Spay-Neuter Assistance Program, Inc.

Financial Statements
and Independent Auditors' Report
for the years ended June 30, 2019 and 2018

Spay-Neuter Assistance Program, Inc.

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Independent Auditors' Report

To the Board of Directors of
Spay-Neuter Assistance Program, Inc.:

We have audited the accompanying financial statements of Spay-Neuter Assistance Program, Inc. (SNAP), which comprise the statements of financial position as of June 30, 2019 and 2018 and the related statements of activities and of cash flows for the years then ended, the related statement of functional expenses for the year ended June 30, 2019 with comparative totals for the year ended June 30, 2018, 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.

Auditors' 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 our 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 auditors' 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 SNAP as of June 30, 2019 and 2018 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.

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Adoption of New Accounting Standard

As discussed in Note 2 to the financial statements, SNAP adopted the amendments of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities,* as of and for the year ended June 30, 2019. These amendments have been applied on a retrospective basis to the financial statements as of and for the year ended June 30, 2018, except that certain information has been omitted as permitted by the ASU. Our opinion is not modified with respect to this matter.

Blazek & Vetterling

March 9, 2020

Spay-Neuter Assistance Program, Inc.

Statements of Financial Position as of June 30, 2019 and 2018

	2019	2018
ASSETS		
Cash	$ 102,310	$ 106,509
Accounts receivable, net	28,116	54,072
Prepaid expenses and other assets	44,206	52,962
Contributions receivable, net *(Note 4)*	18,222	47,796
Property, net *(Note 5)*	443,424	509,912
TOTAL ASSETS	$ 636,278	$ 771,251
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 88,062	$ 125,668
Vendor balances on repayment plan *(Note 3)*	412,345	566,005
Advance from executive director	11,441	42,737
Deferred revenue	7,360	9,444
Accrued salaries and related expenses	108,665	118,649
Notes payable, net *(Note 8)*	115,483	122,729
Total liabilities	743,356	985,232
Commitments *(Note 7)*		
Net assets:		
Without donor restrictions	(196,024)	(256,778)
With donor restrictions *(Note 6)*	88,946	42,797
Total net assets	(107,078)	(213,981)
TOTAL LIABILITIES AND NET ASSETS	$ 636,278	$ 771,251

See accompanying notes to financial statements.

Spay-Neuter Assistance Program, Inc.

Statement of Activities for the year ended June 30, 2019

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Clinic fees	$ 3,288,385		$ 3,288,385
Product sales	124,408		124,408
Cost of product sold	(12,822)		(12,822)
Contributions	909,794	$ 382,451	1,292,245
Other income	11,960		11,960
Total revenue	4,321,725	382,451	4,704,176
Net assets released from restrictions:			
Time restrictions	59,346	(59,346)	
Program expenditures	276,956	(276,956)	
Total	4,658,027	46,149	4,704,176
EXPENSES:			
Clinic services	3,907,819		3,907,819
Management and general	403,615		403,615
Fundraising	285,839		285,839
Total expenses	4,597,273		4,597,273
CHANGES IN NET ASSETS	60,754	46,149	106,903
Net assets, beginning of year	(256,778)	42,797	(213,981)
Net assets, end of year	$ (196,024)	$ 88,946	$ (107,078)

See accompanying notes to financial statements.

Spay-Neuter Assistance Program, Inc.

Statement of Activities for the year ended June 30, 2018

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Clinic fees	$ 3,680,098		$ 3,680,098
Product sales	749,861		749,861
Cost of product sold	(357,888)		(357,888)
Contributions	687,438	$ 482,023	1,169,461
Other income	55,205		55,205
Total revenue	4,814,714	482,023	5,296,737
Net assets released from restrictions:			
Time restrictions	116,621	(116,621)	
Program expenditures	453,352	(453,352)	
Total	5,384,687	(87,950)	5,296,737
EXPENSES:			
Clinic services	4,807,623		4,807,623
Management and general	366,758		366,758
Fundraising	339,918		339,918
Total expenses	5,514,299		5,514,299
CHANGES IN NET ASSETS	(129,612)	(87,950)	(217,562)
Net assets, beginning of year *(Note 2)*	(127,166)	130,747	3,581
Net assets, end of year	$ (256,778)	$ 42,797	$ (213,981)

See accompanying notes to financial statements.

