

Spay-Neuter Assistance Program, Inc.

Financial Statements
and Independent Auditors' Report
for the years ended June 30, 2011 and 2010

Independent Auditors' Report

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

We have audited the accompanying statements of financial position of Spay-Neuter Assistance Program, Inc. as of June 30, 2011 and 2010 and the related statements of activities and of cash flows for the years then ended. These financial statements are the responsibility of Spay-Neuter Assistance Program, Inc.'s management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Spay-Neuter Assistance Program, Inc. as of June 30, 2011 and 2010 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Blazek & Vetterling

December 14, 2011

Spay-Neuter Assistance Program, Inc.

Statements of Financial Position as of June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash	\$ 482,952	\$ 160,283
Accounts receivable net of allowance for doubtful accounts of \$1,602 in 2011 and \$38,064 in 2010	98,931	30,273
Inventory	133,738	82,626
Pledges receivable, net (<i>Note 2</i>)	385,340	212,392
Prepaid expenses and other assets	55,405	45,809
Property, net (<i>Note 3</i>)	<u>523,325</u>	<u>604,267</u>
 TOTAL ASSETS	 <u>\$ 1,679,691</u>	 <u>\$ 1,135,650</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 340,806	\$ 262,873
Accrued salaries and related expenses	<u>191,979</u>	<u>187,521</u>
Total liabilities	<u>532,785</u>	<u>450,394</u>
 Commitments (<i>Note 5</i>)		
Net assets:		
Unrestricted	604,666	421,814
Temporarily restricted (<i>Note 4</i>)	<u>542,240</u>	<u>263,442</u>
Total net assets	<u>1,146,906</u>	<u>685,256</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,679,691</u>	 <u>\$ 1,135,650</u>

See accompanying notes to financial statements.

Spay-Neuter Assistance Program, Inc.

Statement of Activities for the year ended June 30, 2011

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Clinic fees	\$ 3,297,809		\$ 3,297,809
Product sales	1,060,590		1,060,590
Cost of product sold	(560,109)		(560,109)
Contributions	444,878	\$ 723,775	1,168,653
Special events	64,613		64,613
Direct donor benefits from special events	(17,854)		(17,854)
Loss on disposal of assets	(2,709)		(2,709)
Other income	<u>2,476</u>		<u>2,476</u>
Total revenue	4,289,694	723,775	5,013,469
Net assets released from restrictions:			
Program expenditures	<u>444,977</u>	<u>(444,977)</u>	
Total	<u>4,734,671</u>	<u>278,798</u>	<u>5,013,469</u>
EXPENSES:			
Clinic services	3,917,405		3,917,405
Management and general	305,644		305,644
Fundraising	<u>328,770</u>		<u>328,770</u>
Total expenses	<u>4,551,819</u>		<u>4,551,819</u>
CHANGES IN NET ASSETS			
	182,852	278,798	461,650
Net assets, beginning of year	<u>421,814</u>	<u>263,442</u>	<u>685,256</u>
Net assets, end of year	<u>\$ 604,666</u>	<u>\$ 542,240</u>	<u>\$ 1,146,906</u>

See accompanying notes to financial statements.

Spay-Neuter Assistance Program, Inc.

Statement of Activities for the year ended June 30, 2010

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Clinic fees	\$ 2,791,801		\$ 2,791,801
Product sales	979,008		979,008
Cost of goods sold	(585,748)		(585,748)
Contributions	478,904	\$ 428,462	907,366
Special events	44,472		44,472
Direct donor benefits from special events	(9,599)		(9,599)
Loss on disposal of assets	(32,361)		(32,361)
Other income	<u>5,806</u>		<u>5,806</u>
Total revenue	3,672,283	428,462	4,100,745
Net assets released from restrictions:			
Program expenditures	438,991	(438,991)	
Capital improvements	<u>242,000</u>	<u>(242,000)</u>	
Total	<u>4,353,274</u>	<u>(252,529)</u>	<u>4,100,745</u>
EXPENSES:			
Clinic services	3,668,042		3,668,042
Management and general	279,884		279,884
Fundraising	<u>318,069</u>		<u>318,069</u>
Total expenses	<u>4,265,995</u>		<u>4,265,995</u>
CHANGES IN NET ASSETS	87,279	(252,529)	(165,250)
Net assets, beginning of year	<u>334,535</u>	<u>515,971</u>	<u>850,506</u>
Net assets, end of year	<u>\$ 421,814</u>	<u>\$ 263,442</u>	<u>\$ 685,256</u>

See accompanying notes to financial statements.

Spay-Neuter Assistance Program, Inc.

