

Spay-Neuter Assistance Program, Inc.

Financial Statements
and Independent Auditors' Report
for the years ended June 30, 2022 and 2021

Spay-Neuter Assistance Program, Inc.

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Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Spay-Neuter Assistance Program, Inc. (SNAP), which comprise the statements of financial position as of June 30, 2022 and 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of SNAP as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of SNAP and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 SNAP's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 generally accepted auditing

standards 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 generally accepted auditing standards, 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 SNAP'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 SNAP'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.

Blazek & Vetterling

February 1, 2023

Spay-Neuter Assistance Program, Inc.

Statements of Financial Position as of June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash	\$ 401,888	\$ 233,119
Prepaid expenses and other assets	24,345	23,713
Contributions receivable	99,292	162,762
Property, net (<i>Note 3</i>)	<u>219,721</u>	<u>268,717</u>
 TOTAL ASSETS	 <u>\$ 745,246</u>	 <u>\$ 688,311</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 61,427	\$ 215,018
Accrued salaries and related expenses	61,138	87,214
Notes payable (<i>Note 5</i>)	<u>39,998</u>	<u>47,942</u>
Total liabilities	<u>162,563</u>	<u>350,174</u>
 Commitments (<i>Note 4</i>)		
Net assets:		
Without donor restrictions	482,518	308,686
With donor restrictions for clinic programs	50,165	29,451
With donor restrictions for time	<u>50,000</u>	<u> </u>
Total net assets	<u>582,683</u>	<u>338,137</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 745,246</u>	 <u>\$ 688,311</u>

See accompanying notes to financial statements.

Spay-Neuter Assistance Program, Inc.

Statement of Activities for the year ended June 30, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Clinic fees	\$ 3,322,227		\$ 3,322,227
Product sales commissions	125,424		125,424
Contributions	700,618	\$ 224,364	924,982
Contributions of nonfinancial assets <i>(Note 6)</i>	121,851		121,851
Other income	<u>11,425</u>	<u> </u>	<u>11,425</u>
Total revenue	4,281,545	224,364	4,505,909
Net assets released from restrictions:			
Program expenditures	<u>153,650</u>	<u>(153,650)</u>	<u> </u>
Total	<u>4,435,195</u>	<u>70,714</u>	<u>4,505,909</u>
EXPENSES:			
Clinic services	3,654,921		3,654,921
Management and general	328,030		328,030
Fundraising	<u>278,412</u>	<u> </u>	<u>278,412</u>
Total expenses	<u>4,261,363</u>	<u> </u>	<u>4,261,363</u>
CHANGES IN NET ASSETS	173,832	70,714	244,546
Net assets, beginning of year	<u>308,686</u>	<u>29,451</u>	<u>338,137</u>
Net assets, end of year	<u>\$ 482,518</u>	<u>\$ 100,165</u>	<u>\$ 582,683</u>

See accompanying notes to financial statements.

Spay-Neuter Assistance Program, Inc.

Statement of Activities for the year ended June 30, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Clinic fees	\$ 3,320,238		\$ 3,320,238
Product sales commissions	129,294		129,294
Contributions	783,467	\$ 72,098	855,565
Contributions of nonfinancial assets <i>(Note 6)</i>	70,704		70,704
Government grant		447,074	447,074
Other income	4,110		4,110
	<u>4,307,813</u>	<u>519,172</u>	<u>4,826,985</u>
Net assets released from restrictions:			
Program expenditures	<u>527,163</u>	<u>(527,163)</u>	
Total	<u>4,834,976</u>	<u>(7,991)</u>	<u>4,826,985</u>
EXPENSES:			
Clinic services	3,676,052		3,676,052
Management and general	319,291		319,291
Fundraising	<u>322,668</u>		<u>322,668</u>
Total expenses	<u>4,318,011</u>		<u>4,318,011</u>
CHANGES IN NET ASSETS	516,965	(7,991)	508,974
Net assets, beginning of year	<u>(208,279)</u>	<u>37,442</u>	<u>(170,837)</u>
Net assets, end of year	<u>\$ 308,686</u>	<u>\$ 29,451</u>	<u>\$ 338,137</u>

See accompanying notes to financial statements.

Spay-Neuter Assistance Program, Inc.

Statements of Functional Expenses for the years ended June 30, 2022 and 2021

	<u>CLINIC SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>2022 TOTAL</u>
Salaries and related benefits	\$ 2,505,470	\$ 122,347	\$ 191,990	\$ 2,819,807
Surgery and wellness supplies	599,167			599,167
Facilities and equipment	422,167	27,500	24,986	474,653
Professional services	69,641	95,923	30,192	195,756
Credit card and bank fees		59,729		59,729
Office supplies, printing and postage	12,938	4,312	24,839	42,089
Insurance	26,885	1,018	1,013	28,916
Interest		3,392		3,392
Other	<u>18,653</u>	<u>13,809</u>	<u>5,392</u>	<u>37,854</u>
Total expenses	<u>\$ 3,654,921</u>	<u>\$ 328,030</u>	<u>\$ 278,412</u>	<u>\$ 4,261,363</u>

	<u>CLINIC SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>2021 TOTAL</u>
Salaries and related benefits	\$ 2,434,778	\$ 79,720	\$ 216,656	\$ 2,731,154
Surgery and wellness supplies	621,546			621,546
Facilities and equipment	473,045	41,988	34,581	549,614
Professional services	80,349	118,791	37,853	236,993
Credit card and bank fees		59,838		59,838
Office supplies, printing and postage	13,315	4,902	28,052	46,269
Insurance	33,493	3,701	1,261	38,455
Interest		3,940		3,940
Other	<u>19,526</u>	<u>6,411</u>	<u>4,265</u>	<u>30,202</u>
Total expenses	<u>\$ 3,676,052</u>	<u>\$ 319,291</u>	<u>\$ 322,668</u>	<u>\$ 4,318,011</u>

See accompanying notes to financial statements.

