



# **MERCY FOR ANIMALS, INC.**

**LOS ANGELES, CALIFORNIA**

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2024 AND 2023**

MERCY FOR ANIMALS, INC.  
TABLE OF CONTENTS  
DECEMBER 31, 2024 AND 2023

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	<u>Page</u>
<b>Report of Independent Auditors .....</b>	<b>1</b>
<b>Consolidated Financial Statements</b>	
Consolidated Statements of Financial Position .....	3
Consolidated Statements of Activities .....	4
Consolidated Statements of Functional Expenses.....	6
Consolidated Statements of Cash Flows .....	8
Notes to Consolidated Financial Statements.....	9



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## REPORT OF INDEPENDENT AUDITORS

Finance and Executive Committee of the Board of Directors  
Mercy for Animals, Inc.  
Los Angeles, California

### Opinion

We have audited the accompanying consolidated financial statements of Mercy for Animals, Inc. and subsidiary (a nonprofit organization, the Organization), which comprise the consolidated statement of financial position as of December 31, 2024, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (the financial statements).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2024, 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 Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Prior Period Financial Statements

The financial statements of the Organization for the year ended December 31, 2023 were audited by another auditor who expressed an unmodified opinion on those statements on October 1, 2024.

### 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 within one year after the date that the financial statements are available to be issued.

Finance and Executive Committee of the Board of Directors  
Mercy for Animals, Inc.  
Los Angeles, California

### 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 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 substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement 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 judgement, 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.

*Blue & Co., LLC*

Lexington, Kentucky  
July 30, 2025

**MERCY FOR ANIMALS, INC.**  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2024 AND 2023

	2024	2023
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 2,883,161	\$ 7,567,604
Restricted cash	461,778	782,585
Due from affiliate	137,344	0
Contributions and grants receivable, net	7,920,072	3,466,082
Prepaid expenses and other assets	382,173	954,698
	<u>11,784,528</u>	<u>12,770,969</u>
<b>Noncurrent assets:</b>		
Contributions and grants receivable	15,000	0
Investments, at fair value	16,994,971	15,981,414
Right of use asset under operating lease, net	84,651	91,927
Property and equipment, net	1,245,564	547,264
Intangible assets	122,145	122,145
	<u>18,462,331</u>	<u>16,742,750</u>
Total assets	<u>\$ 30,246,859</u>	<u>\$ 29,513,719</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 1,158,929	\$ 1,659,055
Deferred revenue	0	62,500
Operating lease liability, current	12,000	12,000
	<u>1,170,929</u>	<u>1,733,555</u>
Operating lease liability, noncurrent	72,651	79,927
Total liabilities	<u>1,243,580</u>	<u>1,813,482</u>
<b>Net assets:</b>		
Without donor restrictions:		
Undesignated	10,469,891	16,029,133
Board designated for long term investment	7,744,900	6,331,662
	<u>18,214,791</u>	<u>22,360,795</u>
With donor restrictions:		
Time restriction	7,625,192	0
Public and corporate engagement	2,412,229	3,735,989
Investigations	517,288	251,773
Transformation	133,712	458,276
Public policy	66,040	518,915
Research	34,027	374,489
	<u>10,788,488</u>	<u>5,339,442</u>
Total net assets	<u>29,003,279</u>	<u>27,700,237</u>
Total liabilities and net assets	<u>\$ 30,246,859</u>	<u>\$ 29,513,719</u>

See accompanying notes to  
consolidated financial statements.

