AUSTIN PETS ALIVE, INC.

FINANCIAL STATEMENTS

Year Ended December 31, 2021
with Report of Independent Auditors

AUSTIN PETS ALIVE, INC.

FINANCIAL STATEMENTS

Year Ended December 31, 2021

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
Austin Pets Alive, Inc.

Qualified Opinion

We have audited the financial statements of Austin Pets Alive, Inc. (the "Organization") which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021, 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.

Basis for Qualified Opinion

The Organization's inventory is carried at $693,344 on the statement of financial position as of December 31, 2021 and the Organization's in-kind donations of inventory and thrift store cost of goods sold of $1,628,679 and $1,272,421, respectively, are included in the statement of activities for the year then ended. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the Organization's inventory as of December 31, 2021 and the Organization's in-kind donations of inventory and thrift store cost of goods sold for the year then ended because the Organization did not make a count of inventory as of January 1, 2021 and the Organization's records do not permit the application of other auditing procedures to inventories or in-kind donations of inventory and thrift store cost of goods sold. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the 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 for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 auditing standards generally accepted in the United States of America ("GAAS") will always detect a material misstatement when it exists. 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 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 financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the 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 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 Organization's 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 financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's 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 audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Whitley Penn LLP

Austin, Texas
March 24, 2023

AUSTIN PETS ALIVE, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2021

Assets	
Cash and cash equivalents	$ 3,208,051
Investments	5,596,896
Contributions receivable	1,387,776
Inventory	693,344
Prepaid expenses and other assets	203,235
Property and equipment	433,707
Total assets	$ 11,523,009
Liabilities and Net Assets	
Liabilities:	
Accounts payable and accrued expenses	$ 404,182
Accrued compensation	397,617
Total liabilities	801,799
Commitments and contingencies	
Net assets:	
Without donor restrictions	5,704,782
With donor restrictions	5,016,428
Total net assets	10,721,210
Total liabilities and net assets	$ 11,523,009

See accompanying notes to financial statements.

AUSTIN PETS ALIVE, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Support:			
Contributions	$ 8,303,383	$ 4,724,602	$ 13,027,985
Special events	322,568	-	322,568
Net assets released from restrictions	3,136,914	(3,136,914)	-
Total support	11,762,865	1,587,688	13,350,553
Non-thrift store revenue:			
Adoption fees	1,068,667	-	1,068,667
Other revenues	174,824	-	174,824
Total non-thrift store revenue	1,243,491	-	1,243,491
Thrift store revenue:			
In-kind donations of inventory	1,628,679	-	1,628,679
Thrift store sales	1,272,421	-	1,272,421
Cost of goods sold	(1,272,421)	-	(1,272,421)
Net thrift store revenue	1,628,679	-	1,628,679
Other income	1,332,772	-	1,332,772
Total support and revenue	15,967,807	1,587,688	17,555,495
Expenses:			
Program services:			
Adoptions and animal care	8,594,039	-	8,594,039
Community outreach and education	1,667,249	-	1,667,249
Total program services	10,261,288	-	10,261,288
Supporting services:			
Management and general	1,195,440	-	1,195,440
Donor development and fundraising	766,323	-	766,323
Marketing and public relations	663,507	-	663,507
Thrift store operations	1,026,042	-	1,026,042
Total supporting services	3,651,312	-	3,651,312
Total expenses	13,912,600	-	13,912,600
Change in net assets	2,055,207	1,587,688	3,642,895
Net assets at beginning of year	3,649,575	3,428,740	7,078,315
Net assets at end of year	$ 5,704,782	$ 5,016,428	$ 10,721,210

See accompanying notes to financial statements.

AUSTIN PETS ALIVE, INC.

