



**SJT GROUP LLC**  
CERTIFIED PUBLIC ACCOUNTANTS



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

Combined Financial Statements  
and  
Independent Auditors' Report

December 31, 2019 and 2018

# **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. and affiliate (APNM) (a nonprofit organization), which comprise the combined statements of financial position as of December 31, 2019 and 2018, 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 audits 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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter – Uncertainty Related to the COVID-19 Outbreak**

As discussed in Note 16 to the financial statements, the State of New Mexico has issued a stay-at-home order affecting APNM as a result of the COVID-19 outbreak. The extent to which the COVID-19 outbreak impacts APNM will depend on future developments, which are highly uncertain and cannot be predicted. Our opinion is not modified with respect to this matter.

SJT Group LLC

Albuquerque, New Mexico  
September 1, 2020

## Combined Financial Statements

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

	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 1,784,677	\$ 1,039,312
Accounts and contributions receivable, current	453,221	446,272
Prepaid expenses	19,229	14,920
Other assets	12,233	5,733
Total current assets	2,269,360	1,506,237
Contributions receivable, noncurrent	-	100,000
Property and equipment, net	2,164,002	2,227,930
Endowment fund investments	2,893,170	2,065,355
Other long-term assets	1,665	1,665
Total assets	\$ 7,328,197	\$ 5,901,187
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable	\$ 15,931	\$ 17,714
Accrued expenses	98,482	80,133
Due to Animal Protection Voters	1,164	75,166
Due to others	1,000,000	450,000
Total current liabilities	1,115,577	623,013
Net assets		
Without donor restrictions	4,240,409	3,150,789
With donor restrictions	1,972,211	2,127,385
Total net assets	6,212,620	5,278,174
Total liabilities and net assets	\$ 7,328,197	\$ 5,901,187

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, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
<b>Support and Revenue</b>			
Grants and contributions	\$ 1,973,670	\$ 347,098	\$ 2,320,768
Investment income	459,576	-	459,576
In-kind contributions	77,869	-	77,869
Other income	17,935	-	17,935
Net assets released from restriction	502,272	(502,272)	-
Total support and revenue	<u>3,031,322</u>	<u>(155,174)</u>	<u>2,876,148</u>
<b>Expenses</b>			
Program services			
Advocacy campaigns	695,290	-	695,290
Public assistance - education and outreach	508,743	-	508,743
Direct animal service programs	109,157	-	109,157
Wildlife campaigns	11,978	-	11,978
Total program services	<u>1,325,168</u>	<u>-</u>	<u>1,325,168</u>
Supporting services			
Management and general	447,305	-	447,305
Fundraising	169,229	-	169,229
Total supporting services	<u>616,534</u>	<u>-</u>	<u>616,534</u>
Total expenses	<u>1,941,702</u>	<u>-</u>	<u>1,941,702</u>
Change in net assets	1,089,620	(155,174)	934,446
Net assets, beginning of year	<u>3,150,789</u>	<u>2,127,385</u>	<u>5,278,174</u>
<b>Net assets, end of year</b>	<u><u>\$ 4,240,409</u></u>	<u><u>\$ 1,972,211</u></u>	<u><u>\$ 6,212,620</u></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, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Support and Revenue</b>			
Grants and contributions	\$ 1,452,569	\$ 1,740,571	\$ 3,193,140
Investment loss	(181,978)	-	(181,978)
In-kind contributions	19,251	-	19,251
Other income	15,478	-	15,478
Net assets released from restriction	<u>168,603</u>	<u>(168,603)</u>	<u>-</u>
Total support and revenue	<u>1,473,923</u>	<u>1,571,968</u>	<u>3,045,891</u>
<b>Expenses</b>			
Program services			
Advocacy campaigns	625,980	-	625,980
Public assistance - education and outreach	390,126	-	390,126
Direct animal service programs	171,355	-	171,355
Wildlife campaigns	<u>33,880</u>	<u>-</u>	<u>33,880</u>
Total program services	<u>1,221,341</u>	<u>-</u>	<u>1,221,341</u>
Supporting services			
Management and general	465,254	-	465,254
Fundraising	<u>143,449</u>	<u>-</u>	<u>143,449</u>
Total supporting services	<u>608,703</u>	<u>-</u>	<u>608,703</u>
Total expenses	<u>1,830,044</u>	<u>-</u>	<u>1,830,044</u>
Change in net assets	(356,121)	1,571,968	1,215,847
Net assets, beginning of year	<u>3,506,910</u>	<u>555,417</u>	<u>4,062,327</u>
<b>Net assets, end of year</b>	<u><u>\$ 3,150,789</u></u>	<u><u>\$ 2,127,385</u></u>	<u><u>\$ 5,278,174</u></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, 2019**

