

Spay-Neuter Assistance Program, Inc.

Financial Statements
and Independent Auditors' Report
for the years ended June 30, 2020 and 2019

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, 2020 and 2019 and the related statements of activities, of functional expenses, and of 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.

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, 2020 and 2019 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.

Blazek & Vetterling

April 28, 2021

Spay-Neuter Assistance Program, Inc.

Statements of Financial Position as of June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 409,116	\$ 102,310
Accounts receivable, net	29,776	28,116
Prepaid expenses and other assets	49,739	44,206
Contributions receivable, net		18,222
Property, net (<i>Note 4</i>)	<u>302,753</u>	<u>443,424</u>
 TOTAL ASSETS	 <u>\$ 791,384</u>	 <u>\$ 636,278</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 104,295	\$ 88,062
Vendor balances on repayment plan (<i>Note 3</i>)	269,984	412,345
Advance from executive director	234	11,441
Deferred revenue		7,360
Accrued salaries and related expenses	91,224	108,665
Notes payable, net (<i>Note 7</i>)	<u>496,484</u>	<u>115,483</u>
Total liabilities	<u>962,221</u>	<u>743,356</u>
 Commitments (<i>Note 6</i>)		
Net assets:		
Without donor restrictions	(208,279)	(196,024)
With donor restrictions (<i>Note 5</i>)	<u>37,442</u>	<u>88,946</u>
Total net assets	<u>(170,837)</u>	<u>(107,078)</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 791,384</u>	 <u>\$ 636,278</u>

See accompanying notes to financial statements.

Spay-Neuter Assistance Program, Inc.

Statement of Activities for the year ended June 30, 2020

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Clinic fees	\$ 3,274,452		\$ 3,274,452
Product sales commissions	147,526		147,526
Contributions	809,662	\$ 72,274	881,936
Other income	<u>52,389</u>		<u>52,389</u>
Total revenue	4,284,029	72,274	4,356,303
Net assets released from restrictions:			
Time restrictions	14,064	(14,064)	
Program expenditures	<u>109,714</u>	<u>(109,714)</u>	
Total	<u>4,407,807</u>	<u>(51,504)</u>	<u>4,356,303</u>
EXPENSES:			
Clinic services	3,791,430		3,791,430
Management and general	364,142		364,142
Fundraising	<u>264,490</u>		<u>264,490</u>
Total expenses	<u>4,420,062</u>		<u>4,420,062</u>
CHANGES IN NET ASSETS	(12,255)	(51,504)	(63,759)
Net assets, beginning of year	<u>(196,024)</u>	<u>88,946</u>	<u>(107,078)</u>
Net assets, end of year	<u>\$ (208,279)</u>	<u>\$ 37,442</u>	<u>\$ (170,837)</u>

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 commissions	111,586		111,586
Contributions	909,794	\$ 382,451	1,292,245
Other income	<u>11,960</u>	<u></u>	<u>11,960</u>
Total revenue	4,321,725	382,451	4,704,176
Net assets released from restrictions:			
Time restrictions	59,346	(59,346)	
Program expenditures	<u>276,956</u>	<u>(276,956)</u>	<u></u>
Total	<u>4,658,027</u>	<u>46,149</u>	<u>4,704,176</u>
EXPENSES:			
Clinic services	3,907,819		3,907,819
Management and general	403,615		403,615
Fundraising	<u>285,839</u>	<u></u>	<u>285,839</u>
Total expenses	<u>4,597,273</u>	<u></u>	<u>4,597,273</u>
CHANGES IN NET ASSETS	60,754	46,149	106,903
Net assets, beginning of year	<u>(256,778)</u>	<u>42,797</u>	<u>(213,981)</u>
Net assets, end of year	<u>\$ (196,024)</u>	<u>\$ 88,946</u>	<u>\$ (107,078)</u>

See accompanying notes to financial statements.

Spay-Neuter Assistance Program, Inc.

