

ANIMAL PROTECTION OF NEW MEXICO, INC. AND AFFILIATE

COMBINED AUDITED FINANCIAL STATEMENTS

Year Ended December 31, 2013

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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. (a nonprofit organization) and Affiliate, which comprise the combined statement of financial position as of December 31, 2013, 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, 2013, and the changes in their net assets, functional expenses and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Broderick, Phillippi, Wright & Card, LLC

Broderick, Phillippi, Wright & Card, LLC

Albuquerque, New Mexico

November 18, 2014

Animal Protection of New Mexico, Inc. and Affiliate
 Combined Statement of Financial Position
 December 31, 2013

ASSETS

Cash and cash equivalents	\$ 54,300
Investments	2,550
Accounts receivable	135,366
Prepaid expenses	19,964
Property and equipment	12,474
Endowment investments	803,317
Other long-term assets	1,665
	1,665

TOTAL ASSETS \$ 1,029,636

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 39,633
Accrued liabilities	26,971
	26,971

TOTAL LIABILITIES 66,604

NET ASSETS

Unrestricted	501,218
Temporarily restricted	354,090
Permanently restricted	107,724
	107,724

TOTAL NET ASSETS 963,032

TOTAL LIABILITIES AND NET ASSETS \$ 1,029,636

See accompanying notes to financial statements.

Animal Protection of New Mexico, Inc. and Affiliate
Combined Statement of Activities
Year Ended December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and other support				
Contributions	\$ 158,276	\$ 61,807	\$ 100	\$ 220,183
Grants	549,733	72,312	-	622,045
Other income	6,897	-	-	6,897
Investment income	145,173	-	-	145,173
Net assets released from restrictions	38,358	(38,358)	-	-
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Total revenues and other support	898,437	95,761	100	994,298
Expenses				
Program services				
Public assistance, education and outreach	199,545	-	-	199,545
Advocacy campaigns	519,397	-	-	519,397
Wildlife campaigns	21,892	-	-	21,892
Direct animal service programs	40,637	-	-	40,637
Total program services	781,471	-	-	781,471
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Support services	130,969	-	-	130,969
Fund-raising	53,531	-	-	53,531
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	965,971	-	-	965,971
	<hr/>	<hr/>	<hr/>	<hr/>
Change in net assets	(67,534)	95,761	100	28,327
Net assets, beginning of year	568,752	258,329	107,624	934,705
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Net assets, end of year	\$ 501,218	\$ 354,090	\$ 107,724	\$ 963,032
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See accompanying notes to financial statements.

Animal Protection of New Mexico, Inc. and Affiliate
Combined Statement of Functional Expenses
Year Ended December 31, 2013

	Program Services	Support Services	Fund-raising	Total
Salaries	\$ 327,844	\$ 51,740	\$ 30,033	\$ 409,617
Contributions to other organizations	111,100	-	-	111,100
Payroll taxes and fringe benefits	68,396	13,017	6,233	87,646
Professional fees	33,564	24,500	2,175	60,239
Website maintenance and development	48,605	150	2,898	51,653
Animal and veterinarian services	45,489	-	-	45,489
Contract services	6,278	27,695	896	34,869
Printing	21,868	1,569	2,563	26,000
Public education and outreach	24,910	-	-	24,910
Office supplies	17,323	4,154	695	22,172
Travel	17,787	1,181	781	19,749
Rent	14,612	2,746	1,014	18,372
Telephone	15,266	1,847	877	17,990
Graphic design	13,019	164	867	14,050
Postage	4,117	444	320	4,881
Hardware support	3,842	590	320	4,752
Depreciation	3,448	529	287	4,264
Fund-raising	354	-	3,074	3,428
Video and photography	1,132	-	400	1,532
Programs	1,387	-	-	1,387
Insurance	544	544	-	1,088
Employee education	586	99	98	783
	<u>\$ 781,471</u>	<u>\$ 130,969</u>	<u>\$ 53,531</u>	<u>\$ 965,971</u>

See accompanying notes to financial statements.

