

**CHARLOTTESVILLE – ALBEMARLE
SOCIETY FOR THE PREVENTION OF CRUELTY
TO ANIMALS, INC.**

FINANCIAL REPORT

December 31, 2014

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Board of Directors
Charlottesville – Albemarle Society for the
Prevention of Cruelty to Animals, Inc.
Charlottesville, Virginia

We have audited the accompanying financial statements of the Charlottesville – Albemarle Society for the Prevention of Cruelty to Animals, Inc. (the “SPCA”), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. The prior year partially summarized comparative information has been derived from the SPCA’s 2013 financial statements, and in our report dated June 18, 2014, we expressed an unmodified opinion on those financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of the Charlottesville – Albemarle Society for the Prevention of Cruelty to Animals, Inc. as of December 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Error

As described in Note 13 to the financial statements, permanently restricted net assets were reclassified to temporarily restricted net assets. Our opinion is not modified with respect to that matter.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
April 13, 2015

**CHARLOTTESVILLE – ALBEMARLE SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS, INC.**

**STATEMENTS OF FINANCIAL POSITION
December 31, 2014 and 2013**

	2014	2013
ASSETS		
Current assets		
Cash and cash equivalents	\$ 790,254	\$ 1,004,446
Investments (Note 2)	4,180,691	3,771,623
Accounts receivable	14,521	7,147
Contributions receivable (Note 3)	135,221	68,000
Other current assets	15,194	37,554
Total current assets	5,135,881	4,888,770
Property and equipment, net (Note 4)	5,462,430	5,506,428
Other assets		
Beneficial interest in Bleecker Trust (Notes 8 and 9)	777,083	815,187
USDA loan reserve (Note 6)	191,250	191,250
Restricted cash held for Pace endowment	26,000	26,000
Total other assets	994,333	1,032,437
Total assets	\$ 11,592,644	\$ 11,427,635
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 20,796	\$ 26,671
Accrued expenses (Note 5)	99,514	78,990
Current portion – notes payable (Note 6)	93,346	89,255
Total current liabilities	213,656	194,916
Long-term liabilities		
Notes payable (Note 6)	2,443,342	2,536,688
Total liabilities	2,656,998	2,731,604
Net assets		
Unrestricted	7,907,967	7,665,997
Temporarily restricted (Note 8)	901,679	904,034
Permanently restricted (Note 9)	126,000	126,000
Total net assets	8,935,646	8,696,031
Total liabilities and net assets	\$ 11,592,644	\$ 11,427,635

**CHARLOTTESVILLE – ALBEMARLE SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS, INC.**

STATEMENTS OF ACTIVITIES

Year Ended December 31, 2014 and Summarized for the Year Ended December 31, 2013

	2014			Total	2013
	Unrestricted	Temporarily Restricted	Permanently Restricted		Total
REVENUES, GAINS, AND OTHER SUPPORT					
Contributions and gifts	\$ 487,942	\$ 196,263	\$ -	\$ 684,205	\$ 769,978
Grants	47,734	-	-	47,734	2,180
Bequests	520,204	-	-	520,204	650,473
Local government appropriations	771,520	-	-	771,520	747,756
Special events, net of related expenses of \$157,411	319,507	-	-	319,507	306,453
Rummage store sales	497,083	-	-	497,083	470,091
Program services fees	449,948	-	-	449,948	448,172
In-kind contributions	86,978	-	-	86,978	47,829
Income distributions from the Bleecker Trust	56,510	-	-	56,510	8,823
Investment income	125,070	-	-	125,070	65,803
Realized and unrealized gains on investments	281,975	-	-	281,975	738,674
Loss on disposal of assets	(489)	-	-	(489)	(11,171)
Miscellaneous income	1,008	-	-	1,008	1,125
Change in value of beneficial interest in Bleecker Trust	-	(38,104)	-	(38,104)	45,380
Net assets released from restrictions (Note 10)	160,514	(160,514)	-	-	-
Total revenues, gains, and other support	<u>3,805,504</u>	<u>(2,355)</u>	<u>-</u>	<u>3,803,149</u>	<u>4,291,566</u>
EXPENSES					
Program services	3,168,689	-	-	3,168,689	2,767,959
Management and general	196,153	-	-	196,153	290,860
Fundraising	198,692	-	-	198,692	159,396
Total expenses	<u>3,563,534</u>	<u>-</u>	<u>-</u>	<u>3,563,534</u>	<u>3,218,215</u>
Change in net assets	241,970	(2,355)	-	239,615	1,073,351
NET ASSETS					
Beginning, as restated (Note 13)	<u>7,665,997</u>	<u>904,034</u>	<u>126,000</u>	<u>8,696,031</u>	<u>7,622,680</u>
Ending	<u>\$ 7,907,967</u>	<u>\$ 901,679</u>	<u>\$ 126,000</u>	<u>\$ 8,935,646</u>	<u>\$ 8,696,031</u>

