Animal Protection of New Mexico, Inc. and Affiliate

Combined Financial Statements
and
Independent Auditors’ Report

December 31, 2016 and 2015
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 statements of financial position as of December 31, 2016 and 2015, and the related combined statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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, 2016 and 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.

Emphasis of Matter - Restatement

The previously issued combined financial statements for the year ended December 31, 2015 have been restated for the correction of a material misstatement as explained further in footnote 12 of the financial statements.

Loftis Group wc

Albuquerque, New Mexico
May 17, 2017
Combined Financial Statements
Animal Protection of New Mexico, Inc. and Affiliate  
Combined Statements of Financial Position  
December 31, 

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>Restated 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$583,941</td>
<td>$572,429</td>
</tr>
<tr>
<td>Accounts and contributions receivable</td>
<td>221,635</td>
<td>150,533</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>$11,298</td>
<td>15,043</td>
</tr>
<tr>
<td>Total current assets</td>
<td>$816,874</td>
<td>738,005</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>2,363,537</td>
<td>2,417,648</td>
</tr>
<tr>
<td>Endowment investments</td>
<td>841,828</td>
<td>784,475</td>
</tr>
<tr>
<td>Other long-term assets</td>
<td>1,665</td>
<td>1,665</td>
</tr>
<tr>
<td>Total assets</td>
<td>$4,023,904</td>
<td>$3,941,793</td>
</tr>
<tr>
<td><strong>Liabilities and Net Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$29,253</td>
<td>$48,464</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>25,162</td>
<td>16,891</td>
</tr>
<tr>
<td>Due to others</td>
<td>93,000</td>
<td>41,000</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>147,415</td>
<td>106,355</td>
</tr>
<tr>
<td>Net assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>3,555,609</td>
<td>3,425,498</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>211,656</td>
<td>300,716</td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>109,224</td>
<td>109,224</td>
</tr>
<tr>
<td>Total net assets</td>
<td>3,876,489</td>
<td>3,835,438</td>
</tr>
<tr>
<td>Total liabilities and net assets</td>
<td>$4,023,904</td>
<td>$3,941,793</td>
</tr>
</tbody>
</table>

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, 2016

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues and other support</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants and contracts</td>
<td>$1,649,443</td>
<td>$</td>
<td>$</td>
<td>$1,649,443</td>
</tr>
<tr>
<td>Contributions</td>
<td>187,014</td>
<td>22,424</td>
<td>49,574</td>
<td>209,438</td>
</tr>
<tr>
<td>In-kind contributions</td>
<td>49,574</td>
<td></td>
<td></td>
<td>49,574</td>
</tr>
<tr>
<td>Investment Income</td>
<td>66,509</td>
<td></td>
<td></td>
<td>66,509</td>
</tr>
<tr>
<td>Other income</td>
<td>16,242</td>
<td></td>
<td></td>
<td>16,242</td>
</tr>
<tr>
<td>Net assets released from restriction</td>
<td>111,484</td>
<td>(111,484)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total support and revenue</strong></td>
<td>2,080,266</td>
<td>(89,060)</td>
<td></td>
<td>1,991,206</td>
</tr>
</tbody>
</table>

**Expenses**

**Program services**
- Advocacy campaigns: 884,422
- Public assistance - education and outreach: 315,317
- Direct animal service programs: 53,033
- Wildlife campaigns: 88,794

**Supporting services**
- Management and general: 484,428
- Fundraising: 124,161

**Total expenses**
- 1,950,155

**Change in net assets**
- 130,111

**Net assets, beginning of year**
- 3,425,498

**Net assets, end of year**
- $3,555,609

The accompanying notes are an integral part of these financial statements.
Animal Protection of New Mexico, Inc. and Affiliate  
Combined Statement of Activities - Restated  
For the Year Ended December 31, 2015