Animal Protection of New Mexico, Inc. and Affiliate
 Combined Statement of Cash Flows
 Year ended December 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 28,327
Adjustments to reconcile change in net assets to net cash used by operating activities	
Depreciation	4,813
Net gain on endowment investments	(139,541)
Donated assets	(2,550)
Changes in operating assets and liabilities:	
Accounts receivable	(94,901)
Prepaid expenses	(6,294)
Accounts payable	11,995
Accrued liabilities	7,204
Permanently restricted contributions	<u>(100)</u>
Cash used by operating activities	<u>(191,047)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of investments	62,419
Purchases of property and equipment	<u>(4,360)</u>
Cash provided by investing activities	<u>58,059</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Permanently restricted contributions received	<u>100</u>
Cash provided by financing activities	<u>100</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(132,888)
Cash and cash equivalents, beginning of year	<u>187,188</u>
Cash and cash equivalents, end of year	<u><u>\$ 54,300</u></u>

See accompanying notes to financial statements.

Animal Protection of New Mexico, Inc. and Affiliate
Notes to Combined Financial Statements
December 31, 2013

NOTE A – 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 non-legislative 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, 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. (the “Foundation”) 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.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Combination

The combined financial statements include the accounts of APNM and the Foundation (“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.

Financial Statement Presentation

The financial statements are presented on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

The Organization 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, 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 statement of activities as net assets released from restrictions. If the restriction is satisfied in the same period the contribution is received, the contribution is reported as unrestricted.

Animal Protection of New Mexico, Inc. and Affiliate
Notes to Combined Financial Statements
December 31, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 is \$34,066 in 2013.

APNM receives donated services from individuals for computer support, graphic design and other professional services. The value of these in-kind donations is \$57,161 in 2013. 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

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

Investments

Investments in marketable securities, equity securities, and debt securities are reported at their fair value in the statement of financial position. Investment gains and losses are included in the statement of activities.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Accounts Receivable

Accounts receivable are for grants and 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 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. APNM considers all receivables outstanding for over 90 days to be past due.

Property and Equipment

Purchased 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.

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.

Animal Protection of New Mexico, Inc. and Affiliate
Notes to Combined Financial Statements
December 31, 2013

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from these estimates.

Income Taxes

APNM and the Foundation are nonprofit organizations that are 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 2010 to 2013. 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.

Advertising

APNM expenses advertising as incurred. For 2013, advertising expense was \$17,529, including donated advertising of \$17,281.

Financial Instruments

The carrying amounts of cash, receivables, payables and accrued liabilities approximate fair value due to the short maturity periods of these instruments.

NOTE C – ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2013 consist of the following:

Grants receivable	\$ 70,000
Contributions receivable	58,363
Other	7,003
	<u>\$ 135,366</u>

There were no accounts receivable over 90 days past due at December 31, 2013.

Contributions receivable include \$15,825 of pledges receivable that are due in two to three years. The pledges include a present value discount of \$1,473. The discount on pledges was calculated using the prime rate of the Federal Reserve Board at the time of the pledges, which was 3-3.5%. The discount will be amortized over the collection period of the pledges. APNM considers all pledges collectible and consequently have not recorded an allowance for uncollectible pledges.

Animal Protection of New Mexico, Inc. and Affiliate
Notes to Combined Financial Statements
December 31, 2013

NOTE D – INVESTMENTS

Investments and endowment investments are stated at fair value and at December 31, 2013 consist of:

	Cost	Fair Market Value	Unrealized Gain
Corporate stocks	\$ 395,137	\$ 564,157	\$ 169,020
U.S. government securities	72,928	73,103	175
Corporate bonds	125,217	129,260	4,043
Money market funds	30,142	30,142	-
Investments held by others	8,993	9,205	212
	<u>\$ 632,417</u>	<u>\$ 805,867</u>	<u>\$ 173,450</u>

The following summarizes the investment income in the 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 year ended December 31, 2013:

Interest and dividends	\$ 15,396
Realized gains	49,036
Unrealized gains	90,505
Investment expense	(9,764)
Total investment income	<u>\$ 145,173</u>

NOTE E – 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 principle 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, for endowment assets that attempt to provide income sufficient for the Foundation’s annual distribution, preservation of capital over a market cycle, and moderate growth. The Foundations’ 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.

Animal Protection of New Mexico, Inc. and Affiliate
Notes to Combined Financial Statements
December 31, 2013

NOTE E – ENDOWMENT FUND INVESTMENTS AND SPENDING POLICY (continued)

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 \$90,800 from the Foundation during the year ending December 31, 2013.

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 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 \$365 in 2013.

