PETCO LOVE AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT

For the Years Ended April 30, 2022 and May 1, 2021

PETCO LOVE AND SUBSIDIARY
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April 30, 2022 and May 1, 2021

RBTK

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Petco Love and Subsidiary
San Antonio, Texas

Opinion

We have audited the accompanying consolidated financial statements of Petco Love and Subsidiary (collectively, the Organization), which comprise the consolidated statements of financial position as of April 30, 2022 and May 1, 2021, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of April 30, 2022 and May 1, 2021, and the changes in its net assets and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with U.S. generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 U.S. generally accepted auditing standards will always detect a material misstatement when it exists.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements, Continued

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, including omissions, 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 consolidated financial statements.

In performing an audit in accordance with U.S. 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 consolidated 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 consolidated 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 the Organizations 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organizations 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 audits, significant audit findings, and certain internal control related matters that we identified during the audits.

RBTK, LLP

September 19, 2022

PETCO LOVE AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
April 30, 2022 and May 1, 2021

ASSETS

	April 30, 2022	May 1, 2021
Cash and cash equivalents	$ 10,838,927	11,832,313
Receivable from Petco Animal Supplies Stores, Inc. (Note 9)	3,554,403	3,945,170
Other receivables	12,838	280,103
Prepaid expenses	629,973	288,082
Long-term investments, at fair value (Note 4)	14,442,376	10,991,673
Convertible note receivable (Note 5)	-	229,519
Mission related investments (Note 6)	238,474	-
Software development in progress	-	69,204
Intangible asset, net (Note 7)	61,667	81,667
Goodwill (Note 8)	3,640,000	3,640,000
Total assets	$ 33,418,658	31,357,731

LIABILITIES AND NET ASSETS

	April 30, 2022	May 1, 2021
Liabilities:		
Accounts payable and accrued expenses	$ 1,374,734	642,699
Due to Petco Animal Supplies Stores, Inc. (Note 9)	488,701	447,243
Total liabilities	1,863,435	1,089,942
Net assets:		
Net assets without donor restrictions (Note 12)	31,183,143	29,762,789
Net assets with donor restrictions (Note 12)	372,080	505,000
Total net assets	31,555,223	30,267,789
Total liabilities and net assets	$ 33,418,658	31,357,731

See Accompanying Notes to Financial Statements

PETCO LOVE AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended April 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions from individuals and corporations	$ 36,265,513	1,734,412	37,999,925
Merchandise:			
Revenue	156,441	-	156,441
Expense	-	-	-
Net merchandise revenue	156,441	-	156,441
Net investment loss	(1,549,298)	-	(1,549,298)
Royalty revenue	1,404,580	-	1,404,580
Interest income	10,472	-	10,472
Net assets released from restrictions	1,867,332	(1,867,332)	-
Total support and revenue	38,155,040	(132,920)	38,022,120
Expenditures:			
Program activities	32,716,458	-	32,716,458
Supporting activities:			
Fundraising	2,844,108	-	2,844,108
Management and general	1,174,120	-	1,174,120
Total supporting activities	4,018,228	-	4,018,228
Total expenditures	36,734,686	-	36,734,686
Change in net assets	1,420,354	(132,920)	1,287,434
Net assets, beginning of year	29,762,789	505,000	30,267,789
Net assets, end of year	$ 31,183,143	372,080	31,555,223

See Accompanying Notes to Financial Statements

PETCO LOVE AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended May 1, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions from individuals and corporations	$ 39,272,149	614,673	39,886,822
Merchandise:			
Revenue	607,317	-	607,317
Expense	(194,775)	-	(194,775)
Net merchandise revenue	412,542	-	412,542
Net investment income	2,758,109	-	2,758,109
Royalty revenue	1,193,161	-	1,193,161
Interest income	3,295	-	3,295
Loss from mission related investment (Note 6)	(36,611)	-	(36,611)
Net assets released from restrictions	359,673	(359,673)	-
Total support and revenue	43,962,318	255,000	44,217,318
Expenditures:			
Program activities	29,803,773	-	29,803,773
Supporting activities:			
Fundraising	1,777,199	-	1,777,199
Management and general	954,545	-	954,545
Total supporting activities	2,731,744	-	2,731,744
Total expenditures	32,535,517	-	32,535,517
Change in net assets	11,426,801	255,000	11,681,801
Net assets, beginning of year	18,335,988	250,000	18,585,988
Net assets, end of year	$ 29,762,789	505,000	30,267,789