STATEMENT OF FUNTIONAL EXPENSES

Year Ended December 31, 2021

	Program Services			Supporting Services					
	Adoptions and Animal Care	Community Outreach and Education Programs	Total Program Services	Management and General	Donor Development and Fundraising	Marketing and Public Relations	Thrift Store Operations	Total Supporting Services	Total Program and Supporting Services
Personnel	$ 5,879,183	$ 1,326,292	$ 7,205,475	$ 695,504	$ 641,624	$ 529,108	$ 429,638	$ 2,295,874	$ 9,501,349
Occupancy	585,520	9,110	594,630	54,917	3,362	4,327	494,569	557,175	1,151,805
Animal food, supplies, equipment, and shelter	469,356	13,500	482,856	-	-	-	-	-	482,856
Vaccines, medications, and microchips	379,400	-	379,400	-	-	-	-	-	379,400
Insurance	138,991	10,436	149,427	-	3,723	4,728	12,891	21,342	170,769
Professional fees	20,864	165,526	186,390	48,085	81,002	69,273	235	198,595	384,985
Other expense	60,809	6,724	67,533	77,159	1,761	8,500	8,675	96,095	163,628
Depreciation	554,924	15,517	570,441	11,912	-	800	9,114	21,826	592,267
Bank and credit card processing fees	-	-	-	153,945	1,442	-	37,541	192,928	192,928
Stipends and apprenticeships	1,500	1,500	3,000	-	-	-	-	-	3,000
Conference and event expense	1,705	-	1,705	-	-	-	-	-	1,705
IT infrastructure and software subscriptions	43,924	19,810	63,734	45,447	19,342	22,629	11,600	99,018	162,752
Medical supplies	102,921	17	102,938	-	-	-	153	153	103,091
Medical services	118,701	-	118,701	-	-	-	-	-	118,701
Medical tests	100,138	-	100,138	-	-	-	-	-	100,138
Repairs and maintenance	90,993	-	90,993	127	-	-	4,502	4,629	95,622
Lobbying expenses	-	-	-	81,000	-	-	-	81,000	81,000
Advertising, promotion, and website expense	3,630	2,830	6,460	17,415	10,217	24,118	2,623	54,373	60,833
Supplies	24,698	292	24,990	3,143	1,514	24	12,746	17,427	42,417
Travel	13,300	95,695	108,995	27	-	-	1,299	1,326	110,321
Employee/ volunteer/ donor relations expense	982	-	982	6,759	2,336	-	456	9,551	10,533
Grants to other organizations	2,500	-	2,500	-	-	-	-	-	2,500
Total expenses	$ 8,594,039	$ 1,667,249	$ 10,261,288	$ 1,195,440	$ 766,323	$ 663,507	$ 1,026,042	$ 3,651,312	$ 13,912,600

See accompanying notes to financial statements.

AUSTIN PETS ALIVE, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2021

Cash flows from operating activities:	
Change in net assets	$ 3,642,895
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Contributions with donor restrictions	(4,724,602)
Depreciation	592,267
Gain on loan forgiveness	(1,322,995)
Non-cash rent expense	556,000
Net unrealized losses on investments	40,048
Net realized losses on investments	13,043
Changes in net assets and liabilities:	
Contributions receivable	3,002,714
Inventory	(373,854)
Prepaid expenses and other assets	(20,313)
Accounts payable and accrued expenses	263,502
Accrued compensation	97,484
Net cash provided by operating activities	1,766,189
Cash flows from investing activities:	
Purchases of investments	(6,062,534)
Proceeds from sales of investments	2,693,800
Purchases of property and equipment	(162,390)
Net cash used in investing activities	(3,531,124)
Cash flows from financing activities:	
Cash collections of contributions with donor restrictions	911,766
Payments on financed insurance payable	(101,066)
Net cash provided by financing activities	810,700
Net decrease in cash and cash equivalents	(954,235)
Cash and cash equivalents at beginning of year	4,162,286
Cash and cash equivalents at end year	$ 3,208,051
Supplemental Disclosure of Cash Flow Information	
Cash paid during the year for interest on financed insurance payable	$ 2,976

See accompanying notes to financial statements.

