

**Mercy For Animals, Inc.**

Financial Statements

December 31, 2018  
(With Comparative Totals for 2017)



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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Mercy For Animals, Inc.  
Los Angeles, California

We have audited the accompanying financial statements of Mercy For Animals, Inc. (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of December 31, 2018, 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 audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mercy For Animals, Inc. as of December 31, 2018, 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.

### **Change in Accounting Principle**

As described in Note 2 to the financial statements, the Organization has adopted ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

### **Report on Summarized Comparative Information**

We have previously audited Mercy For Animals, Inc.'s 2017 financial statements, and our report dated August 7, 2018 expressed an unmodified opinion on those audited financial statements. As part of our audit of the 2018 financial statements, we also audited the adjustments to the 2017 financial statements to apply the change in accounting principle discussed above. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, adjusted for the change in accounting principle discussed above, is consistent, in all material respects, with the audited financial statements from which it has been derived. Also, in our opinion, such adjustments are appropriate and have been properly applied.



Armanino<sup>LLP</sup>  
San Francisco, California

August 8, 2019

Mercy For Animals, Inc.  
Statement of Financial Position  
December 31, 2018  
(With Comparative Totals for 2017)

	2018	2017
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 4,464,448	\$ 3,781,878
Related party receivable	-	1,218,963
Contributions receivable	911,898	851,540
Grants receivable	50,000	365,000
Short-term investments	5,830,366	6,789,373
Inventory	55,666	57,303
Prepaid expenses	21,641	20,791
Total current assets	11,334,019	13,084,848
Noncurrent assets		
Long-term investments	2,744,745	2,435,675
Property and equipment, net	40,569	30,367
Total noncurrent assets	2,785,314	2,466,042
Total assets	\$ 14,119,333	\$ 15,550,890
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 17,451	\$ 594
Accrued expenses	396,092	251,096
Total current liabilities	413,543	251,690
Net assets		
Without donor restrictions	13,705,790	14,795,867
With donor restrictions	-	503,333
Total net assets	13,705,790	15,299,200
Total liabilities and net assets	\$ 14,119,333	\$ 15,550,890

The accompanying notes are an integral part of these financial statements.

Mercy For Animals, Inc.  
Statement of Activities  
For the Year Ended December 31, 2018  
(With Comparative Totals for 2017)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2018 Total</u>	<u>2017 Total</u>
Revenues, gains and other support				
Contributions	\$ 7,632,729	\$ 2,673	\$ 7,635,402	\$ 7,996,365
In-kind contributions	69,254	-	69,254	61,807
Grants	967,233	658,000	1,625,233	1,675,918
Fundraising events, net of direct benefit expenses of \$151,093	1,028,690	-	1,028,690	1,498,714
Sale of merchandise, net of cost of goods sold of \$118,958	38,993	-	38,993	87,735
Royalty revenue	25,500	-	25,500	-
Losses on disposal of property and equipment	-	-	-	(151,426)
Investment income	314,993	-	314,993	144,501
Net realized and unrealized gains (losses) on investments	(591,294)	-	(591,294)	350,593
Net assets released from restriction	<u>1,164,006</u>	<u>(1,164,006)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>10,650,104</u>	<u>(503,333)</u>	<u>10,146,771</u>	<u>11,664,207</u>
Functional expenses				
Program services	6,305,336	-	6,305,336	7,633,105
Management and general	3,281,120	-	3,281,120	901,573
Fundraising	<u>2,153,725</u>	<u>-</u>	<u>2,153,725</u>	<u>1,815,783</u>
Total functional expenses	<u>11,740,181</u>	<u>-</u>	<u>11,740,181</u>	<u>10,350,461</u>
Change in net assets	(1,090,077)	(503,333)	(1,593,410)	1,313,746
Net assets, beginning of year	<u>14,795,867</u>	<u>503,333</u>	<u>15,299,200</u>	<u>13,985,454</u>
Net assets, end of year	<u>\$ 13,705,790</u>	<u>\$ -</u>	<u>\$ 13,705,790</u>	<u>\$ 15,299,200</u>

The accompanying notes are an integral part of these financial statements.

