

OUR COMPANIONS DOMESTIC ANIMAL SANCTUARY, INC.
Audited Financial Statements
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December 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Our Companions Domestic Animal Sanctuary, Inc.
Manchester, CT

We have audited the accompanying financial statements of Our Companions Domestic Animal Sanctuary, Inc. (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets—income tax basis, as of December 31, 2016, and the related statements of revenue, expenses, and other changes in net assets—income tax basis for the year 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 the basis of accounting Our Companions uses for income tax purposes; this includes determining that the income tax basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 assets, liabilities, and net assets of Our Companions as of December 31, 2016, and its revenues, expenses, and other changes in net assets for the year then ended in accordance with the basis of accounting Our Companions uses for income tax purposes as described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the basis of accounting Our Companions uses for income tax purposes, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.



King, King & Associates, CPA's
Winsted, CT
April 26, 2017

OUR COMPANIONS DOMESTIC ANIMAL SANCTUARY, INC.

Statement of Assets, Liabilities, and Net Assets - Income Tax Basis

December 31, 2016

	<u>Operating</u>	<u>Capital Campaign</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 708,119	\$ 927,995	\$ 1,636,114
Investments at Fair Value	567,014	-	567,014
Prepaid Expense	1,706	-	1,706
Fixed Assets, net of Depreciation	<u>2,229,594</u>	<u>-</u>	<u>2,229,594</u>
TOTAL ASSETS	<u>\$ 3,506,433</u>	<u>\$ 927,995</u>	<u>\$ 4,434,428</u>
LIABILITIES			
Payroll Taxes Payable	\$ 4,932	\$ -	\$ 4,932
Sales Tax Payable	<u>1,054</u>	<u>-</u>	<u>1,054</u>
TOTAL LIABILITIES	<u>5,986</u>	<u>-</u>	<u>5,986</u>
NET ASSETS			
Unrestricted:			
Undesignated	2,950,919	-	2,950,919
Board Designated:			
Endowment	546,693	-	546,693
Capital Campaign	-	100,000	100,000
Temporarily Restricted	<u>2,835</u>	<u>827,995</u>	<u>830,830</u>
TOTAL NET ASSETS	<u>3,500,447</u>	<u>927,995</u>	<u>4,428,442</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,506,433</u>	<u>\$ 927,995</u>	<u>\$ 4,434,428</u>

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

OUR COMPANIONS DOMESTIC ANIMAL SANCTUARY, INC.

Statement of Revenues, Expenses, and Other Changes in Net Assets - Income Tax Basis
For the Year Ended December 31, 2016

Unrestricted Net Assets	<u>Operating</u>	<u>Capital Campaign</u>	<u>Total</u>
<i>Support:</i>			
Donations/Contributions	\$ 943,523	\$ -	\$ 943,523
Program Fee Income	23,806	-	23,806
Interest Income	1,822	-	1,822
Dividend Income	11,255	-	11,255
Unrealized Gain/(Loss) on Investment	32,803	-	32,803
Realized Gain/(Loss) on Investment	<u>(255)</u>	<u>-</u>	<u>(255)</u>
Total Unrestricted Support	<u>1,012,954</u>	<u>-</u>	<u>1,012,954</u>
 Net Assets Released from Restriction	 <u>35,380</u>	 <u>-</u>	 <u>35,380</u>
Total Unrestricted Support and Reclassifications	<u>1,048,334</u>	<u>-</u>	<u>1,048,334</u>
 <i>Expenses:</i>			
Program Services	776,274	-	776,274
Management & General	119,239	-	119,239
Fundraising	<u>48,337</u>	<u>-</u>	<u>48,337</u>
Total Unrestricted Expenses	<u>943,850</u>	<u>-</u>	<u>943,850</u>
Increase in Unrestricted Net Assets	<u>104,484</u>	<u>-</u>	<u>104,484</u>
 Temporarily Restricted Net Assets			
Donations/Contributions	-	764,978	764,978
Grants	10,123	-	10,123
Net Assets Released from Restriction	<u>(22,732)</u>	<u>(12,648)</u>	<u>(35,380)</u>
Increase/(Decrease) in Temporarily Restricted Net Assets	<u>(12,609)</u>	<u>752,330</u>	<u>739,721</u>
Total Change in Net Assets before Transfers	91,875	752,330	844,205
Transfers	<u>(100,000)</u>	<u>100,000</u>	<u>-</u>
Total Change in Net Assets	(8,125)	852,330	844,205
Beginning Net Assets	<u>3,508,572</u>	<u>75,665</u>	<u>3,584,237</u>
Ending Net Assets	<u>\$ 3,500,447</u>	<u>\$ 927,995</u>	<u>\$ 4,428,442</u>

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

OUR COMPANIONS DOMESTIC ANIMAL SANCTUARY, INC.