	Program Services	Management and General	Fundraising	Total Expenses
Salaries and wages	\$ 591,238	\$ 254,996	\$ 108,064	\$ 954,298
Contributions to other organizations	194,850	-	-	194,850
Animal and veterinarian services	168,107	-	-	168,107
Payroll taxes and fringe benefits	91,084	53,284	13,631	157,999
Contract services	40,326	26,857	10,854	78,037
Depreciation	64,909	7,568	4,795	77,272
Rent and utilities	23,352	35,240	4,145	62,737
Office supplies	17,458	27,364	6,461	51,283
Facility, food and supplies	27,345	-	9,301	36,646
Printing	28,957	566	2,259	31,782
Professional fees	3,116	21,028	89	24,233
Hardware support	15,405	6,040	2,113	23,558
Travel	20,308	2,199	1,047	23,554
Telephone	10,337	6,664	1,579	18,580
Insurance	13,261	2,394	639	16,294
Public education and outreach	4,583	80	2,800	7,463
Website maintenance and development	4,767	-	725	5,492
Postage	3,158	828	592	4,578
Employee education	1,246	1,790	-	3,036
Other	1,361	407	135	1,903
Total expenses	<u>\$ 1,325,168</u>	<u>\$ 447,305</u>	<u>\$ 169,229</u>	<u>\$ 1,941,702</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, 2018**

	Program Services	Management and General	Fundraising	Total Expenses
Salaries and wages	\$ 502,123	\$ 296,214	\$ 85,695	\$ 884,032
Contributions to other organizations	285,573	-	-	285,573
Animal and veterinarian services	61,136	-	-	61,136
Payroll taxes and fringe benefits	86,200	53,394	11,547	151,141
Contract services	11,337	23,864	10,885	46,086
Depreciation	65,699	4,988	7,597	78,284
Rent and utilities	37,447	19,221	4,538	61,206
Office supplies	24,195	19,812	6,403	50,410
Facility, food and supplies	21,616	40	6,798	28,454
Printing	26,297	1,685	3,459	31,441
Professional fees	23,870	20,794	91	44,755
Hardware support	15,709	7,859	1,571	25,139
Travel	21,249	5,309	1,091	27,649
Telephone	11,956	6,565	1,089	19,610
Insurance	15,845	2,353	1,576	19,774
Public education and outreach	2,560	604	-	3,164
Website maintenance and development	2,113	-	-	2,113
Postage	2,756	670	921	4,347
Employee education	2,712	1,865	186	4,763
Other	948	17	2	967
Total expenses	<u>\$ 1,221,341</u>	<u>\$ 465,254</u>	<u>\$ 143,449</u>	<u>\$ 1,830,044</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,**

	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities</b>		
Cash received from grants and contributions	\$ 2,883,317	\$ 3,388,386
Cash received from other	17,935	15,478
Cash paid to employees and suppliers	(1,771,933)	(1,725,875)
Interest and dividend income	<u>28,847</u>	<u>25,972</u>
Net cash provided by operating activities	<u>1,158,166</u>	<u>1,703,961</u>
<b>Cash flows from investing activities</b>		
Proceeds from sales of investments	586,021	305,486
Purchases of investments	(983,107)	(1,242,679)
Purchases of equipment	<u>(15,715)</u>	<u>(16,879)</u>
Net cash used by investing activities	<u>(412,801)</u>	<u>(954,072)</u>
Net increase in cash and cash equivalents	745,365	749,889
Cash and cash equivalents, beginning of year	<u>1,039,312</u>	<u>289,423</u>
Cash and cash equivalents, end of year	<u>\$ 1,784,677</u>	<u>\$ 1,039,312</u>
<b>Reconciliation of change in net assets to net cash provided by operating activities</b>		
Change in net assets	<u>\$ 934,446</u>	<u>\$ 1,215,847</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	77,272	78,284
Net realized and unrealized (gain) loss on investments	(430,729)	207,950
Loss on disposal of equipment	2,371	-
Changes in assets and liabilities		
Accounts and contributions receivable	93,051	(317,015)
Prepaid expenses	(4,309)	(5,098)
Other assets	(6,500)	(405)
Accounts payable	(1,783)	(22,797)
Accrued expenses	18,349	34,529
Due to Animal Protection Voters	(74,002)	62,666
Due to others	<u>550,000</u>	<u>450,000</u>
Total adjustments	<u>223,720</u>	<u>488,114</u>
Net cash provided by operating activities	<u>\$ 1,158,166</u>	<u>\$ 1,703,961</u>

