Humane Society of Huron Valley

Financial Report

December 31, 2014

Contents

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Independent Auditor's Report

To the Board of Directors
Humane Society of Huron Valley

We have audited the accompanying financial statements of the Humane Society of Huron Valley (the "Organization"), which comprise the balance sheet as of December 31, 2014 and 2013 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Humane Society of Huron Valley as of December 31, 2014 and 2013 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.

Plante & Moran, PLLC

July 23, 2015

Humane Society of Huron Valley

Balance Sheet

	December 31, 2014	December 31, 2013
Assets		
Current Assets		
Cash and cash equivalents	$ 1,188,117	$ 556,648
Receivables:		
Accounts receivable	11,348	92,214
Contributions receivable	69,636	78,814
Capital campaign pledges receivable - Net (Note 2)	138,859	250,157
Bequests receivable	-	46,000
Investments (Note 3)	2,427,593	3,609,619
Prepaid expenses and other current assets	93,494	152,337
Total current assets	3,929,047	4,785,789
Restricted Cash	75,045	89,152
Long-term Capital Campaign Pledges Receivable - Net (Note 2)	1,141	8,810
Property and Equipment - Net (Note 4)	6,807,375	7,057,501
Total assets	**$ 10,812,608**	**$ 11,941,252**
Liabilities and Net Assets		
Current Liabilities		
Trade accounts payable	$ 139,367	$ 167,870
Current portion of capital lease payable (Note 6)	-	15,508
Deferred revenue	129,610	38,278
Accrued liabilities and other	236,717	228,318
Total current liabilities	505,694	449,974
Capital Lease Payable - Net of current portion (Note 6)	-	1,049,558
Total liabilities	505,694	1,499,532
Net Assets		
Unrestricted:		
Undesignated	9,024,929	8,468,776
Board designated (Note 1)	1,270,459	1,915,739
Temporarily restricted (Note 5)	11,526	57,205
Total net assets	10,306,914	10,441,720
Total liabilities and net assets	**$ 10,812,608**	**$ 11,941,252**

Statement of Activities and Changes in Net Assets

	Year Ended					
	December 31, 2014			December 31, 2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and Support						
Contributions	$ 2,011,407	$ 27,110	$ 2,038,517	$ 1,767,352	$ 15,608	$ 1,782,960
Bequests	-	365,205	365,205	-	294,283	294,283
Donated facilities, supplies, and equipment	8,013	-	8,013	30,039	-	30,039
Operations	2,520,013	-	2,520,013	2,316,358	-	2,316,358
Retail sales	203,607	-	203,607	170,601	-	170,601
Special event revenue	348,335	-	348,335	376,836	-	376,836
Investment income	113,555	-	113,555	377,420	-	377,420
Gain on sale of fixed assets	2,792	-	2,792	2,653	-	2,653
Miscellaneous income	1,510	-	1,510	-	-	-
Total revenue and support	5,209,232	392,315	5,601,547	5,041,259	309,891	5,351,150
Net assets released from restrictions	437,994	(437,994)	-	378,457	(378,457)	-
Total revenue, support, and net assets released from restrictions	5,647,226	(45,679)	5,601,547	5,419,716	(68,566)	5,351,150
Expenses						
Program services:						
Clinic	1,477,889	-	1,477,889	1,861,253	-	1,861,253
Shelter	2,432,470	-	2,432,470	1,996,675	-	1,996,675
Support programs	591,543	-	591,543	594,939	-	594,939
Cruelty/Rescue	342,505	-	342,505	381,622	-	381,622
Total program services	4,844,407	-	4,844,407	4,834,489	-	4,834,489
Support services:						
Administration	322,118	-	322,118	437,494	-	437,494
Development	509,515	-	509,515	290,490	-	290,490
Capital campaign	60,313	-	60,313	67,337	-	67,337
Total expenses	5,736,353	-	5,736,353	5,629,810	-	5,629,810
Decrease in Net Assets	(89,127)	(45,679)	(134,806)	(210,094)	(68,566)	(278,660)
Net Assets - Beginning of year	10,384,515	57,205	10,441,720	10,594,609	125,771	10,720,380
Net Assets - End of year	**$ 10,295,388**	**$ 11,526**	**$ 10,306,914**	**$ 10,384,515**	**$ 57,205**	**$ 10,441,720**

See Notes to Financial Statements.

