

ANIMAL PROTECTION OF NEW MEXICO, INC.

FINANCIAL STATEMENTS

Year Ended December 31, 2010

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of Animal Protection of New Mexico, Inc. (a nonprofit organization) as of December 31, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As explained in Note 2 to the financial statements, the Organization has elected not to consolidate the activities of Animal Protection of New Mexico Foundation, Inc. In our opinion, accounting principles generally accepted in the United States of America require the Organization and Animal Protection of New Mexico Foundation, Inc. to report on a consolidated basis.

In our opinion, except for the effects of not consolidating Animal Protection of New Mexico Foundation, Inc. as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Broderick, Phillippi, Wright & Comunas, LLC

Broderick, Phillippi, Wright & Comunas, LLC

September 28, 2011

Animal Protection of New Mexico, Inc.

Statement of Financial Position

December 31, 2010

	<u>2010</u>
Assets	
Cash and cash equivalents	\$ 49,789
Accounts receivable	120,043
Prepaid expenses	16,145
Property and equipment	12,826
Endowment investments	9,230
Endowment fund investments	<u>1,665</u>
Total assets	<u>\$ 209,698</u>
Liabilities and Net Assets	
Liabilities	
Accounts payable	\$ 15,009
Accrued liabilities	5,832
Due to related organizations	<u>3,957</u>
Total liabilities	24,798
Net Assets	
Unrestricted	37,897
Temporarily restricted net assets	140,778
Permanently restricted net assets	<u>6,225</u>
Total net assets	<u>184,900</u>
Total liabilities and net assets	<u>\$ 209,698</u>

See accompanying notes to financial statements.

Animal Protection of New Mexico, Inc.
Statement of Activities
Year Ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and other support				
Contributions	\$ 533,974	\$ 68,370	\$ -	\$ 602,344
Grants	50,000	140,000	-	190,000
Other income	2,263	-	-	2,263
Investment Income	815	-	-	815
Net assets released from restriction	204,945	(204,945)	-	-
	<u>791,997</u>	<u>3,425</u>	<u>-</u>	<u>795,422</u>
Expenses				
Program services				
Public assistance, education & outreach	105,767	-	-	105,767
Advocacy campaign	413,367	-	-	413,367
Wildlife campaign	34,245	-	-	34,245
Direct animal services	22,222	-	-	22,222
Total program services	<u>575,601</u>	<u>-</u>	<u>-</u>	<u>575,601</u>
Support services	89,767	-	-	89,767
Fund-raising	<u>57,979</u>	<u>-</u>	<u>-</u>	<u>57,979</u>
	<u>723,347</u>	<u>-</u>	<u>-</u>	<u>723,347</u>
Changes in net assets	68,650	3,425	-	72,075
Net assets, beginning of year	<u>(30,753)</u>	<u>137,353</u>	<u>6,225</u>	<u>112,825</u>
Net assets, end of year	<u>\$ 37,897</u>	<u>\$ 140,778</u>	<u>\$ 6,225</u>	<u>\$ 184,900</u>

See accompanying notes to financial statements.

Animal Protection of New Mexico, Inc.

Statement of Functional Expenses

Year Ended December 31, 2010

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 241,150	\$ 38,706	\$ 28,896	\$ 308,752
Contributions to other organizations	125,000	-	-	125,000
Payroll taxes and fringe benefits	35,124	7,701	4,263	47,088
Professional fees	17,795	11,406	1,024	30,225
Website maintenance and development	19,681	455	5,297	25,433
Contract services	1,155	19,146	4,031	24,332
Public education and outreach	22,932	-	-	22,932
Animal and veteranerian services	21,799	-	-	21,799
Rent	14,031	2,974	1,008	18,013
Printing	15,960	181	1,781	17,922
Telephone	13,900	1,631	1,326	16,857
Graphic design	12,458	187	1,679	14,324
Travel and entertainment	7,546	1,306	992	9,844
Office supplies	6,584	819	707	8,110
Hardware support	6,017	991	689	7,697
Training	7,425	-	-	7,425
Fundraising	-	-	4,986	4,986
Depreciation	2,995	893	345	4,233
Miscellaneous	1,358	1,990	371	3,719
Postage	2,362	504	584	3,450
Insurance	329	877	-	1,206
	<u>\$ 575,601</u>	<u>\$ 89,767</u>	<u>\$ 57,979</u>	<u>\$ 723,347</u>

See accompanying notes to financial statements.