Mercy For Animals, Inc.  
Statement of Functional Expenses  
For the Year Ended December 31, 2018  
(With Comparative Totals for 2017)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2018 Total</u>	<u>2017 Total</u>
Salaries, benefits and payroll taxes	\$ 2,953,586	\$ 2,146,945	\$ 961,114	\$ 6,061,645	\$ 4,735,461
Contributions	1,609,821	-	-	1,609,821	1,874,107
Contract labor	660,400	355,177	593,694	1,609,271	1,092,201
Advertising	534,443	9,630	40,873	584,946	823,497
Travel	160,112	79,912	113,651	353,675	326,173
Postage and shipping	45,080	129,899	89,880	264,859	250,781
Professional fees and dues	14,902	22,267	204,456	241,625	3,600
Insurance	56,986	110,037	20,509	187,532	186,296
Office expense	68,997	49,541	22,635	141,173	224,974
Supplies	89,317	34,248	7,290	130,855	281,324
Printing and copying	23,737	85,638	15,088	124,463	97,775
Inventory	118,958	-	-	118,958	74,920
Information technology expenses	17,661	38,396	46,875	102,932	142,280
Professional fees and dues	3,502	98,185	-	101,687	3,600
Development	30,660	24,037	23,134	77,831	102,246
Gifts in-kind	66	69,414	-	69,480	61,807
Telecommunications	26,134	15,789	10,189	52,112	63,606
Depreciation and amortization	6,661	4,493	4,337	15,491	30,354
Miscellaneous	-	7,441	-	7,441	-
Taxes	3,271	11	-	3,282	3,255
Organization expenses	-	60	-	60	50,724
Less expenses included in revenues, gains and other support	<u>(118,958)</u>	<u>-</u>	<u>-</u>	<u>(118,958)</u>	<u>(74,920)</u>
Total expenses included in expense section on the statement of activities	<u>\$ 6,305,336</u>	<u>\$ 3,281,120</u>	<u>\$ 2,153,725</u>	<u>\$ 11,740,181</u>	<u>\$ 10,354,061</u>

The accompanying notes are an integral part of these financial statements.

Mercy For Animals, Inc.  
Statement of Cash Flows  
For the Year Ended December 31, 2018  
(With Comparative Totals for 2017)

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ (1,593,410)	\$ 1,313,746
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	15,491	30,354
Stock donation	(239,969)	(199,263)
Losses on disposal of property and equipment	-	151,426
Net realized and unrealized (gains) losses on investments	591,294	(335,155)
Changes in operating assets and liabilities		
Related party receivable	1,218,963	(1,124,130)
Contributions receivable	(60,358)	437,707
Grants receivable	315,000	1,135,000
Inventory	1,637	(12,521)
Prepaid expenses	(850)	1,545
Accounts payable	16,857	(13,485)
Accrued expenses	144,996	105,990
Net cash provided by operating activities	409,651	1,491,214
Cash flows from investing activities		
Purchase of property and equipment	(25,693)	(18,230)
Proceeds from sales of investments	7,617,338	-
Purchase of investments	(7,318,726)	(5,660,481)
Net cash provided by (used in) investing activities	272,919	(5,678,711)
Net increase (decrease) in cash and cash equivalents	682,570	(4,187,497)
Cash and cash equivalents, beginning of year	3,781,878	7,969,375
Cash and cash equivalents, end of year	\$ 4,464,448	\$ 3,781,878

The accompanying notes are an integral part of these financial statements.

