



SJT GROUP LLC
CERTIFIED PUBLIC ACCOUNTANTS



**ANIMAL
PROTECTION
NEW MEXICO**



Combined Financial Statements
and
Independent Auditors' Report
December 31, 2023 and 2022

Animal Protection New Mexico, Inc. and Affiliate

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Independent Auditors' Report

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

Opinion

We have audited the accompanying combined financial statements of Animal Protection New Mexico, Inc. and affiliate (APNM) (a nonprofit organization), which comprise the combined statements of financial position as of December 31, 2023 and 2022, 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.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of APNM as of December 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of APNM and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about APNM's ability to continue as a going concern within one year after the date that the combined financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit 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 APNM's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about APNM's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

SJT Group LLC

Albuquerque, New Mexico
June 4, 2024

Combined Financial Statements

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

	2023	2022
Assets		
Current assets		
Cash	\$ 599,295	\$ 861,839
Accounts and contributions receivable	349,828	209,651
Prepaid expenses	50,589	39,183
Other assets	12,263	11,523
Total current assets	1,011,975	1,122,196
Property and equipment, net	1,945,470	2,002,760
Endowment fund investments	4,250,621	3,598,498
Other long-term assets	2,908	2,582
Total assets	\$ 7,210,974	\$ 6,726,036
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 78,494	\$ 38,865
Accrued expenses	208,510	177,730
Total current liabilities	287,004	216,595
Net assets		
Without donor restrictions	4,982,026	4,499,636
With donor restrictions	1,941,944	2,009,805
Total net assets	6,923,970	6,509,441
Total liabilities and net assets	\$ 7,210,974	\$ 6,726,036

The accompanying notes are an integral part of these financial statements.

Animal Protection New Mexico, Inc. and Affiliate
Combined Statement of Activities
For the Year Ended December 31, 2023

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Totals</u>
Support and Revenue			
Grants and contributions	\$ 2,272,174	\$ 614,812	\$ 2,886,986
In-kind contributions	36,487	-	36,487
Other income	14,688	-	14,688
Net assets released from restrictions	<u>682,673</u>	<u>(682,673)</u>	<u>-</u>
Total support and revenue	<u>3,006,022</u>	<u>(67,861)</u>	<u>2,938,161</u>
Expenses			
Program services			
Advocacy campaigns	1,094,659	-	1,094,659
Public assistance - education and outreach	612,238	-	612,238
Direct animal service programs	372,145	-	372,145
Wildlife campaigns	80,948	-	80,948
Total program services	<u>2,159,990</u>	<u>-</u>	<u>2,159,990</u>
Supporting services			
Management and general	844,840	-	844,840
Fundraising	<u>347,237</u>	<u>-</u>	<u>347,237</u>
Total supporting services	<u>1,192,077</u>	<u>-</u>	<u>1,192,077</u>
Total expenses	<u>3,352,067</u>	<u>-</u>	<u>3,352,067</u>
Change in net assets before investment income	(346,045)	(67,861)	(413,906)
Investment income	<u>828,435</u>	<u>-</u>	<u>828,435</u>
Change in net assets	482,390	(67,861)	414,529
Net assets, beginning of year	<u>4,499,636</u>	<u>2,009,805</u>	<u>6,509,441</u>
Net assets, end of year	<u><u>\$ 4,982,026</u></u>	<u><u>\$ 1,941,944</u></u>	<u><u>\$ 6,923,970</u></u>

The accompanying notes are an integral part of these financial statements.

Animal Protection New Mexico, Inc. and Affiliate
Combined Statement of Activities
For the Year Ended December 31, 2022