Statements of Cash Flows for the years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 461,650	\$ (165,250)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	99,172	101,621
Loss on disposal of assets	2,709	27,961
Changes in operating assets and liabilities:		
Accounts receivable	(68,658)	1,120
Inventory	(51,112)	38,471
Pledges receivable	(172,948)	(8,229)
Prepaid expenses and other assets	(9,596)	19,176
Accounts payable	77,933	(63,595)
Accrued salaries and related expenses	<u>4,458</u>	<u>29,663</u>
Net cash provided (used) by operating activities	<u>343,608</u>	<u>(19,062)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property	<u>(20,939)</u>	<u>(300,613)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of notes payable		<u>(15,111)</u>
NET CHANGE IN CASH	322,669	(334,786)
Cash, beginning of year	<u>160,283</u>	<u>495,069</u>
Cash, end of year	<u>\$ 482,952</u>	<u>\$ 160,283</u>

See accompanying notes to financial statements.

Spay-Neuter Assistance Program, Inc.

Notes to Financial Statements for the years ended June 30, 2011 and 2010

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 providing “spay and neuter services on wheels”. 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 and San Antonio, Texas.

Federal income tax status – SNAP is exempt from federal income taxes 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 for certain contracts. Expense is recorded for a provision 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 when management determines that the receivable will not be collected.

Inventory of flea protection and heartworm prevention products are reported at the lower of cost or market, with cost being determined on a first-in first-out basis.

Pledges receivable due within one year are reported at net realizable value. Pledges receivable due in more than one year are discounted, if material, to estimate the present value of future cash flows.

Property is reported at cost, if purchased, or at fair value at the date of gift, if donated. Depreciation is computed using the straight-line method over estimated useful lives of 3 to 15 years. Property held for sale is reported at the lower of cost or market.

Net asset classification – Contributions and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* include those net assets whose use is not restricted by donor-imposed stipulations even though their use may be limited in other respects such as by contract or board designation.
- *Temporarily restricted net assets* include contributions restricted by the donor for specific purposes or time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets.

Clinic fees and product sales are for services provided for animal medical procedures and for sale of medical product supplies. Revenue is recognized when the services are performed or the product delivered.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted contributions. Conditional contributions are recognized in the same manner when the conditions are substantially met. For the year ended June 30, 2011, 22% of contributions were from one donor.

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.

NOTE 2 – PLEDGES RECEIVABLE

Pledges receivable are as follows:

	<u>2011</u>	<u>2010</u>
Pledges receivable	\$ 422,038	\$ 246,853
Allowance for uncollectible pledges	<u>(36,698)</u>	<u>(34,461)</u>
Pledges receivable, net	<u>\$ 385,340</u>	<u>\$ 212,392</u>

Pledges receivable at June 30, 2011 are expected to be collected as follows:

Receivables due within one year	\$ 337,038
Receivables due in one to five years	<u>85,000</u>
Total	<u>\$ 422,038</u>

At June 30, 2011, 62% of pledges receivable were due from three donors and at June 30, 2010, 30% of pledges receivable were due from two donors.

NOTE 3 – PROPERTY

Property consists of the following:

	<u>2011</u>	<u>2010</u>
Land-being held for sale	\$ 75,000	\$ 75,000
Building and improvements	320,830	320,830
Mobile clinics and trucks	361,752	361,752
Office equipment	96,135	88,719
Furniture and fixtures	23,603	21,667
Medical equipment	<u>196,784</u>	<u>195,099</u>
Total property	1,074,104	1,063,067
Accumulated depreciation	<u>(550,779)</u>	<u>(458,800)</u>
Property, net	<u>\$ 523,325</u>	<u>\$ 604,267</u>

As a result of SNAP's consolidation of its Houston operations in 2010, the land and building previously used for the surgical operations is being held for sale. The building is fully depreciated. All negotiations with respect to this property are for prices in excess of its cost.

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2011</u>	<u>2010</u>
Clinic programs	\$ 418,300	\$ 147,050
Restricted for use in future periods	<u>123,940</u>	<u>116,392</u>
Total temporarily restricted net assets	<u>\$ 542,240</u>	<u>\$ 263,442</u>

NOTE 5 – COMMITMENTS

SNAP leases office and clinic space under noncancellable leases and is committed to noncancellable web-hosting and communication service agreements. Lease expense was approximately \$380,000 in 2011 and \$215,000 in 2010. Future minimum lease payments are as follows:

2012	\$ 259,674
2013	229,573
2014	147,568
2015	71,593
2016	<u>77,199</u>
Total	<u>\$ 785,607</u>

NOTE 6 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 14, 2011, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.