Humane Society of Huron Valley

Statement of Functional Expenses
Year Ended December 31, 2014

	Program Services					Support Services			
	Clinic	Shelter	Support Programs	Cruelty/Rescue	Total	Administration	Development	Marketing and Capital Campaign	Total
Salaries	$ 678,420	$ 1,383,486	$ 258,662	$ 167,481	$ 2,488,049	$ 126,685	$ 155,725	$ -	$ 2,770,459
Employee benefits	159,421	323,690	53,406	39,492	576,009	29,475	39,345	-	644,829
Total salaries and related expenses	837,841	1,707,176	312,068	206,973	3,064,058	156,160	195,070	-	3,415,288
Professional fees	1,449	2,416	53,989	242	58,096	49,407	193	-	107,696
Animal removal, outside vet, and lab	56,517	17,710	-	1,963	76,190	-	-	-	76,190
Medical and animal supplies	188,250	210,925	42,259	33,534	474,968	-	-	-	474,968
Vehicle fuel	57	94	338	11,301	11,790	8	8	-	11,806
Contract labor	11,251	5,408	13,739	2,250	32,648	-	49,631	22,554	104,833
Supplies	53,766	92,790	26,210	8,617	181,383	9,372	5,263	99	196,117
Microchips/Trap neuter return	10,519	24,802	-	-	35,321	-	-	-	35,321
Postage and shipping	4,400	952	444	5	5,801	2,201	5,424	-	13,426
Insurance	4,187	7,287	4,237	3,858	19,569	69,665	519	-	89,753
Repair and maintenance	25,957	34,420	4,780	10,123	75,280	3,231	2,731	-	81,242
Travel	-	185	1,114	300	1,599	-	-	-	1,599
Printing	2,673	6,685	2,673	668	12,699	-	3,213	-	15,912
Utilities	33,263	55,331	7,740	5,529	101,863	4,423	4,423	-	110,709
Telephone	2,861	5,231	1,555	3,392	13,039	381	381	-	13,801
Memberships and subscriptions	4,239	5,705	4,330	1,690	15,964	1,639	29,891	2,562	50,056
Publicity and advertising	50,460	50,511	14,490	12,615	128,076	-	-	-	128,076
Newsletters	9,608	9,608	2,402	2,402	24,020	-	8,006	-	32,026
Appeals	-	-	-	-	-	-	170,553	-	170,553
Merchandise	32,446	-	72,400	-	104,846	-	-	-	104,846
Support programs	-	-	163	1,010	1,173	-	770	-	1,943
Licenses and permits	1,732	2,561	57	146	4,496	57	4,170	29	8,752
Miscellaneous	(290)	52	2	100	(136)	213	-	31	108
Uncollectible accounts	6,881	-	-	6,595	13,476	-	50	35,038	48,564
Donated supplies and equipment	-	-	-	-	-	4,980	-	-	4,980
Credit card fees	32,620	13,950	1,539	11	48,120	-	20,583	-	68,703
Investment management fees	-	-	-	-	-	8,052	-	-	8,052
Capital lease	22,344	37,240	5,214	3,724	68,522	2,979	2,979	-	74,480
Land lease	-	-	-	-	-	3,693	-	-	3,693
Depreciation	84,858	141,431	19,800	25,457	271,546	5,657	5,657	-	282,860
Total functional expenses	**$ 1,477,889**	**$ 2,432,470**	**$ 591,543**	**$ 342,505**	**$ 4,844,407**	**$ 322,118**	**$ 509,515**	**$ 60,313**	**$ 5,736,353**

