AUSTIN PETS ALIVE, INC.

FINANCIAL STATEMENTS

Year Ended December 31, 2020
with Report of Independent Auditors

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FINANCIAL STATEMENTS

Year Ended December 31, 2020

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REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying financial statements of Austin Pets Alive, Inc. which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, 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.

Auditor's 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

Austin Pets Alive, Inc.'s inventory is carried at $319,490 on the statement of financial position at December 31, 2020 and Austin Pets Alive, Inc.'s in-kind donations of inventory of $787,652 is included in Austin Pets Alive, Inc.'s statement of activities for the year then ended. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of Austin Pets Alive, Inc.'s inventory as of December 31, 2020 and the Austin Pets Alive, Inc.'s in-kind donations of inventory for the year then ended because Austin Pets Alive, Inc. did not make a count of inventory at December 31, 2020 and Austin Pets Alive, Inc.'s records do not permit the application of other auditing procedures to inventories or in-kind donations of inventory. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Austin Pets Alive, Inc. as of December 31, 2020, 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.

Whitley Penn LLP

Austin, Texas
January 21, 2022

AUSTIN PETS ALIVE, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2020

Assets	
Cash and cash equivalents	$ 4,162,286
Investments	2,281,253
Contributions receivable	1,133,654
Inventory	319,490
Prepaid expenses and other assets	182,922
Property and equipment	863,584
Total assets	$ 8,943,189
Liabilities and Net Assets	
Liabilities:	
Accounts payable and accrued expenses	$ 140,680
Accrued compensation	300,133
Financed insurance payable	101,066
PPP loan	1,322,995
Total liabilities	1,864,874
Commitments and contingencies	
Net assets:	
Without donor restrictions	3,649,575
With donor restrictions	3,428,740
Total net assets	7,078,315
Total liabilities and net assets	$ 8,943,189

See accompanying notes to financial statements.

AUSTIN PETS ALIVE, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Support:			
Contributions	$ 6,456,991	$ 1,074,816	$ 7,531,807
Special events	322,624	-	322,624
Net assets released from restrictions	2,894,513	(2,894,513)	-
Total support	9,674,128	(1,819,697)	7,854,431
Non-thrift store revenue:			
Adoption fees	1,337,690	-	1,337,690
Annual conference	132,156	-	132,156
Return on investments, net	40,616	-	40,616
Other revenues	179,116	-	179,116
Total non-thrift store revenue	1,689,578	-	1,689,578
Thrift store revenue:			
In-kind donations of inventory	787,652	-	787,652
Thrift store sales	726,763	-	726,763
Cost of goods sold	(726,763)	-	(726,763)
Net thrift store revenue	787,652	-	787,652
Total support and revenue	12,151,358	(1,819,697)	10,331,661
Expenses:			
Program services:			
Adoptions and animal care	7,314,084	-	7,314,084
Community outreach and education	1,221,616	-	1,221,616
Total program services	8,535,700	-	8,535,700
Supporting services:			
Management and general	970,107	-	970,107
Donor development and fundraising	548,526	-	548,526
Marketing and public relations	638,920	-	638,920
Thrift store operations	829,515	-	829,515
Total supporting services	2,987,068	-	2,987,068
Total expenses	11,522,768	-	11,522,768
Change in net assets	628,590	(1,819,697)	(1,191,107)
Net assets at beginning of year	3,020,985	5,248,437	8,269,422
Net assets at end of year	$ 3,649,575	$ 3,428,740	$ 7,078,315

See accompanying notes to financial statements.

AUSTIN PETS ALIVE, INC.