**MERCY FOR ANIMALS, INC.**  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2024

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
<b>Support and revenues</b>			
Contributions and grants	\$ 12,323,483	\$ 11,370,571	\$ 23,694,054
Realized and unrealized gains	2,158,799	0	2,158,799
Investment income, net	254,067	0	254,067
Fundraising events, net of direct benefits	220,322	0	220,322
Sale of merchandise, net of cost of goods sold	30,715	0	30,715
Other income	15,047	0	15,047
Net assets released from restrictions			
Public and corporate engagement	4,420,724	(4,420,724)	0
Investigations	562,979	(562,979)	0
Transformation	451,288	(451,288)	0
Public policy	427,375	(427,375)	0
Research	59,159	(59,159)	0
Total support and revenues	<u>20,923,958</u>	<u>5,449,046</u>	<u>26,373,004</u>
<b>Expenses</b>			
Program services	18,126,568	0	18,126,568
Management and general	3,214,562	0	3,214,562
Fundraising	3,728,832	0	3,728,832
Total expenses	<u>25,069,962</u>	<u>0</u>	<u>25,069,962</u>
Change in net assets	(4,146,004)	5,449,046	1,303,042
Net assets, beginning of year	<u>22,360,795</u>	<u>5,339,442</u>	<u>27,700,237</u>
Net assets, end of year	<u>\$ 18,214,791</u>	<u>\$ 10,788,488</u>	<u>\$ 29,003,279</u>

See accompanying notes to  
consolidated financial statements.

**MERCY FOR ANIMALS, INC.**  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2023

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
<b>Support and revenues</b>			
Contributions and grants	\$ 7,939,266	\$ 1,544,777	\$ 9,484,043
Realized and unrealized gains	2,060,545	0	2,060,545
Investment income	239,273	0	239,273
Sale of merchandise, net of cost of goods sold	31,550	0	31,550
Other income	10,433	0	10,433
Net assets released from restrictions:			
Public and corporate engagement	2,814,693	(2,814,693)	0
Transformation	1,608,823	(1,608,823)	0
Investigations	431,586	(431,586)	0
Public policy	370,681	(370,681)	0
Other	2,777,239	(2,777,239)	0
Total support and revenues	<u>18,284,089</u>	<u>(6,458,245)</u>	<u>11,825,844</u>
<b>Expenses</b>			
Program services	17,713,619	0	17,713,619
Management and general	3,332,798	0	3,332,798
Fundraising	2,808,384	0	2,808,384
Total expenses	<u>23,854,801</u>	<u>0</u>	<u>23,854,801</u>
Change in net assets	(5,570,712)	(6,458,245)	(12,028,957)
Net assets, beginning of year	<u>27,931,507</u>	<u>11,797,687</u>	<u>39,729,194</u>
Net assets, end of year	<u>\$ 22,360,795</u>	<u>\$ 5,339,442</u>	<u>\$ 27,700,237</u>

See accompanying notes to  
consolidated financial statements.

**MERCY FOR ANIMALS, INC.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2024**

	<b>Program Services</b>	<b>Managemen t</b>	<b>Fundraising</b>	<b>Total</b>
Salaries	\$ 6,805,526	\$ 1,601,300	\$ 1,601,300	\$ 10,008,126
Retirement	163,210	38,402	38,402	240,014
Other benefits	800,797	188,423	188,423	1,177,643
Payroll taxes	549,585	129,314	129,314	808,213
Total personnel expense	<u>8,319,118</u>	<u>1,957,439</u>	<u>1,957,439</u>	<u>12,233,996</u>
Grants to organizations, domestic	232,800	0	0	232,800
Grants to organizations, international	6,785,715	0	0	6,785,715
Legal	0	239,408	0	239,408
Accounting	0	88,592	0	88,592
Investment management	0	47,271	0	47,271
Contract services	795,653	383,802	118,719	1,298,174
Advertising and promotion	357,168	10,530	10,530	378,228
Office expenses	211,953	19,104	19,104	250,161
Information technology	603,940	187,091	187,091	978,122
Occupancy	26,637	0	0	26,637
Travel	237,284	97,457	97,457	432,198
Conferences, meetings, events	77,751	0	1,208,753	1,286,504
Fundraising events, direct donor benefits	0	0	116,390	116,390
Depreciation	86,062	43,031	43,031	172,124
Insurance	71,825	34,717	34,717	141,259
Staff development	38,844	19,422	19,422	77,688
Supplies	72,148	1,318	1,318	74,784
Bank fees	43,605	21,802	21,802	87,209
Other expenses	37,662	9,444	9,449	56,555
Provision for uncollectable pledges	0	101,405	0	101,405
Transformation	128,403	0	0	128,403
Cost of goods sold	37,582	0	0	37,582
Total expenses	<u>18,164,150</u>	<u>3,261,833</u>	<u>3,845,222</u>	<u>25,271,205</u>
Amounts netted against revenues in statement of activities	<u>(37,582)</u>	<u>(47,271)</u>	<u>(116,390)</u>	<u>(201,243)</u>
Expenses, statement of activities	<u>\$ 18,126,568</u>	<u>\$ 3,214,562</u>	<u>\$ 3,728,832</u>	<u>\$ 25,069,962</u>

See accompanying notes to  
consolidated financial statements.



