

**SPAY NEUTER NETWORK
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2020**



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, 2020, and the related statements of activities and changes in net assets, functional expenses, 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.

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, 2020, 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.

A handwritten signature in black ink that reads "Saville, Dodgen & Co." in a cursive style.

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

December 20, 2021

SPAY NEUTER NETWORK
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,061,049
Investments	8,122,888
Accounts receivable, net	18,734
Inventory	63,858
Prepaid expenses	19,962
Total current assets	<u>9,286,491</u>

PROPERTY AND EQUIPMENT, NET	563,359
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OTHER ASSETS

Deposits	2,562
Total other assets	<u>2,562</u>

TOTAL ASSETS	<u><u>\$ 9,852,412</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ 64,690
Total current liabilities	<u>64,690</u>

Total liabilities	64,690
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NET ASSETS

Without donor restrictions	9,550,598
With donor restrictions	237,124
Total net assets	<u>9,787,722</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 9,852,412</u></u>
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See accompanying independent auditors' report and notes.

SPAY NEUTER NETWORK
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Clinical services	\$ 2,016,500	\$ -	\$ 2,016,500
Grants	-	1,547,406	1,547,406
General donations	224,969	-	224,969
Other income	306,931	-	306,931
Interest income	4,725	-	4,725
Dividend income	148,203	-	148,203
Realized and unrealized gain on investments, net	284,889	-	284,889
Total	2,986,217	1,547,406	4,533,623
Net assets released from restrictions	2,744,149	(2,744,149)	-
TOTAL REVENUE AND SUPPORT	5,730,366	(1,196,743)	4,533,623
EXPENSES			
Clinic supplies	677,915	-	677,915
Technical and veterinary fees	553,018	-	553,018
General and administrative costs	806,118	-	806,118
Salaries and wages	1,459,141	-	1,459,141
Depreciation	95,264	-	95,264
Total expenses	3,591,456	-	3,591,456
CHANGES IN NET ASSETS	2,138,910	(1,196,743)	942,167
NET ASSETS, beginning of year	7,411,688	1,433,867	8,845,555
NET ASSETS, end of year	<u>\$ 9,550,598</u>	<u>\$ 237,124</u>	<u>\$ 9,787,722</u>

See accompanying independent auditors' report and notes.

SPAY NEUTER NETWORK
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Services	General and Administrative	Fundraising	Total
Clinic supplies	\$ 677,915	\$ -	\$ -	\$ 677,915
Technical and veterinary fees	553,018	-	-	553,018
Auto and travel	36,928	-	-	36,928
Insurance expense	13,684	9,122	-	22,806
Professional fees	-	122,461	-	122,461
Building rental and maintenance	83,017	4,369	-	87,386
Utilities and telephone	49,771	2,620	-	52,391
Office and administrative	102,349	68,861	2,129	173,339
Depreciation	87,788	6,533	943	95,264
Marketing	251,859	-	58,948	310,807
Salaries	1,323,365	102,133	33,643	1,459,141
Total expenses	<u>\$ 3,179,694</u>	<u>\$ 316,099</u>	<u>\$ 95,663</u>	<u>\$ 3,591,456</u>

See accompanying independent auditors' report and notes.

SPAY NEUTER NETWORK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

CASH FLOW FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 942,167
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation expense	95,264
Realized and unrealized gain on investments, net	(284,889)
Reinvested dividends and interest income	(152,928)
Changes in operating assets and liabilities	
Grants receivable	1,309,306
Accounts receivable	13,046
Inventory	1,636
Prepaid expenses and other current assets	128,734
Deposits	1,986
Accounts payable and accrued liabilities	(48,127)
Net cash provided by operating activities	<u>2,006,195</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(5,606,919)
Proceeds from sale of investments	<u>1,650,000</u>
Net cash used in investing activities	<u>(3,956,919)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(1,950,724)
CASH AND CASH EQUIVALENTS, beginning of year	<u>3,011,773</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 1,061,049</u></u>

See accompanying independent auditors' report and notes.

SPAY NEUTER NETWORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. NATURE OF ORGANIZATION

Spay Neuter Network (the “Organization”), 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.

2. 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 two classes of net assets – with donor restrictions and without donor restrictions. Accordingly, net assets and changes therein are classified as follows:

Without donor restrictions – Net assets not subject to donor-imposed stipulations.

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

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.

See accompanying independent auditors’ report.

SPAY NEUTER NETWORK
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. 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. Cash held by investment brokers is included in investments on the accompanying statement of financial position. 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.

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.

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.

SPAY NEUTER NETWORK
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2020, the Organization has reserved \$26,462 in the allowance for doubtful accounts. Receivables are due from customers when billed. The Organization writes off receivables when they become uncollectible, and if payments are subsequently received on such receivables they are credited back to income.

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.

SPAY NEUTER NETWORK
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid Expenses

Prepaid expenses consists primarily of prepaid insurance and marketing expenses.

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, 2020, no impairment of long-lived assets is necessary.

Deposits

Deposits consist of security deposits for the Organization's operating leases.