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, 2019 and 2018**

**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 the benefit of, to perform the functions of, and to carry out the purposes of APNM, a New Mexico nonprofit corporation located in Albuquerque, New Mexico and any legal successor-in-interest.

**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 and Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

- *Net Assets Without Donor Restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.

**Animal Protection of New Mexico, Inc. and Affiliate**  
**Notes to Combined Financial Statements**  
**December 31, 2019 and 2018**

2) Summary of Significant Accounting Policies — continued

- *Net Assets With Donor Restrictions:* Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the combined statements of activities.

Contributions

In order to support the various programs, the Organization generates revenue and support through a variety of sources. The Organization's primary source of revenue is from grants and contributions.

Contributions received are recognized as revenues when the unconditional pledge is made and as assets or decreases of liabilities, depending on the form of the benefits received. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which revenue is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the combined statement of activities as net assets released from restrictions. Contributions of significant long-lived assets and significant gifts to acquire long-lived assets with donor-imposed restrictions are reported as net assets with donor restrictions until the asset is placed in service and donor-imposed restrictions are satisfied. The Organization received and recognized approximately \$78,000 and \$19,000 of contributed animal boarding, computer support, advertising and other professional services during the years ended December 31, 2019 and 2018, respectively.

*Contributed Services*—Contributed 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. The Organization has a substantial number of volunteers that have donated their services to the Organization. These donated services, which do not meet the above criteria for revenue recognition, have not been recognized as support in the combined financial statements.

**Animal Protection of New Mexico, Inc. and Affiliate**  
**Notes to Combined Financial Statements**  
**December 31, 2019 and 2018**

2) Summary of Significant Accounting Policies — continued

Cash and Cash Equivalents

For purposes of reporting cash flows, the Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents, which at times may exceed federally insured limits. At December 31, 2019 and 2018, the cash bank balances totaled \$1,734,463 and \$1,047,678, respectively. Cash bank balances of \$1,234,463 and \$788,525 were uninsured and uncollateralized at December 31, 2019 and 2018, respectively. The Organization has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk related to the uninsured cash balances.

Investments

Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the combined statements of financial position, and changes in fair value are reported as investment return in the combined statements of activities.

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 has been recorded. 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 and donations of property and equipment are stated at their estimated fair value at the date of donation. It is the policy of the Organization to capitalize expenses for property and equipment in excess of \$500 and a useful life of greater than one year. Donations of property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Depreciation is calculated using the straight-line method over the estimated useful lives which typically range from five to forty-five years.

Advertising

The Organization expenses advertising as incurred. Advertising expense was \$6,425 and \$2,556 for the years ended December 31, 2019 and 2018, respectively, and is included in the public education and outreach line item on the accompanying statements of functional expenses.

**Animal Protection of New Mexico, Inc. and Affiliate**  
**Notes to Combined Financial Statements**  
**December 31, 2019 and 2018**

2) Summary of Significant Accounting Policies — continued

Functional Allocation of Expenses

The cost of providing program and other activities have been summarized on a functional basis in the combined statements of activities. Accordingly, certain costs have been allocated among program and supporting services benefited. Such allocations are determined by management on an equitable basis.

Significant expenses that are allocated include the following:

<u>Expense</u>	<u>Allocation Method</u>
Salaries, payroll taxes, and fringe benefits	Time and effort
Office supplies	Time and effort
Depreciation	Square footage
Rent and utilities	Square footage
Printing	Time and effort
Hardware support	Time and effort
Facility, food and supplies	Time and effort
Telephone	Square footage

Fair Value of Financial Instruments

For financial statement purposes, cash equivalents, accounts and contributions receivable, prepaid expenses, accounts payable, accrued expenses and amounts due to others are considered financial instruments. The Organization estimated that the fair value of all financial instruments at December 31, 2019 and 2018, did not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying combined statements of financial position because of their short-term nature.