The Notes to Financial Statements are an integral part of these statements.

**CHARLOTTESVILLE – ALBEMARLE SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS, INC.**

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended December 31, 2014 and Summarized for the Year Ended December 31, 2013

	2014				2013
	Program Services	Management and General	Fundraising	Total	Total
Salaries	\$ 1,355,408	\$ 89,500	\$ 90,000	\$ 1,534,908	\$ 1,364,374
Payroll taxes	111,981	6,847	6,885	125,713	109,624
Employee benefits	253,624	9,308	9,360	272,292	171,137
External veterinarian expense	21,440	-	-	21,440	28,946
Pet care	116,653	-	-	116,653	121,330
Clinic expense	252,777	-	-	252,777	221,140
Cleaning and janitorial	55,542	-	-	55,542	49,800
Utilities	109,798	3,504	3,504	116,806	110,253
Repairs and maintenance	114,312	-	-	114,312	65,384
Miscellaneous	41,587	4,471	-	46,058	27,165
Rent	203,057	-	-	203,057	201,716
Supplies and office systems	45,965	2,115	16,670	64,750	59,276
Equipment	19,822	-	-	19,822	14,576
Telephone	17,552	661	661	18,874	21,006
Advertising	13,279	-	500	13,779	13,931
In-kind services	85,545	-	-	85,545	45,765
Insurance	25,359	913	913	27,185	22,705
Legal and accounting fees	8,169	26,171	7,500	41,840	64,206
Recruiting	-	-	-	-	57,768
Investment management	-	42,552	-	42,552	37,365
Other fundraising	-	-	52,588	52,588	45,768
Total expenses before depreciation and interest	2,851,870	186,042	188,581	3,226,493	2,853,235
Depreciation	205,121	6,546	6,546	218,213	241,643
Interest	111,698	3,565	3,565	118,828	123,337
Total expenses	\$ 3,168,689	\$ 196,153	\$ 198,692	\$ 3,563,534	\$ 3,218,215

**CHARLOTTESVILLE – ALBEMARLE SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS, INC.**

**STATEMENTS OF CASH FLOWS
Years Ended December 31, 2014 and 2013**

	2014	2013
OPERATING ACTIVITIES		
Change in net assets	\$ 239,615	\$ 1,073,351
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Realized and unrealized gains on investments	(281,975)	(738,674)
Depreciation	218,213	241,643
Loss on disposal of property and equipment	489	11,171
Change in value of Bleecker Trust	38,104	(45,380)
(Increase) decrease in assets:		
Accounts receivable	(7,374)	12,631
Contributions receivable	(67,221)	366,717
Other current assets	22,360	(11,441)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	14,649	(39,923)
Net cash provided by operating activities	176,860	870,095
INVESTING ACTIVITIES		
Net purchase of investments	(127,093)	(417,475)
Acquisition of property and equipment	(174,704)	(350,059)
Net cash used in investing activities	(301,797)	(767,534)
FINANCING ACTIVITIES		
Principal repayments	(89,255)	(85,383)
Net cash used in financing activities	(89,255)	(85,383)
Net (decrease) increase in cash and cash equivalents	(214,192)	17,178
CASH AND CASH EQUIVALENTS		
Beginning	1,004,446	987,268
Ending	\$ 790,254	\$ 1,004,446
Supplemental disclosure:		
Cash paid for interest	\$ 120,342	\$ 124,213

**CHARLOTTESVILLE – ALBEMARLE SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS, INC.**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2014**

Note 1. Significant Accounting Policies

The Charlottesville – Albemarle Society for the Prevention of Cruelty to Animals, Inc. (the “SPCA”) provides a safe environment for the lost, abandoned, and homeless animals of Charlottesville and Albemarle County and places them in good homes. The SPCA strives to set a standard of excellence and leadership in animal care, humane education, and progressive animal welfare programs.

