PETCO LOVE AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT

For the Years Ended May 1, 2021 and May 2, 2020

PETCO LOVE AND SUBSIDIARY
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements
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 May 1, 2021 and May 2, 2020, 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.

Management's Responsibility 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of May 1, 2021 and May 2, 2020, and the changes in its net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

RBTK, LLP

October 11, 2021

PETCO LOVE AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
May 1, 2021 and May 2, 2020

ASSETS

	May 1, 2021	May 2, 2020
Cash and cash equivalents	$ 11,832,313	7,101,589
Receivable from Petco Animal Supplies Stores, Inc. (Note 9)	3,945,170	2,258,610
Other receivables	280,103	698,002
Prepaid expenses	288,082	167,006
Long-term investments, at fair value (Note 4)	10,991,673	8,231,713
Convertible note receivable (Note 5)	229,519	-
Mission related investment (Note 6)	-	1,278,485
Software development in progress	69,204	-
Intangible asset, net (Note 7)	81,667	-
Goodwill (Note 8)	3,640,000	-
Total assets	$ 31,357,731	19,735,405

LIABILITIES AND NET ASSETS

	May 1, 2021	May 2, 2020
Liabilities:		
Accounts payable and accrued expenses	$ 642,699	139,330
Deferred revenue	-	400,000
Due to Petco Animal Supplies Stores, Inc. (Note 9)	447,243	610,087
Total liabilities	1,089,942	1,149,417
Net assets:		
Net assets without donor restrictions (Note 12)	29,762,789	18,335,988
Net assets with donor restrictions (Note 12)	505,000	250,000
Total net assets	30,267,789	18,585,988
Total liabilities and net assets	$ 31,357,731	19,735,405

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	$ 39,326,822	560,000	39,886,822
Special events:			
Revenue	-	-	-
Expense	-	-	-
Net special events revenue	-	-	-
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	305,000	(305,000)	-
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
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended May 2, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions from individuals and corporations	$ 32,864,767	250,000	33,114,767
Special events:			
Revenue	1,523,450	-	1,523,450
Expense	(795,243)	-	(795,243)
Net special events revenue	728,207	-	728,207
Merchandise:			
Revenue	18,424	-	18,424
Expense	-	-	-
Net merchandise revenue	18,424	-	18,424
Royalty revenue	1,478,878	-	1,478,878
Interest income	27,879	-	27,879
Net investment return	(59,078)	-	(59,078)
Loss from mission related investment (Note 6)	(1,118,569)	-	(1,118,569)
Net assets released from restrictions	200,000	(200,000)	
Total support and revenue	34,140,508	50,000	34,190,508
Expenditures:			
Program activities	29,334,120	-	29,334,120
Supporting activities:			
Fundraising	1,936,277	-	1,936,277
Management and general	655,538	-	655,538
Total supporting activities	2,591,815	-	2,591,815
Total expenditures	31,925,935	-	31,925,935
Change in net assets	2,214,573	50,000	2,264,573
Net assets, beginning of year	16,121,415	200,000	16,321,415
Net assets, end of year	$ 18,335,988	250,000	18,585,988

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
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended May 2, 2020

	Program Activities	Supporting Activities			
	Lifesaving	Fund Raising	General and Administrative	Total Supporting Activities	Total
Grants	$ 27,426,074	-	-	-	27,426,074
Management services	984,785	787,463	434,324	1,221,787	2,206,572
Marketing and promotional	546,344	1,003,397	1,778	1,005,175	1,551,519
Travel and meals	182,930	97,827	26,157	123,984	306,914
Legal fees	-	-	109,857	109,857	109,857
Software	59,013	15,156	5,183	20,339	79,352
Supplies and equipment	48,156	7,366	8,250	15,616	63,772
Postage	31,840	9,510	4,028	13,538	45,378
Financial fees	-	-	40,250	40,250	40,250
Other professional fees	25,982	1,408	11,136	12,544	38,526
Printing	28,996	6,325	466	6,791	35,787
Bank and credit card fees	-	7,825	2,016	9,841	9,841
Licenses and registration	-	-	6,227	6,227	6,227
Other	-	-	5,866	5,866	5,866
Total expenses included in Expenditures on the Statement of Activities	29,334,120	1,936,277	655,538	2,591,815	31,925,935
Cost of direct benefit to donors included in Support and Revenue on the Statement of Activities	-	795,243	-	795,243	795,243
Total expenses by function	$ 29,334,120	2,731,520	655,538	3,387,058	32,721,178

See Accompanying Notes to Financial Statements

PETCO LOVE AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended May 1, 2021 and May 2, 2020

