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**OUR COMPANIONS DOMESTIC ANIMAL  
SANCTUARY, INC.**

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Annual Financial Statements

For the Year Ended June 30, 2022

**OUR COMPANIONS DOMESTIC ANIMAL SANCTUARY, INC.**

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June 30, 2022

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## **INDEPENDENT AUDITOR'S REPORT**

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

### **Opinion**

We have audited the accompanying financial statements of Our Companions Domestic Animal Sanctuary, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Our Companions Domestic Animal Sanctuary, Inc. as of June 30, 2022, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

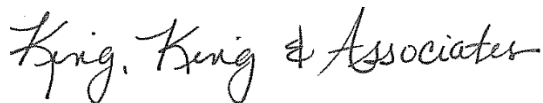
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance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

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Our Companions Domestic Animal Sanctuary, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Our Companions Domestic Animal Sanctuary, Inc.'s ability to continue as a going concern for a reasonable period of time.

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



King, King & Associates, CPA's  
Winsted, CT  
January 5, 2023

**OUR COMPANIONS DOMESTIC ANIMAL SANCTUARY, INC.**

Statement of Financial Position

June 30, 2022

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**ASSETS**

Cash and Cash Equivalents	\$ 128,263
Short Term Pledges Receivable	70,001
Prepaid Insurance	4,701
Investments at Fair Value	3,751,337
Long Term Pledges Receivable	68,300
Property and Equipment, Net	<u>2,876,895</u>

**TOTAL ASSETS** \$ 6,899,497

**LIABILITIES**

Payroll Taxes Payable	\$ -
Sales Tax Payable	428
Accounts Payable	<u>3,769</u>

**TOTAL LIABILITIES** 4,197

**NET ASSETS**

Without Donor Restrictions:

Undesignated	4,070,308
Board Designated: Endowment	697,815
Board Designated: Reserve	31,435

With Donor Restrictions

Capital Campaign	2,044,396
Annual Pledges: Long-Term	20,000
Purpose Restricted	<u>31,346</u>

**TOTAL NET ASSETS** 6,895,300

**TOTAL LIABILITIES AND NET ASSETS** \$ 6,899,497

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

**OUR COMPANIONS DOMESTIC ANIMAL SANCTUARY, INC.**

Statement of Activities  
For the Year Ended June 30, 2022

	<u>Operating</u>	<u>Capital Campaign</u>	<u>Total</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>			
<i>Revenues and Other Support</i>			
Donations/Contributions	\$ 1,840,914	\$ -	\$ 1,840,914
Program Fee Income	25,004	-	25,004
Interest Income	2,697	-	2,697
Investment Return	<u>(132,265)</u>	-	<u>(132,265)</u>
Total Revenues and Other Support	<u>1,736,350</u>	-	<u>1,736,350</u>
Net Assets Released from Restriction	<u>492,252</u>	-	<u>492,252</u>
<b>TOTAL SUPPORT</b>	<b><u>2,228,602</u></b>	-	<b><u>2,228,602</u></b>
<i>Expenses</i>			
Program Services	1,565,512	-	1,565,512
Management & General	162,146	-	162,146
Fundraising	62,981	-	62,981
Total Expenses	<u>1,790,639</u>	-	<u>1,790,639</u>
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b><u>437,963</u></b>	-	<b><u>437,963</u></b>
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>			
Donations/Grants	12,363	524,000	536,363
Net Assets Released from Restriction	<u>(10,553)</u>	<u>(481,699)</u>	<u>(492,252)</u>
<b>CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS</b>	<u>1,810</u>	<u>42,301</u>	<u>44,111</u>
Total Change in Net Assets	439,773	42,301	482,074
Beginning Net Assets	<u>5,147,830</u>	<u>1,265,396</u>	<u>6,413,226</u>
<b>Ending Net Assets</b>	<b><u>\$ 5,587,603</u></b>	<b><u>\$ 1,307,697</u></b>	<b><u>\$ 6,895,300</u></b>