Animal Protection of New Mexico, Inc.
Statement of Cash Flows
Year Ended December 31, 2010

	2010
Cash flows from operating activities	
Change in net assets	\$ 72,075
Adjustments to reconcile change in net assets to net cash used by operating activities	
Depreciation	4,233
Net realized loss on marketable securities donations	108
Net realized and unrealized gain on endowment investments	(302)
Donation of marketable securities	(9,995)
Changes in operating assets and liabilities:	
Accounts receivable	(66,703)
Prepaid expenses	(9,175)
Accounts payable	3,568
Accrued liabilities	1,179
Due to related organization	3,957
Liability for assets held for others	(12,346)
Cash used by operating activities	(13,401)
Cash flows from investing activities	
Proceeds on sale of investments	9,887
Purchases of property and equipment	(7,939)
Cash provided by investing activities	1,948
Change in cash and cash equivalents	(11,453)
Cash and cash equivalents, beginning of year	61,242
Cash and cash equivalents, end of year	\$ 49,789
Supplemental disclosure	
Noncash investing transactions	
Donation of marketable securities	\$ 9,995

See accompanying notes to financial statements.

Animal Protection of New Mexico, Inc.

Notes to Financial Statements

December 31, 2010

Note 1 – Nature of Organization

Animal Protection of New Mexico, Inc. (“APNM”) has 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, communication and outreach on animal protection issues. It promotes animal advocacy campaigns with an effort to improve public policies and practices related to the treatment of animals through legislative and nonlegislative means, and by implementing humane strategies and establishing partnerships with agencies. APNM provides financial assistance to agencies involved in investigating and prosecuting animal cruelty, to organizations rehabilitating victims of animal cruelty, and to individuals for spay/neuter and veterinary assistance.

Note 2 - Summary of Significant Accounting Policies

Date of Management Review

The Organization has evaluated subsequent events through September 28, 2011, which is the date the financial statements were available to be issued.

Financial Statement Presentation

The financial statements are presented on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities. Management of the Organization has elected to prepare these financial statements to comply with the requirements for filing with the Attorney General of the State of New Mexico and, as such, is omitting the consolidation with Animal Protection of New Mexico, Inc. Foundation (“APNMF”). These two entities should be reported on a consolidated basis. Management has elected not to comply with the requirement to consolidate related entities in accordance with generally accepted accounting principles.

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

Revenues and Other Support

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

Animal Protection of New Mexico, Inc.

Notes to Financial Statements

December 31, 2010

Note 2 - Summary of Significant Accounting Policies - continued

APNM 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 statement of activities as net assets released from restriction.

Donated materials and other non-cash donations are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated assets to a specific purpose. The total of donated materials and noncash donations were \$34,940 in 2010.

APNM receives donated services from two individuals for computer support, graphic design and accounting services. The value of these in-kind donations is \$19,698 in 2010. Donated services benefit all programs and support services.

Many other individuals have donated time and services to APNM. The value of these services has not been recorded in the financial statements because they do not meet the definition for recognition under generally accepted accounting principles.

Cash and Cash Equivalents

APNM considers all highly liquid investments, except for those held for investment with initial maturities of three months or less, to be cash equivalents.

Accounts Receivable

Accounts receivable are for grants, contributions, and are reported at their outstanding balances which approximate fair value. APNM considers all receivables to be fully collectible. Accordingly, no allowance for doubtful accounts is required. The allowance is based on management's evaluation of the collectibility 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. APNM considers all receivables outstanding for over 90 days to be past due.

Property and Equipment

Property and equipment are stated at cost. Donated assets that are to be used by APNM are capitalized at their fair market value on the date of the gift. Depreciation is computed using the straight-line method over the estimated useful lives of five to ten years. All acquisitions of property and equipment in excess of \$500 are capitalized. For the year ended December 31, 2010, depreciation expense was \$4,233.

Animal Protection of New Mexico, Inc.

Notes to Financial Statements

December 31, 2010

Note 2 - Summary of Significant Accounting Policies - continued

Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized by function based on evaluation of the related benefit by management. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures. Accordingly, actual results could differ from these estimates.

Income Taxes

APNM is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not considered to be a private foundation. APNM's income tax filings are subject to audit by various taxing authorities. APNM's open audit periods are 2007 to 2010. APNM believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements.

Advertising

APNM expenses advertising as incurred. For 2010, advertising expense was \$17,782, including donated advertising of \$15,720.

Note 3 – Accounts Receivable

Accounts receivable at December 31, 2010 consist of the following:

	<u>2010</u>
Contributions receivable	\$ 60,000
Grant receivable	60,000
Other	43
	<u>\$ 120,043</u>

There were no accounts receivable over 90 days past due at December 31, 2010. Accounts receivable are all due in less than one year.

Animal Protection of New Mexico, Inc.

