SPAY NEUTER NETWORK

FINANCIAL STATEMENTS

AND INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2016

SAVILLE®

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Spay Neuter Network
Crandall, Texas

We have audited the accompanying financial statements of Spay Neuter Network (the "Organization", a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flows 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 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 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.

Saville, Dodgen & Company, P.L.L.C.
Certified Public Accountants & Advisors
700 North Pearl Street, Suite 1100
Dallas, Texas 75201
214-922-9727 Tel
214-740-1726 Fax
www.savillecpa.com

We believe 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 the Organization as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Saville, Dodgen & Co.

Saville, Dodgen & Company, P.L.L.C.
Dallas, Texas

January 5, 2018

SPAY NEUTER NETWORK
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

ASSETS

CURRENT ASSETS		
Cash and cash equivalents	$	1,134,405
Investments		1,236,022
Accounts receivable		29,226
Grants receivable		3,011
Inventory		110,651
Prepaid expenses		13,892
Total current assets		2,527,207
PROPERTY AND EQUIPMENT, NET		647,043
OTHER ASSETS		
Deposits		1,896
Total other assets		1,896
TOTAL ASSETS	$	3,176,146

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$	40,227
Total current liabilities		40,227
NET ASSETS		
Unrestricted		2,865,280
Temporarily restricted		270,639
Total net assets		3,135,919
TOTAL LIABILITIES AND NET ASSETS	$	3,176,146

See accompanying independent auditors' report and notes.

SPAY NEUTER NETWORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Total
REVENUE			
Clinical services	$ 1,110,307	$ -	$ 1,110,307
Grant revenue	-	500,408	500,408
General donations	55,639	-	55,639
Interest income	95,344	-	95,344
Dividend income	32,397	-	32,397
Realized and unrealized loss on investments, net	(73,259)	-	(73,259)
Net assets released from restrictions	617,362	(617,362)	-
Total revenue	1,837,790	(116,954)	1,720,836
EXPENSES			
Clinic supplies	358,133	-	358,133
Technical and veterinary fees	326,922	-	326,922
General and administrative costs	296,691	-	296,691
Salaries and wages	727,297	-	727,297
Depreciation	76,826	-	76,826
Total expenses	1,785,869	-	1,785,869
CHANGES IN NET ASSETS	51,921	(116,954)	(65,033)
NET ASSETS, beginning of year	2,813,359	387,593	3,200,952
NET ASSETS, end of year	$ 2,865,280	$ 270,639	$ 3,135,919

SPAY NEUTER NETWORK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ (65,033)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	76,826
Realized and unrealized loss on investments, net	73,259
Reinvested dividend income	(32,397)
Changes in operating accounts:	
Grants receivable	228,153
Accounts receivable	74,750
Other receivable	627
Inventory	(33,677)
Prepaid expenses	1,894
Deposits	(1,896)
Accounts payable and accrued liabilities	(10,194)
Deferred revenue	(22,288)
Net cash provided by operating activities	290,024
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(424,087)
Proceeds from sale and maturity of investments	503,472
Purchase of property and equipment	(8,467)
Net cash provided by investing activities	70,918
NET INCREASE IN CASH AND CASH EQUIVALENTS	360,942
CASH AND CASH EQUIVALENTS, beginning of year	773,463
CASH AND CASH EQUIVALENTS, end of year	$ 1,134,405

See accompanying independent auditors’ report and notes.