Humane Society of Huron Valley

Statement of Functional Expenses
Year Ended December 31, 2013

	Program Services					Support Services			
	Clinic	Shelter	Support Programs	Cruelty/Rescue	Total	Administration	Development	Marketing and Capital Campaign	Total
Salaries	$ 924,208	$ 985,814	$ 317,934	$ 189,701	$ 2,417,657	$ 198,958	$ 15,296	$ 24,798	$ 2,656,709
Employee benefits	179,217	284,549	51,168	40,611	555,545	73,650	(587)	27,880	656,488
Total salaries and related expenses	1,103,425	1,270,363	369,102	230,312	2,973,202	272,608	14,709	52,678	3,313,197
Professional fees	27,824	46,373	20,710	4,637	99,544	56,297	-	-	155,841
Animal removal, outside vet, and lab	57,009	18,017	-	11,264	86,290	-	-	-	86,290
Medical and animal supplies	269,520	216,359	-	-	485,879	-	-	-	485,879
Vehicle fuel	-	-	-	15,949	15,949	-	-	-	15,949
Contract labor	39,422	-	-	-	39,422	-	22,680	-	62,102
Supplies	7,072	10,383	20,421	12,870	50,746	44,017	5,080	-	99,843
Microchips/Trap neuter return	45,845	13,944	6,897	-	66,686	-	-	-	66,686
Postage and shipping	2,137	513	758	19	3,427	154	3,700	-	7,281
Insurance	21,502	34,407	7,398	6,117	69,424	16,676	-	-	86,100
Repair and maintenance	30,694	38,054	5,327	8,805	82,880	693	-	-	83,573
Printing	960	2,399	960	240	4,559	-	240	-	4,799
Utilities	19,203	55,616	2,833	725	78,377	32,904	-	-	111,281
Telephone	2,640	4,401	616	3,889	11,546	(2,745)	-	-	8,801
Memberships and subscriptions	3,593	3,325	3,095	1,470	11,483	996	(12,848)	6,609	6,240
Publicity and advertising	55,552	55,552	13,888	13,888	138,880	-	4,235	8,050	151,165
Newsletter	7,358	7,358	1,839	1,839	18,394	-	6,132	-	24,526
Appeals	-	-	-	-	-	-	120,919	-	120,919
Special events	-	-	-	-	-	-	57,054	-	57,054
Merchandise	-	-	103,285	-	103,285	-	-	-	103,285
Support programs	-	-	1,017	36,175	37,192	-	-	-	37,192
Training	16,437	12,550	4,470	2,952	36,409	(10,777)	1,335	-	26,967
Licenses and permits	2,305	-	-	118	2,423	979	3,308	-	6,710
Miscellaneous	(210)	(247)	53	-	(404)	56	-	-	(348)
Client refunds	198	3,970	-	-	4,168	-	-	-	4,168
Uncollectible accounts	17,402	-	-	-	17,402	-	50	-	17,452
Donated supplies and equipment	-	-	-	-	-	-	15,466	-	15,466
Credit card fees	16,636	12,123	5,500	-	34,259	-	38,749	-	73,008
Investment management fees	-	-	-	-	-	6,703	-	-	6,703
Capital lease	30,489	50,815	7,114	5,081	93,499	4,065	4,065	-	101,629
Land lease	-	-	-	-	-	3,693	-	-	3,693
Depreciation	84,240	140,400	19,656	25,272	269,568	11,175	5,616	-	286,359
Total functional expenses	**$ 1,861,253**	**$ 1,996,675**	**$ 594,939**	**$ 381,622**	**$ 4,834,489**	**$ 437,494**	**$ 290,490**	**$ 67,337**	**$ 5,629,810**

Humane Society of Huron Valley

Statement of Cash Flows

	Year Ended December 31, 2014	Year Ended December 31, 2013
Cash Flows from Operating Activities		
Decrease in net assets	$ (134,806)	$ (278,660)
Adjustments to reconcile decrease in net assets to net cash from operating activities:		
Depreciation	282,860	286,359
Amortization of debt costs and discount	30,845	18,373
Bad debt expense	48,564	17,257
Net realized and unrealized gain on investments	(60,364)	(302,860)
Change in discount on pledges	(10,665)	(38,670)
Contributions restricted for future operations - Bequests	-	(46,000)
Gain on sale of assets	(2,792)	(2,653)
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	67,390	(67,145)
Contributions receivable	9,128	(40,308)
Bequest receivable	46,000	115,130
Prepaid expenses and other current assets	29,714	(69,283)
Accounts payable	(28,503)	40,658
Deferred revenue	91,332	(5,805)
Accrued payroll and related liabilities	8,399	24,891
Net cash provided by (used in) operating activities	377,102	(348,716)
Cash Flows from Investing Activities		
Change in restricted cash	14,107	12,177
Purchase of property and equipment	(29,942)	(97,760)
Proceeds from disposition of property and equipment	-	5,255
Purchases of investments	(765,000)	(495,557)
Proceeds from sales and maturities of investments	2,007,390	1,890,999
Net cash provided by investing activities	1,226,555	1,315,114
Cash Flows from Financing Activities		
Proceeds from capital campaign contribution	94,594	63,927
Principal payments on capital lease	(1,066,782)	(1,015,508)
Net cash used in financing activities	(972,188)	(951,581)
Net Increase in Cash and Cash Equivalents	631,469	14,817
Cash and Cash Equivalents - Beginning of year	556,648	541,831
Cash and Cash Equivalents - End of year	**$ 1,188,117**	**$ 556,648**
Supplemental Disclosure of Cash Flow Information -		
Interest paid on capital lease	**$ 43,635**	**$ 83,313**