**MERCY FOR ANIMALS, INC.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2023**

	<b>Program Services</b>	<b>Managemen t</b>	<b>Fundraising</b>	<b>Total</b>
Salaries	\$ 7,336,791	\$ 1,726,304	\$ 1,726,304	\$ 10,789,399
Retirement	161,527	38,006	38,006	237,539
Other benefits	794,073	186,841	186,841	1,167,755
Payroll taxes	566,747	133,352	133,352	833,451
Total personnel expense	<u>8,859,138</u>	<u>2,084,503</u>	<u>2,084,503</u>	<u>13,028,144</u>
Grants to organizations, domestic	422,427	0	0	422,427
Grants to organizations, international	4,183,785	0	0	4,183,785
Legal	0	279,152	0	279,152
Accounting	0	228,048	0	228,048
Investment management	0	30,374	0	30,374
Contract services	1,750,318	209,762	149,736	2,109,816
Advertising and promotion	514,683	10,304	10,304	535,291
Office expenses	324,776	27,907	27,907	380,590
Information technology	522,561	197,542	197,542	917,645
Occupancy	2,000	0	0	2,000
Travel	501,976	214,283	214,283	930,542
Conferences, meetings, and events	298,770	0	24,068	322,838
Fundraising expenses	0	0	18,744	18,744
Depreciation	29,970	14,985	14,985	59,940
Insurance	43,991	21,207	21,207	86,405
Staff development	25,615	12,808	12,808	51,231
Supplies	66,206	546	546	67,298
Bank fees	61,187	30,593	30,593	122,373
Other expenses	106,216	1,158	1,158	108,532
Cost of goods sold	82,012	0	0	82,012
Total expenses	<u>17,795,631</u>	<u>3,363,172</u>	<u>2,808,384</u>	<u>23,967,187</u>
Amounts netted against revenues in statement of activities	<u>(82,012)</u>	<u>(30,374)</u>	<u>0</u>	<u>(112,386)</u>
Expenses, statement of activities	<u>\$ 17,713,619</u>	<u>\$ 3,332,798</u>	<u>\$ 2,808,384</u>	<u>\$ 23,854,801</u>

See accompanying notes to  
consolidated financial statements.

**MERCY FOR ANIMALS, INC.**  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2024

	2024	2023
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 1,303,042	\$ (12,028,957)
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation	172,124	59,940
Stock donations	(110,785)	(241,923)
Realized and unrealized gains	(2,158,799)	(2,060,545)
Increase (decrease) in cash resulting from changes in operating assets and liabilities		
Due from affiliate	(137,344)	0
Contributions and grants receivable, net	(4,468,990)	6,327,664
Prepaid expenses and other assets	572,525	(173,179)
Right of use asset under operating lease, net	7,276	1,177
Accounts payable and accrued expenses	(500,126)	808,694
Deferred revenue	(62,500)	62,500
Operating lease liability	(7,276)	(1,177)
Net cash flows from operating activities	(5,390,853)	(7,245,806)
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(870,424)	(508,258)
Proceeds from sale of investments	10,857,583	30,363,309
Purchases of investments	(9,601,556)	(31,448,501)
Net cash flows from investing activities	385,603	(1,593,450)
Net change in cash and cash equivalents and restricted cash	(5,005,250)	(8,839,256)
Cash and cash equivalents and restricted cash, beginning of year	8,350,189	17,189,445
Cash and cash equivalents and restricted cash, end of year	\$ 3,344,939	\$ 8,350,189
Reconciliation of cash and cash equivalents and restricted cash:		
Cash and cash equivalents	\$ 2,883,161	\$ 7,567,604
Restricted cash	461,778	782,585
Cash and cash equivalents and restricted cash, end of year	\$ 3,344,939	\$ 8,350,189
Supplemental disclosure:		
Right of use assets / lease liabilities incurred during the year	\$ 0	\$ 93,104

See accompanying notes to  
consolidated financial statements.