A. Nature of Business

Austin Pets Alive, Inc. ("APA!" or the "Organization") is a private nonprofit organization that works to eliminate the killing of companion animals by providing resources, education and innovative programs to communities that need assistance. APA! operations are funded primarily through individual donations, grants, thrift store operations, and pet adoption fees. APA! does not receive any federal (with exception to a loan from the Payroll Protection Program), state, or local funding. APA! has been the leading force in making Austin the largest "No Kill City" in the United States. A No Kill City is defined as a community that saves over 90% of the animals that enter all the shelters in that community. APA! rescues dogs and cats from the Austin Animal Center ("AAC") who are at risk of euthanasia or death due to medical or behavioral reasons. AAC is run by the City of Austin. APA! has an agreement with the City of Austin to use Town Lake Animal Center as a base of operations but does not receive direct funding from the City of Austin for removing animals from AAC. APA! also saves thousands of animals from surrounding counties and other parts of Texas each year, relying on massive foster, volunteer, and donor support.

American Pets Alive! ("AmPA!") is the national arm of APA!, and focuses on helping shelters implement our best practices in order to achieve No Kill City status in their own communities. AmPA!'s team of experts travel the U.S. to shelters with gaps in their lifesaving practices and lack of funding to provide consultation, hands-on training, and recommendations. For organizations in crisis, AmPA! staff step in to solve problems such as a disease outbreak or managing a sudden surge in their shelter population. AmPA! uses data-driven programs, practices, and tools to help communities save lives faster. The AmPA! best practice resources are accessible freely on our website for any shelter to implement lifesaving programs today. AmPA! also publishes frequent blogs and produces topic-specific webinars, all designed to teach shelters how to save more lives in their own communities.

The Maddie's® Learning Academy, a program of APA!, provides in-person and remote learning opportunities for hundreds of animal welfare professionals around the country. Class topics range from managing a shelter medical clinic, to feline lifesaving, to big dog adoptions; and courses are taught by our expert instructors. Due to the impacts of COVID-19, the apprenticeship learning opportunities have been conducted online at Maddie's® Learning Academy since early 2020. Both AmPA! and the Maddie's® Learning Academy are funded primarily through support from Maddie's Fund®, along with other grantmakers.

A. Nature of Business – continued

Human Animal Support Services ("HASS") is an innovative, international collaborative of animal shelters and animal welfare professionals who believe we can and must do better for pets and people. With more than 1,000 professionals, 22 pilot shelters, 500 partner organizations, and individuals from 50 U.S. states and five nations involved, HASS aims to transform animal services by first supporting and protecting the bond between pets and people rather than separating pets from their families in order to provide them with services within a shelter. The HASS elements are the building blocks for this change and dozens of HASS working groups are tackling the tough problems that cause pets to enter shelters in the first place. Historically, APA! has been focused on achieving live outcomes for pets who have already entered the system, but with HASS, APA!'s attention is focused on reducing shelter intake, serving more pets in their communities, and helping families stay together. Ultimately, HASS helps solve the problem of shelter deaths as facilities will be better able to care for smaller shelter populations and so less likely to resort to needless euthanasia to handle their pet populations.

Texas Pets Alive! ("TPA!") is the advocacy arm of APA! and works to advance animal welfare through effective change in statewide legislation. TPA! represents the best interests of animals and their people at the Texas Capitol, working with lawmakers, stakeholders and volunteers to ensure our laws support best practices in animal sheltering and welfare across the state.

B. Summary of Significant Accounting Policies

A summary of the Organization's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Basis of Accounting

The accounts are maintained and the financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts in the financial statements and accompanying notes. Actual results could differ from these estimates and assumptions.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. At December 31, 2021, the Organization had no such investments. The Organization maintains deposits primarily in one financial institution, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation ("FDIC"). Management manages deposit concentration risk by placing cash with financial institutions believed to be creditworthy. The Organization has not experienced any losses related to amounts in excess of FDIC limits.