The following programs and supporting services are included in the accompanying financial statements:

Animal care and spay/neuter resources: The SPCA provides shelter, nourishment, and vaccinations for the animals which are brought to it. The SPCA also provides medical care treating minor illnesses frequently and often more severe medical conditions, including emergency veterinarian treatment. The SPCA spays or neuters each animal prior to adoption. In addition to assuring all the SPCA animals are spayed or neutered, the SPCA provides subsidized and free spay/neuter programs for low-income residents.

Adoption: The SPCA evaluates all animals for behavior and health issues prior to adoption. The SPCA finds homes for all healthy and behaviorally sound animals.

Management and general: This includes the functions necessary to ensure an adequate working environment, provide coordination and articulation of the SPCA’s program strategy, and manage the financial and budgetary responsibilities of the SPCA.

Fundraising: This provides the structure necessary to encourage and secure private financial support.

Basis of financial statement presentation and accounting:

The financial statements of the SPCA have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with these principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The accompanying financial statements present information regarding the SPCA’s financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. The three classes are differentiated based on the existence or absence of donor-imposed restrictions.

Unrestricted net assets are free of donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties. Revenues, gains, and losses that are not temporarily or permanently restricted by donors are included in this classification. Expenses are reported as decreases in this classification.

**CHARLOTTESVILLE – ALBEMARLE SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS, INC.**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2014**

Note 1. Significant Accounting Policies (Continued)

Basis of financial statement presentation and accounting: (Continued)

Temporarily restricted net assets are limited in use by donor-imposed stipulations that expire either by the passage of time or that can be fulfilled by action of the SPCA pursuant to those stipulations.

Permanently restricted net assets are amounts required by donors to be held in perpetuity; however, generally, the income on these assets is available to meet various operating needs. These net assets include the beneficial interest in the Bleecker Trust and the Pace endowment.

Cash and cash equivalents:

Cash and cash equivalents consist of bank deposits and amounts invested in certificates of deposit with no permanently imposed donor restrictions. Short-term, highly liquid investments, such as mutual and money market funds that are components of externally managed investment portfolios, are classified as investments.

Investments:

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values, as determined by quoted market prices, in the statements of financial position. Net unrealized and realized gains or losses are reflected in the statements of activities.

Gifts of investments are recorded at their fair value (based upon quotations or appraisals) at the date of gift. Purchases and sales of investments are recorded on the trade date.

Accounts receivable:

Accounts receivable are unsecured and are mainly due from local animal hospitals. Management has determined that an allowance for uncollectible accounts is not necessary, as it follows the direct write-off method. The write-off method is believed to approximate the allowance method.

Property and equipment:

Property and equipment is stated at cost or at fair value at the date of gift, less accumulated depreciation. Expenditures for new construction, major renewals and replacements, and equipment exceeding \$1,000 are generally capitalized. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	10-40 years
Furniture, fixtures, and equipment	3-15 years

**CHARLOTTESVILLE – ALBEMARLE SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS, INC.**

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

Note 1. Significant Accounting Policies (Continued)

Contributions:

Contributions, including contributions receivable, are recognized as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or absence of any donor restrictions, in the period the donor's commitment is received. Unrestricted, unconditional promises to give are recognized as temporarily restricted revenues unless the donor explicitly stipulates its use to support current period activities.

Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Contributions received with donor-imposed restrictions are reported as revenues of the temporarily restricted net asset class, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions. Contributions received with donor-imposed restrictions that are met in the same year as received are recorded as revenues of the temporarily restricted net asset class, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions.

Contributions of land, buildings, and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire land, buildings, and equipment with such donor stipulations are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

In-kind contributions are received to support the operations of various programs and special events and are recognized at fair value.

Beneficial interest in Bleecker Trust:

The SPCA participates in a split-interest agreement that is unconditional and irrevocable. This arrangement was established when a donor created the Bleecker Trust from which the SPCA receives benefits. The SPCA accounts for this agreement by recording its share of the present value of the estimated future cash receipts from the trust (which approximates its share of the related assets of the trust).

