



Animal Protection of New Mexico, Inc. and Affiliate

Combined Financial Statements
and
Independent Auditors' Report

December 31, 2016 and 2015

Animal Protection of New Mexico, Inc. and Affiliate

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Independent Auditors' Report

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

We have audited the accompanying combined financial statements of Animal Protection of New Mexico, Inc. (APNM) (a nonprofit organization) and affiliate, which comprise the combined statements of financial position as of December 31, 2016 and 2015, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Animal Protection of New Mexico, Inc. and affiliate as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Restatement

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

Loftis Group ^{uc}

Albuquerque, New Mexico
May 17, 2017

Combined Financial Statements

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

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and other support				
Grants and contracts	\$ 1,649,443	\$ -	\$ -	\$ 1,649,443
Contributions	187,014	22,424	-	209,438
In-kind contributions	49,574	-	-	49,574
Investment Income	66,509	-	-	66,509
Other income	16,242	-	-	16,242
Net assets released from restriction	111,484	(111,484)	-	-
Total support and revenue	<u>2,080,266</u>	<u>(89,060)</u>	<u>-</u>	<u>1,991,206</u>
Expenses				
Program services				
Advocacy campaigns	884,422	-	-	884,422
Public assistance - education and outreach	315,317	-	-	315,317
Direct animal service programs	53,033	-	-	53,033
Wildlife campaigns	88,794	-	-	88,794
Total program services	<u>1,341,566</u>	<u>-</u>	<u>-</u>	<u>1,341,566</u>
Supporting services				
Management and general	484,428	-	-	484,428
Fundraising	124,161	-	-	124,161
Total supporting services	<u>608,589</u>	<u>-</u>	<u>-</u>	<u>608,589</u>
Total expenses	<u>1,950,155</u>	<u>-</u>	<u>-</u>	<u>1,950,155</u>
Change in net assets	130,111	(89,060)	-	41,051
Net assets, beginning of year	<u>3,425,498</u>	<u>300,716</u>	<u>109,224</u>	<u>3,835,438</u>
Net assets, end of year	<u>\$ 3,555,609</u>	<u>\$ 211,656</u>	<u>\$ 109,224</u>	<u>\$ 3,876,489</u>

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

Animal Protection of New Mexico, Inc. and Affiliate
Combined Statement of Activities - Restated
For the Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues and other support				
Grants and contracts	\$ 1,527,889	\$ -	\$ -	\$ 1,527,889
Contributions	128,664	121,649	1,500	251,813
In-kind contributions	2,486,812	-	-	2,486,812
Investment loss	(9,418)	-	-	(9,418)
Other income	29,306	-	-	29,306
Net assets released from restriction	156,294	(156,294)	-	-
Total support and revenue	<u>4,319,547</u>	<u>(34,645)</u>	<u>1,500</u>	<u>4,286,402</u>
Expenses				
Program services				
Advocacy campaigns	801,884	-	-	801,884
Public assistance - education and outreach	289,642	-	-	289,642
Direct animal service programs	49,451	-	-	49,451
Wildlife campaigns	117,145	-	-	117,145
Total program services	<u>1,258,122</u>	<u>-</u>	<u>-</u>	<u>1,258,122</u>
Supporting services				
Management and general	374,549	-	-	374,549
Fundraising	68,441	-	-	68,441
Total supporting services	<u>442,990</u>	<u>-</u>	<u>-</u>	<u>442,990</u>
Total expenses	<u>1,701,112</u>	<u>-</u>	<u>-</u>	<u>1,701,112</u>
Change in net assets	2,618,435	(34,645)	1,500	2,585,290
Net assets, beginning of year	807,063	335,361	107,724	1,250,148
Net assets, end of year	<u><u>\$ 3,425,498</u></u>	<u><u>\$ 300,716</u></u>	<u><u>\$ 109,224</u></u>	<u><u>\$ 3,835,438</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, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries	\$ 550,443	\$ 286,416	\$ 78,988	\$ 915,847
Contributions to other organizations	250,418	200	-	250,618
Payroll taxes and fringe benefits	104,896	59,112	15,587	179,595
Animal and veterinarian services	103,686	-	-	103,686
Professional fees	62,181	33,628	-	95,809
Office supplies	27,796	47,337	8,876	84,009
Depreciation	70,212	5,114	389	75,715
Rent and utilities	29,402	13,413	3,325	46,140
Contract services	29,576	5,424	1,411	36,411
Hardware support	15,809	15,380	2,696	33,885
Printing	27,779	1,245	3,527	32,551
Telephone	17,747	8,141	2,079	27,967
Travel	19,204	2,976	1,901	24,081
Insurance	15,815	3,499	-	19,314
Public education and outreach	4,480	407	4,260	9,147
Postage	4,000	1,100	1,036	6,136
Facility and food	3,914	-	-	3,914
Employee education	1,790	999	75	2,864
Other	1,570	-	-	1,570
Graphic design	749	-	9	758
Website maintenance and development	99	37	2	138
Total expenses	<u>\$ 1,341,566</u>	<u>\$ 484,428</u>	<u>\$ 124,161</u>	<u>\$ 1,950,155</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, 2015

