



SJT GROUP LLC
CERTIFIED PUBLIC ACCOUNTANTS



Animal Protection of New Mexico, Inc. and Affiliate

Combined Financial Statements
and
Independent Auditors' Report

December 31, 2020 and 2019

Animal Protection of New Mexico, Inc. and Affiliate

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1-2
Financial Statements	
Combined Statements of Financial Position	3
Combined Statements of Activities	4-5
Combined Statements of Functional Expenses	6-7
Combined Statements of Cash Flows	8
Notes to Combined Financial Statements	9-21



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, 2020 and 2019, 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, 2020, and 2019, 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.

SJT Group LLC

Albuquerque, New Mexico
June 18, 2021

Combined Financial Statements

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

	2020	2019
Assets		
Current assets		
Cash	\$ 417,556	\$ 1,784,677
Accounts and contributions receivable	639,405	453,221
Prepaid expenses	22,993	19,229
Other assets	12,608	12,233
Total current assets	1,092,562	2,269,360
Property and equipment, net	2,106,852	2,164,002
Endowment fund investments	4,093,593	2,893,170
Other long-term assets	1,665	1,665
Total assets	\$ 7,294,672	\$ 7,328,197
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 14,445	\$ 15,931
Accrued expenses	134,152	98,482
Due to Animal Protection Voters	-	1,164
Due to others	-	1,000,000
Total current liabilities	148,597	1,115,577
Net assets		
Without donor restrictions	4,976,343	4,240,409
With donor restrictions	2,169,732	1,972,211
Total net assets	7,146,075	6,212,620
Total liabilities and net assets	\$ 7,294,672	\$ 7,328,197

Animal Protection of New Mexico, Inc. and Affiliate
Combined Statement of Activities
For the Year Ended December 31, 2020

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Totals</u>
Support and Revenue			
Grants and contributions	\$ 1,988,345	\$ 703,139	\$ 2,691,484
Investment income	368,760	-	368,760
In-kind contributions	49,159	-	49,159
Other income	3,349	-	3,349
Net assets released from restriction	505,618	(505,618)	-
	<u>2,915,231</u>	<u>197,521</u>	<u>3,112,752</u>
Expenses			
Program services			
Advocacy campaigns	626,679	-	626,679
Public assistance - education and outreach	450,618	-	450,618
Direct animal service programs	374,307	-	374,307
Wildlife campaigns	4,616	-	4,616
Total program services	<u>1,456,220</u>	<u>-</u>	<u>1,456,220</u>
Supporting services			
Management and general	554,035	-	554,035
Fundraising	169,042	-	169,042
Total supporting services	<u>723,077</u>	<u>-</u>	<u>723,077</u>
Total expenses	<u>2,179,297</u>	<u>-</u>	<u>2,179,297</u>
Change in net assets	735,934	197,521	933,455
Net assets, beginning of year	4,240,409	1,972,211	6,212,620
Net assets, end of year	<u><u>\$ 4,976,343</u></u>	<u><u>\$ 2,169,732</u></u>	<u><u>\$ 7,146,075</u></u>

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>Total</u>
Support and Revenue			
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	<u>502,272</u>	<u>(502,272)</u>	<u>-</u>
Total support and revenue	<u>3,031,322</u>	<u>(155,174)</u>	<u>2,876,148</u>
Expenses			
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	<u>11,978</u>	<u>-</u>	<u>11,978</u>
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	<u>169,229</u>	<u>-</u>	<u>169,229</u>
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>
Net assets, end of year	<u><u>\$ 4,240,409</u></u>	<u><u>\$ 1,972,211</u></u>	<u><u>\$ 6,212,620</u></u>

Animal Protection of New Mexico, Inc. and Affiliate
Combined Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program Services	Management and General	Fundraising	Total Expenses
Salaries and wages	\$ 531,238	\$ 289,961	\$ 96,780	\$ 917,979
Animal and veterinarian services	276,959	-	-	276,959
Contributions to other organizations	259,206	-	-	259,206
Payroll taxes and fringe benefits	95,961	47,104	14,510	157,575
Contract services	36,586	58,323	26,932	121,841
Office supplies	27,754	25,155	12,021	64,930
Depreciation	53,043	12,678	1,177	66,898
Public education and outreach	60,062	-	3,580	63,642
Rent and utilities	21,338	26,261	3,934	51,533
Other	2,124	37,916	243	40,283
Hardware support	14,261	16,298	2,264	32,823
Printing	23,509	585	3,730	27,824
Telephone	14,643	6,949	2,092	23,684
Professional fees	-	23,671	-	23,671
Insurance	15,345	2,983	-	18,328
Website maintenance and development	13,047	777	655	14,479
Travel	7,695	4,386	462	12,543
Postage	2,973	729	662	4,364
Employee education	476	259	-	735
Total expenses	<u>\$ 1,456,220</u>	<u>\$ 554,035</u>	<u>\$ 169,042</u>	<u>\$ 2,179,297</u>

