

**SPAY NEUTER NETWORK  
FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT  
DECEMBER 31, 2021**



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## INDEPENDENT AUDITORS' REPORT

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To the Board of Directors  
Spay Neuter Network  
Crandall, Texas

### Opinion

We have audited the financial statements of Spay Neuter Network (the "Organization", a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021, 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.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the Organization 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 the Organization's ability to continue as a going concern for 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 GAAS 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 GAAS, 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 the Organization'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 the Organization'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.

*Saville, Dodgen & Co.*

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

July 11, 2022

SPAY NEUTER NETWORK  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2021

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ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,163,926
Investments	9,711,074
Receivables, net	69,922
Inventory	129,623
Prepaid expenses	19,425
Total current assets	<u>11,093,970</u>

PROPERTY AND EQUIPMENT, NET

544,799

OTHER ASSETS

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

TOTAL ASSETS

\$ 11,641,331

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ 164,789
Total current liabilities	<u>164,789</u>

Total liabilities

164,789

NET ASSETS

Without donor restrictions	11,323,090
With donor restrictions	<u>153,452</u>
Total net assets	<u>11,476,542</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 11,641,331

See accompanying independent auditors' report and notes.

SPAY NEUTER NETWORK  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE</b>			
Clinical services	\$ 2,659,134	\$ -	\$ 2,659,134
Grants	-	1,198,725	1,198,725
General donations	169,832	-	169,832
Other income	291,879	-	291,879
Dividend and interest income	252,599	-	252,599
Realized and unrealized gain on investments, net	695,868	-	695,868
Total	4,069,312	1,198,725	5,268,037
Net assets released from restrictions	1,282,397	(1,282,397)	-
<b>TOTAL REVENUE AND SUPPORT</b>	5,351,709	(83,672)	5,268,037
<b>EXPENSES</b>			
Clinic supplies	743,891	-	743,891
Technical and veterinary fees	558,570	-	558,570
General and administrative costs	831,710	-	831,710
Salaries and wages	1,368,673	-	1,368,673
Depreciation	76,373	-	76,373
Total expenses	3,579,217	-	3,579,217
<b>CHANGES IN NET ASSETS</b>	1,772,492	(83,672)	1,688,820
<b>NET ASSETS, beginning of year</b>	9,550,598	237,124	9,787,722
<b>NET ASSETS, end of year</b>	<u>\$ 11,323,090</u>	<u>\$ 153,452</u>	<u>\$ 11,476,542</u>

See accompanying independent auditors' report and notes.

SPAY NEUTER NETWORK  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services	General and Administrative	Fundraising	Total
Clinic supplies	\$ 743,891	\$ -	\$ -	\$ 743,891
Technical and veterinary fees	558,570	-	-	558,570
Auto and travel	74,013	-	-	74,013
Insurance expense	44,373	29,582	-	73,955
Professional fees	-	109,747	-	109,747
Building rental and maintenance	89,496	4,710	-	94,206
Utilities and telephone	54,056	2,845	-	56,901
Office and administrative	127,356	124,377	2,786	254,519
Depreciation	68,897	6,533	943	76,373
Marketing	137,777	-	30,592	168,369
Salaries	1,195,962	137,577	35,134	1,368,673
Total expenses	\$ 3,094,391	\$ 415,371	\$ 69,455	\$ 3,579,217

See accompanying independent auditors' report and notes.

SPAY NEUTER NETWORK  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2021

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CASH FLOW FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 1,688,820
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation expense	76,373
Realized and unrealized gain on investments, net	(695,868)
Reinvested dividends and interest income	(252,599)
Gain on sale of assets	(4,500)
Changes in operating assets and liabilities	
Accounts receivable	(51,188)
Inventory	(65,765)
Prepaid expenses and other current assets	537
Accounts payable and accrued liabilities	100,099
Net cash provided by operating activities	<u>795,909</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(639,719)
Proceeds from sale of investments	4,500
Purchase of property and equipment	(57,813)
Net cash used in investing activities	<u>(693,032)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	102,877
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,061,049</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 1,163,926</u></u>

See accompanying independent auditors' report and notes.

SPAY NEUTER NETWORK  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

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1. NATURE OF ORGANIZATION

Spay Neuter Network (the “Organization”), a non-profit organization, was formed as Kaufman County Animal Awareness Project on February 24, 2004. 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)

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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.