<table>
<thead>
<tr>
<th>Revenues and other support</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants and contracts</td>
<td>$1,527,889</td>
<td>$ -</td>
<td>$ -</td>
<td>$1,527,889</td>
</tr>
<tr>
<td>Contributions</td>
<td>$128,664</td>
<td>$121,649</td>
<td>$1,500</td>
<td>$251,813</td>
</tr>
<tr>
<td>In-kind contributions</td>
<td>$2,486,812</td>
<td>$ -</td>
<td>$ -</td>
<td>$2,486,812</td>
</tr>
<tr>
<td>Investment loss</td>
<td>$(9,418)</td>
<td>$ -</td>
<td>$ -</td>
<td>$(9,418)</td>
</tr>
<tr>
<td>Other income</td>
<td>$29,306</td>
<td>$ -</td>
<td>$ -</td>
<td>$29,306</td>
</tr>
<tr>
<td>Net assets released from restriction</td>
<td>$156,294</td>
<td>$(156,294)</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Total support and revenue</td>
<td>$4,319,547</td>
<td>$(34,645)</td>
<td>$1,500</td>
<td>$4,286,402</td>
</tr>
</tbody>
</table>

| Expenses                                        |              |                       |                       |             |
| 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                          | $1,258,122   | $ -                   | $ -                   | $1,258,122  |

| Supporting services                             |              |                       |                       |             |
| Management and general                         | $374,549     | $ -                   | $ -                   | $374,549    |
| Fundraising                                     | $68,441      | $ -                   | $ -                   | $68,441     |
| Total supporting services                       | $442,990     | $ -                   | $ -                   | $442,990    |
| Total expenses                                  | $1,701,112   | $ -                   | $ -                   | $1,701,112  |

| Change in net assets                            | $2,618,435   | $(34,645)             | $1,500                 | $2,585,290  |
| Net assets, beginning of year                   | $807,063     | $335,361              | $107,724               | $1,250,148  |
| Net assets, end of year                         | $3,425,498   | $300,716              | $109,224               | $3,835,438  |
Animal Protection of New Mexico, Inc. and Affiliate  
Combined Statement of Functional Expenses  
For the Year Ended December 31, 2016

<table>
<thead>
<tr>
<th></th>
<th>Program Services</th>
<th>Management and General</th>
<th>Fundraising</th>
<th>Total Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$ 550,443</td>
<td>$ 286,416</td>
<td>$ 78,988</td>
<td>$ 915,847</td>
</tr>
<tr>
<td>Contributions to other organizations</td>
<td>250,418</td>
<td>200</td>
<td>-</td>
<td>250,618</td>
</tr>
<tr>
<td>Payroll taxes and fringe benefits</td>
<td>104,896</td>
<td>59,112</td>
<td>15,587</td>
<td>179,595</td>
</tr>
<tr>
<td>Animal and veterinarian services</td>
<td>103,686</td>
<td>-</td>
<td>-</td>
<td>103,686</td>
</tr>
<tr>
<td>Professional fees</td>
<td>62,181</td>
<td>33,628</td>
<td>-</td>
<td>95,809</td>
</tr>
<tr>
<td>Office supplies</td>
<td>27,796</td>
<td>47,337</td>
<td>8,876</td>
<td>84,009</td>
</tr>
<tr>
<td>Depreciation</td>
<td>70,212</td>
<td>5,114</td>
<td>389</td>
<td>75,715</td>
</tr>
<tr>
<td>Rent and utilities</td>
<td>29,402</td>
<td>13,413</td>
<td>3,325</td>
<td>46,140</td>
</tr>
<tr>
<td>Contract services</td>
<td>29,576</td>
<td>5,424</td>
<td>1,411</td>
<td>36,411</td>
</tr>
<tr>
<td>Hardware support</td>
<td>15,809</td>
<td>15,380</td>
<td>2,696</td>
<td>33,885</td>
</tr>
<tr>
<td>Printing</td>
<td>27,779</td>
<td>1,245</td>
<td>3,527</td>
<td>32,551</td>
</tr>
<tr>
<td>Telephone</td>
<td>17,747</td>
<td>8,141</td>
<td>2,079</td>
<td>27,967</td>
</tr>
<tr>
<td>Travel</td>
<td>19,204</td>
<td>2,976</td>
<td>1,901</td>
<td>24,081</td>
</tr>
<tr>
<td>Insurance</td>
<td>15,815</td>
<td>3,499</td>
<td>-</td>
<td>19,314</td>
</tr>
<tr>
<td>Public education and outreach</td>
<td>4,480</td>
<td>407</td>
<td>4,260</td>
<td>9,147</td>
</tr>
<tr>
<td>Postage</td>
<td>4,000</td>
<td>1,100</td>
<td>1,036</td>
<td>6,136</td>
</tr>
<tr>
<td>Facility and food</td>
<td>3,914</td>
<td>-</td>
<td>-</td>
<td>3,914</td>
</tr>
<tr>
<td>Employee education</td>
<td>1,790</td>
<td>999</td>
<td>75</td>
<td>2,864</td>
</tr>
<tr>
<td>Other</td>
<td>1,570</td>
<td>-</td>
<td>-</td>
<td>1,570</td>
</tr>
<tr>
<td>Graphic design</td>
<td>749</td>
<td>-</td>
<td>9</td>
<td>758</td>
</tr>
<tr>
<td>Website maintenance and development</td>
<td>99</td>
<td>37</td>
<td>2</td>
<td>138</td>
</tr>
<tr>
<td>Total expenses</td>
<td>$ 1,341,566</td>
<td>$ 484,428</td>
<td>$ 124,161</td>
<td>$ 1,950,155</td>
</tr>
</tbody>
</table>