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

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

	2020	2019
Cash flows from operating activities		
Cash received from grants and contributions	1,503,761	\$ 2,883,317
Cash received from other	3,349	17,935
Cash paid to employees and suppliers	(2,055,902)	(1,792,493)
Interest and dividend income	53,764	49,407
Net cash (used) provided by operating activities	(495,028)	1,158,166
Cash flows from investing activities		
Proceeds from sales of investments	419,399	586,021
Purchases of investments	(1,281,744)	(983,107)
Purchases of equipment	(9,748)	(15,715)
Net cash used by investing activities	(872,093)	(412,801)
Net (decrease) increase in cash and cash equivalents	(1,367,121)	745,365
Cash and cash equivalents, beginning of year	1,784,677	1,039,312
Cash and cash equivalents, end of year	\$ 417,556	\$ 1,784,677
Reconciliation of change in net assets to net cash (used) provided by operating activities		
Change in net assets	\$ 933,455	\$ 934,446
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities		
Depreciation	66,898	77,272
Net realized and unrealized gain on investments	(338,078)	(430,729)
Loss on disposal of equipment	-	2,371
Changes in assets and liabilities		
Accounts and contributions receivable	(186,184)	93,051
Prepaid expenses	(3,764)	(4,309)
Other assets	(375)	(6,500)
Accounts payable	(1,486)	(1,783)
Accrued expenses	35,670	18,349
Due to Animal Protection Voters	(1,164)	(74,002)
Due to others	(1,000,000)	550,000
Total adjustments	(1,428,483)	223,720
Net cash (used) provided by operating activities	\$ (495,028)	\$ 1,158,166

Animal Protection of New Mexico, Inc. and Affiliate
Notes to Combined Financial Statements
December 31, 2020 and 2019

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, 2020 and 2019

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 \$49,159 and \$77,869 of contributed animal boarding, computer support, advertising and other professional services during the years ended December 31, 2020 and 2019, 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, 2020 and 2019

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, 2020 and 2019, the cash bank balances totaled \$427,532 and \$1,734,463, respectively. Cash bank balances of \$151,118 and \$1,234,463 were uninsured and uncollateralized at December 31, 2020 and 2019, 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 \$6,819 and \$6,425 for the years ended December 31, 2020 and 2019, 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, 2020 and 2019

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, 2020 and 2019, 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, 2017 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, 2020 and 2019

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 June 18, 2021, 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.

Animal Protection of New Mexico, Inc. and Affiliate
Notes to Combined Financial Statements
December 31, 2020 and 2019

3) Accounts and Contributions Receivable

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

	<u>2020</u>	<u>2019</u>
Contributions receivable	598,123	440,953
Grants receivable	6,532	4,290
Other	<u>34,750</u>	<u>7,978</u>
	<u>\$ 639,405</u>	<u>\$ 453,221</u>

4) Property and Equipment

Property and equipment consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Building	\$ 1,503,040	\$ 1,503,040
Land	696,960	696,960
Office equipment and software	98,313	103,864
Leasehold improvements	2,000	2,000
Furniture and fixtures	<u>227,275</u>	<u>227,275</u>
Total cost	2,527,588	2,533,139
Less accumulated depreciation	<u>(420,736)</u>	<u>(369,137)</u>
Net property and equipment	<u>\$ 2,106,852</u>	<u>\$ 2,164,002</u>

Depreciation expense was \$64,592 and \$77,272 for the years ended December 31, 2020 and 2019, 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>2020</u>	<u>2019</u>
Interest and dividend income	\$ 53,764	\$ 49,406
Net realized and unrealized gains	338,078	430,729
Investment management fees	<u>(23,082)</u>	<u>(20,559)</u>
Total investment income	<u>\$ 368,760</u>	<u>\$ 459,576</u>

Animal Protection of New Mexico, Inc. and Affiliate
Notes to Combined Financial Statements
December 31, 2020 and 2019

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 \$0 and \$31,341 for the years ended December 31, 2020 and 2019, 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 \$419 and \$378 for the years ended December 31, 2020 and 2019, respectively.

Animal Protection of New Mexico, Inc. and Affiliate
Notes to Combined Financial Statements
December 31, 2020 and 2019

6) Endowment Fund Investments and Spending Policy— continued

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

	2020	2019
Without donor restrictions	\$ 2,934,349	\$ 1,733,926
With donor restrictions	1,159,244	1,159,244
Total endowment funds	\$ 4,093,593	\$ 2,893,170

Changes in endowment net assets during the years ended December 31, 2020 and 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
<u>December 31, 2020</u>			
Endowment net assets, beginning of year	\$ 1,733,926	\$ 1,159,244	\$ 2,893,170
Contributions	908,237	-	908,237
Distributions	(76,574)	-	(76,574)
Net appreciation in value	391,842	-	391,842
Investment fees and other expenses	(23,082)	-	(23,082)
Endowment net assets, end of year	\$ 2,934,349	\$ 1,159,244	\$ 4,093,593

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
<u>December 31, 2019</u>			
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 in value	476,608	-	476,608
Investment fees and other expenses	(20,559)	-	(20,559)
Endowment net assets, end of year	\$ 1,733,926	\$ 1,159,244	\$ 2,893,170

APNM is the beneficiary of two funds established at the New Mexico 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 Foundation, the value of these accounts has not been shown on the combined statements of financial position. The value of these accounts was \$1,408,633 and \$1,235,328 at December 31, 2020 and 2019, respectively. Fund distributions for the Equine Project were \$14,201 and \$8,688 for the years ended December 31, 2020 and 2019, respectively.