Spay-Neuter Assistance Program, Inc.

Statement of Functional Expenses for the year ended June 30, 2019
with comparative totals for the year ended June 30, 2018

	CLINIC SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	2019 TOTAL	2018 TOTAL
Salaries and related benefits	$ 2,680,559	$ 167,877	$ 162,216	$ 3,010,652	$ 3,679,883
Surgery and wellness supplies	619,029			619,029	787,114
Facilities and equipment	425,515	38,542	28,509	492,566	560,532
Professional services	88,893	106,159	46,830	241,882	238,628
Credit card and bank fees		64,553		64,553	73,333
Insurance	40,174	1,765	2,322	44,261	40,079
Office supplies, printing and postage	12,483	2,731	24,319	39,533	51,530
Interest		19,730		19,730	21,760
Other	41,166	2,258	21,643	65,067	61,440
Total expenses	$ 3,907,819	$ 403,615	$ 285,839	$ 4,597,273	$ 5,514,299

See accompanying notes to financial statements.

Spay-Neuter Assistance Program, Inc.

Statements of Cash Flows for the years ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ 106,903	$ (217,562)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	85,353	98,833
Changes in operating assets and liabilities:		
Accounts receivable	25,956	47,320
Prepaid expenses and other assets	8,756	52,559
Contributions receivable	29,574	82,951
Accounts payable	(224,646)	11,561
Accrued salaries and related expenses	(9,984)	(14,462)
Net cash provided by operating activities	21,912	61,200
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property	(17,541)	(20,701)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Advances on notes payable	5,226	19,900
Repayments of notes payable	(13,796)	(75,847)
Net cash used by financing activities	(8,570)	(55,947)
NET CHANGE IN CASH	(4,199)	(15,448)
Cash, beginning of year	106,509	121,957
Cash, end of year	$ 102,310	$ 106,509

Supplemental disclosure of cash flow information:

Interest paid	$19,703	$21,760

See accompanying notes to financial statements.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Spay-Neuter Assistance Program, Inc. (SNAP) is a Texas nonprofit corporation that began operating in Houston, Texas in 1994 to provide spay and neuter services. SNAP exists to stop the destruction of healthy dogs and cats in animal shelters as a result of overpopulation. SNAP provides sterilization for dogs and cats at affordable prices or free for financially disadvantaged families, provides animal wellness services, and educates the public about animal overpopulation. The program includes clinics in Houston, Pasadena and San Antonio, Texas.

Federal income tax status – SNAP is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1).

Accounts receivable are net of an estimated allowance for uncollectible accounts based upon historical experience and known circumstances affecting the collectability of individual accounts. It is SNAP's policy to charge off uncollectible accounts receivable against the allowance when management determines that the receivable will not be collected. At June 30, 2019 and 2018, the allowance for uncollectible accounts is $3,643 and $5,919, respectively.

Contributions receivable due within one year are reported at net realizable value. Contributions receivable due in more than one year are discounted, if material, to estimate the present value of future cash flows. An allowance for uncollectible contributions is recorded based upon historical experience and known circumstances affecting the collectability of individual contributions.

Property is reported at cost, if purchased, or at fair value at the date of gift, if donated. Property with a cost in excess of $2,500 and an estimated useful life in excess of one year is capitalized. Depreciation is computed using the straight-line method over estimated useful lives of 3 to 15 years.

Debt issuance costs represent costs related to the issuance of notes payable and are amortized over the term of the debt. Accumulated amortization was $3,310 and $1,986 at June 30, 2019 and 2018, respectively. Unamortized debt issuance costs are reported as a direct reduction of the related debt.

Net asset classification – Net assets and revenue are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both.

Clinic fees and product sales are for services provided for animal medical procedures and for the sale of medical product supplies. Revenue is recognized when the services are performed or the product is delivered.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted contributions. Conditional contributions are recognized in the same manner when the conditions are substantially met.