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

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

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,*

<table>
<thead>
<tr>
<th>Cash flows from operating activities</th>
<th>2016</th>
<th>Restated 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash received from grants and contracts</td>
<td>$1,623,097</td>
<td>$1,545,772</td>
</tr>
<tr>
<td>Cash received from contributions</td>
<td>164,682</td>
<td>276,813</td>
</tr>
<tr>
<td>Cash received from other</td>
<td>16,242</td>
<td>29,306</td>
</tr>
<tr>
<td>Cash paid to employees and suppliers</td>
<td>(1,790,775)</td>
<td>(1,635,168)</td>
</tr>
<tr>
<td>Interest and dividend income</td>
<td>16,680</td>
<td>16,694</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td><strong>29,926</strong></td>
<td><strong>233,417</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash flows from investing activities</th>
<th>2016</th>
<th>Restated 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from sales of investments</td>
<td>356,202</td>
<td>388,087</td>
</tr>
<tr>
<td>Purchases of investments</td>
<td>(353,012)</td>
<td>(356,083)</td>
</tr>
<tr>
<td>Purchases of equipment</td>
<td>(21,604)</td>
<td>(28,087)</td>
</tr>
<tr>
<td><strong>Net cash (used) provided by investing activities</strong></td>
<td><strong>(18,414)</strong></td>
<td><strong>3,917</strong></td>
</tr>
</tbody>
</table>

| Net increase in cash and cash equivalents | 11,512       | 237,334       |
| Cash and cash equivalents, beginning of year | 572,429      | 335,095       |
| **Cash and cash equivalents, end of year** | **$583,941** | **$572,429** |

#### Reconciliation of change in net assets to net cash provided by operating activities

<table>
<thead>
<tr>
<th>Adjustments to reconcile change in net assets to net cash provided by operating activities</th>
<th>2016</th>
<th>Restated 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net assets</td>
<td>$41,051</td>
<td>$2,585,290</td>
</tr>
<tr>
<td>Depreciation</td>
<td>75,715</td>
<td>43,455</td>
</tr>
<tr>
<td>Contributed property and equipment</td>
<td>-</td>
<td>(2,411,752)</td>
</tr>
<tr>
<td>Net realized and unrealized loss (gain) on investments</td>
<td>(60,543)</td>
<td>16,183</td>
</tr>
<tr>
<td>Changes in assets and liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts and contributions receivable</td>
<td>(71,102)</td>
<td>(32,177)</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>3,745</td>
<td>5,941</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>(19,211)</td>
<td>8,246</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>8,271</td>
<td>(22,769)</td>
</tr>
<tr>
<td>Due to others</td>
<td>52,000</td>
<td>41,000</td>
</tr>
<tr>
<td><strong>Total adjustments</strong></td>
<td><strong>(11,125)</strong></td>
<td><strong>(2,351,873)</strong></td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td><strong>$ 29,926</strong></td>
<td><strong>$ 233,417</strong></td>
</tr>
</tbody>
</table>
1) **Nature of Organization**

Animal Protection of New Mexico, Inc. and affiliate (APNM) 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, 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, by implementing humane strategies and 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 individuals for companion animal spay/neuter and other veterinary services, and for equine feed and veterinary assistance.