B. Summary of Significant Accounting Policies – continued

Investments

APA! records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net return on investments is reported in other revenues on the statement of activities and consists of interest and dividend income and realized and unrealized capital gains and losses.

Contributions Receivable

Pledges receivable are recorded as contribution revenue in the year made. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on those amounts is computed using risk-adjusted interest rates applicable to the years in which the promises are expected to be received. Amortization of the discount is included in contribution revenue. Contributions receivable for the promised use of facilities is based on market rates at the time of lease execution. APA! determines the allowance for contributions receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Contributions receivable are written off when deemed uncollectable. There were no promises considered uncollectible and no allowance as of December 31, 2021.

Inventory

Inventory consists of items purchased for resale and donations of clothing, household goods, furniture, jewelry, etc. Inventory is held for sale in the thrift stores and online. Donated inventory is recorded at fair value when they are made available for sale. Prior to being offered for sale and included in inventory, donated items are not valued due to uncertainties concerning their value.

Purchased merchandise inventory is valued at lower of cost or net realizable value.

Property and Equipment

Property and equipment are carried at cost, if purchased, or if donated, at the estimated fair value at the date of donation. Depreciation is provided on the straight-line method over the assets' estimated service lives, generally three to fifteen years. Leasehold improvements are amortized using the straight-line method over the shorter of the remaining lives of the respective leases or the service lives of the improvements. Expenditures for maintenance and repairs are charged to expense in the period in which they are incurred, and betterments are capitalized. The cost of assets sold or abandoned and the related accumulated depreciation are eliminated from the accounts and any gains or losses are reflected in the accompanying statement of activities of the respective period. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expiration of restrictions when the assets are placed into service as instructed by the donor and reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

B. Summary of Significant Accounting Policies – continued

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor or grantor-imposed restrictions.

Net Assets With Donor Restrictions

Net assets subject to donor or grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. APA! reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenue Recognition

Contributions

The Organization recognizes contributions when cash, securities, other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. All contributions are considered to be available for use unless specifically restricted by the donor. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Consequently, at December 31, 2021, all contributions have been recognized in the accompanying statement of activities because the conditions on which they depend have been met.

B. Summary of Significant Accounting Policies – continued

Revenue Recognition – continued

Adoptions, Animal Care Products, and Veterinary Health Services

The Organization recognizes revenue from adoptions and animal care products at a point in time when the services or goods have been provided to the buyer. The service or transfer of the product itself is considered the performance obligation. Spay and neuter surgery fees are held in a liability account as the fees are refundable to the owner once the surgery has been performed. If the spay and neuter surgery is not performed in a timely manner, the fees are forfeited and recognized as revenue at time of forfeiture. Additionally, the adopter has the option of donating the fees to the Organization and the fees are recognized as revenue at the time of donation. Adoption fees are nonrefundable. As of December 31, 2021, the Company recorded spay and neuter deposits of $111,400, which is included within accounts payable and accrued expenses in the accompanying statement of financial position.

Thrift and Retail Sales

Revenues and cost of sales from thrift stores are recognized at the point in time the goods are delivered to the buyer. Sales revenue and cost of sales from thrift stores are reported net of discounts and sales taxes. Revenues from retail sales are recognized at the point in time the goods are delivered to the buyer. Returns are minimal and recognized at the time of refund.

Special Events and Conference Registration Fees

The Organization recognizes special event and conference revenue when the event takes place.

Donated Services and In-Kind Contributions

Donated assets are recorded at their estimated fair value (as determined by management) at the date of donation. Donated services are recognized as contributions if the services: (a) create or enhance non-financial assets, or (b) require specialized skills, and are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers contribute significant amounts of time to the Organization's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services as they do not meet these criteria. During the year ended December 31, 2021, the Company received miscellaneous donated services in the amount of approximately $40,000, which are included within contributions without donor restrictions on the accompanying statement of activities and allocated between program services and management and general on the accompanying statement of functional expenses. Additionally, the Company received a $600,000 pledge for medical services to be provided in the future, which is recorded within contributions with donor restrictions on the accompanying statement of activities and contributions receivable on the accompanying statement of financial position as of December 31, 2021.