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

**OUR COMPANIONS DOMESTIC ANIMAL SANCTUARY, INC.**

Statement of Cash Flows  
For the Year Ended June 30, 2022

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**Cash Flow Provided by Operating Activities**

Change in Net Assets \$ 482,074

Adjustments to Reconcile Increase in Net Assets to Net Cash  
Provided by Operating Activities:

Depreciation 118,305

Realized/Unrealized (Gain)/Loss on Investments 132,265

(Increase)/Decrease in:

Pledges Receivable 526,699

Prepaid Expenses 276

Increase/(Decrease) in:

Payroll Taxes Payable (332)

Sales Tax Payable (134)

Accounts Payable 2,389

**Net Cash Provided By Operating Activities** 1,261,542

**Cash Flow Provided by Investing Activities**

Purchase of Fixed Assets (72,107)

Purchases of Investments (1,310,000)

Proceeds from Investments 91,977

**Net Cash Used By Investing Activities** (1,290,130)

**Cash Flow Provided by Financing Activities** -

**Net Increase/(Decrease) In Cash and Cash Equivalents** (28,588)

Beginning Cash and Cash Equivalents 156,851

**Ending Cash and Cash Equivalents** \$ 128,263

**Supplemental Information**

Interest Paid \$ -

Income Taxes Paid \$ -

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

**OUR COMPANIONS DOMESTIC ANIMAL SANCTUARY, INC.**

Statement of Functional Expenses

For the Year Ended June 30, 2022

	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Total</u>
<b>Salaries and Related Expenses:</b>				
Salaries	\$ 891,741	\$ 85,034	\$ 39,959	\$ 1,016,734
Payroll Taxes	76,144	7,787	2,596	86,527
<b>Total Salaries and Related Expenses</b>	<b><u>967,885</u></b>	<b><u>92,821</u></b>	<b><u>42,555</u></b>	<b><u>1,103,261</u></b>
<b>Other Expenses:</b>				
Advocacy	21,841	-	-	21,841
Bank Fees	270	457	-	727
Cell and Desk Phones	8,880	1,433	1,721	12,034
Conference/Seminar Registration	2,805	-	-	2,805
Credit Card Processing Fees	-	10,684	-	10,684
Depreciation Expense	118,305	-	-	118,305
Educational Materials	313	-	-	313
Event Fees/Trade Shows	30	-	-	30
Facility Supplies	13,184	236	-	13,420
Federal & State Filing Fees	-	1,084	-	1,084
Food/Meals/Entertainment	1,656	-	-	1,656
Information Technology Service	43,968	6,268	7,009	57,245
Insurance	52,790	14,081	1,116	67,987
Landscaping Expense	294	-	-	294
Miscellaneous Expense	39	69	-	108
Office Supplies	2,262	1,981	85	4,328
Pet Care Expenses	45,078	-	-	45,078
Postage	12,188	2,879	4,860	19,927
Printing	23,007	64	2,027	25,098
Professional Fees/Consultants	17,260	18,400	3,580	39,240
Promotional	1,427	-	20	1,447
Rental & Lease Expense	33,600	8,400	-	42,000
Repairs/Maintenance	11,136	224	-	11,360
Stewardship/Cultivation	5,600	645	8	6,253
Training Program	4,933	-	-	4,933
Travel	1,048	19	-	1,067
Utilities	42,017	2,401	-	44,418
Veterinary	133,649	-	-	133,649
Volunteer Expenses	47	-	-	47
<b>Total Other Expenses</b>	<b><u>597,627</u></b>	<b><u>69,325</u></b>	<b><u>20,426</u></b>	<b><u>687,378</u></b>
<b>Total Functional Expenses</b>	<b><u>\$ 1,565,512</u></b>	<b><u>\$ 162,146</u></b>	<b><u>\$ 62,981</u></b>	<b><u>\$ 1,790,639</u></b>

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



# OUR COMPANIONS DOMESTIC ANIMAL SANCTUARY, INC.

## Notes to the Financial Statements

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### 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 accrual basis of accounting.