Income Taxes

The Organization is a non-profit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified by the Internal Revenue Service as an organization that is not a private foundation. The Organization has adopted FASB ASC 740-10, *Income Taxes*, relating to accounting for uncertain tax positions. The Organization has not recognized any changes to its financial statements for uncertain tax positions resulting from this adoption. The Organization's income tax filings for the year's ended December 31, 2016 and thereafter are subject to audit by various taxing authorities.

**Animal Protection of New Mexico, Inc. and Affiliate**  
**Notes to Combined Financial Statements**  
**December 31, 2019 and 2018**

2) Summary of Significant Accounting Policies — continued

Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position date, but before financial statements are issued. The Organization recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the combined statements of financial position, including estimates inherent in the process of preparing the combined financial statements.

Subsequent events through September 1, 2020, the date which the combined financial statements were available to be issued, were evaluated for recognition and disclosure in the combined financial statements.

Estimates

Financial statement preparation in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the financial statement date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncement

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. The guidance requires the Organization to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and net assets recognized from the costs to obtain or fulfill a contract.

ASU 2014-09 requires organizations to exercise more judgment and recognize revenue using a five-step process. The Organization adopted the requirements of the new guidance retrospectively to all periods presenting in this report. Adoption of the new guidance did not result in significant changes to the policies for revenue recognition, receivables, and deferred revenues since most of the Organization's revenue sources are not included in the scope of ASU 2014-09.

Reclassifications

Certain accounts in the prior-year combined financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year combined financial statements. There was no effect on the prior year change in net assets as a result of these reclassifications.



**Animal Protection of New Mexico, Inc. and Affiliate**  
**Notes to Combined Financial Statements**  
**December 31, 2019 and 2018**

**3) Accounts and Contributions Receivable**

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

	<u>2019</u>	<u>2018</u>
Contributions receivable	440,953	542,279
Grants receivable	4,290	2,771
Other	7,978	1,222
	<u>\$ 453,221</u>	<u>\$ 546,272</u>

**4) Property and Equipment**

Property and equipment consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Building	\$ 1,503,040	\$ 1,503,040
Land	696,960	696,960
Office equipment and software	103,864	100,739
Leasehold improvements	2,000	2,000
Furniture and fixtures	227,275	226,615
Total cost	2,533,139	2,529,354
Less accumulated depreciation	(369,137)	(301,424)
Net property and equipment	<u>\$ 2,164,002</u>	<u>\$ 2,227,930</u>

Depreciation expense was \$77,272 and \$78,284 for the years ended December 31, 2019 and 2018, respectively.

**5) Investment Income**

The following summarizes the investment income in the combined statements 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:

	<u>2019</u>	<u>2018</u>
Interest and dividend income	\$ 49,406	\$ 40,727
Net realized and unrealized gains (losses)	430,729	(207,950)
Investment management fees	(20,559)	(14,755)
Total investment income (loss)	<u>\$ 459,576</u>	<u>\$ (181,978)</u>

**Animal Protection of New Mexico, Inc. and Affiliate**  
**Notes to Combined Financial Statements**  
**December 31, 2019 and 2018**

**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. The investment policy is intended not only to provide funds for the Endowment's immediate and near-term goals, but also to preserve and grow the Endowment's assets to meet future spending needs. The Endowment's assets shall be invested to provide for the distributions described above plus modest real growth above inflation. 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 6% to 7%. However, the Foundation has the discretion to adjust the return it requires based on market conditions, the Endowment's needs and future spending expectations. 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 4% of the market value of the investments as of the end of the prior fiscal year. Distributions to APNM were \$31,341 and \$36,565 for the years ended December 31, 2019 and 2018, respectively.

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 from the fund were \$378 and \$370 for the years ended December 31, 2019 and 2018, respectively.