Statement of Functional Expenses - Income Tax Basis

For the Year Ended December 31, 2016

	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and Related Expenses:				
Salaries	\$ 328,589	\$ 55,633	\$ 30,902	\$ 415,124
Payroll Taxes	<u>28,255</u>	<u>4,650</u>	<u>2,861</u>	<u>35,766</u>
Total Salaries and Related Expenses	<u>356,844</u>	<u>60,283</u>	<u>33,763</u>	<u>450,890</u>
Other Expenses:				
Advocacy	1,150	-	-	1,150
Bank Charges	-	1,035	-	1,035
Conference and Seminar Registrations	1,723	-	-	1,723
Credit Card Processing Fees	-	7,982	-	7,982
Depreciation	79,501	11,879	-	91,380
Education Materials	12,525	-	-	12,525
Event Fees/Trade Shows	95	-	-	95
Facility Supplies	10,462	449	-	10,911
Federal and State Filing Fees	-	2,378	-	2,378
Food/Meals/Entertainment	2,159	-	-	2,159
Information Technology Service	29,251	5,087	6,120	40,458
Insurance	28,916	4,307	1,125	34,348
Sale of Fixed Asset	3,672	549	-	4,221
Miscellaneous	3,106	385	-	3,491
Office Supplies	4,278	4,876	-	9,154
Pet Care Expense	22,611	-	-	22,611
Postage	13,432	101	1,082	14,615
Printing	7,333	69	3,441	10,843
Professional Fees	12,239	8,506	2,566	23,311
Promotional	5,423	-	15	5,438
Rental and Lease Expense	32,760	8,190	-	40,950
Repairs and Maintenance	16,853	714	-	17,567
Stewardship/Cultivation	5,360	-	-	5,360
Training Program	21,254	-	-	21,254
Travel	884	6	-	890
Utilities	29,203	2,443	225	31,871
Veterinary	74,734	-	-	74,734
Volunteer Expenses	<u>506</u>	<u>-</u>	<u>-</u>	<u>506</u>
Total Other Expenses	<u>419,430</u>	<u>58,956</u>	<u>14,574</u>	<u>492,960</u>
Total Functional Expenses	<u>\$ 776,274</u>	<u>\$ 119,239</u>	<u>\$ 48,337</u>	<u>\$ 943,850</u>

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

OUR COMPANIONS DOMESTIC ANIMAL SANCTUARY, INC.

Notes to the Financial Statements

NOTE 1 – DESCRIPTION OF ORGANIZATION

Our Companions Domestic Animal Sanctuary, Inc. (“Our Companions”), is a nonprofit organization founded in May 2002, for the purpose of alleviating the plight of healthy domestic animals facing euthanasia. Our Companions is exempt from federal income tax under Section 501(c) (3) of the U.S. Internal Revenue Code. However, income from certain activities not directly related to the Our Companions’ tax-exempt purpose may be subject to taxation as unrelated business income. The main activity of Our Companions is to create a sanctuary that will care for domestic animals facing euthanasia, provide low-cost pet behavioral services, and initiate statewide partnerships with other animal welfare organizations to create programs that address the root causes of pet homelessness. Our Companions is supported by contributions from the public and is the beneficiary of various fundraising activities in the community.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of Our Companions is presented to assist in understanding the organization’s financial statements. These financial statements and notes are the representations of Our Companions’ management who are responsible for their integrity and objectivity. These accounting policies conform to the income tax basis of accounting.