**MERCY FOR ANIMALS, INC.**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023

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**1. NATURE OF ACTIVITIES**

Mercy For Animals, Inc. (Mercy, the Organization) is a 501(c)(3) nonprofit animal protection organization that works to construct a compassionate food system by reducing suffering and ending the exploitation of animals for food through investigations, legal advocacy, corporate engagement, and education. The Organization focuses on farmed animal advocacy and promoting cruelty-free food choices.

Mercy is the sole owner of its subsidiary, MFA Transformation Project, LLC (the LLC). The LLC provides resources and support to industrial animal farmers interested in transitioning their farms to plant-focused operations. Mercy and the LLC are collectively referred to as the Organization.

In order to spread Mercy's mission domestically and globally, Mercy assisted in establishment of the affiliated nonprofit organizations in Canada, Brazil, Asia, and Latin America. Affiliated organizations maintain separate Boards of Directors as applicable depending on the legal requirements of those countries. While there may be some common board members or management, all affiliates operate as separate and independent entities to undertake activities that may or may not be consistent with all requirements of the Section 501(c)(3) of the Internal Revenue Code governing certain tax-exempt entities. While Mercy made grants to the affiliates totaling \$6,785,715 and \$4,183,785, respectively, in 2024 and 2023. Mercy does not hold a majority ownership interest in its affiliates nor does Mercy have control of a majority of the Board appointments of the affiliated group. Accordingly, the financial statements of the affiliates have not been consolidated with those of the Organization.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of the Organization is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

The consolidated financial statements (the financial statements) of the Organization include the accounts of Mercy and the LLC. Significant intercompany transactions and accounts have been eliminated in consolidation.

**Basis of Accounting:**

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

**MERCY FOR ANIMALS, INC.**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023

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**Net Assets Without Donor Restrictions:** Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the Board) and/or management for general operating purposes. The Board may designate a portion of these net assets for a specific purpose which makes them unavailable for use at management's discretion.

**Net Assets With Donor Restrictions:** Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions.

**Reclassifications:**

Certain amounts have been reclassified from the prior year to conform with the current year presentation. Previously reported assets, liabilities, net assets, and change in net assets were not impacted by these reclassifications.

**Cash and Cash Equivalents and Restricted Cash:**

Cash consists of funds maintained in bank accounts. Cash equivalents consist of highly liquid investments with original maturities of three months or less. Restricted cash includes funds required to be held within segregated bank accounts pursuant to donor-imposed stipulations. The Organization maintains its cash balances with one major financial institution. Amounts at the financial institution are insured by the Federal Deposit Insurance Corporation. Balances may exceed insured limits from time to time. As of December 31, 2024 and 2023, the uninsured balances totaled approximately \$1,762,000 and \$8,059,000, respectively.

**Contributions and Grants Receivable:**

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. 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 discounted to fair value using an appropriate interest rate applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

Conditional promises to give are not included as support until the conditions are substantially met and are reflected as deferred revenue in the accompanying statement of financial position. Contributions receivable are expected to be collected within the next fiscal year unless classified as non-current assets.

**Prepaid Expenses:**

Prepaid expenses consist of normal operating expenses for which payment is due in advance, such as library subscriptions, and are expensed when the benefit is received.

**Investments:**

Investments are initially recorded at acquisition cost when purchased or at market value at the date of acquisition when received by gift. Investments are adjusted to market value at reporting dates, and unrealized gains and losses are then recognized. Securities not publicly traded, if any, are stated at estimated market value.

**MERCY FOR ANIMALS, INC.**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023

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Right of Use Assets Under Operating Leases:

Mercy recognizes right-of-use (ROU) assets and lease liabilities for leases with terms greater than 12 months or leases that contain a purchase option that is reasonably certain to be exercised. Leases are classified as either finance or operating leases. This classification dictates whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease.