#### **Basis of Accounting**

The financial statements of Our Companions Domestic Animal Sanctuary have been prepared on the accrual-basis of accounting, and accordingly reflect all significant receivables, payables, and other liabilities. Revenue is recognized when earned and expenditures when incurred.

#### **Estimates**

The preparation of financial statements in accordance with generally accepted accounting principles requires estimates by management. The actual results of operations may differ from management estimates.

#### **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. Investments in Certificates of Deposit are stated at cost. Short-term investments held inside brokerage accounts are reported as investments.

#### **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

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**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.

Investments are carried at fair value based on Level 1 and presented in Note 5. The Organization believes that the carrying amount of its investments is a reasonable fair value as of June 30, 2022.

#### **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 Net Assets with Donor Restrictions until appropriated for expenditure.

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 Designated: Endowment on the financial statement balance sheet. These funds will be classified as undesignated net assets without donor restrictions 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

## OUR COMPANIONS DOMESTIC ANIMAL SANCTUARY, INC.

### Notes to the Financial Statements

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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 Designated 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 Total World Stock shall be the primary fund that the Board Designated 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 Designated 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 Designated 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 Designated Fund.

Each year, based on the fund's total market value as of May 1, the Finance Committee shall recommend to the Board an amount to be transferred from the unrestricted income and/or gain of the Board Designated 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 and Equipment	7 years

#### **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.

## OUR COMPANIONS DOMESTIC ANIMAL SANCTUARY, INC.

### Notes to the Financial Statements

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#### **Cash and Other Contributions**

Our Companions reports gifts of cash and other assets as Net Assets with Donor Restrictions 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, the amount is reclassified to Net Assets without Donor Restrictions and reported in the statement of activities as fund balance released from restrictions. Contributions with donor restrictions are reported as increases to Net Assets without Donor Restrictions when restrictions expire in the reporting period that the contributions are reported as revenues.

Program Fee revenue is recognized at the point in time when the performance obligations are satisfied. Our Companions recognizes revenues in accordance with the provisions of Revenue from Contracts with Customers (ASC606). Generally, contract periods do not extend beyond the end of the fiscal year.

#### **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 Net Assets without Donor Restrictions.

#### **Compensated Absences**

Unused vacation days may be carried over, but only unused days from the current period will be paid out upon termination. As a result, no accrual has been made for compensated absences.

#### **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 June 30, 2022, events and transactions subsequent to June 30, 2022, through January 5, 2023, the date the financial statements were available to be issued, have been evaluated by Our Companions' management for possible adjustment and/or disclosure.

## OUR COMPANIONS DOMESTIC ANIMAL SANCTUARY, INC.

### Notes to the Financial Statements

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#### NOTE 3 – LIQUIDITY POLICY

It is Our Companions' policy to have sufficient liquid assets on hand at all times to cover 60 days of budgeted expenses. Liquid assets include non-restricted funds such as bank checking accounts, business savings accounts and cash & money market funds held within investment accounts. The liquidity level will be monitored on a monthly basis via a notation on the balance sheet indicating the liquidity level. In the event that the liquid assets fall below the 60-day threshold a special meeting of the Finance Committee would be convened to determine a plan to raise the liquidity back to the required minimum level.

Our Companions financial assets due within one year of the statement of financial position date for general expenditures are as follows:

Cash and Cash & Money Market within Investments	\$ 3,181,785
Pledges Receivable	<u>70,001</u>
	3,251,786
Less: Donor Restrictions for Specific Purposes	<u>31,346</u>
Total Financial Assets available	<u>\$ 3,220,440</u>

#### NOTE 4 – DETAILED NOTES ON ASSETS, LIABILITIES, AND FUND BALANCES

##### Cash and Cash Equivalents

At June 30, 2022, the carrying amount of Our Companions' cash equivalents and deposits was \$128,263 and the bank balance was \$115,756.