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Support and Revenue			
Grants and contributions	\$ 2,068,887	\$ 755,898	\$ 2,824,785
In-kind contributions	35,399	-	35,399
Other income	3,119	-	3,119
Net assets released from restrictions	<u>504,059</u>	<u>(504,059)</u>	<u>-</u>
Total support and revenue	<u>2,611,464</u>	<u>251,839</u>	<u>2,863,303</u>
Expenses			
Program services			
Advocacy campaigns	822,009	-	822,009
Public assistance - education and outreach	600,214	-	600,214
Direct animal service programs	392,124	-	392,124
Wildlife campaigns	<u>33,430</u>	<u>-</u>	<u>33,430</u>
Total program services	<u>1,847,777</u>	<u>-</u>	<u>1,847,777</u>
Supporting services			
Management and general	772,046	-	772,046
Fundraising	<u>330,806</u>	<u>-</u>	<u>330,806</u>
Total supporting services	<u>1,102,852</u>	<u>-</u>	<u>1,102,852</u>
Total expenses	<u>2,950,629</u>	<u>-</u>	<u>2,950,629</u>
Change in net assets before investment loss	(339,165)	251,839	(87,326)
Investment loss	<u>(681,865)</u>	<u>-</u>	<u>(681,865)</u>
Change in net assets	(1,021,030)	251,839	(769,191)
Net assets, beginning of year	<u>5,520,666</u>	<u>1,757,966</u>	<u>7,278,632</u>
Net assets, end of year	<u><u>\$ 4,499,636</u></u>	<u><u>\$ 2,009,805</u></u>	<u><u>\$ 6,509,441</u></u>

The accompanying notes are an integral part of these financial statements.

Animal Protection New Mexico, Inc. and Affiliate
Combined Statement of Functional Expenses
For the Year Ended December 31, 2023

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and wages	\$ 875,348	\$ 608,990	\$ 120,849	\$ 1,605,187
Animal and veterinarian services	359,470	-	-	359,470
Contract services	127,736	17,224	161,570	306,530
Contributions to other organizations	291,917	-	-	291,917
Payroll taxes and fringe benefits	175,393	93,612	16,300	285,305
Public education and outreach	101,430	-	8,204	109,634
Office supplies	30,195	38,789	15,417	84,401
Depreciation	40,180	10,138	6,739	57,057
Employee education	39,391	580	-	39,971
Occupancy	26,382	9,572	3,639	39,593
Professional fees	-	30,968	-	30,968
Travel	21,030	6,539	1,554	29,123
Hardware support	13,956	11,636	2,612	28,204
Insurance	19,498	6,133	1,744	27,375
Printing	19,453	1,518	5,005	25,976
Telephone	12,496	8,032	2,087	22,615
Postage	3,228	867	1,146	5,241
Other	2,887	242	371	3,500
Total expenses	<u>\$ 2,159,990</u>	<u>\$ 844,840</u>	<u>\$ 347,237</u>	<u>\$ 3,352,067</u>

The accompanying notes are an integral part of these financial statements.

Animal Protection New Mexico, Inc. and Affiliate
Combined Statement of Functional Expenses
For the Year Ended December 31, 2022

	Program Services	Management and General	Fundraising	Total Expenses
Salaries and wages	\$ 881,865	\$ 479,040	\$ 111,003	\$ 1,471,908
Animal and veterinarian services	199,008	-	-	199,008
Contract services	61,549	29,299	156,873	247,721
Contributions to other organizations	280,177	-	-	280,177
Payroll taxes and fringe benefits	181,408	104,376	19,904	305,688
Public education and outreach	57,953	8	7,517	65,478
Office supplies	30,858	54,674	11,582	97,114
Depreciation	45,609	5,996	6,411	58,016
Employee education	6,420	12,795	-	19,215
Occupancy	16,407	18,511	5,470	40,388
Professional fees	-	29,684	-	29,684
Travel	8,605	4,559	365	13,529
Hardware support	14,753	10,228	2,424	27,405
Insurance	18,216	5,763	1,595	25,574
Printing	23,292	1,765	5,967	31,024
Telephone	12,777	13,375	1,292	27,444
Postage	3,477	1,233	403	5,113
Other	4,818	740	-	5,558
Website maintenance and development	585	-	-	585
Total expenses	<u>\$ 1,847,777</u>	<u>\$ 772,046</u>	<u>\$ 330,806</u>	<u>\$ 2,950,629</u>

The accompanying notes are an integral part of these financial statements.