NATURE OF ORGANIZATION

Spay Neuter Network (the "Organization", "we", "us", or "our"), a non-profit organization, was formed as Kaufman County Animal Awareness Project on February 28, 2008. The Organization amended the certificate of formation on April 1, 2013, and changed the name to Spay Neuter Network. The mission of the Organization is to eliminate pet overpopulation through subsidized spay and neuter services, while empowering communities to care responsibly for dogs and cats. The Organization's purpose is to provide education to residents of neighboring counties on how to become a truly humane society while providing low-cost spay and neuter solutions to the general public. The Organization also coordinates their efforts with the Texas Department of Health regarding rabies vaccinations and public health issues.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These financial statements, which are presented in accordance with accounting principles generally accepted in the United States of America (GAAP), have been prepared to present revenue, expenses, gains, losses, and net assets according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of transactions into three classes of net assets – unrestricted, temporarily restricted, and permanently restricted net assets. Accordingly, net assets and changes therein are classified as follows:

Unrestricted – Net assets not subject to donor-imposed stipulations.

Temporarily restricted – Net assets subject to donor-imposed stipulations that expire through either passage of time or actions by the Organization.

Permanently restricted – Net assets subject to donor-imposed stipulations that are to be maintained in perpetuity. The Organization had no permanently restricted net assets at December 31, 2016.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The Organization considers all instruments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents consist primarily of cash on deposit. The Organization has a concentration of credit risk for cash deposits maintained at certain financial institutions which may, at times, exceed amounts covered by insurance provided by the Federal Deposit Insurance Corporation. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash.

Investments

Investments are reported at fair value. The fair value of equity and debt securities with readily determinable fair values are based on quotations obtained from national securities exchanges. The fair value of investments in pooled equity and debt funds are based on fair values provided by the investment managers and trust companies. Investment cash in pooled investment funds and investment accounts at brokerage firms is reported at fair value based on the redemption values.

Investment income, realized gains (losses), and unrealized gains (losses) are recognized when earned as increases and decreases in unrestricted and temporarily restricted net assets depending on the existence or absence of donor-imposed restrictions.

Fair Value of Financial Assets and Liabilities

The Organization measures and discloses certain financial assets and liabilities at fair value. GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Observable inputs using quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs, other than Level 1 prices, such as quoted prices in active markets for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Assets and Liabilities (continued)

For disclosure purposes, assets and liabilities are classified in their entirety in the fair value hierarchy level based on the lowest level of input that is significant to the overall fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy.

The Organization uses the active market approach to measure fair value of financial assets and liabilities.

Accounts Receivable

Receivables consist of amounts billed for completed surgeries. Receivables are stated at net realizable value. Management estimates net realizable value using an allowance for doubtful accounts, which is based on collection experience and other known factors anticipated to affect collections. As of December 31, 2016, the Organization has reserved $10,872 in the allowance for doubtful accounts. Receivables are due from customers when billed. The Organization writes off receivables when they become uncollectible, and payments subsequently received on such receivables are credited back to income.

Grants Receivable

Grant receivables consist of funds that have been promised but unpaid as December 31, 2016. Grants receivable are reflected at their net realizable value using an allowance for uncollectible grants. Management estimates an allowance for uncollectible grants based on collection experience and other factors. The Organization writes off grants receivable when they become uncollectible, and payments subsequently received on such grant receivables are credited back to income when payments are received. The Organization estimates all amounts to be collectible at December 31, 2016.

Inventory

Inventory consists of surgery related supplies and disposable equipment. Inventory is recorded at the lower of cost or market value using the average cost method.

Prepaid Expenses

Prepaid expenses consist primarily of prepaid insurance.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are recorded at cost, or if donated, at fair value on the date of donation. Useful lives and salvage values are based on historical equipment data. Expenditures for major additions and improvements are capitalized, while maintenance, repairs, and renewals which do not materially prolong the useful lives of the assets are charged to operations. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets as follows:

Building	30 years
Vehicles	5-7 years
Equipment	3-7 years

Impairment of Long-Lived Assets

The Organization reviews potential impairments of long-lived assets when there is evidence that events or changes in circumstances have made the recovery of an asset’s carrying value unlikely. An impairment loss is recognized if the sum of the expected, undiscounted future cash flow is less than the net book value of the asset. Generally, the amount of the impairment loss is measured as the excess of the net book value of the assets over the estimated fair value. As of December 31, 2016, no impairment of long-lived assets is necessary.