STATEMENT OF FUNTIONAL EXPENSES

Year Ended December 31, 2020

	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	$ 5,210,447	$ 907,267	$ 6,117,714	$ 569,391	$ 511,922	$ 547,158	$ 350,703	$ 1,979,174	$ 8,096,888
Occupancy	405,683	3,677	409,360	17,966	5,425	2,339	375,443	401,173	810,533
Animal food, supplies, equipment, and shelter	428,465	16	428,481	-	-	-	-	-	428,481
Vaccines, medications, and microchips	345,787	-	345,787	-	-	-	-	-	345,787
Insurance	180,917	15,301	196,218	1,314	5,031	6,524	10,854	23,723	219,941
Professional fees	117,936	6,651	124,587	33,978	2,726	32,755	-	69,459	194,046
Other expense	39,715	3,834	43,549	107,786	858	3,608	28,851	141,103	184,652
Depreciation	173,682	-	173,682	10,159	-	-	-	10,159	183,841
Bank and credit card processing fees	75	1,445	1,520	121,571	3,287	1,745	20,975	147,578	149,098
Stipends and apprenticeships	-	135,569	135,569	-	-	-	-	-	135,569
Conference and event expense	-	105,208	105,208	-	438	1,478	-	1,916	107,124
IT infrastructure and software subscriptions	29,751	12,422	42,173	28,952	11,526	9,059	10,289	59,826	101,999
Medical supplies	97,612	-	97,612	-	-	-	179	179	97,791
Medical services	98,790	-	98,790	-	-	-	-	-	98,790
Medical tests	86,897	-	86,897	-	-	-	-	-	86,897
Repairs and maintenance	54,066	-	54,066	380	-	295	9,248	9,923	63,989
Lobbying expenses	-	-	-	60,000	-	-	-	60,000	60,000
Advertising, promotion, and website expense	6,672	762	7,434	6,368	1,005	33,739	976	42,088	49,522
Supplies	19,504	3,436	22,940	3,821	1,820	220	17,852	23,713	46,653
Travel	3,748	25,715	29,463	5,449	565	-	871	6,885	36,348
Employee/ volunteer/ donor relations expense	14,337	313	14,650	2,972	3,923	-	3,274	10,169	24,819
Total expenses	$ 7,314,084	$ 1,221,616	$ 8,535,700	$ 970,107	$ 548,526	$ 638,920	$ 829,515	$ 2,987,068	$ 11,522,768

See accompanying notes to financial statements.

AUSTIN PETS ALIVE, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2020

Cash flows from operating activities:	
Changes in net assets	$ (1,191,107)
Adjustments to reconcile changes in net assets to net cash used in operating activities:	
Contributions with donor restrictions	(1,074,817)
Depreciation	183,841
Non-cash rent expense	183,396
Net unrealized losses on investments	13,745
Net realized gain on sales of investments	(7,601)
Changes in net assets and liabilities:	
Contributions receivable	1,070,977
Inventory	(62,018)
Prepaid expenses and other assets	(29,943)
Accounts payable and accrued expenses	(97,058)
Accrued compensation	254,701
Net cash used in operating activities	(755,884)
Cash flows from investing activities:	
Purchases of investments	(2,179,643)
Proceeds from sales of investments	2,118,080
Purchases of property and equipment	(214,467)
Net cash used in investing activities	(276,030)
Cash flows from financing activities:	
Proceeds from contributions receivable with donor restrictions	412,665
Proceeds from PPP loan	1,322,995
Proceeds from financed insurance payable	120,203
Payments on financed insurance payable	(19,137)
Net cash provided by financing activities	1,836,726
Net increase in cash and cash equivalents	804,812
Cash and cash equivalents at beginning of year	3,357,474
Cash and cash equivalents at end year	$ 4,162,286
Supplemental Disclosure of Cash Flow Information	
Cash paid during the year for interest on financed insurance payable	$ 4,711

See accompanying notes to financial statements.

AUSTIN PETS ALIVE, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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 (see Note E) 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 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 APA!'s most recent endeavor and 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.

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, 2020, 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 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 (see Note E). 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, 2020.

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, 2020, 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.

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 meet these criteria.

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.

B. Summary of Significant Accounting Policies – continued

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 Board members and 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 accounting principles generally accepted in the United States of America ("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.

Advertising

Advertising costs are expensed as incurred. Advertising expense was approximately $50,000 for the year ended December 31, 2020, which has been allocated among program and supporting services expense on the accompanying statement of activities.