Basis of Accounting

These financial statements of Our Companions Domestic Animal Sanctuary, Inc. have been prepared on the income tax basis of accounting. Accordingly, revenue is recorded when received rather than when earned and expenses are generally recorded when paid rather than when the obligation is incurred. Exceptions include recording investments at fair value and taxes payable to federal and state governments. Fixed assets are capitalized and depreciated over estimated useful lives.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposit accounts, as well as short-term investments with a maturity date within three months of the date acquired by Our Companions.

Investments

Investments in marketable equity securities with readily determinable fair values are stated at fair market value.

Fair Value of Financial Instruments

The Organization measures the fair value of its assets and liabilities under a three-level hierarchy, as follows:

Level 1: Quoted market prices for identical assets or liabilities to which an entity has access at the measurement date.

OUR COMPANIONS DOMESTIC ANIMAL SANCTUARY, INC.

Notes to the Financial Statements

Level 2: Inputs and information other than quoted market indices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

- a. Quoted prices for similar assets or liabilities in active markets.
- b. Quoted prices for identical or similar assets in markets that are not active;
- c. Observable inputs other than quoted prices for the asset or liability;
- d. Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

Level 3: Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

Observable inputs reflect the assumptions market participants would use in pricing the asset or liability developed from sources independent of the reporting entity; and *unobservable inputs* reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The Organization's carrying amount of cash and cash equivalents approximate fair value under Level 1. Investments are carried at fair value based on Level 1 and presented in Note 4. The Organization does not use derivatives for speculative purposes or for leveraging returns. The Organization believes that the carrying amount of its investments is a reasonable fair value as of December 31, 2016.

Endowments

The Financial Accounting Standards Board (FASB) issued staff position No. FAS 117-1: Endowments of Not-For-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for all Endowment Funds (FAS 117-1). FAS 117-1 provides accounting standards on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). FAS 117-1 also provides for other disclosures concerning an organization's endowment funds and whether or not the organization is subject to UPMIFA. The State of Connecticut adopted its version of UPMIFA, which became effective October 1, 2007 (CTPMIFA). Prior to the issuance of FAS 117-1, accumulated gains and income on donor restricted endowment assets were classified as unrestricted net assets. Under FAS No. 117-1, accumulated gains and income on donor-restricted endowment assets of perpetual duration are classified as temporarily restricted net assets until appropriated for expenditure.

OUR COMPANIONS DOMESTIC ANIMAL SANCTUARY, INC.

Notes to the Financial Statements

Investment Policy – From time to time, Our Companions Board of Directors may vote to approve a specific amount of funds to be set aside and designated as Board Restricted on the financial statement balance sheet. These funds will be classified as unrestricted because the source of funds are unrestricted general donations. The original principal amount cannot be accessed without an approved board resolution. The board must pursue all available options before accessing the principal funds, including (but not limited to): budget reductions, pursuing insurance reimbursements, enhancing development efforts, delayed new programs, etc.

A portion or all of the Board Restricted Funds may be placed in investments other than traditional FDIC bank accounts. The amount invested and the specific investments must be approved by the Finance Committee. The Vanguard Balanced Index Fund (VBIAX) shall be the primary fund that the Board Restricted Funds are invested in. The investment funds may be changed based on finance committee recommendation and subject to Board of Directors approval.

The investment income earned by the Board Restricted Fund is considered unrestricted revenue and may be distributed to the organization as General Operating Revenue for its programs without board approval. However, no distribution of the investment earnings shall decrease the total market value of the Board Restricted Fund below 100% of the original principal contribution balance. In addition, the annual distribution of investment income should never exceed 5% of the total market value of the Board Restricted Fund.

Each year, based on the fund's total market value as of November 1, the Finance Committee shall recommend to the Board an amount to be transferred from the unrestricted income and/or gain of the Board Restricted Fund to the General Operating Fund.

The Finance Committee shall review the Investment Policies at least once a year to determine if modifications are necessary or desirable. Any proposed modifications must be approved by the Board.

Land, Buildings, and Equipment

Our Companions owns land, buildings, and equipment that have been recorded at cost, if purchased, or fair market value, if donated. Purchases over \$2,000 are capitalized as Land, Buildings, and Equipment. Depreciation is computed on a combination of straight-line and accelerated methods over the estimated useful lives of the assets listed below:

Building and Building Improvements	39 years
Furniture and Fixtures	7 years
Computer and Communication Equipment	5 years
Vehicles	5 years
Land Improvements	10 years
Machinery & Equipment	7 years

OUR COMPANIONS DOMESTIC ANIMAL SANCTUARY, INC.