See Accompanying Notes to Financial Statements

PETCO LOVE AND SUBSIDIARY
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended April 30, 2022

	Program Activities	Supporting Activities			
	Lifesaving	Fund Raising	General and Administrative	Total Supporting Activities	Total
Grants	$ 26,830,024	-	-	-	26,830,024
Management services	3,059,808	976,625	725,989	1,702,614	4,762,422
Marketing and promotional	1,006,443	1,730,508	24,485	1,754,993	2,761,436
Software	929,017	29,445	7,287	36,732	965,749
Other professional fees	780,681	5,171	21,080	26,251	806,932
Legal fees	-	-	175,044	175,044	175,044
Other	25,955	40,482	102,899	143,381	169,336
Travel and meals	36,730	28,560	10,810	39,370	76,100
Supplies and equipment	13,767	2,257	29,556	31,813	45,580
Financial fees	-	-	42,750	42,750	42,750
Postage	15,686	20,611	5,066	25,677	41,363
Printing	18,305	4,818	10	4,828	23,133
Amortization	-	-	20,000	20,000	20,000
Bank and credit card fees	-	5,631	2,194	7,825	7,825
Licenses and registration	42	-	6,950	6,950	6,992
Total expenses included in Expenditures on the Statement of Activities	32,716,458	2,844,108	1,174,120	4,018,228	36,734,686
Cost of direct benefit to donors included in Support and Revenue on the Statement of Activities	-	-	-	-	-
Total expenses by function	$ 32,716,458	2,844,108	1,174,120	4,018,228	36,734,686

See Accompanying Notes to Financial Statements

PETCO LOVE AND SUBSIDIARY
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended May 1, 2021

	Program Activities	Supporting Activities			
	Lifesaving	Fund Raising	General and Administrative	Total Supporting Activities	Total
Grants	$ 26,350,393	-	-	-	26,350,393
Management services	1,960,382	765,993	483,456	1,249,449	3,209,831
Marketing and promotional	589,842	936,503	63,405	999,908	1,589,750
Software	457,744	15,397	8,957	24,354	482,098
Other professional fees	420,269	5,427	2,069	7,496	427,765
Legal fees	-	-	155,021	155,021	155,021
Other	16	-	133,421	133,421	133,437
Postage	19,629	39,400	12,260	51,660	71,289
Financial fees	-	-	42,250	42,250	42,250
Supplies and equipment	4,528	3,105	19,056	22,161	26,689
Amortization	-	-	18,333	18,333	18,333
Bank and credit card fees	-	10,378	3,344	13,722	13,722
Printing	823	793	7,112	7,905	8,728
Licenses and registration	-	-	5,795	5,795	5,795
Travel and meals	147	203	66	269	416
Total expenses included in Expenditures on the Statement of Activities	29,803,773	1,777,199	954,545	2,731,744	32,535,517
Cost of direct benefit to donors included in Support and Revenue on the Statement of Activities	-	-	-	-	-
Total expenses by function	$ 29,803,773	1,777,199	954,545	2,731,744	32,535,517

See Accompanying Notes to Financial Statements

PETCO LOVE AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended April 30, 2022 and May 1, 2021