Mercy's ROU assets and lease liabilities are recognized on the lease commencement date in an amount that represents the present value of future lease payments over the lease term. Mercy utilizes its collateralized incremental borrowing rate commensurate to the lease term as the discount rate for its leases unless Mercy can specifically determine the lessor's implicit rate. Certain lease contracts contain non-lease components such as maintenance and utilities. Mercy has made a policy election to not separate the lease and non-lease components, and thus recognize a single lease component for all of its right-of-use assets and lease liabilities. The operating lease ROU asset also includes any lease payments made and excludes lease incentives, if any.

Property and Equipment:

Assets acquired are stated at cost, or in the case of donated assets, at fair value on the date of donation. The Organization capitalizes items with a cost or fair value at acquisition of \$1,000 or greater. The Organization provides for depreciation on the straight-line method over estimated useful lives of three to thirty years. Maintenance and repairs are charged to expense as incurred.

Intangible Assets:

Intangible assets represent assets which are not physical in nature and include digital assets held by the Organization. Digital assets are recorded at their fair value at the time of donation and are tested for impairment at least annually, or more often if there is an indication of impairment. Impairment losses on intangible assets are reported in the statement of activities.

Income Taxes:

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code). However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the context of Section 509(a) of the Code.

**MERCY FOR ANIMALS, INC.**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023

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Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Organization and has concluded that as of December 31, 2024 and 2023 there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. The Organization is subject to routine audits by taxing jurisdictions. There are currently no audits for any tax periods in progress.

The Organization has filed its federal information returns for periods through December 31, 2023. These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

**Support and Revenues:**

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until all the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Grants represent contributions if resource providers do not receive direct commensurate value in exchange for the assets transferred. Contributions are recorded at their fair value as support with or without donor restrictions, depending on the existence or absence of donor-imposed stipulations on the use of funds as applicable. When a restriction expires (that is, when a stipulated time restriction lapses or 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.

Revenue from sales of merchandise are recognized at the point in time when the sale occurs. Due to the fact that the organization from time to time receives significant contributions and grants that are made to cover multiple years, yet are recognized as revenue in the first year, the organization's assets, revenues, change in net assets and cash flows can vary significantly from year to year.

There were no material gifts of nonfinancial assets in 2024 or 2023.

**Allocation of Expenses:**

The costs of providing the various programs and activities have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services. Expenses directly attributable to a specific functional area of the Organization are reported as expenses of those functional areas. A portion of management and general costs that benefit multiple functional areas (indirect costs) have been allocated across programs and other supporting services based on estimated time investment or applicable utilization of resources.

**MERCY FOR ANIMALS, INC.**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023

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Use of Estimates:

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and reported revenues and expenses. Actual results could differ from those estimates.

Subsequent Events:

The Organization evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through July 30, 2025, which is the date the financial statements were available to be issued.

Going Concern Evaluation:

Management evaluates whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern for a period one year from the date the financial statements are available to be issued.

### 3. CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable at December 31 include unconditional promises to give as follows:

	<u>2024</u>	<u>2023</u>
Receivable in less than one year	\$ 7,966,960	\$ 3,466,082
Receivable in one to five years	15,000	0
	<u>7,981,960</u>	<u>3,466,082</u>
Allowance for uncollectable amounts	(46,888)	0
	<u>\$ 7,935,072</u>	<u>\$ 3,466,082</u>

### 4. INVESTMENTS

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

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.

**MERCY FOR ANIMALS, INC.**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023

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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 measurement.

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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The Organization holds investments which are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying financial statements.

Following is a description of the valuation methodologies used for assets measured at fair value.

- Equities, fixed income securities, commodities and exchange-traded funds: Valued at the closing price reported on the active market on which the individual securities are traded. (Level 1 inputs).