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

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Cash received from grants and contributions	2,745,743	\$ 2,868,009
Cash received from other	18,052	3,119
Cash paid to employees and suppliers	<u>(3,200,483)</u>	<u>(2,884,386)</u>
Net cash used by operating activities	<u>(436,688)</u>	<u>(13,258)</u>
Cash flows from investing activities		
Distributions from endowment	211,021	268,089
Contributions to endowment	(34,709)	(25,370)
Purchases of equipment	<u>(2,168)</u>	<u>-</u>
Net cash provided by investing activities	<u>174,144</u>	<u>242,719</u>
Net (decrease) increase in cash	(262,544)	229,461
Cash, beginning of year	<u>861,839</u>	<u>632,378</u>
Cash, end of year	<u>\$ 599,295</u>	<u>\$ 861,839</u>
Reconciliation of change in net assets to net cash used by operating activities		
Change in net assets	<u>\$ 414,529</u>	<u>\$ (769,191)</u>
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	57,057	58,016
Net realized and unrealized (gain) loss on investments	(772,195)	715,863
Reinvested interest and dividends	(85,158)	(61,834)
Investment fees paid from endowment assets	28,918	27,836
Loss on disposal of equipment	2,401	2,676
Changes in assets and liabilities		
Accounts and contributions receivable	(140,177)	47,892
Prepaid expenses	(11,406)	(12,576)
Other assets	(1,066)	(397)
Accounts payable	39,629	(13,337)
Accrued expenses	30,780	(3,935)
Due to others	<u>-</u>	<u>(4,271)</u>
Total adjustments	<u>(851,217)</u>	<u>755,933</u>
Net cash used by operating activities	<u>\$ (436,688)</u>	<u>\$ (13,258)</u>

The accompanying notes are an integral part of these financial statements.

Animal Protection New Mexico, Inc. and Affiliate
Notes to Combined Financial Statements
December 31, 2023 and 2022

1) Nature of Organization

Animal Protection 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 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 New Mexico, Inc. and Affiliate
Notes to Combined Financial Statements
December 31, 2023 and 2022

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.

Revenue Recognition

In order to support the various programs, the Organization generates revenue and support primarily through grants and contributions. Accordingly, the financial statements are presented in accordance with FASB Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. Under ASU 2014-09, the Organization is required to recognize revenue for the transfer of goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled to in exchange for those goods or services.

Revenue recognition for the Organization is as follows:

Contributions and Grants - 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 statements 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 \$36,487 and \$35,399 of contributed animal boarding, legal, printing services, and other professional services during the years ended December 31, 2023 and 2022, respectively.

Conditional grants and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures or deliverables, as defined in each contract, are met. Expenditures under contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time the final assessment is made.

Animal Protection New Mexico, Inc. and Affiliate
Notes to Combined Financial Statements
December 31, 2023 and 2022

2) Summary of Significant Accounting Policies — continued

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.

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, except for money market accounts designated for long-term investment and on deposit with investment firms in accounts designated as long term investments, which are included in investments.

At December 31, 2023 and 2022, the cash bank balances totaled \$515,753 and \$855,171, respectively. Cash bank balances of \$262,286 and \$586,497 were uninsured and uncollateralized at December 31, 2023 and 2022, 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.

Animal Protection New Mexico, Inc. and Affiliate
Notes to Combined Financial Statements
December 31, 2023 and 2022

2) Summary of Significant Accounting Policies — continued

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 \$5,000 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 \$28,831 and \$30,153 for the years ended December 31, 2023 and 2022, respectively, and is included in the public education and outreach line item on the accompanying statements of functional expenses.

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
Occupancy	Square footage
Printing	Time and effort
Hardware support	Time and effort
Telephone	Time and effort

Fair Value of Financial Instruments

For financial statement purposes, cash equivalents, accounts and contributions receivable, prepaid expenses, accounts payable, and accrued expenses are considered financial instruments. The Organization estimated that the fair value of all financial instruments at December 31, 2023 and 2022, 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.

Animal Protection New Mexico, Inc. and Affiliate
Notes to Combined Financial Statements
December 31, 2023 and 2022

2) Summary of Significant Accounting Policies — continued

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, 2020, and thereafter are subject to audit by various taxing authorities.

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 4, 2024, the date which the combined financial statements were available to be issued, were evaluated for recognition and disclosure in the combined financial statements.

Leases

Effective January 1, 2022, the Organization adopted FASB ASC 842, *Leases*. The Organization determines if an arrangement contains a lease at inception based on whether the Organization has the right to control the asset during the contract period and other facts and circumstances. The Organization elected the package of practical expedients permitted under the transition guidance with the new standard, which among other things, allowed it to carry forward the historical lease classification. The adoption of FASB ASC 842 did not have an impact on the Organization's financial statements as it either did not have any leases that fell within the scope of this standard or were not material to the 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.

Animal Protection New Mexico, Inc. and Affiliate
Notes to Combined Financial Statements
December 31, 2023 and 2022

2) Summary of Significant Accounting Policies — continued

Reclassifications

Certain 2022 amounts presented in the financial statements for comparative purposes have been reclassified to conform to the 2023 presentation. These reclassifications had no impact on net assets at December 31, 2022.