At December 31, 2021, the Company's cash accounts exceeded federally insured limits by approximately \$915,100.

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.

See accompanying independent auditors' report.

SPAY NEUTER NETWORK  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments in equity securities with readily determinable fair values and all debt securities are reported at fair value. Unrealized and realized gains and losses are reported as increases or decreases in net assets within the statement of activities and changes in net assets. Interest and dividend income is also reported in the statement of activities.

Receivables

Receivables consist of amounts billed for completed surgeries and pledges. 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, 2021, 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.

Prepaid Expenses

Prepaid expenses consists primarily of prepaid insurance and marketing expenses.

SPAY NEUTER NETWORK  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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2. 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 expense when incurred. 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 on the statement of activities 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, 2021, 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)

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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, 2021.

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.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-02, *Leases* (Topic 842). This update requires a lessee to recognize on the balance sheet a liability to make lease payments and a corresponding right-of-use asset for virtually all leases, other than leases with a term of 12 months or less. The update also requires additional disclosures about the amount, timing, and uncertainty of cash flows arising from leases. This update is effective for fiscal years beginning after December 15, 2021. The Organization is in the process of evaluating the full impact of the new guidance on the financial statements and disclosures.

See accompanying independent auditors' report.

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, 2021 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	163,664	-	-	163,664
Fixed income	2,069	-	-	2,069
Mutual funds	4,643,494	-	-	4,643,494
Common stock & EFTs	4,874,014	-	-	4,874,014
<b>Total</b>	<b>\$ 9,711,074</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,711,074</b>

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2021:

Building	\$ 523,491
Equipment	443,371
Land	67,729
Vehicles	434,379
Property and equipment, at cost	<u>1,468,970</u>
Accumulated depreciation	<u>(924,171)</u>
Property and equipment, net	<u>\$ 544,799</u>

Depreciation expense amounted to \$76,373 for the year ended December 31, 2021.

See accompanying independent auditors' report.

SPAY NEUTER NETWORK  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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5. OPERATING LEASES

On December 31, 2016, the Organization entered into a lease agreement to rent retail space at a shopping center in Dallas, Texas. On November 25, 2019, the Organization renewed this lease through March 31, 2022. The Organization incurred rent expense related to this lease of \$23,612 for the year ended December 31, 2021.

On January 9, 2019, the Organization entered into a lease agreement to rent retail space at a shopping center in Fort Worth, Texas beginning January 9, 2019 through April 30, 2022. The Organization incurred rent expense related to this lease of \$29,872 for the year ended December 31, 2021.

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

<u>Year Ending December 31,</u>	<u>Amounts</u>
2022	<u>\$ 12,252</u>
Total	<u><u>\$ 12,252</u></u>

6. NET ASSETS

As of December 31, 2021, net assets with donor restrictions consisted of restricted contributions to be used for the following purposes:

Clinic services	\$ 53,469
Other services	<u>99,983</u>
Total	<u><u>\$ 153,452</u></u>

See accompanying independent auditors' report.

SPAY NEUTER NETWORK  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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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, 2021	\$ 10,944,922
Less: Restricted by donor for use in 2022 for various purposes	<u>153,452</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 10,791,470</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 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, 2021, the amount, if any, that may be disallowed could not be determined. The Organization anticipates that this amount, if any, would not be significant 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. The full extent to which the pandemic will directly or indirectly impact the future of the Organization’s activities, results of operations, and financial condition will depend on future developments that are highly uncertain and difficult to predict.

Paycheck Protection Program

In March 2021, the Organization received \$289,674 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)

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8. CONTINGENCIES (Continued)

Paycheck Protection Program (continued)

In July 2021, the Organization received full forgiveness on its PPP loan. The loan was treated as an in-substance government grant and is included in other income on the accompanying statement of activities.

9. SUBSEQUENT EVENTS

The Organization evaluated events through July 11, 2022, which is the date these financial statements were available to be issued.

During 2022, the Organization entered into a verbal agreement to renew its lease for the Dallas shopping center for a term of one year ending December 31, 2022. The lease requires a minimum monthly rental in the amount of \$1,996.

In March 2022, the Organization renewed its lease for the Fort Worth shopping center for a term of one year ending April 30, 2023. The lease requires a minimum monthly rental in the amount of \$2,217.