		April 30, 2022	May 1, 2021
Cash flows from operating activities:			
Change in net assets	$	1,287,434	11,681,801
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Amortization		20,000	18,333
Net long-term investment loss (return)		1,549,298	(2,758,109)
Loss from mission related investment		-	36,611
Accrued interest income		(8,955)	(2,519)
Abandoned software development		69,204	-
(Increase) decrease in receivable from Petco Animal Supplies Stores, Inc.		390,767	(1,686,560)
Decrease in other receivables		267,265	417,899
(Increase) decrease in prepaid expense		(341,891)	(121,076)
Increase (decrease) in accounts payable and accrued expenses		732,035	503,369
Decrease in deferred revenue		-	(400,000)
Increase (decrease) in due to Petco Animal Supplies Stores, Inc.		41,458	(162,844)
Net cash provided by operating activities		4,006,615	7,526,905
Cash flows from investing activities:			
Purchase of investments		(5,000,001)	-
Donated investments, net		-	(1,851)
Software development in progress		-	(69,204)
Convertible note receivable		-	(227,000)
Mission related investment		-	1,241,874
Purchase of the assets of Finding Rover (Note 6)		-	(3,740,000)
Net cash used in investing activities		(5,000,001)	(2,796,181)
Net (decrease) increase in cash and cash equivalents		(993,386)	4,730,724
Cash and cash equivalents, beginning of year		11,832,313	7,101,589
Cash and cash equivalents, end of year	$	10,838,927	11,832,313
Supplemental disclosures:			
Interest paid	$	-	-
Income taxes paid	$	-	-

See Accompanying Notes to Financial Statements

1. Organization

Petco Love (the Organization), formerly known as The Petco Foundation, a California non-profit public benefit corporation incorporated on February 16, 1999, is organized to promote, enhance and finance charitable, educational, literary, scientific and prevention of cruelty to animals activities and may also conduct and/or sponsor charitable or educational programs, events or activities which further its purpose.

The Organization renamed to Petco Love in early 2021 to more accurately reflect the future operations of the organization not only as a grantor funding other organizations, but as an operating nonprofit bringing national solutions to help save pet lives. Included in the consolidated financial statements are the net assets and operations of Pets Reunited, LLC (PR), a wholly owned limited liability company. PR was organized in May 2020 to hold the goodwill associated with the purchase described in Note 5. All significant interorganizational accounts and transactions have been eliminated.

The Organization is on a mission to end preventable euthanasia of shelter and community owned pets by empowering organizations through grant investments that make the most impact and by creating national solutions to address community needs impacting the welfare of animals. The Organization's grant investment activities seek to empower those organizations that are the most productive and effective in accomplishing their mission as determined through a decision model designed to evaluate and assess organizations alongside their peers. The organization supports animal welfare organizations working to end the euthanasia of shelter animals and helping to assure family pets get the care they need to stay in their homes, those organizations supporting service, therapy and working animals, and organizations and institutions helping to find a cure or support treatment of pet cancer. The Organization also launched Petco Love Lost in April 2020, a national lost and found database utilizing pet image recognition technology to reunite lost pets with their families.

The Organization is exempt from income tax under Section 501(c)(3) of the United States Internal Revenue Code (the Code), and similar provisions of the California Revenue and Taxation Code and the Texas Tax Code, and contributions to it are deductible within the limitations prescribed by the Code. The Organization has been classified as a publicly supported organization, which is not a private Organization under Section 509(a) of the Code.

The Organization's fiscal year generally ends on the Saturday closest to April 30, resulting in years of either 52 or 53 weeks. All references to a fiscal year refer to the fiscal year generally ending on the Saturday closest to April 30 of the following year. The fiscal years ended April 30, 2022 (fiscal year 2021) and May 1, 2021 (fiscal year 2020) each consisted of 52 weeks.

2. Summary of Significant Accounting Policies

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. The significant accounting policies followed are discussed below.

Contribution Revenue

Contributions are recognized in the period received. Contributions received are considered to be available for use unless specifically restricted by the donor. Amounts received that are designated for a future period, or are restricted by the donor for specific purposes are reported as contributions with donor restrictions. These contributions also increase net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and changes in net assets as net assets are released from restrictions.

Royalty Revenue

Revenue is recognized when earned and consists primarily of royalty income earned by the Organization from unrelated parties. These royalties include funds raised for the Organization by the sale of merchandise. These contracts may dictate that the royalties be used for a specific purpose. Such royalties are treated as net assets without donor restrictions but designated by contract.