3) **Accounts and Contributions Receivable**

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

	<u>2023</u>	<u>2022</u>
Contributions receivable	\$ 194,709	\$ 181,507
Other	134,291	22,757
Grants receivable	<u>20,828</u>	<u>5,387</u>
	<u>\$ 349,828</u>	<u>\$ 209,651</u>

4) **Property and Equipment**

Property and equipment consist of the following at December 31:

	<u>2023</u>	<u>2022</u>
Building	\$ 1,503,040	\$ 1,503,040
Office equipment and software	83,354	88,606
Furniture and fixtures	<u>220,533</u>	<u>220,533</u>
Subtotal	1,806,927	1,812,179
Less accumulated depreciation	<u>(558,417)</u>	<u>(506,379)</u>
Total property and equipment being depreciated, net	1,248,510	1,305,800
Land	<u>696,960</u>	<u>696,960</u>
Total property and equipment, net	<u>\$ 1,945,470</u>	<u>\$ 2,002,760</u>

Depreciation expense was \$57,057 and \$58,016 during the years ended December 31, 2023 and 2022, respectively.

Animal Protection New Mexico, Inc. and Affiliate
Notes to Combined Financial Statements
December 31, 2023 and 2022

5) Investment Income (Loss)

The following summarizes the investment income (loss) 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:

	2023	2022
Interest and dividend income	\$ 85,158	\$ 61,834
Net realized and unrealized gains (losses)	772,195	(715,863)
Investment management fees	<u>(28,918)</u>	<u>(27,836)</u>
Total investment income (loss)	<u>\$ 828,435</u>	<u>\$ (681,865)</u>

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.

Animal Protection New Mexico, Inc. and Affiliate
Notes to Combined Financial Statements
December 31, 2023 and 2022

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 from the fund were \$424 and \$414 for the years ended December 31, 2023 and 2022, respectively.

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

	2023	2022
Without donor restrictions	\$ 3,091,177	\$ 2,439,254
With donor restrictions	1,159,444	1,159,244
Total endowment funds	\$ 4,250,621	\$ 3,598,498

Changes in endowment net assets during the years ended December 31, 2023 and 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
<u>December 31, 2023</u>			
Endowment net assets, beginning of year	\$ 2,439,254	\$ 1,159,244	\$ 3,598,498
Contributions	34,509	200	34,709
Distributions	(211,021)	-	(211,021)
Interest and dividends	85,158	-	85,158
Net appreciation in value	772,195	-	772,195
Investment fees paid from endowment assets	(28,918)	-	(28,918)
Endowment net assets, end of year	\$ 3,091,177	\$ 1,159,444	\$ 4,250,621
	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
<u>December 31, 2022</u>			
Endowment net assets, beginning of year	\$ 3,363,838	\$ 1,159,244	\$ 4,523,082
Contributions	25,911	-	25,370
Distributions	(268,630)	-	(268,089)
Interest and dividends	61,834	-	61,834
Net depreciation in value	(715,863)	-	(715,863)
Investment fees paid from endowment assets	(27,836)	-	(27,836)
Endowment net assets, end of year	\$ 2,439,254	\$ 1,159,244	\$ 3,598,498

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6) Endowment Fund Investments and Spending Policy — continued

APNM is the beneficiary of a fund established at the New Mexico Community Foundation. The fund allows the Organization to receive distributions to support APNM’s Equine Protection program. Since these funds are held, and ultimately controlled by the New Mexico Community Foundation, the value of the account has not been shown on the combined statements of financial position. The value of the fund was \$1,420,306 and \$1,276,072 at December 31, 2023 and 2022, respectively. Fund distributions for the Equine Protection program were \$42,218 and \$33,898 for the years ended December 31, 2023 and 2022, respectively.

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, 2023 and 2022.