Mercy For Animals, Inc.  
Notes to Financial Statements  
December 31, 2018

1. NATURE OF OPERATIONS

Mercy For Animals, Inc. (the "Organization") is a 501(c)(3) nonprofit animal protection organization which works to prevent cruelty to farmed animals and promote compassionate food choices and policies through investigations, legal advocacy, corporate engagement, and education. Mercy For Animals, Inc. focuses on farmed animal advocacy and promoting cruelty-free food choices.

In order to spread the Organization's mission domestically and globally, the Organization assisted in the establishment of the following affiliated nonprofit organizations: The Good Food Institute, Inc., Mercy For Animals Canada, Associação Mercy For Animals Brasil, Mercy For Animals Asia Limited, Mercy For Animals Latino-America, and Mercy For Animals India Foundation. All affiliated organizations maintain separate Boards of Directors. However, some Board membership and senior management are common to some of the affiliates. All affiliates operate as separate and independent entities to undertake activities that may or not be consistent with all requirements of the Section 501(c)(3) of the Internal Revenue Code governing certain tax-exempt entities. Although grants are made within the affiliated group, the Organization does not enjoy the rights of ownership of the assets and revenues of these affiliates, nor is it subject to their liabilities. The Organization does not hold a majority ownership interest in its affiliates nor does the Organization have control of a majority of the Board appointments of the affiliated group. Accordingly, the financial statements of these affiliates have not been consolidated with those of the Organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

In accordance with accounting principles generally accepted in the United States of America, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

- *Net assets without donor restrictions* - represents resources which have not been specifically restricted by donor. Net assets without donor restrictions may be designated for specific purposes by the board of trustees of the Organization.
- *Net assets with donor restrictions* - represents contributions whose use is limited by donor-imposed stipulations that expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations and those net assets to be held in perpetuity.

Mercy For Animals, Inc.  
Notes to Financial Statements  
December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments and investments with original maturities of three months or less, cash on hand, bank checking accounts and savings accounts. The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on these accounts.

Contributions and grants receivable

Contributions and grants receivable are stated at the amount management expects to collect from outstanding balances. Contributions and grants receivable represent unconditional promises to contribute specified amounts to the Organization in the future. Contributions and grants to be received after fiscal year-end are recorded at the present value of their estimated future cash flows. The discount on these amounts is computed using risk adjusted market interest rates applicable to the years in which the promises are expected to be received. Amortization of the discount is recorded as additional contributions and grants revenue in accordance with donor-imposed restrictions, if any, on the contributions and grants.

An allowance for doubtful accounts is established based upon management's judgment including such factors as prior collection history, aging statistics of contributions, and the nature of the receivable. Account balances are charged off against the allowance for doubtful accounts after all means of collection have been exhausted and the potential for recovery is considered remote. Management believes that all of its receivables are collectible; accordingly, no allowance for doubtful accounts is recorded at December 31, 2018.

Inventory

Inventory is stated at the lower of cost or market value. The cost is determined by the average cost method.

Property and equipment

Property and equipment are recorded at cost or estimated fair value for donated items. Equipment purchases over \$1,000 are capitalized. Depreciation and amortization is computed on the straight-line method based on the estimated useful lives of the assets, which range from 3 to 5 years, or the lesser of the estimated useful life or lease term for leasehold improvements.

Expenditures for major renewals and betterments that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Mercy For Animals, Inc.  
Notes to Financial Statements  
December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional; that is when 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 unrestricted support, temporarily restricted support, or permanently restricted support, depending on the absence or existence of donor imposed restrictions as applicable. 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 statement of activities as net assets released from restrictions.

In-kind contributions are reflected as contributions at their fair value at date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. Contributed services are reflected in the financial statements at the fair value of the services received. The contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. In-kind contributions received for the year ended December 31, 2018 were \$69,254.