Endowment net asset composition at December 31, 2013 by type of fund is as follows:

Permanently restricted funds	\$ 107,724
Unrestricted funds	696,557
Total funds	<u>\$ 804,281</u>

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

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
Endowment net assets, beginning of year	\$ 675,122	\$ 107,624	\$ 782,746
Contributions	-	100	100
Distributions	(121,156)	-	(121,156)
Investment income	145,137	-	145,137
Investment fees	(2,546)	-	(2,546)
Endowment net assets, end of year	<u>\$ 696,557</u>	<u>\$ 107,724</u>	<u>\$ 804,281</u>

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 statement of financial position. The value of the account was \$3,555 at December 31, 2013. The distribution for the Equine project was \$15,000 for the year ended December 31, 2013.

Animal Protection of New Mexico, Inc. and Affiliate
Notes to Combined Financial Statements
December 31, 2013

NOTE F – 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, 2013.

The Organization’s investments and endowment investments are reported at fair value in the accompanying statement of financial position.

	Fair Value	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)
Corporate stocks	\$ 564,157	\$ 564,157	\$ -
US government securities	73,103	73,103	-
Corporate bonds	129,260	129,260	-
Money market funds	30,142	30,142	-
Beneficial interest in investments held by others	9,205	-	9,205
	<u>\$ 805,867</u>	<u>\$ 796,662</u>	<u>\$ 9,205</u>

NOTE G – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2013 consist of the following:

Office equipment	\$ 49,911
Less: accumulated depreciation	<u>(37,437)</u>
	<u>\$ 12,474</u>

Depreciation expense was \$4,813 for the year ended December 31, 2013.

Animal Protection of New Mexico, Inc. and Affiliate
Notes to Combined Financial Statements
December 31, 2013

NOTE H – TEMPORARILY RESTRICTED NET ASSETS

Net assets were released from donor restrictions by incurring expenditures satisfying the following restricted purposes during the year ended December 31, 2013:

Transport project	\$ 13,334
Equine development officer	7,362
CARE project	4,406
Fund-raising	2,338
Santa Fe veterinary medical aid program	1,811
Cougar	1,792
Equine direct services	1,639
Fire / disaster fund	1,025
Animal shelters	863
Other	3,788
Total assets released from restrictions	\$ 38,358

Temporarily restricted net assets classified by purpose at December 31, 2013 consist of the following:

Chimps to sanctuary campaign	\$ 90,260
Development director	47,052
Transport project	39,946
Animal shelters	38,932
Equine Native Nations project	30,000
Education	29,768
Contributions receivable	23,255
Equine development officer	22,638
Reward fund	12,198
Equine direct services	6,930
Dissection alternatives	5,268
Santa Fe veterinary medical aid program	2,421
CARE project	2,249
Other	3,173
Total temporarily restricted net assets	\$ 354,090

APNM has an inadequate asset balance to cover the temporarily restricted net asset balance at December 31, 2013. Some of APNM's temporarily restricted net assets were time restricted and subsequent to year end these restrictions expired. The Foundation's unrestricted net asset adequately eliminates this deficit.

Animal Protection of New Mexico, Inc. and Affiliate

Notes to Combined Financial Statements

December 31, 2013

NOTE I – 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 \$98,282 during the year ended December 31, 2013.

Unrelated to shared services, APNM contributed \$110,500 to APV during the year ended December 31, 2013, to support APV in its advocacy to enhance legislation for the prevention of cruelty to animals.

NOTE J – COMMITMENTS AND CONTINGENCIES

The Organization leases office space under a month-to-month operating lease. Lease expense on office space was \$18,372 in 2013.

NOTE K – 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.

Approximately fifty-three percent (53%) of APNM’s revenue was generated by contributions from three grants in 2013. A decrease in funding from these sources might affect APNM’s operation.

NOTE L – SUBSEQUENT EVENT

Subsequent events are events or transactions that occur after the combined statement of financial position date but before financial statements are issued. The Organization recognizes in the combined financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of position, including the estimates inherent in the process of preparing the combined financial statements. The Organization’s financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of position but arose after the statement of position sheet date and before financial statements are available to be issued.

Subsequent to year end, the Organization received a significant commitment for conditional, multi-year grants to support the development and sustainability of APNM’s organizational infrastructure and includes an operating reserve. This grant is based on a strategic plan agreed upon between the donor and the Board of Directors. The funding of the grant is contingent upon the fulfillment of agreed upon criteria within a certain time frame.

The Organization has evaluated subsequent events through November 18, 2014, which is the date the financials were available to be issued.