Note 1 - Nature of Activities and Significant Accounting Policies

Nature of Organization - The Humane Society of Huron Valley (the "Organization") is a not-for-profit corporation that operates an animal shelter, a veterinary clinic, emergency animal rescue services, a cruelty investigation division, and a support programs division. The Organization was incorporated in 1896 and primarily serves the Washtenaw County area.

Significant accounting policies are as follows:

Cash Equivalents - The Organization considers all highly liquid investments purchased with an original maturity of less than three months to be cash equivalents except for temporary investment funds considered part of the investment portfolio. The balances in the Organization's deposit accounts may exceed FDIC insurance coverage amounts for those accounts.

Accounts Receivable - Accounts receivable are stated at invoice amounts. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal payment periods. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. All amounts are considered fully collectible at December 31, 2014 and 2013.

Contributions Receivable - The Organization's contributions receivable are comprised primarily of amounts committed from various donors for use in the Organization's activities. Contributions receivable at December 31, 2014 are expected to be collected within one year. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. All amounts are considered fully collectible at December 31, 2014 and 2013.

Capital Campaign Pledges Receivable - The Organization's capital campaign pledges receivable are comprised primarily of amounts committed from various donors for use in the construction of the Organization's new facility which was completed in 2009. Capital campaign pledges are recorded at the present value of their estimated future cash flows. Amortization of the discounts is included in contribution revenue. An allowance for uncollectible contributions is provided when evidence indicates amounts promised by donors may not be collectible. An allowance of $475,420 and $449,900 had been recorded against these receivables as of December 31, 2014 and 2013, respectively.

Bequest Receivable - Bequest receivable consists of wills and estates for which the will was validated by probate court. Payment on this receivable is expected in the next year. The bequest receivable is deemed fully collectible as of December 31, 2014 and 2013.

Investments - Investments in debt and equity securities are recorded at fair value based on quoted market prices and other inputs as described in Note 8.

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Restricted Cash - Restricted cash consists of amounts contractually restricted for the development and maintenance of a site buffer as required by the land lease.

Property and Equipment - Property and equipment are recorded at cost when purchased or at fair value at the date of donation and are being depreciated on a straight-line basis over their estimated useful lives, ranging from 5 to 30 years. Costs of maintenance and repairs are charged to expense when incurred.

The Organization reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of property and equipment with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire property and equipment are reported as restricted support. Absent explicit donor stipulations about how long the property and equipment must be maintained, the Organization reports expirations of donor restrictions over time based on an estimate of the useful lives of the donated or acquired property and equipment.

Revenue and Support Recognition - Revenue from clinic and shelter operations, including a county contract, is recognized as earned.

Contributions are recognized upon the receipt of the gift or a written unconditional promise to give. Contributions that include donor restrictions that limit the use of the gift are recorded as restricted support. When the donor restrictions are fulfilled, temporarily restricted gifts are reclassified as unrestricted activities. For financial statement presentation purposes, management has elected to report temporarily restricted gifts, whose requirements were fulfilled in the same period that the gift was received, as unrestricted activities.

The Organization raises additional money with direct fundraising events or as a participant at community activities. Special events revenue and revenue from merchandise sales are recorded when earned.

Donated Services - The Organization receives donations of various services. In accordance with generally accepted accounting principles, these services are recorded in the statement of activities and changes in net assets when they meet certain criteria.

A substantial number of volunteers have donated significant amounts of their time to the Organization's programs and services, which do not meet the requirements to be recorded. Volunteer hours totaled 78,274 and 94,745 during 2014 and 2013, respectively.

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Classification of Net Assets - Net assets of the Organization are classified as unrestricted, temporarily restricted, or permanently restricted depending on the presence and characteristics of donor-imposed restrictions limiting the Organization's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

Donor-imposed restrictions that expire with the passage of time or can be removed by meeting certain requirements result in temporarily restricted net assets. Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. There were no permanently restricted net assets as of December 31, 2014 and 2013. Earnings, gains, and losses on temporarily restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law.