Revenue from the sales of merchandise are recognized when the sales occur. Revenue from royalties are recognized when the obligation is met.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Fair value measurements

Generally accepted accounting principles establish a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs, if any, reflects the Organization's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Mercy For Animals, Inc.  
Notes to Financial Statements  
December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

- *Level 1* - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
- *Level 2* - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.
- *Level 3* - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Expense allocations

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Direct identification of specific expenses is the Organization's preferable method of charging expenses to various functions. The Organization has a number of expenses which relate to more than one program or supporting activity, or to a combination of programs and supporting services. Expenses are allocated among program services, management and general and fundraising classifications based on estimates of employees' time incurred and on usage of resources.

Income tax status

The Internal Revenue Service and the California Franchise Tax Board have determined that the Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and the California Revenue and Taxation Code Section 23701(d). The Organization has evaluated its current tax positions as of December 31, 2018 and is not aware of any significant uncertain tax positions for which a reserve would be necessary. The Organization's tax returns are generally subject to examination by federal and state taxing authorities for three and four years, respectively after they are filed.

Advertising costs

The Organization expenses advertising costs as incurred. Advertising costs for the year ended December 31, 2018 totaled \$584,946.

Mercy For Animals, Inc.  
Notes to Financial Statements  
December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Summarized comparative financial information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Reclassifications

Certain 2017 amounts have been reclassified to conform to the 2018 financial statement presentation.

Change in accounting principle

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. The Organization adopted the provisions of this new standard during the year ended December 31, 2018. ASU 2016-14 makes certain improvements to current reporting requirements, including:

1. Reducing the classes of net assets from three (unrestricted, temporarily restricted, and permanently restricted) to two (with donor restrictions and without donor restrictions).
2. Enhancing disclosures about:
  - a. Amounts and purposes of governing board designations, appropriations, and similar actions that result in self-imposed limits on the use of resources without donor-imposed restrictions.
  - b. Composition of net assets with donor restrictions and how the restrictions affect the use of resources.
  - c. Qualitative information about management of liquid resources and quantitative information about the availability of liquid resources to meet cash needs for general expenditures within one year of the statement of financial position date.
  - d. Amounts of expenses by both their natural classification and their functional classification in one location as a separate statement or in the notes to the financial statements.
  - e. Methods used to allocate costs among program and support functions.

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Notes to Financial Statements  
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle (continued)

The amendments have been applied on a retrospective basis in 2018. The 2017 comparative financial information has been adjusted to apply the change in accounting principle for comparative purposes.

Recent accounting pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The new guidance requires lessees to recognize a right-to-use asset and a lease liability for virtually all leases (other than leases that meet the definition of a short-term lease). The new guidance is effective for years beginning after December 15, 2019 and interim periods beginning the following year. Early application is permitted. The Organization is in process of evaluating the impact of the new guidance on the Organization's financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows* (Topic 230), to address diversity in practice due to a lack of guidance on how to classify and present changes in restricted cash or restricted cash equivalents in the statement of cash flows. The ASU does not define restricted cash and there is no intent to change practice for an entity reports as restricted cash. The amendments require that a statement of cash flows explain the change during the period in restricted cash or restricted cash equivalents, in addition to changes in cash and cash equivalents. That is, restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-18 is effective for annual reporting periods beginning after December 15, 2018 with early adoption permitted. The Organization is in process of evaluating the impact of the new guidance on the Organization's financial statements.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958), which is a clarifying standard. The accounting for contributions has been modified to make it more clear and distinguishing whether grants or contracts should be accounted for as non-reciprocal contributions, or as exchange transactions that follow revenue recognition accounting. For exchange transactions, the standard clarifies when each party directly receives commensurate value in the transaction, and how to deal with third party payers to a transaction. Additionally, the criteria for determining whether a contribution is conditional has been changed from a probability-based approach to one focused on barriers in an arrangement. The changes in this standard are likely going to result in more transactions being treated as conditional contributions, including those that were previously considered earned revenue as exchange transactions. ASU 2018-08 is effective for annual reporting periods beginning after December 15, 2019 with early adoption permitted. The Organization is in process of evaluating the impact of the new guidance on the Organization's financial statements.