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

	2016	Restated 2015
Cash flows from operating activities		
Cash received from grants and contracts	\$ 1,623,097	\$ 1,545,772
Cash received from contributions	164,682	276,813
Cash received from other	16,242	29,306
Cash paid to employees and suppliers	(1,790,775)	(1,635,168)
Interest and dividend income	<u>16,680</u>	<u>16,694</u>
Net cash provided by operating activities	<u>29,926</u>	<u>233,417</u>
Cash flows from investing activities		
Proceeds from sales of investments	356,202	388,087
Purchases of investments	(353,012)	(356,083)
Purchases of equipment	<u>(21,604)</u>	<u>(28,087)</u>
Net cash (used) provided by investing activities	<u>(18,414)</u>	<u>3,917</u>
Net increase in cash and cash equivalents	11,512	237,334
Cash and cash equivalents, beginning of year	<u>572,429</u>	<u>335,095</u>
Cash and cash equivalents, end of year	<u>\$ 583,941</u>	<u>\$ 572,429</u>
Reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets	<u>\$ 41,051</u>	<u>\$ 2,585,290</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	75,715	43,455
Contributed property and equipment	-	(2,411,752)
Net realized and unrealized loss (gain) on investments	(60,543)	16,183
Changes in assets and liabilities		
Accounts and contributions receivable	(71,102)	(32,177)
Prepaid expenses	3,745	5,941
Accounts payable	(19,211)	8,246
Accrued expenses	8,271	(22,769)
Due to others	<u>52,000</u>	<u>41,000</u>
Total adjustments	<u>(11,125)</u>	<u>(2,351,873)</u>
Net cash provided by operating activities	<u>\$ 29,926</u>	<u>\$ 233,417</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, 2016 and 2015

1) Nature of Organization

Animal Protection of New Mexico, Inc. and affiliate (APNM) have been working to promote the humane treatment of animals since 1979. APNM is a nonprofit, 501(c)(3) organization supported by donations, volunteers and grants. APNM provides public assistance through consultation, education, communication and outreach on animal protection issues. It promotes animal advocacy campaigns with an effort to improve public policies and practices related to the treatment of animals through legislative and non-legislative means, by implementing humane strategies and by establishing partnerships with agencies. APNM provides financial assistance to agencies involved in investigating and prosecuting animal cruelty, to organizations rehabilitating victims of animal cruelty, to individuals for companion animal spay/neuter and other veterinary services, and for equine feed and veterinary assistance.

Animal Protection of New Mexico Foundation, Inc. (Foundation) was incorporated as a non-profit organization in 2001. The Foundation is considered an affiliate organization of APNM, as it was organized exclusively for holding and investing assets to provide financial support for APNM.

2) Summary of Significant Accounting Policies

Principles of Combination

The combined financial statements include the accounts of APNM and the Foundation, collectively referred to as the “Organization”. The Foundation’s financial information is combined with APNM’s information since APNM has both an economic interest and control of the Foundation through a majority voting interest in its governing board. All material intra-entity transactions have been eliminated.

Basis of Accounting

The combined financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets.

Animal Protection of New Mexico, Inc. and Affiliate
Notes to Combined Financial Statements
December 31, 2016 and 2015

2) Summary of Significant Accounting Policies — continued

Revenues and Other Support

In order to support the various programs, the Organization generates revenue and support through a variety of sources. The primary sources of revenue include contributions, grants, and contracts from foundations.

The Organization reports contributions received as unrestricted, temporarily restricted, or permanently restricted depending on the absence or existence and nature of any donor restrictions. All donor-restricted revenue is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities as net assets released from restriction. If the restriction is satisfied in the same period the contribution is received, the contribution is reported as unrestricted.