Board-designated Net Assets - Board-designated net assets are unrestricted net assets designated by the board for facility building repairs and maintenance and repayment of Capital Improvement Bonds (see Note 6). These designations are based on board actions, which can be altered or revoked at a future time by the board. Board-designated net assets were $1,270,459 and $1,915,739 at December 31, 2014 and 2013, respectively.

Community Foundation - Certain funds donated by outside donors for the benefit of the Organization are held and managed by the Ann Arbor Area Community Foundation (AAACF). AAACF maintains variance power which, as a result, requires that the assets it holds not be recorded as assets of the Organization. The fair market value of these funds was $4,270,246 and $4,214,499 at December 31, 2014 and 2013, respectively. Earnings, net of AAACF fees, are available for distribution to the Organization at the discretion of AAACF and therefore are not reflected as revenue in the financial statements until received by the Organization. Annual distributions from these funds have been shown as contribution revenue in the statement of activities and changes in net assets. These distributions were $154,742 and $139,345 for the years ended December 31, 2014 and 2013, respectively.

Functional Allocation of Expenses - The costs of providing program and support services have been reported on a functional basis in the statement of activities and changes in net assets. Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce different amounts.

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Risks and Uncertainties - The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the balance sheet.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Federal Income Taxes - The Organization is exempt from income tax under provisions of Internal Revenue Code Section 501(c)(3). The Internal Revenue Service has classified the Organization as an organization that is not a private foundation. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Organization and has concluded that as of December 31, 2014 and 2013, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2011.

Upcoming Accounting Change - In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Organziation's year ending December 31, 2019. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Organization has not yet determined which application method it will use or the potential effects of the new standard on the financial statements, if any.

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including July 23, 2015, which is the date the financial statements were available to be issued.

Note 2 - Capital Campaign Pledges Receivable

Starting in 2006, the Organization began soliciting funds for a capital campaign to construct a new facility. Pledge commitments extend through 2015. Capital campaign pledges receivable as of December 31, 2014 and 2013 are as follows:

	2014	2013
Pledges before unamortized discount	$ 615,420	$ 719,532
Less unamortized discount and allowance for uncollectible pledges	(475,420)	(460,565)
Net pledges receivable	$ 140,000	$ 258,967
Amounts due in:		
Less than one year	$ 610,420	$ 699,032
One to five years	5,000	20,500
Total	$ 615,420	$ 719,532

Note 3 - Investments

Investments consist of the following at December 31:

	2014	2013
Bank trust fund:		
Cash equivalents	$ 330,435	$ 1,104,726
Equity securities (Note 8)	903,991	872,526
Debt securities (Note 8)	560,680	709,117
Mutual funds (Note 8)	632,487	673,073
Total bank trust fund	2,427,593	3,359,442
Certificates of deposit	-	250,177
Total investments	$ 2,427,593	$ 3,609,619

Note 3 - Investments (Continued)

Investment income consists of the following at December 31:

	2014	2013
Interest and dividends	$ 53,191	$ 74,560
Realized and unrealized gains	60,364	302,860
Total	$ 113,555	$ 377,420

Note 4 - Property and Equipment

The cost of property and equipment is summarized as follows:

	2014	2013
Buildings and improvements	$ 7,538,834	$ 7,891,225
Equipment	502,502	249,834
Vehicles	104,405	74,685
Computer software	53,330	51,023
Construction in progress	7,964	-
Total cost	8,207,035	8,266,767
Accumulated depreciation	(1,399,660)	(1,209,266)
Net carrying amount	$ 6,807,375	$ 7,057,501

Depreciation expense was $282,860 and $286,359 at December 31, 2014 and 2013, respectively.

The Organization owns approximately six acres of land on which part of the operating facility is located. The land was contributed to the Organization in 1951. The land is permanently restricted by deed for use only as an animal shelter and any other use of the land may result in reversion of ownership to the former owner of the land. There is no value assigned to the land in these financial statements.

In 2008, the Organization entered into a 65-year land lease with the Regents of the University of Michigan for an additional 4.82 acres of vacant land on which to construct the new facility. The lease rent is $8,000 annually for the first 30 years and $1 annually for the remainder of the lease for a total rent expense of $240,036. The Organization subsequently subleased this land to the County of Washtenaw (see Note 6).

