

**SPAY NEUTER NETWORK**  
**FINANCIAL STATEMENTS**  
**AND INDEPENDENT AUDITORS' REPORT**  
**DECEMBER 31, 2013**



SHAREHOLDERS

David B. Epperson  
J. Clinton Pugh  
Virginia L. DeBrow  
John P. Boyd  
Tamara Berley  
Kurtis N. Smith  
Daniel W. DeLaughter  
Michael K. Frank  
Michael S. Woodruff  
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John W. Saville 1923–1996  
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PRINCIPALS

Ann Searcy

INDEPENDENT AUDITORS' REPORT

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To the Board of Directors  
Spay Neuter Network  
Crandall, Texas

We have audited the accompanying financial statements of Spay Neuter Network (the "Organization"), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities and changes in net assets 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Spay Neuter Network as of December 31, 2013, and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



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

June 10, 2014

SPAY NEUTER NETWORK  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2013

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ASSETS

CURRENT ASSETS	
Cash and cash equivalents	\$ 1,020,223
Investments	702,817
Inventory	56,032
Prepaid expenses	<u>6,380</u>
Total current assets	1,785,452
PROPERTY AND EQUIPMENT, net	<u>793,030</u>
TOTAL ASSETS	<u><u>\$ 2,578,482</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable and accrued liabilities	<u>\$ 24,620</u>
Total current liabilities	24,620
NET ASSETS	
Unrestricted	2,229,254
Temporarily restricted	<u>324,608</u>
Total net assets	<u>2,553,862</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,578,482</u></u>

See accompanying independent auditors' report and notes.

SPAY NEUTER NETWORK  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
DECEMBER 31, 2013

	Unrestricted	Temporarily Restricted	Total
<b>REVENUES</b>			
Clinical services	\$ 938,750	\$ -	\$ 938,750
Grant proceeds	-	578,296	578,296
General donations	36,784	-	36,784
Donation in-kind	3,872	-	3,872
Interest income	1,052	-	1,052
Dividend income	15,335	-	15,335
Realized and unrealized gains on investments, net	16,074	-	16,074
Net assets released from restrictions	655,509	(655,509)	-
Total revenue	1,667,376	(77,213)	1,590,163
<b>EXPENSES</b>			
Clinic supplies	293,625	-	293,625
Technical and veterinary fees	613,931	-	613,931
Auto and travel	21,177	-	21,177
Professional fees	22,817	-	22,817
Building repairs and maintenance	6,216	-	6,216
Utilities and telephone	30,892	-	30,892
General and administrative costs	231,769	-	231,769
Depreciation	69,368	-	69,368
Total expenses	1,289,795	-	1,289,795
CHANGES IN NET ASSETS	377,581	(77,213)	300,368
NET ASSETS, beginning of year	1,851,673	401,821	2,253,494
NET ASSETS, end of year	\$ 2,229,254	\$ 324,608	\$ 2,553,862

See accompanying independent auditors' report and notes.

SPAY NEUTER NETWORK  
STATEMENT OF CASH FLOWS  
DECEMBER 31, 2013

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CASH FLOWS FROM OPERATING ACTIVITIES	
Changes in net assets	\$ 300,368
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	69,368
Realized and unrealized gain on investments, net	(16,074)
Reinvested income	(15,335)
Changes in operating accounts:	
Grants receivable	72,570
Inventory	(15,924)
Prepaid expenses	(2,933)
Accounts payable and accrued liabilities	4,118
Net cash provided by operating activities	<u>396,158</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(287,611)
Proceeds from sale of investments	292,552
Purchase of property and equipment	(263,914)
Net cash used by investing activities	<u>(258,973)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	137,185
CASH AND CASH EQUIVALENTS, beginning of year	<u>883,038</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 1,020,223</u></u>

See accompanying independent auditors' report and notes.