**Animal Protection of New Mexico, Inc. and Affiliate**  
**Notes to Combined Financial Statements**  
**December 31, 2019 and 2018**

6) Endowment Fund Investments and Spending Policy— continued

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

	<b>2019</b>	2018
Without donor restrictions	<b>\$ 1,733,926</b>	\$ 956,131
With donor restrictions	<b>1,159,244</b>	1,109,224
Total endowment funds	<b>\$ 2,893,170</b>	\$ 2,065,355

Changes in endowment net assets during the years ended December 31, 2019 and 2018 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
<b><u>December 31, 2019</u></b>			
Endowment net assets, beginning of year	\$ 956,131	\$ 1,109,224	\$ 2,065,355
Contributions	500,000	50,020	550,020
Distributions	(178,254)	-	(178,254)
Net appreciation (depreciation) in value	476,608	-	476,608
Investment fees and other expenses	(20,559)	-	(20,559)
Endowment net assets, end of year	<b>\$ 1,733,926</b>	<b>\$ 1,159,244</b>	<b>\$ 2,893,170</b>

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
<b><u>December 31, 2018</u></b>			
Endowment net assets, beginning of year	\$ 1,230,255	\$ 109,224	\$ 1,339,479
Contributions	-	1,000,000	1,000,000
Distributions	(111,624)	-	(111,624)
Net appreciation (depreciation) in value	(147,745)	-	(147,745)
Investment fees and other expenses	(14,755)	-	(14,755)
Endowment net assets, end of year	<b>\$ 956,131</b>	<b>\$ 1,109,224</b>	<b>\$ 2,065,355</b>

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 statements of financial position. The value of these accounts was \$1,235,328 and \$393,917 at December 31, 2019 and 2018, respectively. Fund distributions for the Equine Project were \$8,688 and \$8,400 for the years ended December 31, 2019 and 2018, respectively.

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**7) Fair Value Measurements**

Generally accepted accounting principles (GAAP) 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, 2019 and 2018.

Fair value of assets measured on a recurring basis at December 31, 2019 are as follows:

	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>
Equities	\$ 1,655,201	\$ 1,655,201	\$ -
Bonds	984,772	984,772	-
Commodities	112,605	112,605	-
Real estate (REIT)	69,036	69,036	-
Beneficial interest in investments held by others	9,449	-	9,449
	<u>\$ 2,831,063</u>	<u>\$ 2,821,614</u>	<u>\$ 9,449</u>
Cash and cash equivalents	<u>62,107</u>		
	<u>\$ 2,893,170</u>		

Fair value of assets measured on a recurring basis at December 31, 2018 are as follows:

	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>
Equities	\$ 1,146,402	\$ 1,146,402	\$ -
US government securities	100,213	100,213	-
Bonds	583,138	583,138	-
Commodities	90,695	90,695	-
Real estate (REIT)	96,121	96,121	-
Beneficial interest in investments held by others	9,449	-	9,449
	<u>\$ 2,026,018</u>	<u>\$ 2,016,569</u>	<u>\$ 9,449</u>
Cash and cash equivalents	<u>39,337</u>		
	<u>\$ 2,065,355</u>		

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**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). APV's portion of shared services incurred by APNM was \$257,252 and \$196,337 during the years ended December 31, 2019 and 2018, respectively.

Unrelated to shared services, APNM contributed \$153,230 and \$212,558 to APV during the years ended December 31, 2019 and 2018, respectively, to support APV in its advocacy to enhance legislation for the prevention of cruelty to animals. Amounts due to APV were \$1,164 and \$75,166 at December 31, 2019 and 2018, respectively.

**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. The Organization may occasionally maintain cash balances in excess of the balance insured by the Federal Deposit Insurance Corporation.

The revenue and support from two donors, excluding contributed goods and services, was approximately 58% and 37% of the organization's total support and revenue for each of the years' ending December 31, 2019 and 2018, respectively. If the Organization does not continue to receive comparable contribution amounts the negative impact on the Organization's operations would be significant.

**10) Commitments and Contingencies**

The Organization leases office space under an operating lease that expired in January 2018. The Organization is currently on a month-to-month basis at a rate of \$2,650 per month.