Functional allocation of expenses:

The costs of providing the SPCA's programs and support services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated between program and support services benefited.

**CHARLOTTESVILLE – ALBEMARLE SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS, INC.**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2014**

Note 1. Significant Accounting Policies (Continued)

Fair value measurements:

The SPCA carries various assets at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, a market-based approach is used. Additionally, the SPCA categorizes its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy as reflected below. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

Level 1 – Fair values are based on unadjusted quoted prices in active markets for identical assets or liabilities that management has the ability to access at the measurement date.

Level 2 – Fair values are based on inputs other than quoted prices that are either for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that were observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Fair values are based on unobservable inputs for the asset or liability where there is little, if any, market activity for the asset or liability at the measurement date.

The estimated fair value for specific groups of financial instruments is presented within the notes applicable to such items. If not specifically presented, fair value is estimated to approximate the related carrying value.

Credit risk concentrations:

Financial instruments which potentially subject the SPCA to concentrations of credit risk consist principally of cash and cash equivalents, investments, and the USDA loan reserve. A portion of the SPCA's bank deposits are in excess of federally insured limits.

Income taxes:

The SPCA is an organization described in *Internal Revenue Code* ("IRC") §501(c)(3) and accordingly, is exempt from federal and state income taxes under IRC §501(a). The SPCA has also been classified as an organization which is not a private foundation under IRC §509(a)(2). Therefore, no provision or liability for federal or state income taxes has been included in these financial statements.

The Federal Form 990 informational returns of the SPCA for 2011 through 2013 are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

**CHARLOTTESVILLE – ALBEMARLE SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS, INC.**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2014**

Note 1. Significant Accounting Policies (Continued)

Comparative information:

The financial statements include certain prior year summarized comparative information (statement of activities and statement of functional expenses) in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the financial statements for the prior year from which the summarized information was derived.

Note 2. Investments

Investments are reported at fair value and consist of the following:

	2014	2013
Money market funds	\$ 20,881	\$ 190,426
Fixed income funds	739,080	762,765
Equities:		
Information technology	714,453	718,934
Emerging Markets	181,080	-
Healthcare	1,114,262	867,813
Financial service	498,626	453,726
Food service	160,992	154,464
Air freight and delivery	222,340	-
Equipment and machinery	106,134	314,230
Retail	164,808	153,225
Other	258,035	156,040
	\$ 4,180,691	\$ 3,771,623

Note 3. Contributions Receivable

Contributions receivable are expected to be collected in less than one year. Management has determined an allowance for uncollectible amounts is unnecessary.

At December 31, 2014, the SPCA had also received bequests, intentions, and other conditional contributions receivable that were unable to be valued as of the date of the financial statements. These intentions to give are not recognized as assets until the conditions are essentially satisfied and valuation is determined.

**CHARLOTTESVILLE – ALBEMARLE SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS, INC.**

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

Note 4. Property and Equipment

Property and equipment consist of the following:

	<u>2014</u>	<u>2013</u>
Land	\$ 381,110	\$ 381,110
Construction in progress	85,459	4,388
Buildings and improvements	6,551,391	6,496,705
Furniture, fixtures, and equipment	<u>606,089</u>	<u>568,349</u>
	7,624,049	7,450,552
Less: Accumulated depreciation	<u>(2,161,619)</u>	<u>(1,944,124)</u>
Net property and equipment	<u>\$ 5,462,430</u>	<u>\$ 5,506,428</u>

Note 5. Accrued Expenses

Accrued expenses consist of the following:

	<u>2014</u>	<u>2013</u>
Interest	\$ 25,408	\$ 26,922
Vacation	56,090	42,474
Salaries	12,843	5,821
Other	<u>5,173</u>	<u>3,773</u>
	<u>\$ 99,514</u>	<u>\$ 78,990</u>

Note 6. Notes Payable

Notes payable consist of the following:

	<u>2014</u>	<u>2013</u>
USDA construction loan, interest at 4.625%, annual installments including interest, of \$196,471 through October 2033, secured by a deed of trust.	\$ 2,365,383	\$ 2,448,566
USDA operating loan, interest at 4.000%, annual installments, including interest, of \$13,126 through July 2033, secured by a deed of trust.	<u>171,305</u>	<u>177,377</u>
	2,536,688	2,625,943
Less current portion	<u>(93,346)</u>	<u>(89,255)</u>
	<u>\$ 2,443,342</u>	<u>\$ 2,536,688</u>

(Continued)

**CHARLOTTESVILLE – ALBEMARLE SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS, INC.**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2014**

Note 6. Notes Payable (Continued)

Debt matures as follows:

2015	\$ 93,346
2016	97,622
2017	102,096
2018	106,776
2019	111,670
2020 and thereafter	<u>2,025,178</u>
	<u>\$ 2,536,688</u>

The USDA construction loan security agreement requires the SPCA to establish a reserve account of \$191,250. It may be used to pay certain costs as approved by the lender.