Grants

The Organization receives a substantial portion of its contributions to provide spay and neuter clinical services through grants. Grants are recorded at a point in time when funds are received or promised. Grants that are purpose or time-restricted by donors are reported as increases in net assets with donor restrictions. When donor restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions. Grant funds with restrictions 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.

See accompanying independent auditors' report.

SPAY NEUTER NETWORK
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Clinical Services

Clinical services revenue is recognized at a point in time after a surgery is performed. Surgery appointment deposits collected in advance of surgeries are included in accrued liabilities on the accompanying statement of financial position. There are no significant contract assets or liabilities as of December 31, 2020.

Donated Services

No amounts have been reflected in the financial statements for donated services. The Organization pays for most services requiring specific expertise. However, individuals may 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.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of functional expenses. Certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include compensation and benefits, which are allocated based on estimates of time and effort, as well as depreciation and amortization, which are allocated on a usage basis. Other expenses, such as marketing fees, are allocated based on the estimated usage.

SPAY NEUTER NETWORK
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS

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

Description	Fair Value Measurements at December 31, 2020 using:			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<u>Investments:</u>				
Certificates of deposit	\$ 27,833	\$ -	\$ -	\$ 27,833
Cash and cash alternatives	152,803	-	-	152,803
Fixed income	4,544	-	-	4,544
Mutual funds	5,121,066	-	-	5,121,066
Common stock & EFTs	2,816,642	-	-	2,816,642
Total	\$ 8,122,888	\$ -	\$ -	\$ 8,122,888

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2020:

Building	\$ 523,491
Equipment	443,371
Land	67,729
Vehicles	413,513
Property and equipment, at cost	<u>1,448,104</u>
Accumulated depreciation	<u>(884,745)</u>
Property and equipment, net	<u>\$ 563,359</u>

Depreciation expense for property and equipment amounted to \$95,264 for the year ended December 31, 2020.

See accompanying independent auditors' report.

SPAY NEUTER NETWORK
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. 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. On November 25, 2019, the Organization renewed this lease through March 31, 2021. The Organization incurred rent expense related to this lease of \$26,006 for the year ended December 31, 2020.

On January 9, 2019, the Organization entered into a lease agreement to rent retail space at a shopping center beginning January 9, 2019 through April 30, 2022. The Organization incurred rent expense related to this lease of \$33,441 for the year ended December 31, 2020.

The Organization's future minimum lease payments under these operating leases are as follows:

<u>Years Ending December 31,</u>	<u>Amounts</u>
2021	\$ 28,116
2022	7,932
Total	<u>\$ 36,048</u>

6. NET ASSETS

As of December 31, 2020, temporarily restricted net assets consisted of restricted contributions to be used for the following purposes:

Clinic services	\$ 63,660
Other services	<u>173,464</u>
Total	<u>\$ 237,124</u>

See accompanying independent auditors' report.

SPAY NEUTER NETWORK
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization’s financial assets as of the statement of financial position date, reduced by amounts not available for general use because of donor-imposed restrictions within one year of the statement of financial position date.

Financial assets, at December 31, 2020	\$ 9,202,671
Less: Restricted by donor for use in 2021 for various purposes	<u>237,124</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 8,965,547</u>

The Organization is substantially supported by highly liquid cash contributions that are without restriction. As such, the Organization has historically been able to cover any general expenditures with the financial assets on hand.

8. 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, 2020, 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.

COVID-19

The COVID-19 pandemic (more commonly referred to as the Coronavirus pandemic), has negatively impacted many business activities and financial markets across the globe. Due to the pandemic, multiple federal and state governments placed restrictions on travel. As a result of these restrictions, the Company experienced significant negative impacts during the year ended December 31, 2020. The full extent to which the pandemic will directly or indirectly impact the future of the Organization’s business, results of operations, and financial condition will depend on future developments that are highly uncertain and difficult to predict.

Paycheck Protection Program

In April 2020, the Organization received \$298,300 in funds for a potentially forgivable loan (the “PPP loan”) as part of the Paycheck Protection Program (the “Program”) administered by the Small Business Administration (the “SBA”). Under the terms of the Program, a recipient of the PPP loan may receive forgiveness if the recipient can demonstrate specific facts, including a) a need for the funds or an uncertainty of future performance based on current economic conditions (eligibility criteria), and b) the funds are used for eligible expenses during the loan’s qualifying period, including payroll costs, interest payments on mortgages, and rent and utility payments (forgiveness criteria).

See accompanying independent auditors’ report.

SPAY NEUTER NETWORK
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. CONTINGENCIES (Continued)

Paycheck Protection Program (continued)

In November 2020, the Organization received full forgiveness on its PPP loan. The loan was treated as a in substance government grant and is included in other income on the accompanying statement of activities.

9. SUBSEQUENT EVENTS

The Organization evaluated events through December 20, 2021, which is the date these financial statements were available to be issued.

In March 2021, the Organization received \$289,674 on its second round PPP loan. Forgiveness of this loan was received in July 2021.