Royalty revenues are recognized at a point in time as the quarterly sales of the unrelated party are reported to the Organization. The Organization’s name, logo, and other distinguishing marks are licensed to a non-related merchandiser for use in the sale of products.

Donated Goods, Services and Facilities

Those donated goods that meet the requirements for recognition under U.S. generally accepted accounting principles are recorded as both revenue and expense in the accompanying consolidated statements of activities, at amounts determined by management to be reasonable for obtaining such goods.

Advertising

The Organization expenses all advertising costs as incurred. The primary purpose of the Organization’s advertising is to promote and encourage pet adoption, reunite lost pets, and highlight the Organization’s focus on lifesaving. Advertising expense was $555,178 and $344,486, for the years ended April 30, 2022 and May 1, 2021, respectively.

2. Summary of Significant Accounting Policies, Continued

Amortization of Intangibles
Intangible assets are amortized over their estimated useful lives.

Functional Allocation of Expenses
The consolidated statements of activities reports expenses by both natural and functional classification. Certain categories of expenses are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Costs are directly applied to the related program and supporting activity category when identified and possible. General operating costs across nearly all natural categories are allocated on the basis of estimates of time and effort.

Cash and Cash Equivalents
The Organization's cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase, except for those amounts that are held in the investment portfolio which are invested for long-term purposes.

Receivable from Petco Animal Supplies Stores, Inc.
Petco Animal Supplies Stores, Inc. (Petco) retail locations serve as collection points for donations received from the general public for various Organization fundraising activities. These donations are then periodically transferred to the Organization. Management believes that all contributions receivable are fully collectible within one year; therefore, no allowance for doubtful accounts was recorded as of April 30, 2022 or May 1, 2021.

Other Receivables
Other receivables consist of event sponsorships, royalties, and contributions received via mobile and online fundraising solutions and are stated at the amount management expects to collect. Other receivables are reviewed for collectability and reserves for uncollectible accounts are recorded based on established policies. Management believes that all other receivables are fully collectible within one year and no allowance for doubtful accounts was necessary at April 30, 2022 or May 1, 2021.

During the year ended May 1, 2021, due to event cancellations as a result of the COVID-19 pandemic, other receivables totaling $99,589 were deemed uncollectible and included in management and general expenditures on the consolidated statement of activities and changes in net assets and in other general and administrative expenditures on the statement of functional expenses.

2. Summary of Significant Accounting Policies, Continued

Investments
The Organization accounts for investments pursuant to U.S. generally accepted accounting principles under which investments with readily determinable fair values are reported at their fair values in the consolidated statements of financial position. Donated investments are recorded at their fair value on the date of receipt. Net investment return or loss (including realized and unrealized gains and losses on investments, interest, dividends, and fees) is included in the consolidated statements of activities as a change in net assets.

Fair Value Measurements
U.S. generally accepted accounting principles provide guidance on how fair value should be determined when consolidated financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs.......quoted prices in active markets for identical assets
Level 2 inputs.......quoted prices in active or inactive markets for the same or similar assets
Level 3 inputs.......estimates using best information available when there is little or no market

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The Organization is required to measure certain financial instruments at fair value in accordance with U.S. generally accepted accounting principles. The technique used to measure the fair value of investments is described in Note 4.

Equity Method Investments
If the Organization is not required to consolidate its investment in another entity, the Organization uses the equity method of accounting when the Organization can exercise significant influence over the other entity and holds common stock and/or in-substance common stock of the other entity. Under the equity method, investments are carried at cost, plus or minus the Organization's equity in the increases and decreases in the investee's net assets after the date of acquisition and certain other adjustments. The Organization's share of the net income or loss of the investee is included as income (loss) from mission related investment on the Organization's consolidated statements of activities and changes in net assets. Dividends received from the investee reduce the carrying amount of the investment. The Organization reviews these investments annually

2. Summary of Significant Accounting Policies, Continued

Equity Method Investments, Continued
for impairment. Investments accounted for under this method include the Organization's mission related investment described in Note 6.

