

Mercy For Animals, Inc.

Financial Statements

December 31, 2019
(With Comparative Totals for 2018)



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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, 2019, 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, 2019, 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.



An independent firm
associated with Moore
Global Network Limited

Change in Accounting Principle

As described in Note 2 to the financial statements, the Organization has adopted ASU 2014-09, *Revenues from Contracts with Customers*, and ASU 2018-08, *Clarifying the Scope of Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to that matter.

Emphasis of Matter

As discussed in Note 11 to the financial statements, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. As a result, equity markets have experienced significant volatility. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited Mercy For Animals, Inc.'s 2018 financial statements, and our report dated August 8, 2019 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Armanino^{LLP}
San Francisco, California

July 22, 2020

Mercy For Animals, Inc.
Statement of Financial Position
December 31, 2019
(With Comparative Totals for 2018)

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 7,222,339	\$ 5,368,611
Contributions and grants receivable	2,354,000	57,735
Short-term investments	6,816,872	5,830,366
Inventory	34,969	55,666
Prepaid expenses	236,508	21,641
Total current assets	16,664,688	11,334,019
Noncurrent assets		
Long-term investments	3,495,528	2,744,745
Property and equipment, net	33,746	40,569
Total noncurrent assets	3,529,274	2,785,314
Total assets	\$ 20,193,962	\$ 14,119,333
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 72,803	\$ 17,451
Accrued expenses	242,957	396,092
Total current liabilities	315,760	413,543
Net assets		
Without donor restrictions	15,883,308	13,705,790
With donor restrictions	3,994,894	-
Total net assets	19,878,202	13,705,790
Total liabilities and net assets	\$ 20,193,962	\$ 14,119,333

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

Mercy For Animals, Inc.
Statement of Activities
For the Year Ended December 31, 2019
(With Comparative Totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Revenues, gains and other support				
Contributions and grants	\$ 7,919,518	\$ 6,672,275	\$ 14,591,793	\$ 9,260,635
In-kind contributions	345,514	-	345,514	69,254
Fundraising events, net of direct benefit expenses of \$656,533	462,475	-	462,475	1,028,690
Sale of merchandise, net of cost of goods sold of \$64,178	48,017	-	48,017	38,993
Royalty revenue	-	-	-	25,500
Investment income, net of investment fees of \$23,786	310,380	-	310,380	314,993
Net realized and unrealized gains (losses) on investments	734,175	-	734,175	(591,294)
Net assets released from restriction	<u>2,677,381</u>	<u>(2,677,381)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>12,497,460</u>	<u>3,994,894</u>	<u>16,492,354</u>	<u>10,146,771</u>
Functional expenses				
Program services	7,193,506	-	7,193,506	6,305,336
Management and general	1,487,645	-	1,487,645	3,281,120
Fundraising	<u>1,638,791</u>	<u>-</u>	<u>1,638,791</u>	<u>2,153,725</u>
Total functional expenses	<u>10,319,942</u>	<u>-</u>	<u>10,319,942</u>	<u>11,740,181</u>
Change in net assets	2,177,518	3,994,894	6,172,412	(1,593,410)
Net assets, beginning of year	<u>13,705,790</u>	<u>-</u>	<u>13,705,790</u>	<u>15,299,200</u>
Net assets, end of year	<u>\$ 15,883,308</u>	<u>\$ 3,994,894</u>	<u>\$ 19,878,202</u>	<u>\$ 13,705,790</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, 2019
(With Comparative Totals for 2018)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2019 Total</u>	<u>2018 Total</u>
Salaries, benefits and payroll taxes	\$ 3,737,351	\$ 954,197	\$ 1,051,810	\$ 5,743,358	\$ 6,061,645
Contributions	1,432,564	-	1,680	1,434,244	1,609,821
Contract labor	919,813	203,204	209,347	1,332,364	1,609,271
Development	119,097	49,747	749,095	917,939	228,924
Gifts in-kind	345,079	435	-	345,514	69,480
Travel	152,482	39,519	71,488	263,489	353,675
Advertising	111,650	-	58,075	169,725	584,946
Insurance	96,772	38,468	23,265	158,505	187,532
Postage and shipping	97,737	18,658	40,493	156,888	264,859
Office expense	39,447	39,358	32,794	111,599	148,614
Supplies	77,333	13,659	9,125	100,117	130,915
Bank fees	33	61,508	3,125	64,666	101,687
Inventory	64,178	-	-	64,178	118,958
Printing and copying	34,666	1,343	14,357	50,366	124,463
Telecommunications	21,965	12,664	10,502	45,131	52,112
Information technology expenses	6,087	13,286	18,023	37,396	102,932
Professional fees and dues	-	27,203	2,145	29,348	241,625
Depreciation and amortization	-	14,396	-	14,396	15,491
Sales taxes	1,430	-	-	1,430	3,282
	<u>7,257,684</u>	<u>1,487,645</u>	<u>2,295,324</u>	<u>11,040,653</u>	<u>12,010,232</u>
Less expenses included in revenues, gains and other support	<u>(64,178)</u>	<u>-</u>	<u>(656,533)</u>	<u>(720,711)</u>	<u>(270,051)</u>
 Total expenses included in expense section on the statement of activities	 <u>\$ 7,193,506</u>	 <u>\$ 1,487,645</u>	 <u>\$ 1,638,791</u>	 <u>\$ 10,319,942</u>	 <u>\$ 11,740,181</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, 2019
(With Comparative Totals for 2018)