Notes to the Financial Statements

Donated Services

Donated services are recognized as contributions in accordance with FASB ASC 958-605-50-1, *Accounting for Contributions Received and Contributions Made*, 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 Our Companions. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, campaign solicitations, and various committee assignments; however, these services are not recognized in the financial statements.

Cash and Other Contributions

Our Companions reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted fund balance is reclassified to unrestricted fund balance and reported in the statement of activities as fund balance released from restrictions. Restricted contributions are reported as increases to unrestricted fund balance when restrictions expire in the reporting period that the contributions are reported as revenues.

Investment Income

Interest and dividends earned on savings accounts, as well as any other form of investment income is included. Restricted gains and investment income whose restrictions are met in the same reporting period are reported as unrestricted support.

Compensated Absences

The organization does not accrue compensated absences as they are not carried over to subsequent periods.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Revenues, Expenses, and Other Changes in Fund Balances. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Review for Subsequent Events

In connection with the preparation of the financial statements of Our Companions as of and for the year ended December 31, 2016, events and transactions subsequent to December 31, 2016 through April 26, 2017 the date the financial statements were available to be issued, have been evaluated by Our Companions' management for possible adjustment and/or disclosure.

NOTE 3 – DETAILED NOTES ON ASSETS, LIABILITIES, AND FUND BALANCES

Cash

At December 31, 2016, the carrying amount of Our Companions' deposits was \$1,636,114 and the bank balance was \$1,641,436, of which \$171,169 was not FDIC insured.

OUR COMPANIONS DOMESTIC ANIMAL SANCTUARY, INC.

Notes to the Financial Statements

Fixed Assets

Fixed Assets are summarized as follows:

Building & Improvements	\$	1,639,302
Leasehold Improvements		18,877
Land Improvements		272,975
Furniture & Fixtures		61,154
Machinery & Equipment		30,413
Vehicles		22,895
Computer & Phone Equipment		2,543
CIP		<u>14,298</u>
Total		<u>2,627,041</u>
Less: Accumulated Depr.		<u>(397,447)</u>
Total	\$	<u><u>2,229,594</u></u>

Depreciation expense for the year ended December 31, 2016 was \$91,380.

Restricted Net Assets

At year end, \$927,995 was restricted for construction of facilities, \$1,582 was restricted for the Buddy Project, and \$1,253 was restricted for the Sherwin Fund.

Endowment Fund

Changes in endowment net assets as of December 31, 2016 are as follows:

	<u>Board Designated</u>	
Endowment Net Assets, Beginning of Year	\$	502,635
Dividends Received		11,255
Unrealized Gains		<u>32,803</u>
Endowment Net Assets, End of Year	\$	<u><u>546,693</u></u>

NOTE 4 - FAIR VALUE INFORMATION

<u>Description</u>	<u>December 31, 2016</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Money Funds	\$ 20,321	\$ 20,321	\$ -	\$ -
Index Funds	<u>546,693</u>	<u>546,693</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$ 567,014</u></u>	<u><u>\$ 567,014</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

OUR COMPANIONS DOMESTIC ANIMAL SANCTUARY, INC.

Notes to the Financial Statements

NOTE 5 – OFFICE SPACE

Our Companions entered into an agreement in October 2012 for its office space requiring monthly payments of \$3,250 for 5 years. Rent and lease expense for 2016 totaled \$40,950. Total lease payments remaining are as follows:

2017	\$ 30,875
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NOTE 6 – CONSTRUCTION PLANS

Through the end of 2016 Our Companions expended a total of \$1,824,755 for Phase I and Phase II construction on the sanctuary site in Ashford, Ct. These phases included the construction of one 2,400 square foot feline rescue cottage and two 900 square foot canine rescue cottages, along with several other smaller out buildings including a gazebo and picnic pavilion. Phase III construction was begun in March 2017 which will add one additional 2,200 square foot feline rescue cottage and two more 900 square foot canine rescue cottages. This construction is scheduled to be completed by the end of 2017.