B. Summary of Significant Accounting Policies – continued

New Accounting Pronouncements

During 2020, the Organization adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), which supersedes nearly all existing revenue recognition guidance under GAAP. The core principle of this ASU is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. The new revenue guidance defines a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing GAAP. The Organization adopted this guidance on January 1, 2020, and the guidance was applied to contracts at the application date. There was no adjustment necessary to beginning net assets as a result of the adoption.

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, 2020:

Cash and cash equivalents	$ 4,162,286
Investments	2,281,253
Contributions receivable due within one year, excluding promised facilities of $519,622	614,032
Total financial assets	7,057,571
Less donor imposed restrictions:	
Subject to expenditure for specific purposes	(2,909,118)
Financial assets available to meet general expenditures within one year	$ 4,148,453

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. 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.

E. Contributions Receivable

Contributions receivable consisted of the following:

	January 1, 2020	December 31, 2020
Contributions receivable	$ 1,022,857	$ 614,032
Promised use of facilities	703,018	519,622
Total contributions receivable	$ 1,725,875	$ 1,133,654

At December 31, 2020, collection of the contributions receivable balance (other than the promised use of facilities) was expected to be collected within one year. No discounts to present value have been recorded and no allowances for uncollectible promises are considered necessary.

During the year ended December 31, 2020, 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. 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, 2020, the Organization has recorded contributions receivable in the amount of $519,622 related to the promised use of the Tarrytown Center through the lease termination date on October 31, 2023. 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.

F. Investments

The cost and fair values of investments held at December 31, 2020 consist of the following:

	Cost	Fair Value
Short-term bond mutual funds	$ 1,695,770	$ 1,696,756
Commercial paper	569,591	573,033
Bond ETFs	10,958	11,464
Total investments	$ 2,276,319	$ 2,281,253

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, 2020, all investments were measured at fair value on a recurring basis.

F. Investments – continued

The investment return for the year ended December 31, 2020 consists of the following:

Dividends and interest	$ 46,760
Realized gains	7,601
Net unrealized losses	(13,745)
Return on investments, net	$ 40,616

G. Property and Equipment

Property and equipment consisted of the following at December 31, 2020:

Leasehold improvements	$ 1,075,704
Furniture and equipment	264,149
New facilities development	131,643
Website	123,815
Vehicles	98,338
	1,693,649
Less: accumulated depreciation	(830,065)
	$ 863,584

During the year ended December 31, 2020, depreciation expense totaled $183,841, 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, 2020.

H. Financed Insurance Payable

During the year ended December 31, 2020, the Organization financed insurance premiums from a third-party financial institution. The payable was due April 13, 2021 and had an effective interest rate of 7.19% as of December 31, 2020.

I. PPP Loan

During April 2020, the Organization received a loan in the amount of $1,322,995 under the Payroll Protection Program ("PPP") loan. The loan accrues interest at a rate of 1% and had an original maturity date of two years which can be extended to five years by mutual agreement of the Organization and the lender. Payments are deferred during the "Deferral Period", which is the ten-month period following the origination date of the note (deferral expiration date). Any amounts not forgiven under the program will be payable in equal installments of principal plus any interest owed on the payment date from the deferral expiration date through the maturity date. Additionally, any accrued interest that is not forgiven under the program will be due on the first payment date, which is the 15th of the month following the month in which the deferral expiration date occurs.

Under the requirements of the CARES Act, as amended by the PPP Flexibility Act and Consolidated Appropriations Act, 2021, proceeds may only be used for the Organization's eligible payroll costs (with salary capped at $100,000 on an annualized basis for each employee), or other eligible costs related to rent, mortgage interest utilities, covered operations expenditures, covered property damage, covered supplier costs, and covered worker protection expenditures, in each case paid during the 24-week period following disbursement. The PPP loan may be fully forgiven if (i) proceeds are used to pay eligible payroll costs or other eligible costs and (ii) full-time employee headcount and salaries are either maintained during the 24-week period following disbursement or restored by December 31, 2020. If not maintained or restored, any forgiveness of the PPP loan would be reduced in accordance with the regulations that were issued by the SBA. All the proceeds of the PPP loan were used by the Organization to pay eligible payroll costs and the Organization maintained its headcount and otherwise complied with the terms of the PPP loan.