The following table sets forth by level, within the hierarchy, the Organization's assets measured at fair value on a recurring basis as of December 31, all are Level 1:

	<u>2024</u>	<u>2023</u>
Equities	\$ 7,273,917	\$ 5,964,695
Fixed income, government	7,129,515	7,927,389
Commodities	1,810,678	1,440,289
Exchange-traded funds	780,861	649,041
	<u>\$ 16,994,971</u>	<u>\$ 15,981,414</u>



**MERCY FOR ANIMALS, INC.**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023

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The following table sets forth by level, within the hierarchy, the Organization's assets measured at fair value on a recurring basis as of December 31, all are Level 1:

	<u>2024</u>	<u>2023</u>
Realized and unrealized gains	\$ 2,158,799	\$ 2,060,545
Investment income	301,338	269,647
Investment fees	(47,271)	(30,374)
	<u>\$ 2,412,866</u>	<u>\$ 2,299,818</u>

## 5. PROPERTY AND EQUIPMENT

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

	<u>2024</u>	<u>2023</u>
Computers	\$ 165,918	\$ 160,126
Computer software	105,900	8,324
Furniture, fixtures, and equipment	233,048	75,821
Leasehold improvements	1,045,363	576,342
	<u>1,550,229</u>	<u>820,613</u>
Accumulated depreciation	(304,665)	(273,349)
	<u>\$ 1,245,564</u>	<u>\$ 547,264</u>

## 6. LEASE COMMITMENT

Effective October 26, 2023, the Organization entered into an operating lease agreement for agricultural space in Wadesboro, North Carolina through October 26, 2033. The Organization intends to utilize the space as part of its Transformation program by seeking to reconstruct existing animal-based facilities into use for nonanimal agricultural purposes, resource materials and guidelines for farmers, and calculate optimal scales of production for economically viable alternative businesses, including plant-based farming. The lease agreement does not contain any material restrictive covenants and has a remaining term of approximately 9 years.

Operating lease right of use asset and lease liability were recognized at commencement date based on the present value of minimum lease payments over the remaining lease term. The minimum lease payments include base rent payments. As the implicit rate in the Organization's leases is unknown, the Organization uses the practical expedient available to use the risk-free rate at the lease commencement date in determining the present value of future lease payments. Operating lease expenses are recognized on a straight-line basis over the lease term.

**MERCY FOR ANIMALS, INC.**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023

---

Rent expense was \$12,000 and \$2,000, respectively, for the years ended December 31, 2024 and 2023 and is included in occupancy expense in the accompanying statement of functional expenses. The remaining amount of occupancy expense is utilities and maintenance.

Additional information regarding cash payments under the Organization's operating lease during 2024 and 2023, as well as the inputs used in determining the ROU asset and liability at December 31, 2024 and 2023, is as follows:

	<u>2024</u>	<u>2023</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from leases	\$ 12,000	\$ 2,000
Weighted average remaining lease term	8.83 years	9.83 years
Weighted average discount rate	5.50%	5.50%

Future minimum lease payments are as follows for the years ended December 31:

2025	\$ 12,000
2026	12,000
2027	12,000
2028	12,000
2029	12,000
Thereafter	34,466
Total required payments	<u>94,466</u>
Less: imputed interest	<u>(9,815)</u>
	<u>\$ 84,651</u>

## 7. CONCENTRATIONS

During the year ended December 31, 2024, 3 donors accounted for approximately 65% of contributions and grant revenues. As of December 31, 2024, 2 donors accounted for approximately 88% of contributions and grants receivable.

During the year ended December 31, 2023, 3 donors accounted for approximately 37% of contributions and grant revenues. As of December 31, 2023, 2 donors accounted for approximately 63% of contributions and grants receivable.

**MERCY FOR ANIMALS, INC.**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023

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**8. RETIREMENT PLAN**

The Organization offers a voluntary pre-tax retirement benefit plan to all employees immediately upon hire. Employees that elect to contribute to the benefit plan may self-direct the investment of their deferred compensation among specific investment options via automatic payroll deduction. The Organization offers a 100% match of up to 3% of employee contributions to the plan, vesting 25% for each year of service to the Organization, becoming fully vested after 4 years of service or upon attainment of normal retirement age. Expense related to the plan were \$240,014 and \$237,539, respectively, for the years ended December 31, 2024 and 2023.

**9. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Organization has a Finance and Investment Committee that oversees the financial and liquidity position of the Organization. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The following reflects the Organization's financial assets available for general use within one year of December 31:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 2,883,161	\$ 7,567,604
Due from affiliate	137,344	0
Contributions and grants receivable, less than one year	7,966,960	3,466,082
	<u>\$ 10,987,465</u>	<u>\$ 11,033,686</u>

Restricted net assets at year-end are considered to be included in investments.