Animal Protection of New Mexico Foundation, Inc. (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.

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.
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, grants, and contracts 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. The organization did not receive any contributed materials during the year ended December 31, 2016. The Organization received and recognized approximately $50,000 and $74,000 of contributed computer support, advertising and other professional services during the years ended December 31, 2016 and 2015, respectively.

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.
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 and Contributions Receivable
Accounts and contributions receivable are for grants and contributions and are reported at their outstanding balances which approximate fair value. The Organization considers all receivables to be 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 and contributions receivable, prepaid expenses, accounts payable, accrued expenses and amounts due to others 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, 2016 and 2015

2) Summary of Significant Accounting Policies — continued

Advertising
The Organization expenses advertising as incurred. Advertising expense was $2,647 and $46,442 for the years ended December 31, 2016 and 2015, respectively, including donated advertising of $39,337 in 2015. There was no donated advertising received in 2016.

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 tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code. APNM and the Foundation regularly evaluate activities as it relates to their tax exempt status. If APNM or Foundation activities are determined to be outside of its tax exempt status the potential exists for tax liabilities on those unrelated activities.

Currently, neither APNM nor the Foundation engage in activities that create taxable unrelated business income. Accordingly, no provision for income taxes has been reflected in the combined financial statements. APNM and Foundation income tax filings are subject to audit by various taxing authorities. Each organization’s open audit periods are for the years ended December 31, 2013 and thereafter. APNM and the Foundation have adopted the provisions of FASB ASC 740-10, “Accounting for Uncertainty in Income Taxes.” APNM and the Foundation have not recognized any changes to its financial statements for uncertain tax positions resulting from this adoption.

Subsequent Events
Subsequent events were evaluated through May 17, 2017, 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.
3) Accounts and Contributions Receivable

Accounts and contributions receivable consist of the following at December 31:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants receivable</td>
<td>$11,094</td>
<td>$37,440</td>
</tr>
<tr>
<td>Due from a related organization</td>
<td>134,029</td>
<td>38,326</td>
</tr>
<tr>
<td>Contributions receivable</td>
<td>75,923</td>
<td>70,582</td>
</tr>
<tr>
<td>Other</td>
<td>589</td>
<td>4,185</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$221,635</td>
<td>$150,533</td>
</tr>
</tbody>
</table>

4) Property and Equipment

Property and equipment consist of the following at December 31:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building</td>
<td>$1,503,040</td>
<td>$1,503,040</td>
</tr>
<tr>
<td>Land</td>
<td>696,960</td>
<td>696,960</td>
</tr>
<tr>
<td>Office equipment and software</td>
<td>88,237</td>
<td>67,733</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>2,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>226,684</td>
<td>226,684</td>
</tr>
<tr>
<td><strong>Total cost</strong></td>
<td>2,516,921</td>
<td>2,496,417</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>(153,384)</td>
<td>(78,769)</td>
</tr>
<tr>
<td><strong>Net property and equipment</strong></td>
<td>$2,363,537</td>
<td>$2,417,648</td>
</tr>
</tbody>
</table>

Depreciation expense was $75,715 and $43,455 for the years ended 2016 and 2015, 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:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and dividend income</td>
<td>$16,680</td>
<td>$16,694</td>
</tr>
<tr>
<td>Net realized and unrealized gain (loss)</td>
<td>60,543</td>
<td>(16,183)</td>
</tr>
<tr>
<td>Investment management fees</td>
<td>(10,714)</td>
<td>(9,929)</td>
</tr>
<tr>
<td>Total investment income (loss)</td>
<td>$66,509</td>
<td>$(9,418)</td>
</tr>
</tbody>
</table>

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 did not request and therefore did not receive any distributions during the year ended December 31, 2016. APNM received distributions of $43,539 from the Foundation during the year ended December 31, 2016. The Foundation disbursed $9,156 of endowment funds for Foundation operating expenses during the year ended December 31, 2016.
Animal Protection of New Mexico, Inc. and Affiliate
Notes to Combined Financial Statements
December 31, 2016 and 2015

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 for the year ended December 31, 2015. No distributions were taken during the year ended December 31, 2016.