Animal Protection of New Mexico, Inc. and Affiliate
Notes to Combined Financial Statements
December 31, 2020 and 2019

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, 2020 and 2019.

Fair value of assets measured on a recurring basis at December 31, 2020, are as follows:

	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>
Equities	\$ 1,891,301	\$ 1,891,301	\$ -
Bonds	1,906,415	1,906,415	-
Commodities	136,623	136,623	-
Real estate (REIT)	61,743	61,743	-
Beneficial interest in investments held by others	<u>11,011</u>	<u>-</u>	<u>11,011</u>
	<u>\$ 4,007,093</u>	<u>\$ 3,996,082</u>	<u>\$ 11,011</u>
Cash equivalents	<u>86,500</u>		
	<u>\$ 4,093,593</u>		

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	<u>9,449</u>	<u>-</u>	<u>9,449</u>
	<u>\$ 2,831,063</u>	<u>\$ 2,821,614</u>	<u>\$ 9,449</u>
Cash equivalents	<u>62,107</u>		
	<u>\$ 2,893,170</u>		

Animal Protection of New Mexico, Inc. and Affiliate
Notes to Combined Financial Statements
December 31, 2020 and 2019

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 \$235,999 and \$257,252 during the years ended December 31, 2020 and 2019, respectively.

Unrelated to shared services, APNM contributed \$176,430 and \$153,230 to APV during the years ended December 31, 2020 and 2019, respectively, to support APV in its advocacy to enhance legislation for the prevention of cruelty to animals. Amounts due to APV were \$0 and \$1,164 at December 31, 2020 and 2019, 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 70% and 58% of the organization's total support and revenue for each of the years' ending December 31, 2020 and 2019, 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.

Animal Protection of New Mexico, Inc. and Affiliate
Notes to Combined Financial Statements
December 31, 2020 and 2019

11) Availability and Liquidity

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

	<u>2020</u>	<u>2019</u>
Cash and equivalents	\$ 417,556	\$ 1,784,677
Accounts and contributions receivable, current	639,405	453,221
Endowment investments	<u>4,093,593</u>	<u>2,893,170</u>
Total financial assets	5,150,554	5,131,068
Less amounts not available to be used within one year:		
Permanent Endowment	<u>(1,159,244)</u>	<u>(1,159,244)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,991,310</u>	<u>\$ 3,971,824</u>

12) Net Assets With Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Permanent endowment fund	\$ 1,159,244	\$ 1,159,244
Humane science	592,346	-
Chimps to sanctuary campaign	82,200	249,731
Plant based eating	80,782	191,430
Humane communities	76,848	91,571
Major gifts officer	35,755	132,113
Santa Fe veterinary medical aid program	26,604	13,052
Companion Animal Rescue Effort	25,000	1,103
Equine direct services	22,957	31,310
Subsequent years operations	17,764	17,676
Reward fund	13,273	13,273
Education	11,361	45,699
Animal control officer training	9,256	17,236
Other	8,946	4,123
Ramah equine project	6,696	3,950
GB dog fund	<u>700</u>	<u>700</u>
Total net assets with donor restrictions	<u>\$ 2,169,732</u>	<u>\$ 1,972,211</u>

Animal Protection of New Mexico, Inc. and Affiliate
Notes to Combined Financial Statements
December 31, 2020 and 2019

12) Net Assets – continued

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

	<u>2020</u>	<u>2019</u>
Chimps to sanctuary program	\$ 173,651	\$ 78,268
Plant based eating	110,648	86,555
Major gifts officer	96,357	67,887
Education	45,699	27,322
Humane communities	23,723	9,841
Subsequent years operations	17,675	15,621
Santa Fe veterinary medical aid program	13,052	9,344
Equine direct services	8,353	32,525
Animal correction officer training	7,980	9,409
Ramah equine project	3,950	10,000
Other	3,427	5,500
Companion Animal Rescue Effort	1,103	-
Equine program manager	-	150,000
Total net assets released from restrictions	<u>\$ 505,618</u>	<u>\$ 502,272</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 \$68,580 and \$46,470 at December 31, 2020 and 2019, 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.

Animal Protection of New Mexico, Inc. and Affiliate
Notes to Combined Financial Statements
December 31, 2020 and 2019

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, 2021 (the Organization's fiscal year ending December 31, 2022).

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