	May 1, 2021	May 2, 2020
Cash flows from operating activities:		
Change in net assets	$ 11,681,801	2,264,573
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization	18,333	-
Net long-term investment loss (return)	(2,758,109)	59,078
Loss from mission related investment	36,611	1,118,569
Accrued interest income	(2,519)	-
(Increase) decrease in receivable from Petco Animal Supplies Stores, Inc.	(1,686,560)	375,258
Decrease in other receivables	417,899	122,428
(Increase) decrease in prepaid expense	(121,076)	102,865
Increase (decrease) in accounts payable and accrued expenses	503,369	(759,968)
Increase (decrease) in deferred revenue	(400,000)	400,000
Increase (decrease) in due to Petco Animal Supplies Stores, Inc.	(162,844)	246,380
Net cash provided by operating activities	7,526,905	3,929,183
Cash flows from investing activities:		
Donated investments, net	(1,851)	338,145
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) provided by investing activities	(2,796,181)	338,145
Net increase in cash and cash equivalents	4,730,724	4,267,328
Cash and cash equivalents, beginning of year	7,101,589	2,834,261
Cash and cash equivalents, end of year	$ 11,832,313	7,101,589
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 facial 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 May 1, 2021 (fiscal year 2020) and May 2, 2020 (fiscal year 2019) 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. Contributions with donor restrictions that are used for the purpose specified by the donor in the same year as the contributions is received are recognized as contributions without donor 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 Company 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 grant investments and the work being done by animal welfare organizations throughout the country to save lives. Advertising expense was

2. Summary of Significant Accounting Policies, Continued

Advertising, Continued
$344,486 and $408,776, for the years ended May 1, 2021 and May 2, 2020, respectively.

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 May 1, 2021 or May 2, 2020.

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 May 1, 2021 or May 2, 2020.

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 the equity method investments 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 for impairment. Investments accounted for under this method include the Organization's

2. Summary of Significant Accounting Policies, Continued

Equity Method Investments, Continued
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.

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.

2. Summary of Significant Accounting Policies, Continued

Subsequent Events

The Organization has evaluated subsequent events through October 11, 2021, 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 May 1, 2021 and May 2, 2020, 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 include net assets with donor restrictions totaling $455,000 and $250,000, designated by contract funds totaling $55,873 and $19,750, and board designated funds totaling $220,946 and $1,065,923 at May 1, 2021 and May 2, 2020, respectively, as well as deferred revenue totaling $400,000 at May 2, 2020. 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.

	May 1, 2021	May 2, 2020
Cash and cash equivalents	$ 11,832,313	7,101,589
Receivable from Petco	3,945,170	2,258,610
Other receivables	280,103	698,002
Convertible note receivable	229,519	-
Investments (level 1)	10,991,673	8,231,713
Total financial assets	27,278,778	18,289,914
Less amounts not available to be used within one year:		
Donor restricted	(505,000)	(250,000)
Designated by contract	(55,873)	(19,750)
Board-designated	(220,946)	(1,065,923)
Deferred revenue	-	(400,000)
Total assets available for use within one year	$ 26,496,959	16,554,241

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:

	May 1, 2021	May 2, 2020
Equities:		
Consumer goods	$ 2,238,462	1,554,295
Financial	1,277,024	1,139,822
Technology and communications	980,291	802,605
Healthcare	712,567	218,141
Services	377,063	422,028
Industrial goods	209,098	177,234
Total equities	5,794,505	4,314,125
Certificates of deposit	2,034,491	1,026,059
Equity funds	1,420,982	1,037,193
US Treasuries	1,325,381	1,413,616
Bond funds	300,493	298,793
Interest bearing cash	115,821	41,164
Corporate bonds	-	100,763
Total investments, at fair value	$ 10,991,673	8,231,713

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 bears interest at 5% per annum and is due on demand at any time on or after February 14, 2022. No payments are required prior to maturity; however, should the Entity prior to maturity sell any shares of preferred stock in excess of agreed upon levels, all principal and interest shall automatically convert into shares of preferred stock.

5. Convertible Note Receivable, Continued

The Note shall convert into shares of preferred stock at a per share price (the Conversion Price) equal to the lower of (i) the cash purchase price per share paid by other purchasers in the principal purpose of raising capital (Qualified Financing) multiplied by 0.80; or (ii) the price per share equal to the quotient of $5,000,000 divided by the aggregate number of outstanding shares of capital stock of the Company (on an as-converted basis, assuming the exercise of all outstanding stock options and warrants to purchase shares of capital stock) as of immediately prior to the initial closing of the Qualified Financing.

The number of shares of preferred stock to which the Organization shall be entitled upon conversion of the Note held by the Organization shall be determined by dividing the principal and interest amount outstanding under such Note by the Conversion Price.

In the event that the Note has not been converted in a Qualified Financing prior to the Maturity Date, holders of at least a majority of the principal amount of the Notes then outstanding (the “Requisite Majority”) may elect, on behalf of the holders of all Notes then outstanding, for the Company to either repay the Notes in full or convert all outstanding principal and interest on such Notes into shares of a series of preferred stock of the Company with an original issue price equal to the Conversion Price and otherwise pari passu with the Company’s existing Series Seed Preferred Stock.