B. Summary of Significant Accounting Policies – continued

Functional Allocation of Expenses

The costs of program and supporting services have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among program and supporting services benefited. Such allocations, specifically for salaries and benefits, are determined by management based on estimates of time and effort. Generally, the Organization records its expenses based on direct allocation by assigning each expense to a functional category based on direct usage.

Financial Instruments and Credit Risk

The financial instruments recorded in the statement of financial position include cash and cash equivalents, investments, contributions receivable, and accrued expenses. Due to their short-term maturities, the carrying amounts of these items are believed to approximate their fair values.

Credit risk associated with contributions receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from foundations supportive of APA!'s mission. Investments are made by diversified investment managers whose performance is monitored by management and the budget and finance committee of the Board of Directors.

Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the budget and finance committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Organization.

Federal Income Taxes

The Organization is organized as a Texas nonprofit corporation and has been recognized by the Internal Revenue Service ("IRS") as exempt from federal income taxes under IRC Section 501(a) as organizations described in Internal Revenue Code ("IRC") Section 501(c)(3) and qualify for the charitable contribution deduction under IRC Section 170(b)(1)(A)(vi). The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. APA! has determined that the Organization is not subject to unrelated business income tax and have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Organization follows the guidance under GAAP which prescribes a comprehensive model for the financial statement recognition, measurement, presentation, and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. Management believes that it has not taken a tax position that, if challenged, would have a material effect on the Organization's financial statements.

No tax returns are currently under examination by any tax authorities.

B. Summary of Significant Accounting Policies – continued

Advertising

Advertising costs are expensed as incurred. Advertising expense was approximately $60,000 for the year ended December 31, 2021, which has been allocated among program and supporting services expense on the accompanying statement of activities.

Recent Accounting Pronouncements

In September 2020, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958). The update improves financial reporting by providing new presentation and disclosure requirements for contributed nonfinancial assets for not-for-profits, including additional disclosure requirements for recognized contributed services. ASU 2020-07 is effective for fiscal years beginning after July 1, 2021. Management does not believe adoption of the new standard will have a significant impact on the Organization's results of operations, financial position, or cash flows.

C. Availability and Liquidity

The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The following reflects the Organization's financial assets, reduced by amounts not available for general use within one year because of donor-imposed restrictions, as of December 31, 2021:

Cash and cash equivalents	$ 3,208,051
Investments	5,596,896
Contributions receivable due within one year, excluding promised facilities and services of $1,026,010	361,766
Total financial assets	9,166,713
Less donor imposed restrictions:	
Subject to expenditure for specific purposes	(3,990,418)
Financial assets available to meet general expenditures within one year	$ 5,176,295

D. Fair Value Measurements

APA! reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique.

D. Fair Value Measurements – continued

Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available.

GAAP establishes a framework for measuring fair value, which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GAAP are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurements.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to APA!'s assessment of the quality, risk, or liquidity profile of the asset or liability.

D. Fair Value Measurements – continued

The following table details the Organization's investments at fair value by level, within the fair value hierarchy, at December 31:

	2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Short-term bond mutual funds	$ 3,814,006	$ -	$ -	$ 3,814,006
Short-term municipal bond funds	1,782,890	-	-	1,782,890
Promised use of facilities	-	-	426,010	426,010
Promised services	-	-	600,000	600,000
	$ 5,596,896	$ -	$ 1,026,010	$ 6,622,906

E. Contributions Receivable

Contributions receivable consisted of the following:

	January 1, 2021	**December 31, 2021**
Contributions receivable	$ 614,032	$ 361,766
Promised use of facilities	519,622	426,010
Promised services	-	600,000
Total contributions receivable	$ 1,133,654	$ 1,387,776

At December 31, 2021, collection of the contributions receivable balance was expected to be as follows:

2022	$ 934,946
2023	452,830
	$ 1,387,776

No discounts to present value have been recorded and no allowances for uncollectible promises are considered necessary.