Cost Method Investments
Investments in which the Organization does not have the ability to exercise significant influence and for which there is no readily determinable fair value are accounted for using the cost method. Under the cost method, the investment is measured initially at cost. Subsequently, dividends received that are distributed from earnings are recognized as income. The Organization evaluates each cost method investment for impairment on an annual basis and recognizes an impairment loss if a decline in value is determined to be other-than-temporary. The Organization has not identified any events or change in circumstances that may have an adverse effect on the fair value of a cost method investment, and therefore, the fair value of such cost method investment has not been estimated, as it is impracticable to do so. Investments accounted for under this method include the Organization's mission related investment described in Note 6.

Software Development-in-progress
Internal use software development costs are capitalized as software development-in-progress until the development stage has been completed and successfully tested. Upon completion of testing, software development-in-progress costs are reclassified as internal use software and amortized over their estimated useful lives.

Deferred Revenue
Revenues received in advance of a special event are deferred. The revenues are recognized when the event occurs.

Income Taxes
The Organization is exempt from federal and state income tax liability, and therefore, no provision is made for current or deferred income taxes. The Organization uses the same accounting method for tax and financial reporting. U.S. generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. If it is probable that an uncertain tax position will result in a material liability and the amount of the liability can be estimated, then the estimated liability is accrued. If the Organization were to incur any income tax liability in the future, interest on any income tax liability would be reported as interest expense, and penalties on any income tax would be reported as income taxes. Management has considered its tax positions and believes that all of the positions taken in its federal and state tax returns are considered more likely than not to be sustained upon examination. The Organization's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

2. Summary of Significant Accounting Policies, Continued

Estimates and Assumptions
The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles 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 consolidated financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Management periodically evaluates estimates used in the preparation of the consolidated financial statements for continued reasonableness. Appropriate adjustments, if any, to the estimates used are made prospectively based upon such periodic evaluation. It is reasonably possible that changes may occur in the near term that would affect management's estimates with respect to the fair value of donated goods and services, the fair value of investments, impairment of equity method investments and goodwill, allowance for doubtful accounts and accrued expenses.

Reclassification
The 2020 financial statements have been reclassified, where appropriate, to conform to classifications used in the 2021 financial statements.

Subsequent Events
The Organization has evaluated subsequent events through September 19, 2022, the date the consolidated financial statements were available to be issued. There have been no material subsequent events which would require recognition in the consolidated financial statements or disclosure in the notes to the consolidated financial statements.

3. Information Regarding Liquidity and Availability

The following table reflects the Organization’s financial assets as of April 30, 2022 and May 1, 2021, reduced by amounts that are not available to meet general expenditures within one year of the consolidated statements of financial position date. Amounts not available to meet general expenditures within one year of April 30, 2022 and May 1, 2021 include net assets with donor restrictions totaling $372,080 and $505,000, and designated by contract funds totaling $32,887 and $55,873, respectively. Board designated funds totaled $220,946 at May 1, 2021. As part of its liquidity plan, excess cash is invested in interest bearing cash, certificates of deposit, equities, US Treasuries, and bond and equity funds which are not subject to any constraints limiting the Organization’s ability to respond quickly to change in market conditions. The Organization’s goal is generally to maintain financial assets to meet 90 days of operating expenditures.

3. Information Regarding Liquidity and Availability, Continued

		April 30, 2022	May 1, 2021
Cash and cash equivalents	$	10,838,927	11,832,313
Receivable from Petco		3,554,403	3,945,170
Other receivables		12,838	280,103
Convertible note receivable, Including accrued interest		-	229,519
Investments (level 1)		14,442,376	10,991,673
Total financial assets		28,848,544	27,278,778
Less amounts not available to be used within one year:			
Donor restricted		(372,080)	(505,000)
Designated by contract		(32,887)	(55,873)
Board-designated		-	(220,946)
Total assets available for use within one year	$	28,443,577	26,496,959

4. Investments, at Fair Value

U.S. generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value of the following assets is based on Level 1 measurements. Level 1 fair value measurements are quoted prices in active markets for identical assets that the reporting entity has the ability to access at the measurement date.