SPAY NEUTER NETWORK  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013

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## NATURE OF ORGANIZATION

Spay Neuter Network (the “Organization”, “we”, “us”, or “our”), 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 the needless death and suffering of companion animals in Northeast Texas through an aggressive sterilization program. Spay Neuter Network’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.

## 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 revenues, 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 – unrestricted and temporarily restricted net assets. Accordingly, net assets and changes therein are classified as follows:

*Unrestricted* – Net assets not subject to donor-imposed stipulations.

*Temporarily restricted* – Net assets subject to donor-imposed stipulations that may, or will be, met by actions of the Organization and/or passage of time.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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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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. 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 (FDIC). The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash.

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.

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.

See accompanying independent auditors' report.



SPAY NEUTER NETWORK  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Assets and Liabilities (continued)

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.

The Organization uses the active market approach to measure fair value of financial assets and liabilities.

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 consist of prepaid insurance.

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, 2013, no impairment of long-lived assets is necessary.

See accompanying independent auditors' report.

SPAY NEUTER NETWORK  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

The Organization receives a substantial portion of its contributions to provide spay and neuter clinical services. Contributions are recorded when made or promised. Contributions that are purpose or time-restricted by donors are reported as increases in temporarily restricted net assets. When donor restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets. Temporarily restricted contributions 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.

Grants Receivable

Grants receivable are reflected at their net realizable value using an allowance for uncollectible grants. Management estimates an allowance for uncollectible grants based on collection experience and other factors. The Organization writes off grants receivable when they become uncollectible, and payments subsequently received on such grant receivables are credited back to income when payments are received. As of December 31, 2013, all grants receivable were expected to be collected within one year and there was no allowance for uncollectible grants.

Donated Services

No amounts have been reflected in the financial statements for donated services. The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with its operations.

Income Taxes

Income taxes are not provided for in these financial statements since we are exempt from federal income taxes, state sales taxes, and franchise taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions.

See accompanying independent auditors' report.

SPAY NEUTER NETWORK  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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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, 2013 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	\$ 130,141	\$ -	\$ -	\$ 130,141
Mutual funds	572,676	-	-	572,676
Total	\$ 702,817	\$ -	\$ -	\$ 702,817

PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2013:

Building	\$ 523,491
Equipment	176,135
Land	56,675
Vehicles	317,765
Property and equipment, at cost	1,074,066
Accumulated depreciation	(281,036)
Property and equipment, net	\$ 793,030

Depreciation expense for property and equipment amounted to \$69,368 for the year ended December 31, 2013.

See accompanying independent auditors' report.

SPAY NEUTER NETWORK  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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NET ASSETS

As of December 31, 2013, temporarily restricted net assets consisted of restricted contributions to be used for the following purposes:

Pet sterilization	\$ 280,992
Feral cat coordinator	21,345
Microchips	6,080
Marketing	6,943
Website upgrade	8,000
Transportation expenses	1,248
	<hr/>
	\$ 324,608

REIMBURSABLE GRANTS

We have entered into agreements with several entities whereby they will provide funds to us in exchange for providing pet sterilization services and other restricted uses. We have \$8,511 that can be earned and reimbursed subsequent to December 31, 2013, for agreements in place at December 31, 2013.

CONCENTRATIONS

The Organization was awarded grants from two funding agencies which individually exceeded 10% of total revenues and in the aggregate totaled 21% of total revenues for the year ended December 31, 2013.

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, 2013, 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.

SPAY NEUTER NETWORK  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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FUNCTIONAL EXPENSES

The costs of providing programs and other activities for the year ended December 31, 2013 have been summarized on a functional basis in the below table. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Program services	\$ 1,072,661
General and administrative	184,226
Fundraising	<u>32,908</u>
	<u>\$ 1,289,795</u>

SUBSEQUENT EVENTS

The Organization evaluated events that occurred after the balance sheet date through June 10, 2014, which is not the date these financial statements were available to be issued, and no subsequent events meeting the recognition or disclosure criteria were identified.