The balance on this PPP loan was $1,322,995 as of December 31, 2020. In March 2021, the PPP loan was forgiven by the Small Business Administration. The principal balance of $1,322,995 and accrued interest of $10,985 were forgiven.

J. Net Assets with Donor Restrictions

Net assets with donor restrictions that are temporary in nature at December 31, 2020, are designated as follows:

Lifesaving academy	$ 775,632
Dog behavior program	626,402
AmPA!/ HASS programs	621,215
Promised use of faculties	519,622
HASS: Data analysis projects	413,392
Other purposes	227,054
HASS: Diversity, equity, and inclusion program	100,000
Big dog welfare project	80,423
HASS: Eviction impact studies	65,000
	$ 3,428,740

J. Net Assets with Donor Restrictions – continued

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, 2020:

Hurricane Harvey relief	$ 725,899
AmPA!/ HASS programs	564,623
Lifesaving academy	437,371
Dog behavior program	418,373
Big dog welfare project	285,317
Promised use of faculties	183,396
HASS: Data analysis projects	78,925
Facility improvements	76,186
Capital: Architectural fees for new campus	60,430
Executive leader fellowships	52,358
Medical cases	11,590
Positive Alternatives to Shelter Surrender (PASS) program	45
	$ 2,894,513

K. 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, then the Organization recognizes rent expense on a straight-line basis over the term of the lease.

As of December 31, 2020, future minimum lease payments under these operating leases were as follows:

2021	$ 323,069
2022	246,691
2023	102,509
Thereafter	-
Total	$ 672,269

K. Commitments and Contingencies – continued

On November 10, 2011, the City Council of the City of Austin first authorized a temporary license agreement (“Agreement”) for the operation of Town Lake Animal Center (“TLAC”) with APA!, the City’s choice for a non-profit partner to further the City’s No Kill Implementation Plan adopted in March 2010. The Agreement with the APA! 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 During 2020, an amendment was executed that extended the term of the Agreement until March 2021. Accordingly, the Organization recognized contributions of $140,000 for the free use of the TLAC facility during the year ended December 31, 2020. The Organization does not pay rent for the TLAC; however, it is responsible for repairs, maintenance, janitorial services, and utilities. The terms of the Amended and Restated 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, 2020, total rental expense for leased facilities was $691,635, which includes $323,396 in donated facility expense associated with the donated TLAC and Tarrytown (Note E) 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.

L. Concentrations

At December 31, 2020, contributions receivable included $500,000 promised by one individual.

M. Donated Materials and Professional Services

	Program Services	Donor Development and Fundraising	Thrift Store Operations	Total
Thrift store inventory	$ -	$ -	$ 787,652	$ 787,652
Pet food	280,443	-	-	280,443
Pet supplies	114,008	-	-	114,008
Other	11,461	5,816	-	17,277
	$ 405,912	$ 5,816	$ 787,652	$ 1,199,380

N. Related Party Transactions

During the year ended December 31, 2020 the Organization received contributions from related parties of approximately $170,000, which is included within contributions on the accompanying statement of activities.

O. Subsequent Events

In preparing the financial statements, the Organization has evaluated all subsequent events and transactions for potential recognition or disclosure through January 21, 2022, the date the financial statements were available for issuance.

In May 2021, the TLAC Agreement was amended to extend the promised use of facilities through November 23, 2021. On November 4, 2021, a resolution went before the City Council of the City of Austin to change some critical covenants in the Agreement. The resolution was sponsored by four city council members and the mayor and sought to remove geographic constraints for intake and address minimum intake requirements within the Agreement and directed the City Manager to negotiate certain terms for the operation of TLAC. During November 2021, the City and the Organization agreed to a new extension through February 23, 2022 that allows for additional time to implement council resolutions.