Notes to Financial Statements

December 31, 2010

Note 4 – Related Party Transactions

There is a cost sharing agreement for shared services for staff, office space and office equipment between APNM and APV. Based on activity, APV's portion of shared services incurred by APNM was \$53,523 during the year ended December 31, 2010. APNM owed APV \$3,957 at December 31, 2010.

Unrelated to shared services, APNM contributed \$125,000 to APV during the year ended December 31, 2010, to support APV in its advocacy to enhance legislation for the prevention of cruelty to animals.

APNMF was established for the purpose of supporting APNM. Specifically, APNMF was created for the purpose of holding and investing assets to provide financial support for APNM. The net asset value of APNMF was \$784,402 at December 31, 2010. The APNMF 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 \$34,693 from the Foundation during the year ending December 31, 2010.

Note 5 – Endowment Fund Investments and Spending Policy

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

Annual distributions can be made pursuant to current Albuquerque Community Foundation 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 \$525 in 2010.

Endowment net asset composition by type of fund is as follows for year ended December 31, 2010:

<u>December 31, 2010</u>	<u>Unrestricted</u>	<u>Permanently Restricted</u>
Donor-restricted endowment funds	\$ -	\$ 6,225
Unrestricted funds	3,005	-
Total funds	<u>\$ 3,005</u>	<u>\$ 6,225</u>

Animal Protection of New Mexico, Inc.

Notes to Financial Statements

December 31, 2010

Note 5 – Endowment Fund Investments and Spending Policy - continued

Changes in endowment net assets are as follows for 2010:

<u>December 31, 2010</u>	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	\$ 2,703	\$ 6,225	\$ 8,928
Distributions	(525)	-	(525)
Investment income	923	-	923
Investment fees	(96)	-	(96)
Endowment net assets, end of year	<u>\$ 3,005</u>	<u>\$ 6,225</u>	<u>\$ 9,230</u>

The New Mexico Community Foundation has a designated endowment account that allows the Organization to receive distributions to support APNM's New Mexico's Equine protection program. Since these funds are held, and ultimately controlled, by the New Mexico Community Foundation, the value of this endowment has not been shown on the statement of financial position. The value of the endowment account was \$19,497 at December 31, 2010. The distribution for the Equine project was \$9,961 for the year ended December 31, 2010.

Note 6 – Fair Value Measurements

FASB ASC 820-10, Fair Value Measurements, establishes 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 observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. APNM uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. All of APNM's endowment investments are considered Level 1 at December 31, 2010.

Note 7 – Property and Equipment

Property and equipment consist of the following:

	<u>2010</u>
Office equipment	\$ 36,021
Less accumulated depreciation	(23,195)
	<u>\$ 12,826</u>

Animal Protection of New Mexico, Inc.

Notes to Financial Statements

December 31, 2010

Note 8 – Assets Held for Others

In the year ended December 31, 2009, APNM established an Agency account for Espanola Pit Bull Spay/Neuter organization. Monies received from this organization are recorded as assets with a corresponding liability on APNM financial statements.

Activity for the years ended December 31, 2010 is as follows:

	<u>2010</u>
Balance beginning of year	\$ 12,347
Distributions	12,347
Balance end of year	<u>\$ -</u>

Note 9 – Commitments and Contingencies

The Organization leases office space under a non-cancelable operating lease. Lease expense on office space was \$17,325 in 2010. The future minimum lease payment is \$15,900 for 2011.

Note 10 – Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at year-end:

	<u>2010</u>
Chimps to Sanctuary campaign	\$ 95,562
Ads Outreach project	14,548
Reward fund	9,173
Dissection alternatives	5,268
Fire/disaster fund	5,231
Santa Fe Veterinary Medical Aid Program	5,229
Other	5,767
Total temporary restricted funds	<u>\$ 140,778</u>

Net assets were released from donor restrictions by incurring expenditures satisfying the following restricted purposes for year-end:

	<u>2010</u>
Chimps to Sanctuary campaign	\$ 62,562
Captive Wildlife	33,358
Equine	36,420
Ads outreach project	21,278
Safe Passages	21,006
Santa Fe Veterinary Medical Aid Program	20,658
Animal Protection Campaigning	3,000
Other	6,663
Total released from restrictions	<u>\$ 204,945</u>

Animal Protection of New Mexico, Inc.

Notes to Financial Statements

December 31, 2010

Note 11 – Permanently Restricted Net Assets

Permanently restricted net assets consist of endowment investments held at Albuquerque Community Foundation, the income of which can be used to support APNM. The net assets are \$6,225 at December 31, 2010.

Note 12 – Concentration of Credit Risk

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

Approximately seventy-one percent (71%) of the Organization's revenue is generated by contributions from four donors. A decrease in funding from these donors might affect the Organization's operation.