Note 4 - Property and Equipment (Continued)

During 2009, the Organization substantially completed the construction of its new building. The construction was financed with contributions and with the proceeds from tax-exempt bonds issued by Washtenaw County (the "County"), which the Organization is obligated to repay to the County (see Note 6). The cost of the new facility was approximately $7.5 million. Accumulated amortization was $932,352 and $735,848 at December 31, 2014 and 2013, respectively. Amortization expense is included in depreciation expense above and on the statement of functional expenses.

Note 5 - Temporarily Restricted Net Assets

The Organization receives contributions whereon the donor places certain temporary restrictions on the use of the funds. In addition, bequests receivable are considered time restricted until they are collected by the Organization and available to use for operations. Below is a summary of the amounts temporarily restricted as of December 31:

	2014	2013
Time-restricted contributions	$ -	$ 46,000
Program activities	11,526	11,205
Total	$ 11,526	$ 57,205

Note 6 - Capital Leases

In September 2008, the County of Washtenaw, Michigan (the "County") issued $6,500,000 of Capital Improvement Bonds, Series 2007. The bonds are dated September 1, 2008 and are due in annual installments of $825,000 to $1,050,000 through January 1, 2015, plus interest at 2.75 percent to 4.125 percent. The proceeds of the bond issue were used to construct a new 29,165 square-foot building, including equipment and furnishings, to be used by the Organization.

The County and the Organization have entered into an operating agreement dated October 1, 2008, whereby the County is subleasing from the Organization the land on which the facility is located. The County is, in turn, leasing the land and building back to the Organization for the seven-year bond repayment period. Once the County's bond issue has been fully repaid by the Organization, the County has agreed to transfer title of the new facility to the Organization. The Organization has retained title to the land. This agreement is classified as a capital lease in the Organization's financial statements. The capital lease was paid in full as of December 31, 2014.

Note 6 - Capital Leases (Continued)

In addition, the Organization leases certain equipment under capital leases, which call for monthly installments of $1,292. These leases were paid in full as of December 31, 2014.

Note 7 - Employee Benefit Plan

The Organization has an employee 401(k) salary deferral plan. All employees who have reached the age of 18, with at least 1,000 hours and one year of service, are eligible to participate in the plan. The Organization matches 100 percent of a participant's elective deferral up to a maximum of 2 percent of gross pay as limited by the Internal Revenue Service. The Organization made contributions of $27,289 and $20,891 to the plan for the years ended December 31, 2014 and 2013, respectively.

Note 8 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Organization’s assets measured at fair value on a recurring basis at December 31, 2014 and 2013 and the valuation techniques used by the Organization to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Organization has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management’s own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organization’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Note 8 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Recurring Basis at December 31, 2014

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2014
Assets - Investments				
Equity securities (domestic)	$ 903,991	$ -	$ -	$ 903,991
Debt securities (corporate bonds)	-	455,832	-	455,832
Debt securities (U.S. government agency bonds)	-	50,115	-	50,115
Debt securities (municipal bonds)	-	54,733	-	54,733
Mutual funds (equity)	118,320	-	-	118,320
Mutual funds (global)	26,355	-	-	26,355
Mutual funds (fixed-income)	487,812	-	-	487,812
Total investments	$ 1,536,478	$ 560,680	$ -	$ 2,097,158

Assets Measured at Fair Value on a Recurring Basis at December 31, 2013

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2013
Assets - Investments				
Equity securities (domestic)	$ 872,526	$ -	$ -	$ 872,526
Debt securities (corporate bonds)	-	605,900	-	605,900
Debt securities (municipal bonds)	-	103,217	-	103,217
Mutual funds (equity)	264,363	-	-	264,363
Mutual funds (global)	119,437	-	-	119,437
Mutual funds (balanced)	61,094	-	-	61,094
Mutual funds (fixed-income)	228,179	-	-	228,179
Total investments	$ 1,545,599	$ 709,117	$ -	$ 2,254,716

Not included in the tables above are cash equivalents and certificates of deposit totaling $330,435 and $1,354,903 at December 31, 2014 and 2013, respectively.

The fair values of U.S. government agency bonds, corporate bonds, and municipal bonds are valued using quoted market prices and other market data for the same or comparable instruments and transactions in establishing the prices, discounted cash flow models, and other pricing models. These models are primarily industry-standard models that consider various assumptions, including time value and yield curve as well as other relevant economic measures.