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 6,172,412	\$ (1,593,410)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	14,396	15,491
Stock donation	(385,693)	(239,969)
Net realized and unrealized (gains) losses on investments	(734,175)	591,294
Changes in operating assets and liabilities		
Related party receivable	-	1,218,963
Contributions and grants receivable	(2,296,265)	1,158,805
Inventory	20,697	1,637
Prepaid expenses	(214,867)	(850)
Accounts payable	55,352	16,857
Accrued expenses	(153,135)	144,996
Net cash provided by operating activities	2,478,722	1,313,814
Cash flows from investing activities		
Purchases of property and equipment	(7,573)	(25,693)
Proceeds from sales of investments	10,007,339	7,617,338
Purchases of investments	(10,624,760)	(7,318,726)
Net cash provided by (used in) investing activities	(624,994)	272,919
Net increase in cash and cash equivalents	1,853,728	1,586,733
Cash and cash equivalents, beginning of year	5,368,611	3,781,878
Cash and cash equivalents, end of year	\$ 7,222,339	\$ 5,368,611

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

Mercy For Animals, Inc.
Notes to Financial Statements
December 31, 2019

1. NATURE OF OPERATIONS

Mercy For Animals, Inc. (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.

In order to spread the Organization's mission domestically and globally, the Organization assisted in the establishment of the following affiliated nonprofit organizations: Mercy For Animals Canada, Associação Mercy For Animals Brasil, Mercy For Animals Asia Limited, Mercy For Animals Latinoamérica, 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 may 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 ("U.S. GAAP"), 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 Directors 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, 2019

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, 2019.

Inventory

Inventory is stated at the lower of cost or net realizable 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, 2019

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 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 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 during the year ended December 31, 2019 were \$345,514.

Revenue from the sales of merchandise are recognized at the point in time when the sales occur. Revenue from royalties are recognized when the performance obligation is met.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP 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.

Mercy For Animals, Inc.
Notes to Financial Statements
December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

The fair value hierarchy is categorized into three levels based on the inputs as follows:

- *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 activities. Expenses are allocated among program services, management and general and fundraising classifications based on either an estimates of employees' time incurred by department or the relative square footage of the Organization's corporate headquarters by functional purpose depending on the nature of the expense.

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 23701d. The Organization has evaluated its current tax positions as of December 31, 2019 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.

Mercy For Animals, Inc.
Notes to Financial Statements
December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising costs

The Organization expenses advertising costs as incurred. Advertising costs for the year ended December 31, 2019 totaled \$169,725.

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 U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Reclassifications

Certain amounts presented in the prior year financial statements have been reclassified to conform to the current year's presentation.

Change in accounting principle

In May 2014, the FASB issued ASU No. 2014-09, *Revenues from Contracts with Customers* (Topic 606). The standard's core principle is to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. In effect, entities are required to exercise further judgment and make more estimates prospectively. This may include identifying performance obligations in the contract, estimated the amount of variable consideration to include in the transaction price and allocating the transaction price to each performance obligation. ASU No. 2014-09 was effective January 1, 2019 for the Organization. The Organization has evaluated the new guidance and determined that contribution revenue earned and investment income is outside the scope of ASC 606. As a result, the adoption of ASU No. 2014-09 did not have a material impact on the Organization's financial statements.

In June 2018, the FASB issued ASU No. 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 distinguish 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. ASU No. 2018-08 was effective January 1, 2019 for the Organization. The Organization has evaluated the guidance and determined the adoption of ASU No. 2018-08 did not have a material impact on the Organization's financial statements.