Donated Materials and Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Donated materials and services are recorded as in-kind contributions in the accompanying financial statements at the estimated value at date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specified purpose. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. The organization received and recognized approximately \$2,412,000 of contributed building, land and equipment during the year ended December 31, 2015. The organization did not receive any contributed materials during the year ended December 31, 2016. The Organization received and recognized approximately \$50,000 and \$74,000 of contributed computer support, advertising and other professional services during the years ended December 31, 2016 and 2015, respectively.

A substantial number of volunteers have donated their services to the Organization. No amounts have been recognized in the financial statements for these services as they do not meet the recognition requirements under U.S. generally accepted accounting principles.

Animal Protection of New Mexico, Inc. and Affiliate
Notes to Combined Financial Statements
December 31, 2016 and 2015

2) Summary of Significant Accounting Policies — continued

Cash and Cash Equivalents

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

Investments

Investments in equity securities with readily-determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the combined statements of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

Accounts and Contributions Receivable

Accounts and contributions receivable are for grants and contributions and are reported at their outstanding balances which approximate fair value. The Organization considers all receivables to be collectible. Accordingly, no allowance for doubtful accounts is required. Management determines whether an allowance is necessary based on the evaluation of the collectability of the receivables, including the nature of the receivable, historical losses and economic conditions. If amounts become uncollectible, they will be charged to expense when that determination is made. The Organization considers all receivables outstanding for over 90 days to be past due.

Property and Equipment

Purchased property and equipment are stated at cost. Donated property and equipment that are to be used by the Organization are capitalized at their estimated fair value on the date of the gift. Depreciation is computed using the straight-line method over the estimated useful lives of five to forty-five years. All acquisitions of property and equipment in excess of \$500 are capitalized.

Functional Allocation of Expenses

Expenses are charged directly to program and supporting services based on specific identification, when possible. Costs benefitting more than one service are allocated based on measures such as management's estimates of time spent, square footage, etc.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts and contributions receivable, prepaid expenses, accounts payable, accrued expenses and amounts due to others approximate fair value due to the short maturity periods of these instruments.

Animal Protection of New Mexico, Inc. and Affiliate
Notes to Combined Financial Statements
December 31, 2016 and 2015

2) Summary of Significant Accounting Policies — continued

Advertising

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

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported changes in net assets. Actual results could differ from those estimates.

Income Taxes

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

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

Subsequent Events

Subsequent events were evaluated through May 17, 2017, which is the date the financial statements were available to be issued. Management believes that there are no material subsequent events that have arisen that would require accrual.

Animal Protection of New Mexico, Inc. and Affiliate
Notes to Combined Financial Statements
December 31, 2016 and 2015

3) Accounts and Contributions Receivable

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

	<u>2016</u>	<u>2015</u>
Grants receivable	\$ 11,094	\$ 37,440
Due from a related organization	134,029	38,326
Contributions receivable	75,923	70,582
Other	589	4,185
	<u>\$ 221,635</u>	<u>\$ 150,533</u>

4) Property and Equipment

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

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

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

Animal Protection of New Mexico, Inc. and Affiliate
Notes to Combined Financial Statements
December 31, 2016 and 2015

5) Investments

The following summarizes the investment income in the combined statement of activities, and includes income from interest bearing cash accounts, investments, beneficial interest in assets held by others and endowment fund investments for the years ended December 31:

	2016	2015
Interest and dividend income	\$ 16,680	\$ 16,694
Net realized and unrealized gain (loss)	60,543	(16,183)
Investment management fees	(10,714)	(9,929)
Total investment income (loss)	\$ 66,509	\$ (9,418)

6) Endowment Fund Investments and Spending Policy

APNM has endowment funds that are held by its affiliate, the Foundation, and by the Albuquerque Community Foundation ("ACF") as a part of their pooled investments.

The Foundation follows its governing documents in administering the Foundation's investment assets and spending policy. The Board of Directors has determined that the majority of the Foundation's contributions are subject to the terms of its governing documents. Under these terms, the Board of Directors has the ability to disburse or accumulate the income or principal of the funds as it sees fit in its sole discretion.

The Foundation has adopted investment and spending policies approved by the Board of Directors. Endowment assets attempt to provide income sufficient for the Foundation's annual distribution, preservation of capital over a market cycle, and moderate growth. The Foundation's assets cannot be invested in investments that are counter to its purpose. The investment policy establishes an achievable return objective through diversification of assets. Currently, the long-term return objective is 8%, but the Board will direct its investment advisors to achieve a total portfolio, long-term average return of approximately 5%-6%. The investments' liquidity and risk profile should be commensurate with the net asset classification of the assets and the specific objectives of that classification.