##### Promises to Give

Unconditional promises to give have been pledged over a span of 1 to 4 years for the annual fund and capital campaign. No allowance has been established as of the date of these financial statements as there have been very little uncollectible amounts historically. The pledges are reported at face value as the discounted value was determined to be immaterial.

Pledges Receivable	
Less than One Year	\$ 70,001
Due in One to Five Years	68,300
Less: Allowance for Uncollectible Accounts	<u>-</u>
Net Unconditional Promises to Give	<u>\$ 138,301</u>

## OUR COMPANIONS DOMESTIC ANIMAL SANCTUARY, INC.

### Notes to the Financial Statements

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#### Fixed Assets

Fixed Assets are summarized as follows:

Real Property	\$ 564,584
Building & Improvements	2,580,021
Leashold Improvements	18,877
Land Improvements	561,693
Furniture & Fixtures	63,805
Machinery & Equipment	55,972
Vehicles	22,895
Computer & Phone Equipment	31,287
Construction in Process	82,835
Total	3,981,969
Less: Accumulated Depreciation	<u>(1,105,074)</u>
Total	<u>\$ 2,876,895</u>

Depreciation expense for the year ended June 30, 2022, is \$118,305.

#### Net Assets with Donor Restrictions

Net Assets with Donor Restrictions are summarized as follows:

Capital Campaign	\$ 2,044,396
Sherwin Fund	2,331
Mortensen Foundation	(85)
Christine Knuth	5,804
Wiederhold Foundation	10,000
Pop-Up Clinic, Mansfield	6,000
Buddy Project	7,296
Long-Term Pledges	<u>20,000</u>
Total	<u>\$ 2,095,742</u>

**OUR COMPANIONS DOMESTIC ANIMAL SANCTUARY, INC.**

Notes to the Financial Statements

**Endowment Fund**

Changes in endowment net assets as of June 30, 2022, are as follows:

	<b>Board Designated</b>
Endowment Net Assets, at 6/30/2021	\$ 829,870
Investment Return	(132,055)
Appropriated for Expenditure	-
Endowment Net Assets, at 6/30/2022	<u>\$ 697,815</u>

**NOTE 5 - FAIR VALUE INFORMATION**

	<u>Fair Value Measurement Using</u>			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
	Balance as of 6/30/2022			
Mutual Funds	\$ 3,053,522	\$ 3,053,522	\$ -	\$ -
Index Funds	697,815	697,815	-	-
<b>Total</b>	<u>\$ 3,751,337</u>	<u>\$ 3,751,337</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE 6 – OFFICE SPACE**

In October 2017, Our Companions renewed their lease on office space requiring monthly payments of \$3,500 for 5 years. Rent and lease expense for the year ended June 30, 2022, totaled \$42,000. The lease was renewed in November 2022 for 5 years with monthly payments of \$3,750. Total lease payments remaining are as follows:

FY 2023	\$ 44,000
FY 2024	45,000
FY 2025	45,000
FY 2026	45,000
FY 2027	45,000
FY 2028	<u>15,000</u>
	<u>\$ 239,000</u>

**OUR COMPANIONS DOMESTIC ANIMAL SANCTUARY, INC.**

Notes to the Financial Statements

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**NOTE 7 – ALLOCATION OF EXPENSES AMONG PROGRAMS AND SUPPORTING SERVICES**

Every expense account on the statement of revenue and expenses is analyzed to determine if it should be categorized as either program, fundraising, or management, and a detailed procedural document has been created which is used to code every invoice with the correct functional category. The functional expenses are tracked and coded at the invoice level, and when the invoices are entered into the Quickbooks program, they are assigned a class code identifying them as either Management, Program, or Fundraising expense. Our Companions' main program is operating the animal sanctuary in Ashford, CT, and as such, most expenses related to the sanctuary are coded as program. Other expenses related to the program center (such as utilities) are allocated based on square footage, with the dog training room accounting for 80% of the facility space. The detailed Functional Expense Policy gives further detail regarding how each general ledger expense account is allocated to a functional expense category.