Mercy For Animals, Inc.
Notes to Financial Statements
December 31, 2019

3. INVESTMENTS

Investments consisted of the following:

Equities	\$ 2,438,520
Mutual funds and ETFs	208,046
Fixed income	<u>7,665,834</u>
	<u><u>\$ 10,312,400</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, 2019:

	Level 1	Level 2	Level 3	Fair Value
Equities	\$ 2,438,520	\$ -	\$ -	\$ 2,438,520
Mutual funds and ETFs	208,046	-	-	208,046
Fixed income	<u>-</u>	<u>7,665,834</u>	<u>-</u>	<u>7,665,834</u>
	<u><u>\$ 2,646,566</u></u>	<u><u>\$ 7,665,834</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 10,312,400</u></u>

4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following:

Leasehold improvements	\$ 134,284
Furniture and equipment	48,912
Computer equipment	14,341
Software	5,600
Automobiles	<u>2,494</u>
	205,631
Accumulated depreciation and amortization	<u>(171,885)</u>
	<u><u>\$ 33,746</u></u>

Depreciation and amortization expense for the year ended December 31, 2019 was \$14,396.

Mercy For Animals, Inc.
Notes to Financial Statements
December 31, 2019

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Restricted for a specific purpose	
Corporate engagement	\$ 2,691,892
Capacity building	1,066,648
Public engagement	136,354
2020 operations	<u>100,000</u>
	<u>\$ 3,994,894</u>

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

Public engagement	\$ 1,116,920
Corporate engagement	864,709
Capacity building	345,752
Investigations	280,000
ASPCA	50,000
Latin America	<u>20,000</u>
	<u>\$ 2,677,381</u>

6. OPERATING LEASE COMMITMENTS

The Organization leases office space in West Hollywood, California. The lease was scheduled to expire in March 2020 and requires monthly lease payments of approximately \$6,000. In February 2020, the Organization extended its lease for office space through March 2022, which is reflected in the scheduled minimum lease payments disclosure below.

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

<u>Year ending December 31,</u>	
2020	\$ 59,068
2021	54,069
2022	<u>13,517</u>
	<u>\$ 126,654</u>

Rent expense amounted to \$88,518 for the year ended December 31, 2019.

7. RELATED PARTY

The Organization received approximately \$43,000 in grants and contributions from members of the Board of Directors during the year ended December 31, 2019.

Mercy For Animals, Inc.
Notes to Financial Statements
December 31, 2019

8. RETIREMENT PLAN

The Organization offers a voluntary pre-tax retirement benefits plan to all employees immediately upon hire. Employees who elect to contribute to the benefit plan may self-direct the investment of their deferred compensation among specific investment options via automatic payroll deduction. As of December 31, 2019, there was \$5,392 payable accrued at year end.

9. CONCENTRATIONS

During the year ended December 31, 2019, two donors accounted for approximately 44% of grants and contributions revenue. As of December 31, 2019, one donor accounted for 100% of grants and contributions receivable.

10. LIQUIDITY AND FUNDS AVAILABLE

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, 2019, the level of liquidity and reserves was managed within the policy requirements.

The following is a quantitative disclosure which describes assets that are available within one year as of December 31, 2019 to fund general expenditures and other obligations as they become due:

Financial assets	
Cash and cash equivalents	\$ 7,222,339
Short-term investments	6,816,872
Contributions and grants receivable	<u>2,354,000</u>
	<u>16,393,211</u>
Less: amounts unavailable for general expenditures within one year, due to:	
Restricted for a specific purpose	<u>(3,894,894)</u>
	<u>(3,894,894)</u>
	<u>\$ 12,498,317</u>

11. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through July 22, 2020, the date the financial statements were available to be issued.

Mercy For Animals, Inc.
Notes to Financial Statements
December 31, 2019

11. SUBSEQUENT EVENTS (continued)

In December 2019, an outbreak of a novel strain of coronavirus ("COVID-19") originated in Wuhan, China and has since spread to a number of other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, several states in the U.S., including California where the Organization is headquartered, have declared a state of emergency.

The effects of the pandemic on the U.S. economy have not yet been fully felt nor are its economic effects measurable at this time. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders. As a result, equity markets have experienced significant volatility. While the economic disruption is currently expected to be temporary and markets typically recover, there is considerable uncertainty around the duration of the closings and shelter in place orders and the shorter-term market volatility. It is at least reasonably possible that this matter will negatively impact the Organization. However, the financial impact and duration cannot be reasonably estimated at this time.

On April 23, 2020, as disclosed by the Small Business Administration, the Organization received loan proceeds in the range of \$350,000 to \$1 Million under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loan and accrued interest are forgivable after the covered period as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of the loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period. Amounts that are not forgiven convert to a note payable and accrue interest at 1.0%.

As described in Note 6, in February 2020, the Organization renewed its lease agreement for its primary office space in West Hollywood, California.

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