During the year ended December 31, 2021, the Organization was party to a lease agreement where it received the free use of 6,500 square feet of donated facilities at Tarrytown Center in Austin, Texas. The primary use of these donated facilities is for the adoption of homeless dogs and cats. The lease agreement terminates on October 31, 2023.

E. Contributions Receivable – continued

On November 10, 2011, the City Council of the City of Austin first authorized a temporary license agreement ("License Agreement") for the operation of Town Lake Animal Center ("TLAC") with the Organization, the City's choice for a non-profit partner to further the City's No Kill Implementation Plan adopted in March 2010. The License Agreement has persisted with support for extensions from the City Council in consideration for the valued partnership and benefit for the Organization's operation of the facility. Effective November 23, 2021, the City of Austin and the Organization entered into the Sixth Amendment to the License Agreement. The Sixth Amendment extends the License Agreement for three months from the effective date.

In accordance with GAAP, organizations that receive the free or discounted use of facilities, in which the donor retains legal title for a specified period should report these promises as contributions receivable and as restricted support that increases net assets with donor restrictions. Accordingly, as of December 31, 2021, the Organization has recorded contributions receivable in the amount of $336,226 related to the promised use of the Tarrytown Center through the lease termination date on October 31, 2023 and $89,784 related to the promised use of TLAC through the Sixth Amendment termination date on February 23, 2022. Contributions receivable associated with promised use of facilities are calculated based on the fair market value for commercial real estate in the vicinity of the donated facilities and are amortized as facilities expense on a straight-line basis over respective terms.

Contributions receivable associated with promised use of facilities are calculated based on the fair market value for commercial real estate in the vicinity of the donated facilities and are amortized as facilities expense on a straight-line basis over respective terms.

On July 30, 2021, the Organization entered into a Partnership Agreement with Pathway Vet Alliance LLC and National AVC, LLC (collectively, "Pathway") for $600,000 in cash contributions restricted to the APA! Medical clinic and $600,000 worth of veterinary services at the Pathway clinics for a period of two years beginning in February 2022. As of December 31, 2021, the Organization has recorded contributions receivable in the amount of $300,000 restricted to the APA! medical clinic and $600,000 in promised veterinary services.

F. Investments

The cost and fair values of investments held at December 31, 2021 consist of the following:

	Cost	Fair Value
Short-term bond mutual funds	$ 3,849,228	$ 3,814,006
Short-term municipal bond funds	1,787,716	1,782,890
Total investments	$ 5,636,944	$ 5,596,896

F. Investments – continued

The fair values of the Organization's investments were based on Level 1 Inputs, as defined by GAAP, which represent quoted prices of the individual investments in an active market. As of December 31, 2021, all investments were measured at fair value on a recurring basis.

The loss on investments for the year ended December 31, 2021 consists of the following:

Dividends and interest	$ 48,344
Realized losses	(13,043)
Net unrealized losses	(40,048)
Broker fees	(3,555)
Loss on investments, net	$ (8,302)

G. Property and Equipment

Property and equipment consisted of the following at December 31, 2021:

Leasehold improvements	$ 1,131,314
Furniture and equipment	232,719
New facilities development	156,643
Website	138,092
Vehicles	92,275
Construction in Progress	75,728
	1,826,771
Less: accumulated depreciation	(1,393,064)
	$ 433,707

During the year ended December 31, 2021, depreciation expense totaled $592,267, which has been allocated among program and supporting services expense on the accompanying statement of activities.

New facilities development assets have not yet been placed in service. Accordingly, depreciation expense was not recognized on these assets during the year ended December 31, 2021.

