

Spay-Neuter Assistance Program, Inc.

Financial Statements and
Independent Auditors' Report
for the years ended June 30, 2009 and 2008

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, 2009 and 2008 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, 2009 and 2008 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, 2009

Spay-Neuter Assistance Program, Inc.

Statements of Financial Position as of June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash	\$ 495,069	\$ 274,348
Accounts receivable	31,393	29,646
Inventory	121,097	55,816
Pledges receivable, net (<i>Note 2</i>)	204,163	168,257
Prepaid expenses and other assets	64,985	41,173
Property, net (<i>Note 3</i>)	<u>433,236</u>	<u>509,796</u>
 TOTAL ASSETS	 <u>\$ 1,349,943</u>	 <u>\$ 1,079,036</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 326,468	\$ 207,238
Accrued salaries and related expenses	157,858	149,388
Notes payable (<i>Note 4</i>)	<u>15,111</u>	<u>44,637</u>
Total liabilities	<u>499,437</u>	<u>401,263</u>
 Commitments (<i>Note 6</i>)		
Net assets:		
Unrestricted	334,535	426,517
Temporarily restricted (<i>Note 5</i>)	<u>515,971</u>	<u>251,256</u>
Total net assets	<u>850,506</u>	<u>677,773</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,349,943</u>	 <u>\$ 1,079,036</u>

See accompanying notes to financial statements.

Spay-Neuter Assistance Program, Inc.

Statement of Activities for the year ended June 30, 2009

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Clinic fees	\$ 2,688,949		\$ 2,688,949
Product sales	979,214		979,214
Cost of goods sold	(561,259)		(561,259)
Contributions	285,831	\$ 884,430	1,170,261
Special events	54,720		54,720
Direct donor benefits from special events	(19,308)		(19,308)
Other income	<u>15,017</u>		<u>15,017</u>
Total revenue	3,443,164	884,430	4,327,594
Net assets released from restrictions:			
Expenditures for program purposes	<u>619,715</u>	<u>(619,715)</u>	
Total	<u>4,062,879</u>	<u>264,715</u>	<u>4,327,594</u>
EXPENSES:			
Clinic services	3,428,863		3,428,863
Management and general	301,939		301,939
Fundraising	<u>424,059</u>		<u>424,059</u>
Total expenses	<u>4,154,861</u>		<u>4,154,861</u>
CHANGES IN NET ASSETS	(91,982)	264,715	172,733
Net assets, beginning of year	<u>426,517</u>	<u>251,256</u>	<u>677,773</u>
Net assets, end of year	<u>\$ 334,535</u>	<u>\$ 515,971</u>	<u>\$ 850,506</u>

See accompanying notes to financial statements.

Spay-Neuter Assistance Program, Inc.

Statement of Activities for the year ended June 30, 2008

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Clinic fees	\$ 1,876,169		\$ 1,876,169
Product sales	960,336		960,336
Cost of goods sold	(536,912)		(536,912)
Contributions	373,451	\$ 742,495	1,115,946
Special events	107,900		107,900
Direct donor benefits from special events	(31,962)		(31,962)
Other income	<u>29,336</u>		<u>29,336</u>
Total revenue	2,778,318	742,495	3,520,813
Net assets released from restrictions:			
Expenditures for program purposes	<u>645,431</u>	<u>(645,431)</u>	
Total	<u>3,423,749</u>	<u>97,064</u>	<u>3,520,813</u>
EXPENSES:			
Clinic services	2,779,031		2,779,031
Management and general	347,042		347,042
Fundraising	<u>331,996</u>		<u>331,996</u>
Total expenses	<u>3,458,069</u>		<u>3,458,069</u>
CHANGES IN NET ASSETS	(34,320)	97,064	62,744
Net assets, beginning of year	<u>460,837</u>	<u>154,192</u>	<u>615,029</u>
Net assets, end of year	<u>\$ 426,517</u>	<u>\$ 251,256</u>	<u>\$ 677,773</u>

See accompanying notes to financial statements.

Spay-Neuter Assistance Program, Inc.

