscal year. APNM received distributions of \$43,181 and \$39,706 from the Foundation during the years ending December 31, 2015 and 2014, respectively.

**Animal Protection of New Mexico, Inc. and Affiliate**  
**Notes to Combined Financial Statements**  
**December 31, 2015 and 2014**

6) Endowment Fund Investments and Spending Policy— continued

APNM also has endowment funds that are held by the Albuquerque Community Foundation as a part of its pooled investments. Variance power has been granted to ACF. These assets will be returned to APNM if the ACF ceases to be a charitable organization. These investments are stated at fair value.

Annual distributions can be made pursuant to current ACF policy. Current policy states that distributions will be based on 4.5% of the average twelve quarters' fund balance if requested by APNM. Distributions were \$358 and \$350 for each of the years ended December 31, 2015 and 2014.

Endowment net asset composition by type of fund is as follows:

	<u>2015</u>	<u>2014</u>
Unrestricted funds	\$ 675,251	\$ 727,758
Permanently restricted funds	<u>109,224</u>	<u>727,758</u>
Total funds	<u>\$ 784,475</u>	<u>\$ 1,455,516</u>

Changes in endowment net assets during the years ended are as follows:

	Unrestricted	Permanently Restricted	Total Endowment Net Assets
<u>December 31, 2015</u>			
Endowment net assets, beginning of year	\$ 727,758	\$ 107,724	\$ 835,482
Contributions	450	1,500	1,950
Distributions	(43,539)	-	(43,539)
Net investment income	511	-	511
Investment fees and other expenses	(9,929)	-	(9,929)
Endowment net assets, end of year	<u>\$ 675,251</u>	<u>\$ 109,224</u>	<u>\$ 784,475</u>

	Unrestricted	Permanently Restricted	Total Endowment Net Assets
<u>December 31, 2014</u>			
Endowment net assets, beginning of year	\$ 726,547	\$ 107,724	\$ 834,271
Contributions	400	-	400
Distributions	(40,056)	-	(40,056)
Investment income	47,615	-	47,615
Investment fees and other expenses	(6,748)	-	(6,748)
Endowment net assets, end of year	<u>\$ 727,758</u>	<u>\$ 107,724</u>	<u>\$ 835,482</u>

**Animal Protection of New Mexico, Inc. and Affiliate**  
**Notes to Combined Financial Statements**  
**December 31, 2015 and 2014**

6) Endowment Fund Investments and Spending Policy— continued

APNM is the beneficiary of a designated fund established at the New Mexico Community Foundation. This fund allows the Organization to receive distributions to support APNM's New Mexico Equine Protection program. Since these funds are held, and ultimately controlled, by the New Mexico Community Foundation, the value of this account has not been shown on the combined state of financial position. The value of the accounts was \$203,391 at December 31, 2015 and \$98,223 at December 31, 2014. There were no distributions to the Equine Protection program during the year ended December 31, 2015. Distributions for the Equine Project were \$19,000 for the year ended December 31, 2014.

7) **Fair Value Measurements**

Generally accepted accounting principles establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of assets whose values are derived from observable market data but for which there is not a quoted price for the specific asset; and Level 3 inputs consist of assets that are not traded in an active market and for which no significant observable market inputs are available and have the lowest priority. The Organization uses appropriate valuation techniques based on available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because it generally provides the most reliable evidence of fair value. The Organization has no Level 3 investments at December 31, 2015 and 2014.

Fair value of assets measured on a recurring basis at December 31, 2015 are as follows:

	Fair Value	(Level 1)	(Level 2)
Corporate stocks	\$ 562,542	\$ 562,542	\$ -
US government securities	102,774	102,774	-
Corporate bonds	89,426	89,426	-
Money market funds	20,611	20,611	
Beneficial interest in investments held by others	9,122	-	9,122
	<u>\$ 784,475</u>	<u>\$ 775,353</u>	<u>\$ 9,122</u>

**Animal Protection of New Mexico, Inc. and Affiliate**  
**Notes to Combined Financial Statements**  
**December 31, 2015 and 2014**

7) Fair Value Measurement — continued

Fair value of assets measured on a recurring basis at December 31, 2014 are as follows:

	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>
Corporate stocks	\$ 591,874	\$ 591,874	\$ -
US government securities	81,672	81,672	-
Corporate bonds	116,414	116,414	-
Money market funds	33,339	33,339	
Beneficial interest in investments held by others	9,363	-	9,363
	<u>\$ 832,662</u>	<u>\$ 823,299</u>	<u>\$ 9,363</u>

8) **Related Party Transactions**

There is a cost sharing agreement for shared services for staff, office space and office equipment between APNM and Animal Protection Voters (“APV”). Based on activity, APV’s portion of shared services incurred by APNM was \$167,620 and \$108,342 during the years ended December 31, 2015 and 2014, respectively.

Unrelated to shared services, APNM contributed \$187,000 and \$117,500 to APV during the year ended December 31, 2015 and 2014, respectively, to support APV in its advocacy to enhance legislation for the prevention of cruelty to animals.

9) **Concentration of Credit Risk**

Financial instruments that potentially subject the Organization to concentrations consist principally of cash and cash equivalents, investments and accounts receivable. APNM may occasionally maintain cash balances in excess of the balance insured by the Federal Deposit Insurance Corporation.

The revenue and support, excluding contributed goods and services, from one grantor was approximately 29% and 69% of APNM’s total support and revenue for the years ended December 31, 2015 and 2014, respectively. If APNM does not continue to receive comparable contribution amounts the negative impact on APNM’s operations would be significant.

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**10) Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes at December 31:

	<u>2015</u>	<u>2014</u>
Chimps to sanctuary campaign	\$ 88,659	\$ 94,367
Humane communities	49,650	-
Development director	39,135	39,826
Education	16,567	19,504
Equine direct services	16,112	10,938
Reward fund	12,673	12,398
Subsequent years operations	9,681	14,576
Santa Fe veterinary medical aid program	5,481	6,361
Dissection alternatives	5,268	5,268
Other	3,659	1,767
Equine development director	3,131	12,884
Gayla Burton dog fund	700	-
Strategic plan	-	112,448
Spay and neuter	-	3,325
Disaster preparedness	-	1,544
Cougar	-	155
Total temporarily restricted net assets	<u>\$ 250,716</u>	<u>\$ 335,361</u>

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10) Temporarily Restricted Net Assets — continued

Net assets were released from donor restrictions by incurring expenditures satisfying the following restricted purposes during the years ended December 31:

	<b>2015</b>	<b>2014</b>
Strategic plan	\$ <b>112,448</b>	\$ -
Equine development director	<b>9,752</b>	9,754
Education	<b>8,532</b>	14,560
Equine direct services	<b>8,062</b>	1,930
Chimps to sanctuary program	<b>5,708</b>	-
Subsequent years operations	<b>4,895</b>	8,678
Spay and neuter	<b>3,325</b>	
Disaster preparedness	<b>1,544</b>	-
Santa Fe veterinary medical aid program	<b>880</b>	-
Development director	<b>691</b>	7,226
Other	<b>302</b>	844
Cougar	<b>155</b>	408
Transport project	-	39,946
Animal shelters	-	38,932
Equine Native Nations project	-	30,000
CARE project	-	2,249
Total assets released from restrictions	<b><u>\$ 156,294</u></b>	<b><u>\$ 154,527</u></b>

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**11) Commitments and Contingencies**

The Organization leases office space under an operating lease that expires in October 2016. Future lease payments due for this lease are \$36,000.