Statements of Functional Expenses for the years ended June 30, 2020 and 2019

	<u>CLINIC SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>2020 TOTAL</u>
Salaries and related benefits	\$ 2,608,111	\$ 92,414	\$ 148,812	\$ 2,849,337
Surgery and wellness supplies	585,163			585,163
Facilities and equipment	456,204	39,058	31,864	527,126
Professional services	84,717	145,010	47,581	277,308
Credit card and bank fees		51,475		51,475
Office supplies, printing and postage	16,009	2,638	26,480	45,127
Insurance	29,185	6,364	2,705	38,254
Interest		23,787		23,787
Other	<u>12,041</u>	<u>3,396</u>	<u>7,048</u>	<u>22,485</u>
Total expenses	<u>\$ 3,791,430</u>	<u>\$ 364,142</u>	<u>\$ 264,490</u>	<u>\$ 4,420,062</u>

	<u>CLINIC SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>2019 TOTAL</u>
Salaries and related benefits	\$ 2,680,559	\$ 167,877	\$ 162,216	\$ 3,010,652
Surgery and wellness supplies	619,029			619,029
Facilities and equipment	425,515	38,542	28,509	492,566
Professional services	88,893	106,159	46,830	241,882
Credit card and bank fees		64,553		64,553
Office supplies, printing and postage	12,483	2,731	24,319	39,533
Insurance	40,174	1,765	2,322	44,261
Interest		19,730		19,730
Other	<u>41,166</u>	<u>2,258</u>	<u>21,643</u>	<u>65,067</u>
Total expenses	<u>\$ 3,907,819</u>	<u>\$ 403,615</u>	<u>\$ 285,839</u>	<u>\$ 4,597,273</u>

See accompanying notes to financial statements.

Spay-Neuter Assistance Program, Inc.

Statements of Cash Flows for the years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (63,759)	\$ 106,903
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	64,654	85,353
Gain on disposal of property	(50,912)	
Changes in operating assets and liabilities:		
Accounts receivable	(1,660)	25,956
Prepaid expenses and other assets	(5,533)	8,756
Contributions receivable	18,222	29,574
Accounts payable	(144,695)	(224,646)
Accrued salaries and related expenses	(17,441)	(9,984)
Paycheck Protection Program refundable advance	<u>447,074</u>	
Net cash provided by operating activities	<u>245,950</u>	<u>21,912</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property	158,500	
Acquisitions of property	<u>(24,286)</u>	<u>(17,541)</u>
Net cash provided (used) by investing activities	<u>134,214</u>	<u>(17,541)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Advances on notes payable		5,226
Repayments of notes payable	<u>(73,358)</u>	<u>(13,796)</u>
Net cash used by financing activities	<u>(73,358)</u>	<u>(8,570)</u>
NET CHANGE IN CASH	306,806	(4,199)
Cash, beginning of year	<u>102,310</u>	<u>106,509</u>
Cash, end of year	<u>\$ 409,116</u>	<u>\$ 102,310</u>
<i>Supplemental disclosure of cash flow information:</i>		
Interest paid	\$12,475	\$19,703

See accompanying notes to financial statements.

Spay-Neuter Assistance Program, Inc.

Notes to Financial Statements for the years ended June 30, 2020 and 2019

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, the allowance for uncollectible accounts was \$3,643.

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.

Net asset classification – Net assets, revenue, gains and losses 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 commissions are for services provided for animal medical procedures and for the sale of medical product supplies. Revenue is recognized at the point in time when the services are performed. Payment of clinical fees is expected at the time of service for all but local municipalities who are billed monthly. Historically, the local municipalities pay promptly on a monthly basis for services provided to the animals sent by the municipalities under the terms of the contracts. Sales of medical product supplies are done through a third party who provide the inventory and directly ships the prescribed product to the SNAP client. SNAP earns commissions on the sales when the order is shipped from the third party. Revenue is recognized at the point in time the third party ships the product.

Contributions are recognized at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as *with donor restrictions*. Contributions subject to one or more barriers that must be overcome before SNAP is entitled to receive or retain funding are conditional contributions which 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 2020 and 2019. The donated space is used for a clinic and the expense is all classified as program expense.

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, 2022.