Mercy For Animals, Inc.  
Notes to Financial Statements  
December 31, 2018

3. CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable are scheduled to be fully collected in less than one year. Contributions and grants receivables totaled \$911,898 and \$50,000, respectively, at December 31, 2018.

4. INVESTMENTS

Investments consisted of the following:

Equities	\$ 2,182,875
Mutual funds	231,940
Fixed income	<u>6,160,296</u>
	<u><u>\$ 8,575,111</u></u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2018:

	Level 1	Level 2	Level 3	Fair Value
Equities	\$ 2,182,875	\$ -	\$ -	\$ 2,182,875
Mutual funds	231,940	-	-	231,940
Fixed income	<u>-</u>	<u>6,160,296</u>	<u>-</u>	<u>6,160,296</u>
	<u><u>\$ 2,414,815</u></u>	<u><u>\$ 6,160,296</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8,575,111</u></u>

5. PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following:

Leasehold improvements	\$ 134,284
Furniture and equipment	42,263
Computer equipment	13,417
Software	5,600
Automobiles	<u>2,494</u>
	198,058
Accumulated depreciation and amortization	<u>(157,489)</u>
	<u><u>\$ 40,569</u></u>

Depreciation and amortization expense for the year ended December 31, 2018 was \$15,491.

Mercy For Animals, Inc.  
Notes to Financial Statements  
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6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions released from restriction during the year were as follows:

India Farmed Animal	\$ 500,000
Broiler chicken	375,000
Legal advocacy	122,750
OCW Society - One to Change the World	100,000
Brazil	30,000
International infrastructure	25,000
The Good Food Institute	3,333
Investigation	2,876
Communications	5,000
Education	<u>47</u>
	<u>\$ 1,164,006</u>

7. OPERATING LEASE COMMITMENTS

The Organization leases space in the following two locations: Chicago, Illinois and West Hollywood, California. The Chicago lease is on a month-to-month basis and requires monthly payments of \$570. The West Hollywood leases expire March 2019 and requires escalating monthly rent payments ranging from \$5,707 to \$5,992.

The scheduled minimum lease payments under the lease terms are as follows:

Year ending December 31,

2019	\$ <u>21,877</u>
	<u>\$ 21,877</u>

Rent expense amounted to approximately \$125,000 for the year ended December 31, 2018.

8. RELATED PARTY

The Organization paid for The Good Food Institute, Inc.'s ("GFI") expenses during 2017 with the understanding that GFI would reimburse the Organization for certain amounts. At December 31, 2017, the Organization had a related party receivable from GFI in the amount of \$1,218,963. The related party receivable was fully collected during the year ended December 31, 2018.

9. CONCENTRATIONS

During the year ended December 31, 2018, one donor accounted for approximately 20% of revenues. As of December 31, 2018, two donors accounted for approximately 59% of contributions and grants receivable.

Mercy For Animals, Inc.  
Notes to Financial Statements  
December 31, 2018

10. LIQUIDITY AND FUNDS AVAILABLE

The Organization receives contributions and pledges, some of which are restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization has a Finance and Investments 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 Organization has a goal to maintain financial assets, which primarily consists of cash and short-term investments, on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$990,000. During the year ended December 31, 2018, the level of liquidity and reserves was managed within the policy requirements.

Financial assets available to meet cash needs for general expenditures within one year consists of the following:

Cash and cash equivalents	\$ 4,464,448
Short-term investments	5,830,366
Contributions receivable	911,898
Grants receivable	<u>50,000</u>
	<u>\$ 11,256,712</u>

11. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through August 8, 2019, the date the financial statements were available to be issued.

On March 1, 2019, the Organization amended the lease agreements with 7906 Santa Monica, LLC for the West Hollywood location extending the expiration date to March 31, 2020. Rent expense was increased to \$6,177 per month.

No other subsequent events have occurred that would have a material impact on the presentation of the Organization's financial statements.