H. Payroll Protection Program Loan

During April 2020, the Organization received a loan in the amount of $1,322,995 under the Payroll Protection Program ("PPP"). In March 2021, the Company received forgiveness for the PPP loan from the Small Business Administration, and accordingly recognized PPP loan forgiveness in the amount of $1,322,995, which is included within other income in the accompanying statement of activities.

I. Net Assets with Donor Restrictions

Net assets with donor restrictions that are temporary in nature at December 31, 2021, are designated as follows:

Capital: new campus	$ 1,871,560
AmPA!/ HASS programs	1,242,875
Promised use of facilities	426,010
Dog behavior program	4,015
Clinic/medical programs	1,037,731
Facility improvements (TLAC)	137,658
Transport program	118,053
Feline leukemia (FeLV) cat program	104,042
Other programs	74,484
	$ 5,016,428

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31, 2021:

AmPA!/HASS programs	$ 1,843,812
Dog behavior program	627,509
Promised use of facilities	183,396
Capital: new campus	128,440
Clinic/medical programs	81,887
Big dog welfare project	80,422
Facility improvements (TLAC)	75,718
Transport program	1,381
Feline leukemia (FeLV) cat program	37,006
Other programs	77,343
	$ 3,136,914

J. Commitments and Contingencies

The Organization leases space for its thrift store operations at three locations in Austin, Texas under operating leases expiring at various dates through 2023 with escalating payments. When the Organization enters into an operating lease that contains a period where there are free or reduced rents, or rent increases throughout the lease term, the Organization recognizes rent expense on a straight-line basis over the term of the lease.

J. Commitments and Contingencies – continued

As of December 31, 2021, future minimum lease payments under these operating leases were as follows:

2022	$ 241,772
2023	97,589
Thereafter	-
Total	$ 339,361

The Organization recognized contributions of $404,028 for the free use of the TLAC facility during the year ended December 31, 2021. The Organization does not pay rent for TLAC; however, it is responsible for repairs, maintenance, janitorial services, and utilities. The terms of the License Agreement allow either party to terminate the Agreement upon ninety (90) days written notice.

According to GAAP, expense should be recognized in the periods the facilities are used. During the year ended December 31, 2021, total rental expense for leased facilities was $807,509, which includes approximately $497,639 in donated facility expense associated with the donated TLAC and Tarrytown facilities. Total rental expense is included within occupancy expense on the accompanying statement of functional expenses. Occupancy expense has been allocated among program and supporting services expense on the accompanying statement of activities.

K. Concentrations

At December 31, 2021, contributions receivable included $900,000 promised by one organization.

M. Related Party Transactions

During the year ended December 31, 2021, the Organization received contributions from related parties of approximately $260,000, which is included within contributions on the accompanying statement of activities.

N. Subsequent Events

In preparing the financial statements, the Organization has evaluated all subsequent events and transactions for potential recognition or disclosure through March 24, 2023, the date the financial statements were available for issuance.

In January 2022, the Organization signed a lease amendment for the thrift store located on Oltorf Road, which extended the lease term from March 2022 to March 2027.

N. Subsequent Events – continued

In May 2022, the Organization purchased 15 acres of property in Austin, Texas to be used as an operations site for approximately $2,807,000. The Organization secured a variable interest loan from a financial institution in the amount of $1,400,000 to be used towards the purchase of this property. The loan accrues interest at a rate of 2.444% plus the 1-month Secured Overnight Financing Rate ("SOFR") rate. Interest payments are due monthly and the Organization promises to pay the principal and any accrued interest on or before June 1, 2024. The loan is secured by the new property and there are no loan covenants.

On February 23, 2023, the City of Austin approved an ordinance authorizing negotiation and execution for a 6-month extension to commence February 23, 2023 and terminate August 23, 2023 permitting the Organization to use TLAC. Prior to this ordinance, the City of Austin and the Organization entered into the Seventh Amendment to the License Agreement for the use of TLAC through February 23, 2023.