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**11) Availability and Liquidity**

The following represents the Organization's financial assets at December 31:

	<u>2019</u>	<u>2018</u>
Cash and equivalents	\$ 1,784,677	\$ 1,039,312
Accounts and contributions receivable, current	453,221	446,272
Endowment investments	<u>2,893,170</u>	<u>2,065,355</u>
Total financial assets	5,131,068	3,550,939
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(1,972,211)	(2,127,385)
Add back net assets with time or purpose restrictions to be met in less than one year	<u>1,791,602</u>	<u>1,018,161</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 4,950,459</u>	<u>\$ 2,441,715</u>

**12) Net Assets With Donor Restrictions**

Net assets with donor restrictions are available for the following purposes or periods at December 31:

	<u>2019</u>	<u>2018</u>
Permanent endowment fund	\$ 1,159,244	\$ 1,109,224
Chimps to sanctuary campaign	249,731	245,183
Major gifts officer	132,113	200,000
Equine program manager	-	150,000
Plant based eating	191,430	277,986
Humane communities	91,571	9,841
Education	45,699	35,618
Equine direct services	31,310	31,335
Subsequent years operations	17,676	15,621
Animal control officer training	17,236	11,645
Reward fund	13,273	13,273
Santa Fe veterinary medical aid program	13,052	9,344
Other	4,123	7,615
Ramah equine project	3,950	10,000
Companion Animal Rescue Effort	1,103	-
GB dog fund	<u>700</u>	<u>700</u>
Total net assets with donor restrictions	<u>\$ 1,972,211</u>	<u>\$ 2,127,385</u>

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12) Net Assets – continued

Net assets released from restrictions are as follows for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Major gifts officer	\$ 67,887	\$ -
Equine program manager	150,000	-
Plant based eating	86,555	-
Chimps to sanctuary program	78,268	75,197
Equine direct services	32,525	31,863
Education	27,322	10,393
Subsequent years operations	15,621	23,565
Ramah equine project	10,000	-
Humane communities	9,841	5,101
Animal correction officer training	9,409	8,355
Santa Fe veterinary medical aid program	9,344	728
Other	5,500	3,401
Companion Animal Rescue Effort	-	10,000
Total net assets released from restrictions	<u>\$ 502,272</u>	<u>\$ 168,603</u>

13) **Accrued Compensated Absences**

APNM provides eligible full-time and part-time regular status employees with “Paid Vacation Time Off” (PVTO), to use for vacation and personal reasons based on eligible years of service, up to specified limits. Employees are eligible for PVTO after thirty (30) days of employment. Beginning in fiscal year 2018, an employee whose employment is terminated for any reason after the PVTO eligibility date will be compensated for unused accrued PVTO. These accrued amounts are included in accrued expenses on the accompanying combined statements of financial position and the related change in liability is reflected as an expense in the year in which the change occurred. Accrued compensated absences was \$46,470 and \$35,202 at December 31, 2019 and 2018, respectively.

14) **Due to Others**

Amounts due to others represent funds received by APNM under a fiscal agent agreement and are therefore not included as support in the accompanying combined statements of activities. Due to others in the amount of \$1,000,000 as of December 31, 2019 were due to Chimp Haven, a nonprofit organization dedicated to long-term chimpanzee care. Due to others of \$450,000 as of December 31, 2018, were due to the New Mexico Community Foundation who will disburse \$250,000 to the Equine Protection Fund and \$200,000 to the Chimps to Sanctuary Fund, both of which are funds held and managed by the New Mexico Community Foundation.

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**15) Recently Issued Accounting Pronouncements**

The following accounting pronouncements have been issued but have not yet been implemented by the Organization.

Leases

On February 25, 2016, the FASB issued ASU 2016-02 *Leases*, which significantly changes the accounting for leases in the financial statements of lessees and supersedes FASB ASC Topic 840. With this update, U.S. GAAP now will require lessees under operating leases to recognize a liability in the statement of financial position, a liability to make lease payments (the lease liability), and an asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting election not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. Cash flows related to operating leases will continue to be reported within operating activities on the statement of cash flows. The ASU is effective for fiscal years beginning after December 15, 2020 (the Organization's fiscal year ending December 31, 2021).

As of the date of these financial statements, management has not determined the impact this new accounting pronouncement will have on future reporting periods.

**16) Subsequent Event – Uncertainty Related to the COVID-19 Outbreak**

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a “Public Health Emergency of International Concern.” The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on donors, employees and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Organization's financial condition or results of operations is uncertain.