6. Mission Related 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 facial 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. As a result of this purchase, the Organization’s MRI had no value immediately following the purchase. Accordingly, an impairment loss of $813,556 was recorded during the year ended May 2, 2020 for this other than temporary decrease in value and 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 Investment, Continued

The Company's MRI consisted of the following at May 2, 2020:

Investee	Investment Type	Owner Type	Ownership
Finding Rover, Inc.	C-Corporation	Preferred Stockholder	24%

A summary of the financial information of the MRI as of May 2, 2020 and for the year then ended, is as follows:

Cash	$	17,752
Other assets		900,849
Total assets		918,601
Less:		
Other current liabilities		44,869
Note payable, The Petco Organization (Note 9)		160,000
Net assets	$	713,732
Net loss	$	(1,118,569)
Organization's interest:		
Balance as of May 2, 2020	$	2,397,054
Share of net loss		(305,013)
Impairment loss		(813,556)
Total MRI	$	1,278,485

7. Intangible Assets

A summary of intangible assets at May 1, 2021 and May 2, 2020, is as follows:

	May 1, 2021	May 2, 2020
Covenant not to compete (5 year life)	100,000	-
Less accumulated amortization	(18,333)	-
	$ 81,667	-

8. Goodwill

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

Balance, beginning of year	$	-
Goodwill acquired during the year		3,640,000
Impairment		-
Balance, end of year	$	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 May 1, 2021 and determined that no events or circumstances indicated that intangible assets might be impaired. As a result, no impairment charge was recorded for the year ended May 1, 2021.

9. Related Party Transactions

Included in special events revenue and contributions from individuals and corporations are Petco contributions of $169,066 and $175,912 for the years ended May 1, 2021 and May 2, 2020, respectively. Additionally, the Organization received other goods and services used in operations which were recorded as contributions from individuals and corporations and expenses in the accompanying consolidated statements of activities at their estimated fair value of $985,663 for the year ended May 2, 2020. There were no such contributions for the year ended May 1, 2021.

Receivable from Petco of $3,945,170 and $2,258,610 at May 1, 2021 and May 2, 2020, 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 100% of bonus and other costs. The cost for all reimbursed expenses for the years ended May 1, 2021 and May 2, 2020, was $3,600,785 and $3,132,916, respectively.

9. Related Party Transactions, Continued

Due to Petco of $447,243 and $610,087 at May 1, 2021 and May 2, 2020, respectively, represents reimbursable expenses covered under the Agreement in addition to other operating expenses.

During the years ended May 1, 2021 and May 2, 2020 five and two 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 $540,000 and $81,269 during the years ended May 1, 2021 and May 2, 2020, respectively. Additionally, as further described in Note 11, the Organization has future commitments to one of these organizations totaling $100,000 as of May 1, 2021. In accordance with the Organization's conflict of interest policy, such members abstain from votes pertaining to such organization grants.

At May 2, 2020, the Organization had a promissory note receivable from FR (the FR Note) for $160,000 which was included in other receivables. The FR Note was due on the earlier to occur of a purchase of FR assets, as further explained in Note 5, or July 31, 2020, and bore interest at 10% per annum. There was no interest earned on the FR Note for the years ended May 1, 2021 and May 2, 2020. The FR Note was repaid in full during the year ended May 1, 2021.

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 2020 and 2019. The costs of conducting these joint activities which meet the purpose, audience, and content of FASB Accounting Standards Codification 958-720 were $3,196,268 and $2,752,481 for the years ended May 1, 2021 and May 2, 2020, respectively. They were comprised of the following for the years ended:

	May 1, 2021	May 2, 2020
Program	$ 1,950,432	1,272,653
Fundraising	765,813	1,013,324
Management and general	480,023	466,504
Total	$ 3,196,268	2,752,481

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 May 1, 2021:

2021	$ 2,580,000
2022	1,525,000
2023	1,505,000
	$ 5,610,000

As of May 2, 2020, future commitments under all grants agreements totaled $8,506,500.

12. Net Assets

Net assets with donor restrictions were as follows for the years ended May 1, 2021 and May 2, 2020:

	May 1, 2021	May 2, 2020
Specific purpose:		
Save Pets Fund	$ 410,000	250,000
Innovation Showdown	95,000	-
Total	$ 505,000	250,000

Net assets were released from donor restrictions during the year ended May 1, 2021 and May 2, 2020, by incurring expenditures satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	May 1, 2021	May 2, 2020
Innovation Showdown	$ 305,000	-
Geographic area	-	200,000
Total	$ 305,000	200,000

12. Net Assets, Continued

Net assets without donor restrictions were as follows for the years ended May 1, 2021 and May 2, 2020:

	May 1, 2021	May 2, 2020
Undesignated	$ 29,485,970	17,250,315
Designated by contract	55,873	19,750
Board-designated	220,946	1,065,923
Total	$ 29,762,789	18,335,988

13. Concentration of Risk

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

Credit Risk
At May 1, 2021, the Organization had approximately $11,832,000 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.