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

<table>
<thead>
<tr>
<th>Fund Type</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted funds</td>
<td>$732,604</td>
<td>$675,251</td>
</tr>
<tr>
<td>Permanently restricted funds</td>
<td>109,224</td>
<td>109,224</td>
</tr>
<tr>
<td>Total funds</td>
<td>$841,828</td>
<td>$784,475</td>
</tr>
</tbody>
</table>

Changes in endowment net assets during the years ended December 31, 2016 and 2015 are as follows:

<table>
<thead>
<tr>
<th>Period End</th>
<th>Unrestricted</th>
<th>Permanently Restricted</th>
<th>Total Endowment Net Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31, 2016</td>
<td>$675,251</td>
<td>$109,224</td>
<td>$784,475</td>
</tr>
<tr>
<td>Endowment net assets, beginning of year</td>
<td>$675,251</td>
<td>$109,224</td>
<td>$784,475</td>
</tr>
<tr>
<td>Distributions</td>
<td>(9,156)</td>
<td>-</td>
<td>(9,156)</td>
</tr>
<tr>
<td>Net investment income</td>
<td>77,223</td>
<td>-</td>
<td>77,223</td>
</tr>
<tr>
<td>Investment fees and other expenses</td>
<td>(10,714)</td>
<td>-</td>
<td>(10,714)</td>
</tr>
<tr>
<td>Endowment net assets, end of year</td>
<td>$732,604</td>
<td>$109,224</td>
<td>$841,828</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Period End</th>
<th>Unrestricted</th>
<th>Permanently Restricted</th>
<th>Total Endowment Net Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31, 2015</td>
<td>$727,758</td>
<td>$107,724</td>
<td>$835,482</td>
</tr>
<tr>
<td>Endowment net assets, beginning of year</td>
<td>$727,758</td>
<td>$107,724</td>
<td>$835,482</td>
</tr>
<tr>
<td>Contributions</td>
<td>450</td>
<td>1,500</td>
<td>1,950</td>
</tr>
<tr>
<td>Distributions</td>
<td>(43,539)</td>
<td>-</td>
<td>(43,539)</td>
</tr>
<tr>
<td>Net investment income</td>
<td>511</td>
<td>-</td>
<td>511</td>
</tr>
<tr>
<td>Investment fees and other expenses</td>
<td>(9,929)</td>
<td>-</td>
<td>(9,929)</td>
</tr>
<tr>
<td>Endowment net assets, end of year</td>
<td>$675,251</td>
<td>$109,224</td>
<td>$784,475</td>
</tr>
</tbody>
</table>
6) Endowment Fund Investments and Spending Policy—continued

APNM is the beneficiary of two funds established at the New Mexico Community Foundation. These funds allow 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 these accounts has not been shown on the combined statement of financial position. The value of these accounts was $240,386 and $203,391 at December 31, 2016 and 2015. Distributions for the Equine Project were $10,000 for the year ended December 31, 2016. There were no distributions to the Equine Protection program during the year ended December 31, 2015.

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, 2016 and 2015.

Fair value of assets measured on a recurring basis at December 31, 2016 are as follows:

<table>
<thead>
<tr>
<th>Fair Value</th>
<th>(Level 1)</th>
<th>(Level 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate stocks</td>
<td>$612,919</td>
<td>$612,919</td>
</tr>
<tr>
<td>US government securities</td>
<td>99,883</td>
<td>99,883</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>89,786</td>
<td>89,786</td>
</tr>
<tr>
<td>Money market funds</td>
<td>30,118</td>
<td>30,118</td>
</tr>
<tr>
<td>Beneficial interest in investments held by others</td>
<td>9,122</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$841,828</strong></td>
<td><strong>$832,706</strong></td>
</tr>
</tbody>
</table>
7) Fair Value Measurement — continued

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

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

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 approximately $172,000 and $168,000 during the years ended December 31, 2016 and 2015, respectively.