Note 7. Employee Benefits

Retirement benefits are provided for eligible employees through a simple IRA plan. The SPCA contributes up to 3% of the employee's salary which totaled \$14,111 and \$9,101 in 2014 and 2013, respectively.

Note 8. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of:

	<u>2014</u>	<u>2013</u>
Contributions receivable, restricted by time and available for general use	\$ 135,221	\$ 68,000
Accumulated appreciation on Bleecker Trust	677,682	715,187
Capital contributions	<u>88,776</u>	<u>120,847</u>
	<u>\$ 901,679</u>	<u>\$ 904,034</u>

Note 9. Permanently Restricted Net Assets

Permanently restricted net assets result from the beneficial interest in the Bleecker Trust and the Pace endowment. The income from these assets is available to support general purposes.

**CHARLOTTESVILLE – ALBEMARLE SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS, INC.**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2014**

Note 10. Net Assets Released from Restrictions

Net assets released from restrictions consist of the following:

	<u>2014</u>	<u>2013</u>
Capital improvements	\$ 81,071	\$ 302,408
General operations	11,443	-
Expiration of time restrictions	<u>68,000</u>	<u>366,717</u>
	<u>\$ 160,514</u>	<u>\$ 669,125</u>

Note 11. Fair Value Measurements

The following is a summary of the inputs used in determining the fair values of financial assets measured on a recurring basis:

	<u>2014</u>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Money market funds	\$ 20,881	\$ 20,881	\$ -	\$ -
Fixed income	739,080	739,080	-	-
Mutual funds – equities	3,420,730	3,420,730	-	-
Beneficial interest in Bleecker Trust	<u>777,083</u>	<u>-</u>	<u>-</u>	<u>777,083</u>
Total financial assets	<u>\$ 4,957,774</u>	<u>\$ 4,180,691</u>	<u>\$ -</u>	<u>\$ 777,083</u>

	<u>2013</u>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
Money market funds	\$ 190,426	\$ 190,426	\$ -	\$ -
Fixed income	762,765	762,765	-	-
Mutual funds – equities	2,818,432	2,818,432	-	-
Beneficial interest in Bleecker Trust	<u>815,187</u>	<u>-</u>	<u>-</u>	<u>815,187</u>
Total financial assets	<u>\$ 4,586,810</u>	<u>\$ 3,771,623</u>	<u>\$ -</u>	<u>\$ 815,187</u>

**CHARLOTTESVILLE – ALBEMARLE SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS, INC.**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2014**

Note 11. Fair Value Measurements (Continued)

A reconciliation of the activity of financial assets valued using Level 3 inputs follows:

	2014	2013
Balance, beginning	\$ 815,187	\$ 769,807
Unrealized appreciation	18,406	71,169
Distributions	(56,510)	(25,789)
Balance, ending	\$ 777,083	\$ 815,187

The fair value of investments is determined by reference to quoted market prices and other relevant information generated by market transactions. The fair value of funds held in trust by others is determined by the present value of expected future cash flows.

Note 12. Leases

The SPCA is currently obligated under two leases for facilities. Rent expense for those leases for the years ending December 31, 2014 and 2013 was \$203,057 and \$201,716, respectively. One lease is renewed annually while the second lease is through May 31, 2016. Future minimum lease payments for non-cancellable leases are as follows:

2015	\$ 198,105	
2016	82,543	
	\$ 280,648	

Note 13. Restatement of Net Assets

The SPCA reclassified \$715,187 from permanently restricted net assets to temporarily restricted net assets based on clarified information noted in the current year.

Note 14. Subsequent Events

Subsequent events were considered through April 13, 2015, the date the financial statements were available to be issued.