Statements of Cash Flows for the years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 172,733	\$ 62,744
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	93,122	69,293
Changes in operating assets and liabilities:		
Accounts receivable	(1,747)	(976)
Inventory	(65,281)	(10,347)
Pledges receivable	(35,906)	(22,065)
Prepaid expenses and other assets	(23,812)	(4,770)
Accounts payable	119,230	92,891
Accrued salaries and related expenses	<u>8,470</u>	<u>47,542</u>
Net cash provided by operating activities	<u>266,809</u>	<u>234,312</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property	<u>(16,562)</u>	<u>(225,442)</u>
Net cash used by investing activities	<u>(16,562)</u>	<u>(225,442)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable		40,000
Repayment of notes payable	<u>(29,526)</u>	<u>(29,108)</u>
Net cash provided (used) by financing activities	<u>(29,526)</u>	<u>10,892</u>
NET CHANGE IN CASH	220,721	19,762
Cash, beginning of year	<u>274,348</u>	<u>254,586</u>
Cash, end of year	<u>\$ 495,069</u>	<u>\$ 274,348</u>
<i>Supplemental disclosure of cash flow information:</i>		
Interest expense paid	\$1,007	\$1,424

See accompanying notes to financial statements.

Spay-Neuter Assistance Program, Inc.

Notes to Financial Statements for the years ended June 30, 2009 and 2008

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).

Cash concentration – At times, bank deposits exceed the federally insured limit per depositor per institution.

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

Pledges receivable that are due within one year are recorded 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 recorded 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.

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.

Contributions are recorded as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are recorded as restricted support. Conditional contributions are recognized in the same manner when the conditions are substantially met.

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.

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 reported revenues 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>2009</u>	<u>2008</u>
Receivable in one year	\$ 238,918	\$ 189,301
Allowance for uncollectible pledges	<u>(34,755)</u>	<u>(21,044)</u>
Pledges receivable, net	<u>\$ 204,163</u>	<u>\$ 168,257</u>

NOTE 3 – PROPERTY

Property consists of the following:

	<u>2009</u>	<u>2008</u>
Land	\$ 75,000	\$ 75,000
Building and improvements	190,560	190,040
Mobile clinics and trucks	322,252	321,752
Office equipment	149,089	130,326
Furniture and fixtures	24,907	26,653
Medical equipment	<u>174,193</u>	<u>211,998</u>
Total property	936,001	955,769
Accumulated depreciation	<u>(502,765)</u>	<u>(445,973)</u>
Property, net	<u>\$ 433,236</u>	<u>\$ 509,796</u>

NOTE 4 – NOTES PAYABLE

Notes payable consist of the following:

	<u>2009</u>	<u>2008</u>
Note payable to an individual, interest at 4.52%, collateralized by certain property.	\$ 15,111	\$ 24,637
Equipment financing agreement, collateralized by mobile clinic.	<u> </u>	<u>20,000</u>
Total notes payable	<u>\$ 15,111</u>	<u>\$ 44,637</u>

Subsequent to June 30, 2009, the remaining balance of the note payable was forgiven.

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2009</u>	<u>2008</u>
Capital improvements	\$ 225,000	
Clinic programs	172,300	\$ 133,000
Restricted for use in future periods	<u>118,671</u>	<u>118,256</u>
Total temporarily restricted net assets	<u>\$ 515,971</u>	<u>\$ 251,256</u>

NOTE 6 – COMMITMENTS

SNAP leases office and clinic space under noncancellable leases and is committed to a noncancellable web-hosting agreement. Lease expense was approximately \$179,600 in 2009 and \$127,600 in 2008. Future minimum lease payments are as follows:

2010	\$ 207,642
2011	252,224
2012	198,312
2013	164,635
2014	140,580
Thereafter	<u>58,575</u>
Total	<u>\$ 1,021,968</u>

NOTE 7 – SUBSEQUENT EVENTS

Subsequent to year end, SNAP entered into a contract for the construction of the combined Houston wellness and surgical facility. The commitment under this contract is approximately \$223,000. Management has evaluated subsequent events through December 14, 2009, 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 an impact on reported net assets or change in net assets.