SPAY NEUTER NETWORK

FINANCIAL STATEMENTS

AND INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2015

SAVILLE®

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INDEPENDENT AUDITORS' REPORT

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, 2015, 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 that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 the Organization as of December 31, 2015, 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.

Saville, Dodgen & Co.

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

April 5, 2016

SPAY NEUTER NETWORK
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

ASSETS

CURRENT ASSETS		
Cash and cash equivalents	$	773,463
Investments		1,356,269
Accounts receivable		103,976
Grants receivable		231,164
Employee receivable		627
Inventory		76,974
Prepaid expenses		15,786
Total current assets		2,558,259
PROPERTY AND EQUIPMENT, net		715,402
TOTAL ASSETS	$	3,273,661

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$	50,421
Deferred revenue		22,288
Total current liabilities		72,709
NET ASSETS		
Unrestricted		2,813,359
Temporarily restricted		387,593
Total net assets		3,200,952
TOTAL LIABILITIES AND NET ASSETS	$	3,273,661

SPAY NEUTER NETWORK
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Total
REVENUE			
Clinical services	$ 1,137,824	$ -	$ 1,137,824
Grant proceeds	-	653,404	653,404
General donations	42,647	-	42,647
Interest income	68,980	-	68,980
Dividend income	18,850	-	18,850
Realized and unrealized gains on investments, net	(132,943)	-	(132,943)
Net assets released from restrictions	826,287	(826,287)	-
Total revenue	1,961,645	(172,883)	1,788,762
EXPENSES			
Clinic supplies	399,431	-	399,431
Technical and veterinary fees	853,880	-	853,880
Auto and travel	27,850	-	27,850
Professional fees	67,200	-	67,200
Building repairs and maintenance	12,576	-	12,576
Utilities and telephone	34,252	-	34,252
General and administrative costs	291,848	-	291,848
Depreciation	73,454	-	73,454
Total expenses	1,760,491	-	1,760,491
CHANGES IN NET ASSETS	201,154	(172,883)	28,271
NET ASSETS, beginning of year	2,612,205	560,476	3,172,681
NET ASSETS, end of year	$ 2,813,359	$ 387,593	$ 3,200,952

SPAY NEUTER NETWORK
STATEMENT OF CASH FLOWS
DECEMBER 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 28,271
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	73,454
Realized and unrealized loss on investments, net	132,943
Reinvested income	(12,885)
Changes in operating accounts:	
Grants receivable	(231,164)
Accounts receivable	(103,976)
Other receivable	(627)
Inventory	(3,034)
Prepaid expenses	(9,714)
Accounts payable and accrued liabilities	30,091
Deferred revenue	22,288
Net cash used in operating activities	(74,353)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(1,773,442)
Proceeds from sale and maturity of investments	1,244,615
Purchase of property and equipment	(60,940)
Net cash used in investing activities	(589,767)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(664,120)
CASH AND CASH EQUIVALENTS, beginning of year	1,437,583
CASH AND CASH EQUIVALENTS, end of year	$ 773,463

See accompanying independent auditors' report and notes.

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 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.

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 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.

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. 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.

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.

Accounts Receivable

Receivables consist of amounts billed for completed surgeries. 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, 2015, the Organization estimates all amounts to be collectible. Receivables are due from customers when billed. The Organization writes off receivables when they become uncollectible, and payments subsequently received on such receivables are credited back to income.

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. Grants receivable outstanding at December 31, 2015 totaled $231,164. As of December 31, 2015, the Organization estimates all amounts to be collectible.

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 primarily of prepaid insurance.

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 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, 2015, no impairment of long-lived assets is necessary.

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.

Clinical Services

Clinical services revenue is recognized after a surgery is performed. Surgery appointment deposits collected in advance of surgeries are reflected as deferred revenue.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

A provision for income taxes is not included 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. The Organization is no longer subject to U.S. federal examination by the tax authority for years before 2012.

INVESTMENTS AND FAIR VALUE MEASUREMENTS

The following table summarizes financial assets the Organization measures at fair value on a recurring basis:

	Fair Value Measurements at December 31, 2015 using:			
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments:				
Certificates of deposit	$ 27,368	$ -	$ -	$ 27,368
Fixed income	257,197	-	-	257,197
Mutual funds	663,402	-	-	663,402
Common stock	408,302	-	-	408,302
Total	$1,356,269	$ -	$ -	$ 1,356,269

PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2015:

Building	$	523,491
Equipment		202,525
Land		56,675
Vehicles		356,468
Property and equipment, at cost		1,139,159
Accumulated depreciation		(423,757)
Property and equipment, net	$	715,402

Depreciation expense for property and equipment amounted to $73,454 for the year ended December 31, 2015.

NET ASSETS

As of December 31, 2015, temporarily restricted net assets consisted of restricted contributions to be used for the following purposes:

Pet sterilization	$	276,753
Feral cat coordinator		22,500
Community outreach		32,500
Marketing		39,040
Education		2,000
Transportation expenses		14,800
	$	387,593

REIMBURSABLE GRANTS

The Organization may enter into agreements with several entities whereby they will provide funds in exchange for providing pet sterilization services and other restricted uses. There are no such agreements in place at December 31, 2015.

CONCENTRATIONS

The Organization was awarded grants from a funding agency which represented 15% of total revenue for the year ended December 31, 2015.

CONCENTRATIONS (Continued)

Accounts receivables outstanding are due from three customers which individually exceed 10% of total accounts receivable balance. The aggregate amount of these customer's balances represented 78% of the total accounts receivable balance as of December 31, 2015.

As of December 31, 2015, 96% of grants receivables outstanding are due from a single grantor.

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, 2015, 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.

FUNCTIONAL EXPENSES

The costs of providing programs and other activities for the year ended December 31, 2015 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	$ 1,461,231
General and administrative	264,581
Fundraising	34,679
	$ 1,760,491

SUBSEQUENT EVENTS

The Organization evaluated events that occurred after the balance sheet date through April 5, 2016, 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.