Deposits

Deposits consist of a security deposit for the Organization’s operating lease.

Grant Revenue

The Organization receives a substantial portion of its contributions to provide spay and neuter clinical services. Grant revenue is recorded when funds are received or promised. Grants that are purpose or time-restricted by donors are reported as increases in temporarily restricted net assets. When donor restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets. Temporarily restricted grant funds are typically restricted to certain programs or purposes. The Organization does not imply a time restriction on donated assets that are received without stipulations about how long the donated asset must be used or are acquired with gifts of cash or other assets restricted for those acquisitions.

Clinical Services

Clinical services revenue is recognized after a surgery is performed. Surgery appointment deposits collected in advance of surgeries are reflected as deferred revenue.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services

No amounts have been reflected in the financial statements for donated services. The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with its operations.

Income Taxes

The Organization is organized as a not-for-profit organization under Section 501 (c)(3) of the Internal Revenue Code and similar state provisions and is exempt from federal income taxes, state sales taxes, and franchise taxes. Accordingly, no provision has been made for income taxes in the accompanying financial statements.

INVESTMENTS AND FAIR VALUE MEASUREMENTS

The following table summarizes financial assets the Organization measures at fair value on a recurring basis:

	Fair Value Measurements at December 31, 2016 using:			
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments:				
Certificates of deposit	$ 27,416	$ -	$ -	$ 27,416
Fixed income	125,419	-	-	125,419
Mutual funds	787,556	-	-	787,556
Common stock	295,631	-	-	295,631
Total	$1,236,022	$ -	$ -	$ 1,236,022

PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2016:

Building	$ 523,491
Equipment	210,992
Land	56,675
Vehicles	356,468
Property and equipment, at cost	1,147,626
Accumulated depreciation	(500,583)
Property and equipment, net	$ 647,043

Depreciation expense for property and equipment amounted to $76,826 for the year ended December 31, 2016.

OPERATING LEASES

On December 31, 2016, the Organization entered into a lease agreement to rent retail space at a shopping center beginning February 1, 2017 through January 31, 2020. The Organization did not incur rent expense for the year ended December 31, 2016.

The Organization future minimum lease payments under this operating lease is as follows for the years ending December 31:

Years Ending December 31,	Amount
2017	$ 14,520
2018	16,500
2019	17,220
2020	1,440
	$ 49,680

NET ASSETS

As of December 31, 2016, temporarily restricted net assets consisted of restricted contributions to be used for the following purposes:

Pet sterilization	$ 263,639
Marketing	5,000
Education	2,000
	$ 270,639

REIMBURSABLE GRANTS

The Organization may enter into agreements with several entities whereby they will provide funds in exchange for providing pet sterilization services and other restricted uses. There are no such agreements in place at December 31, 2016.

CONCENTRATIONS

Accounts receivables outstanding are due from four customers which individually exceed 10% of total accounts receivable balance. The aggregate amount of these customer's balances represented 84% of the total accounts receivable balance as of December 31, 2016.

CONTINGENCIES

Any amount received or receivable from grantor agencies are subject to audit and possible adjustment by the grantor agency. A liability could arise from disallowed claims, even amounts already collected. At December 31, 2016, the amount, if any, that may be disallowed could not be determined. The Organization anticipates that this amount, if any, would be immaterial to the financial statements.

FUNCTIONAL EXPENSES

The costs of providing programs and other activities for the year ended December 31, 2016 have been summarized on a functional basis in the below table. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Program services	$ 1,450,005
General and management	306,269
Fundraising	29,595
	$ 1,785,869

SUBSEQUENT EVENTS

The Organization evaluated events that occurred after the balance sheet date through January 5, 2018, which is the date these financial statements were available to be issued, and no subsequent events meeting the recognition or disclosure criteria were identified.