Fair value of assets measured on a recurring basis at December 31, 2023, are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Equities	\$ 2,714,704	\$ 2,714,704	\$ -
Bonds	915,612	915,612	-
Commodities	103,232	103,232	-
Real estate investment trusts (REIT)	131,546	131,546	-
Beneficial interest in investments held by others	<u>11,750</u>	<u>-</u>	<u>11,750</u>
	\$ 3,876,844	\$ 3,865,094	\$ 11,750
Cash equivalents	<u>373,777</u>		
	<u>\$ 4,250,621</u>		

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7) Fair Value Measurements — continued

Fair value of assets measured on a recurring basis at December 31, 2022, are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Equities	\$ 2,157,075	\$ 2,157,075	\$ -
Bonds	833,372	833,372	-
Commodities	147,377	147,377	-
Real estate investment trust (REIT)	71,841	71,841	-
Beneficial interest in investments held by others	11,411	-	11,411
	<u>\$ 3,221,076</u>	<u>\$ 3,209,665</u>	<u>\$ 11,411</u>
Cash equivalents	<u>377,422</u>		
	<u>\$ 3,598,498</u>		

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 \$281,291 and \$300,571 during the years ended December 31, 2023 and 2022, respectively.

Unrelated to shared services, APNM contributed \$217,419 and \$224,789 to APV during the years ended December 31, 2023 and 2022, respectively, to support APV in its advocacy to enhance legislation for the prevention of cruelty to animals. In addition, during 2023 and 2022 APNM paid APV a total of \$10,612 and \$7,292, respectively, for program outreach and development communications. These expenses are included in the public education and outreach line item in the accompanying statements of functional expenses for the years ended December 31, 2023 and 2022, respectively. Amounts owed from APV were \$106,845 and \$9,457 at December 31, 2023 and 2022, respectively, and are included in accounts and contributions receivable.

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 revenue and support from two donors, excluding contributed goods and services, was approximately 59% of the organization's total support and revenue during each of the years' ending December 31, 2023 and 2022, respectively. If the Organization does not continue to receive comparable contribution amounts the negative impact on the Organization's operations would be significant.

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10) Commitments and Contingencies

The Organization leases office space under an annual operating lease that expires on July 31, 2024. The Organization currently pays a monthly rate of \$1,284.

11) Availability and Liquidity

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

	<u>2023</u>	<u>2022</u>
Cash	\$ 599,295	\$ 861,839
Accounts and contributions receivable, current	349,828	209,651
Endowment investments	<u>4,250,621</u>	<u>3,598,498</u>
Total financial assets	5,199,744	4,669,988
Less amounts not available to be used within one year:		
Endowment investments - restricted	<u>(1,159,444)</u>	<u>(1,159,244)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 4,040,300</u>	<u>\$ 3,510,744</u>

As part of the Organization's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Excess cash is invested in a portfolio of well diversified investments and in a manner such that investment funds are easily accessed in times of unanticipated liquidity needs. At December 31, 2023 and 2022, investments available for spending at managements and the board's discretion was \$3.1 million and \$2.4 million, respectively.

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12) Net Assets

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

	<u>2023</u>	<u>2022</u>
Permanent endowment fund	\$ 1,159,444	\$ 1,159,244
Humane science	274,599	209,953
Equine protection fund	182,121	237,599
Plant based eating	100,000	7,500
Humane communities and humane citizens fund	38,083	62,411
Education	35,794	33,833
Animal control officer training	30,000	20,000
Helpline	23,264	12,407
Chimps to sanctuary campaign	22,424	83,687
Pet food pilot project	20,000	20,153
Subsequent years operations	19,122	17,330
Disaster relief fund	17,471	30,095
Reward fund	13,273	13,273
Other	5,628	6,835
Factory farming	721	70,000
Santa Fe veterinary medical aid program	-	16,018
Companion animal rescue effort	-	9,467
Total net assets with donor restrictions	<u>\$ 1,941,944</u>	<u>\$ 2,009,805</u>

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12) Net Assets – continued

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

	<u>2023</u>	<u>2022</u>
Equine protection services	\$ 209,645	\$ 33,996
Humane science	154,256	167,425
Chimps to sanctuary program	76,263	66,491
Factory farming	69,279	-
Education	32,146	24,230
Humane communities and citizens	24,328	16,827
Pet food pilot project	20,153	-
Animal correction officer training	20,000	9,227
Subsequent years operations	17,330	35,191
Santa Fe veterinary medical aid program	16,018	25,842
Disaster relief fund	12,624	-
Helpline	12,407	-
Companion Animal Rescue Effort	9,467	-
Plant based eating	7,500	69,978
Other	1,257	31,939
Equine direct services	-	22,913
Total net assets released from restrictions	<u>\$ 682,673</u>	<u>\$ 504,059</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 \$99,396 and \$85,430 at December 31, 2023 and 2022, respectively.