Spay-Neuter Assistance Program, Inc.

Statements of Cash Flows for the years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 244,546	\$ 508,974
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	48,996	52,299
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(632)	26,026
Contributions receivable	63,470	(132,986)
Accounts payable	(153,591)	(159,495)
Accrued salaries and related expenses	(26,076)	(4,010)
Paycheck Protection Program refundable advance	<u> </u>	<u>(447,074)</u>
Net cash provided (used) by operating activities	<u>176,713</u>	<u>(156,266)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions of property		<u>(18,263)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Advances on line of credit	3,392	3,940
Repayments of notes payable and line of credit	<u>(11,336)</u>	<u>(5,408)</u>
Net cash used by financing activities	<u>(7,944)</u>	<u>(1,468)</u>
NET CHANGE IN CASH	168,769	(175,997)
Cash, beginning of year	<u>233,119</u>	<u>409,116</u>
Cash, end of year	<u>\$ 401,888</u>	<u>\$ 233,119</u>
 <i>Supplemental disclosure of cash flow information:</i>		
Interest paid	\$3,392	\$3,780

See accompanying notes to financial statements.

Spay-Neuter Assistance Program, Inc.

Notes to Financial Statements for the years ended June 30, 2022 and 2021

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).

Cash concentration – SNAP maintains cash depository accounts at two banks. Bank deposits exceed the federally insured limit per depositor per institution.

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. Contributions receivable are due from three donors and are expected to be collected within one year.

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 \$1,000 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, except for local municipalities who are billed monthly. Historically, the local municipalities pay 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*. Conditional contributions are subject to one or more barriers that must be overcome before SNAP is entitled to receive or retain funding. Conditional contributions are recognized in the same manner when the conditions are substantially met.

In-kind contributions – Donated materials, services and use of facilities are recognized at fair value as contributions when an unconditional commitment is received from the donor. Donated materials are valued based on the estimated fair value of items of similar type and condition at the time of donation and 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. Donated use of facilities is valued at the fair value of similar properties available in commercial real estate listings.

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.

New accounting standards

Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, required contributed nonfinancial assets to be presented as a separate line item in the statement of activities, apart from contributions of cash and other financial assets and required disclosure about the measurement and use of types of contributed nonfinancial assets. The ASU was retroactively adopted as of August 1, 2020 and had no impact on changes in net assets, but resulted in additional disclosures.

In February 2016, the Financial Accounting Standards Board issued 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, 2022. SNAP plans to adopt this ASU for fiscal year ending June 30, 2023.

NOTE 2 – 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>2022</u>	<u>2021</u>
Financial assets:		
Cash	\$ 401,888	\$ 233,119
Contributions receivable	<u>99,292</u>	<u>162,762</u>
Total financial assets available for general expenditure	<u>\$ 501,180</u>	<u>\$ 395,881</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.

NOTE 3 – PROPERTY

Property consists of the following:

	<u>2022</u>	<u>2021</u>
Mobile clinics and trucks	\$ 331,146	\$ 331,146
Leasehold improvements	659,513	659,513
Medical equipment	369,038	369,038
Office equipment	53,436	53,436
Furniture and fixtures	<u>20,855</u>	<u>20,855</u>
Total depreciable property	1,433,988	1,433,988
Accumulated depreciation	<u>(1,214,267)</u>	<u>(1,165,271)</u>
Property, net	<u>\$ 219,721</u>	<u>\$ 268,717</u>

NOTE 4 – 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 \$350,000 in 2022 and \$490,000 in 2021. Future minimum lease payments at June 30, 2022 are as follows:

2023	\$ 326,425
2024	323,174
2025	170,329
2026	<u>41,740</u>
Total	<u>\$ 861,668</u>

NOTE 5 – NOTES PAYABLE

Notes payable consist of the following:

	<u>2022</u>	<u>2021</u>
\$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, 2022 was 8.0%.	\$ 39,998	\$ 47,942
Notes payable	<u>\$ 39,998</u>	<u>\$ 47,942</u>

Interest expense was \$3,392 in 2022 and \$3,780 in 2021.

NOTE 6 – CONTRIBUTED NONFINANCIAL ASSETS

SNAP recognized in-kind donations of supplies of \$69,051 in 2022 and \$17,904 in 2021 as program expenses to be used in the clinics. SNAP recognized in-kind clinic space for the Pasadena clinic totaling approximately \$53,000 in 2022 and 2021 as a program expense.

NOTE 7 – SUBSEQUENT EVENTS

Subsequent to year end, the clinic in Pasadena was found to have mold and was shut down to allow for remediation (September – December 2022) activities. The estimated cost of remediation was \$10,500. While Pasadena clinic clients were welcome to the Houston clinic, program service revenue related to the shut down occurred. Management expects services to resume in Pasadena January 2023.

Management has evaluated subsequent events through February 1, 2023, which is the date that the financial statements were available for issuance. As a result of this evaluation, 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.