NOTE 2 – ADOPTION OF ACCOUNTING STANDARDS

SNAP adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of the new guidance is that the entity should recognize revenue in an amount that reflects the consideration to which it expects to be entitled in exchange for transferred goods or services using a 5-step process to determine when performance obligations are satisfied and revenue is recognized and requires expanded disclosures related to the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. SNAP adopted the new standard effective July 1, 2019, using the full retrospective method. The timing and amount of revenue recognized previously is consistent with how revenue is recognized under this new standard and therefore, adoption of this ASU had no impact on total beginning net assets or changes in net assets for 2019 but resulted in additional disclosures and changes in presentation.

In conjunction with the adoption of ASU 2014-09, SNAP adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this ASU clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction and provide additional guidance on determining whether a contribution is conditional or unconditional. SNAP adopted the new standard effective July 1, 2019. Adoption of this ASU had no impact on total beginning net assets for 2019 or changes in net assets for 2019.

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 comprise the following:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash	\$ 409,116	\$ 102,310
Accounts receivable, net	29,776	28,116
Contributions receivable, net		<u>18,222</u>
Total financial assets available for general expenditure	<u>\$ 438,892</u>	<u>\$ 148,648</u>

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 2018, 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 2019 and 2020, these balances were reduced to \$412,345 at June 30, 2019 and further to \$269,984 at June 30, 2020. Management expects to continue these terms until the accounts are paid in full.

During the fiscal year ended June 30, 2020, SNAP received a Paycheck Protection Program advance of \$447,075. SNAP has applied for forgiveness of the loan and expects to receive forgiveness in the year ended June 30, 2021 and will recognize the advance as revenue at that time.

NOTE 4 – PROPERTY

Property consists of the following:

	<u>2020</u>	<u>2019</u>
Mobile clinics and trucks	\$ 331,146	\$ 645,823
Leasehold improvements	641,250	641,250
Medical equipment	369,038	344,749
Office equipment	53,436	53,436
Furniture and fixtures	<u>20,855</u>	<u>20,855</u>
Total depreciable property	1,415,725	1,706,113
Accumulated depreciation	<u>(1,112,972)</u>	<u>(1,262,689)</u>
Property, net	<u>\$ 302,753</u>	<u>\$ 443,424</u>

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2020</u>	<u>2019</u>
Clinic programs	\$ 37,442	\$ 74,882
Restricted for use in future periods		<u>14,064</u>
Total net assets with donor restrictions	<u>\$ 37,442</u>	<u>\$ 88,946</u>

NOTE 6 – 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 \$432,000 in 2020 and \$466,000 in 2019. Future minimum lease payments at June 30, 2020 are as follows:

2021	\$ 349,151
2022	286,216
2023	226,355
2024	185,562
2025	<u>77,318</u>
Total	<u>\$ 1,124,602</u>

NOTE 7 – NOTES PAYABLE

Notes payable consist of the following:

	<u>2020</u>	<u>2019</u>
Paycheck Protection Program loan	\$ 447,075	
\$50,000 unsecured line of credit with a bank that bears interest at the Wall Street Journal prime rate plus 5%. The rate at June 30, 2020 was 7.75%.	49,409	\$ 49,402
\$90,000 loan from the executive director underwritten by a financing company. Fixed interest of 15.99%; monthly payments of \$1,678; paid off in May 2020.		<u>73,366</u>
Total	496,484	122,768
Less: Unamortized debt issuance costs		<u>(7,285)</u>
Notes payable, net	<u>\$ 496,484</u>	<u>\$ 115,483</u>

Interest expense was \$12,475 in 2020 and \$17,217 in 2019.

Paycheck Protection Program Loan

SNAP received a Paycheck Protection Program (PPP) loan from the Small Business Administration. PPP loan principal and interest (1% annual interest rate) may be forgiven, in whole or in part, if funds are used for the intended purposes. SNAP expects the entire loan to be forgiven.

NOTE 8 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 28, 2021, which is the date that the financial statements were available for issuance. While the on-going circumstances of the COVID-19 national pandemic may have an adverse impact on future operations, the financial impact cannot be reasonably estimated at this time. No other events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.