Investments, at fair value, consist of the following at:

		April 30, 2022	May 1, 2021
Equities:			
Consumer goods	$	3,043,021	2,238,462
Financial		1,511,877	1,277,024
Technology and communications		1,418,752	980,291
Healthcare		716,182	712,567
Services		300,332	377,063
Industrial goods		237,393	209,098
Basic materials		72,929	-
Total equities		7,300,486	5,794,505

4. Investments, at Fair Value, Continued

Certificates of deposit	2,042,396	2,034,491
Corporate bonds	2,311,400	-
Equity funds	1,727,896	1,420,982
US Treasuries	793,066	1,325,381
Bond funds	228,014	300,493
Interest bearing cash	39,118	115,821
Total investments, at fair value	$ 14,442,376	10,991,673

5. Convertible Note Receivable

On February 10, 2021, the Organization entered into a convertible note receivable agreement (the Note) with an unrelated entity (the Entity). The Note was recorded at the principal face amount of $227,000 plus accrued interest of $2,519 at May 1, 2021. The Note bore interest at 5% per annum. During the year ended April 30, 2022, the Note was converted into the cost basis investment described in Note 6.

6. Mission Related Investments

Equity Method Investment

On July 3, 2017, the Organization entered into an agreement to make a mission related investment in Finding Rover, Inc. (FR), a privately held corporation, representing a 24% ownership interest. The Organization invested in FR because of its goal to create a national lost and found database which utilizes pet image recognition technology to help reunite lost pets with their owners. The mission related investment (MRI) is accounted for under the equity method.

On June 1, 2020, the Organization entered into an agreement to purchase substantially all of the assets of FR for $3,500,000, net of $240,000 in loans repaid as a part of the agreement. The purchase resulted in a return of capital of $1,247,026 related to the Organization's original investment. The gross purchase price of $3,740,000 was allocated to goodwill and intangible asset during the year ended May 1, 2021.

6. Mission Related Investments, Continued

Cost Method Investment

The Organization's cost method investment in the Entity consists of the following details at April 30, 2022:

Investment Type	Owner Type	Accounting Method	Ownership	Cost
C Corporation	Shareholder	Cost	5.21%	$ 238,474

7. Intangible Assets

A summary of intangible assets at April 30, 2022 and May 1, 2021, is as follows:

	April 30, 2022	May 1, 2021
Covenant not to compete (5 year life)	100,000	100,000
Less accumulated amortization	(38,333)	(18,333)
	$ 61,667	81,667

8. Goodwill

Changes in the net carrying amount of goodwill during the year ended April 30, 2022 and May 1, 2021, are as follows:

	April 30, 2022	May 1, 2021
Balance, beginning of year	$ 3,640,000	-
Goodwill acquired during the year	-	3,640,000
Impairment	-	-
Balance, end of year	$ 3,640,000	3,640,000

In accordance with the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 350, the Organization does not amortize goodwill. FASB ASC 350 requires the Company to test for impairment at least annually, or more frequently if evidence of possible impairment arises. The Organization performed its annual impairment testing as of April 30, 2022 and May 1, 2021 and determined that no events or circumstances indicated that intangible assets might be

8. Goodwill, Continued

impaired. As a result, no impairment charge was recorded for the year ended April 30, 2022 or May 1, 2021.

9. Related Party Transactions

Included in contributions from individuals and corporations are Petco contributions of $398,202 and $169,066 for the years ended April 30, 2022 and May 1, 2021, respectively.

Receivable from Petco of $3,554,403 and $3,945,170 at April 30, 2022 and May 1, 2021, respectively, represents cash contributions received from Petco customers and Petco employees not yet remitted in cash to the Organization as of the fiscal year end date.

The Organization reimburses Petco under a resource and expense allocation agreement (the Agreement) for expenses incurred for administrative services provided. In addition, the Organization reimburses Petco for the full cost of all employees who perform duties solely for the Organization with the exception of the Executive Director. For the Executive Director, the Organization reimburses 75% of the cost of base salary and benefits expense and 100% of bonuses. The cost for all reimbursed expenses for the years ended April 30, 2022 and May 1, 2021, was $6,012,657 and $3,600,785, respectively.