In-kind contributions – Donated materials, use of facilities and services are recognized at fair value as contributions when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. SNAP recognized in-kind clinic space totaling approximately $53,000 in 2019 and 2018.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Depreciation and other facility-related expenses are allocated based on square footage and usage of facility incurring the cost.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Recent financial accounting pronouncement – In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Under this ASU, a lessee should recognize in the statement of financial position a lease liability and a lease asset representing its right to use the underlying asset for the term of the lease for both finance and operating leases. An entity may make an accounting policy election not to recognize lease assets and lease liabilities for leases with a term of 12 months or less. Recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not changed significantly. Qualitative and quantitative disclosures are required by lessees and lessors to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. The ASU is effective for fiscal periods beginning after December 15, 2020. SNAP plans to adopt this ASU for fiscal year ending June 30, 2021.

NOTE 2 – ADOPTION OF ACCOUNTING STANDARDS UPDATE 2016-14

SNAP adopted the amendments of ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities,* as of and for the year ended June 30, 2019. These amendments have been applied on a retrospective basis to the financial statements for the year ended June 30, 2018, except that information regarding liquidity and availability of resources and presentation of expenses by both nature and function has been omitted as permitted by the ASU. Adoption of this ASU resulted in reclassification of previously reported activities and net assets to conform to the 2019 presentation but had no impact on total net assets or total changes in net assets for 2018.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of June 30, 2019 comprise the following:

Financial assets at June 30, 2019:	
Cash	$ 102,310
Accounts receivable, net	28,116
Contributions receivable, net	18,222
Total financial assets available for general expenditure	$ 148,648

SNAP primarily relies on clinic service fee revenues and contributions to meet general expenditures related to operations. For purposes of analyzing resources available to meet general expenditures over a 12-month period, SNAP considers all expenditures related to its ongoing activities of providing sterilization and wellness services to be general expenditures.

During fiscal years 2015 through 2017, SNAP incurred operating deficits and accumulated delinquent vendor account balances for medications. SNAP subsequently negotiated flexible payment plans with these vendors, which in return for assurances of payment in full of the old balances, also agreed to continue current cash sales and to impose no fees or interest on the accounts. During fiscal years 2018 and 2019, these balances were reduced to $412,345 at June 30, 2019. Management expects to continue these terms until the accounts are paid in full.

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are as follows:

	2019	2018
Contributions receivable	$ 30,834	$ 64,590
Allowance for uncollectible contributions	(12,612)	(16,794)
Contributions receivable, net	$ 18,222	$ 47,796

At June 30, 2019, all contributions receivable are expected to be collected within one year.

NOTE 5 – PROPERTY

Property consists of the following:

	2019	2018
Mobile clinics and trucks	$ 645,823	$ 645,823
Leasehold improvements	641,250	615,210
Medical equipment	344,749	344,749
Office equipment	53,436	53,436
Furniture and fixtures	20,855	20,855
Total depreciable property	1,706,113	1,680,073
Accumulated depreciation	(1,262,689)	(1,178,661)
Depreciable property, net	443,424	501,412
Construction in progress		8,500
Property, net	$ 443,424	$ 509,912

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	2019	2018
Restricted for use in future periods	$ 14,064	$ 42,797
Clinic programs	74,882	
Total net assets with donor restrictions	$ 88,946	$ 42,797

NOTE 7 – COMMITMENTS

SNAP leases office and clinic space under noncancellable leases and is committed to noncancellable web-hosting and communication service agreements and software subscriptions. Lease expense was approximately $466,000 in 2019 and $488,000 in 2018. Future minimum lease payments are as follows:

2020	$ 309,922
2021	240,394
2022	208,904
2023	163,904
2024 and thereafter	186,660
Total	$ 1,109,784

NOTE 8 – NOTES PAYABLE

Notes payable consist of the following:

	2019	2018
$90,000 loan from the executive director underwritten by a financing company. Fixed interest of 15.99%; monthly payments of $1,678, maturing in December 2024.	$ 73,366	$ 81,087
$50,000 unsecured line of credit with a bank that bears interest at the Wall Street Journal prime rate plus 4.5%. The rate at June 30, 2019 was 9.25%.	49,402	50,251
Total	122,768	131,338
Less: Unamortized debt issuance costs	(7,285)	(8,609)
Notes payable, net	$ 115,483	$ 122,729

Interest expense was $17,217 in 2019 and $17,757 in 2018.

Maturities of the notes payable are as follows:

2020	$	58,551
2021		10,608
2022		12,434
2023		14,575
2024 and thereafter		26,600
Total	$	122,768

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 9, 2020, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.