Unrelated to shared services, APNM contributed $210,000 and $187,000 to APV during the years ended December 31, 2016 and 2015, respectively, to support APV in its advocacy to enhance legislation for the prevention of cruelty to animals. Contributions owed to APV were $93,000 and $41,000 at December 31, 2016 and 2015, respectively, and are included in the line item “due to others” on the accompanying combined statements of financial position.

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 72% and 68% of APNM’s total support and revenue for the years ended December 31, 2016 and 2015, respectively. If APNM does not continue to receive comparable contribution amounts the negative impact on APNM’s operations would be significant.
## 10) Temporarily Restricted Net Assets

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

<table>
<thead>
<tr>
<th>Purpose</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chimps to sanctuary campaign</td>
<td>$132,737</td>
<td>$138,659</td>
</tr>
<tr>
<td>Subsequent years operations</td>
<td>22,985</td>
<td>9,681</td>
</tr>
<tr>
<td>Reward fund</td>
<td>18,673</td>
<td>12,673</td>
</tr>
<tr>
<td>Humane communities</td>
<td>17,050</td>
<td>49,650</td>
</tr>
<tr>
<td>Education</td>
<td>9,841</td>
<td>16,567</td>
</tr>
<tr>
<td>Other</td>
<td>5,833</td>
<td>3,659</td>
</tr>
<tr>
<td>Equine direct services</td>
<td>2,383</td>
<td>16,112</td>
</tr>
<tr>
<td>Santa Fe veterinary medical aid program</td>
<td>1,454</td>
<td>5,481</td>
</tr>
<tr>
<td>Gayla Burton dog fund</td>
<td>700</td>
<td>700</td>
</tr>
<tr>
<td>Development director</td>
<td>-</td>
<td>39,135</td>
</tr>
<tr>
<td>Dissection alternatives</td>
<td>-</td>
<td>5,268</td>
</tr>
<tr>
<td>Equine development director</td>
<td>-</td>
<td>3,131</td>
</tr>
<tr>
<td>Total temporarily restricted net assets</td>
<td>$211,656</td>
<td>$300,716</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Purpose</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development director</td>
<td>$39,135</td>
<td>$691</td>
</tr>
<tr>
<td>Humane communities</td>
<td>32,600</td>
<td>-</td>
</tr>
<tr>
<td>Equine direct services</td>
<td>13,729</td>
<td>8,062</td>
</tr>
<tr>
<td>Education</td>
<td>6,984</td>
<td>8,532</td>
</tr>
<tr>
<td>Chimps to sanctuary program</td>
<td>5,921</td>
<td>5,708</td>
</tr>
<tr>
<td>Dissection alternatives</td>
<td>5,268</td>
<td>-</td>
</tr>
<tr>
<td>Santa Fe veterinary medical aid program</td>
<td>4,027</td>
<td>880</td>
</tr>
<tr>
<td>Equine development director</td>
<td>3,131</td>
<td>9,752</td>
</tr>
<tr>
<td>Other</td>
<td>689</td>
<td>302</td>
</tr>
<tr>
<td>Strategic plan</td>
<td>-</td>
<td>112,448</td>
</tr>
<tr>
<td>Subsequent years operations</td>
<td>-</td>
<td>4,895</td>
</tr>
<tr>
<td>Spay and neuter</td>
<td>-</td>
<td>3,325</td>
</tr>
<tr>
<td>Disaster preparedness</td>
<td>-</td>
<td>1,544</td>
</tr>
<tr>
<td>Cougar</td>
<td>-</td>
<td>155</td>
</tr>
<tr>
<td>Total assets released from restriction</td>
<td>$111,484</td>
<td>$156,294</td>
</tr>
</tbody>
</table>
11) **Commitments and Contingencies**

The Organization leases office space under an operating lease that expires in January 2018. Future lease payments due for this lease are $34,800.

12) **Restatement**

A misstatement of contributions receivable and contribution revenue for the year ended December 31, 2015, was discovered during the year ended December 31, 2016, which resulted in the following restatement as of December 31, 2015:

Contributions receivable as of December 31, 2015 were understated by $50,000. The restatement resulted in an increase in contributions receivable, contribution revenue and temporarily restricted net assets for this amount.