Due to Petco of $488,701 and $447,243 at April 30, 2022 and May 1, 2021, respectively, represents reimbursable expenses covered under the Agreement in addition to other operating expenses.

During the years ended April 30, 2022 and May 1, 2021 three and five members, respectively, of the Organization's Board of Directors also serve on boards of organizations which are recipients of program grants from the Organization. Grants paid to these organizations totaled $172,500 and $540,000 during the years ended April 30, 2022 and May 1, 2021, respectively. In accordance with the Organization's conflict of interest policy, such members abstain from votes pertaining to such organization grants.

10. Joint Costs

The Organization conducts activities that include fundraising appeals as well as program and management and general components. These activities include travel, marketing, grant management services and other constituent relationship activities for both fiscal years 2021 and 2020. The costs of conducting these joint activities which meet the purpose, audience, and content of FASB ASC 958-720 were $4,950,180 and $3,196,268 for the years ended

10. Joint Costs, Continued

April 30, 2022 and May 1, 2021, respectively. They were comprised of the following for the years ended:

		April 30, 2022	May 1, 2021
Program	$	3,196,852	1,950,432
Fundraising		1,038,070	765,813
Management and general		715,258	480,023
Total	$	4,950,180	3,196,268

11. Commitments and Contingencies

The Organization funds effective and productive organizations and recognizes that for these organizations to be strategic in the pursuit of their mission, reliable funding is essential. The Organization's funding strategy includes installment grant investments to organizations making a significant lifesaving impact for the animals to provide them with the security that enables innovation and sustainability. The installment grant investments are contingent upon the organizations fulfilling certain contractual obligations as described in the individual grant agreements.

The future commitments under all grant agreements are as follows at April 30, 2022:

2022	$	1,175,000
2023		5,170,000
	$	6,345,000

As of May 1, 2021, future commitments under all grants agreements totaled $5,610,000.

12. Net Assets

Net assets with donor restrictions were as follows for the years ended April 30, 2022 and May 1, 2021:

	April 30, 2022	May 1, 2021
Specific purpose:		
Vaccine initiative	$ 200,000	-
Save Pets Fund	130,000	410,000
Global funding	42,080	-
Innovation Showdown	-	95,000
Total	$ 372,080	505,000

Net assets were released from donor restrictions during the year ended April 30, 2022 and May 1, 2021, by incurring expenditures satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	April 30, 2022	May 1, 2021
Global Funding	$ 900,000	-
Vaccine Initiative	503,050	-
Save Pets Fund	280,000	-
Innovation Showdown	95,000	305,000
Pet Cancer	75,129	18,400
Disaster	14,153	36,273
Total	$ 1,867,332	359,673

Net assets without donor restrictions were as follows for the years ended April 30, 2022 and May 1, 2021:

	April 30, 2022	May 1, 2021
Undesignated	$ 31,150,256	29,485,970
Designated by contract	32,887	55,873
Board-designated	-	220,946
Total	$ 31,183,143	29,762,789

13. Concentration of Risk

Contributions
The majority of the contributions received by the Organization are collected at Petco retail locations.

Credit Risk
At April 30, 2022, the Organization had approximately $10,839,000 of cash and cash equivalents within financial institutions, a portion of which may be in excess of the federally insured limit. The Organization has not experienced any such losses and management believes it is not exposed to any significant credit risk on these cash deposits.

Investment Risk
The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Organization's account balances and the amounts reported in the consolidated statements of net assets available for benefits.

The COVID-19 pandemic has caused business disruption through mandated and voluntary closings of multiple businesses and is disrupting supply chains and affecting production and sales across a range of industries. While the disruption is currently expected to be temporary, the extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and the impact on members, donors, and vendors. At this point, the extent to which COVID-19 may further impact the Organization's financial condition or results of operations is uncertain.