The Foundation Board determines the distribution to APNM each calendar year. The Board may direct the distribution from the investments of up to five percent of the market value of the investments as of the end of the prior fiscal year. APNM did not request and therefore did not receive any distributions during the year ended December 31, 2016. APNM received distributions of \$43,539 from the Foundation during the year ended December 31, 2016. The Foundation disbursed \$9,156 of endowment funds for Foundation operating expenses during the year ended December 31, 2016.

Animal Protection of New Mexico, Inc. and Affiliate
Notes to Combined Financial Statements
December 31, 2016 and 2015

6) Endowment Fund Investments and Spending Policy— continued

APNM also has endowment funds that are held by the Albuquerque Community Foundation as a part of its pooled investments. Variance power has been granted to ACF. These assets will be returned to APNM if the ACF ceases to be a charitable organization. These investments are stated at fair value.

Annual distributions can be made pursuant to current ACF policy. Current policy states that distributions will be based on 4.5% of the average twelve quarters' fund balance if requested by APNM. Distributions were \$358 for the year ended December 31, 2015. No distributions were taken during the year ended December 31, 2016.

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

	2016	2015
Unrestricted funds	\$ 732,604	\$ 675,251
Permanently restricted funds	109,224	109,224
Total funds	\$ 841,828	\$ 784,475

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

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

	Unrestricted	Permanently Restricted	Total Endowment Net Assets
<u>December 31, 2015</u>			
Endowment net assets, beginning of year	\$ 727,758	\$ 107,724	\$ 835,482
Contributions	450	1,500	1,950
Distributions	(43,539)	-	(43,539)
Net investment income	511	-	511
Investment fees and other expenses	(9,929)	-	(9,929)
Endowment net assets, end of year	\$ 675,251	\$ 109,224	\$ 784,475

Animal Protection of New Mexico, Inc. and Affiliate
Notes to Combined Financial Statements
December 31, 2016 and 2015

6) Endowment Fund Investments and Spending Policy— continued

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

7) **Fair Value Measurements**

Generally accepted accounting principles establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of assets whose values are derived from observable market data but for which there is not a quoted price for the specific asset; and Level 3 inputs consist of assets that are not traded in an active market and for which no significant observable market inputs are available and have the lowest priority. The Organization uses appropriate valuation techniques based on available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because it generally provides the most reliable evidence of fair value. The Organization has no Level 3 investments at December 31, 2016 and 2015.

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

	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>
Corporate stocks	\$ 612,919	\$ 612,919	\$ -
US government securities	99,883	99,883	-
Corporate bonds	89,786	89,786	-
Money market funds	30,118	30,118	
Beneficial interest in investments held by others	9,122	-	9,122
	<u>\$ 841,828</u>	<u>\$ 832,706</u>	<u>\$ 9,122</u>

Animal Protection of New Mexico, Inc. and Affiliate
Notes to Combined Financial Statements
December 31, 2016 and 2015

7) Fair Value Measurement — continued

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

	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>
Corporate stocks	\$ 562,542	\$ 562,542	\$ -
US government securities	102,774	102,774	-
Corporate bonds	89,426	89,426	-
Money market funds	20,611	20,611	-
Beneficial interest in investments held by others	9,122	-	9,122
	<u>\$ 784,475</u>	<u>\$ 775,353</u>	<u>\$ 9,122</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”). Based on activity, APV’s portion of shared services incurred by APNM was approximately \$172,000 and \$168,000 during the years ended December 31, 2016 and 2015, respectively.

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

9) **Concentration of Credit Risk**

Financial instruments that potentially subject the Organization to concentrations consist principally of cash and cash equivalents, investments and accounts receivable. APNM may occasionally maintain cash balances in excess of the balance insured by the Federal Deposit Insurance Corporation.

The revenue and support, excluding contributed goods and services, from one grantor was approximately 72% and 68% of APNM’s total support and revenue for the years ended December 31, 2016 and 2015, respectively. If APNM does not continue to receive comparable contribution amounts the negative impact on APNM’s operations would be significant.

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10) Temporarily Restricted Net Assets

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

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

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

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

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11) Commitments and Contingencies

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

12) Restatement

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

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