# Consolidated Financial Statements and Report of Independent Certified Public Accountants

## Mercy Corps and Affiliates

June 30, 2025 and 2024

**Contents**

GRANT THORNTON LLP
757 Third Ave., 9th Floor
New York, NY 10017

D +1 212 599 0100
F +1 212 370 4520

# REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Mercy Corps and Affiliates

**Opinion**

We have audited the consolidated financial statements of Mercy Corps and Affiliates (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2025, and the changes in 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 of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of management for the financial statements**

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 for one year after the date the consolidated financial statements are available to be issued.

**Auditor's responsibilities for the audit of the financial statements**
Our objectives are to obtain reasonable assurance about whether the consolidated 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 US 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 a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.
- Conclude whether, in our judgment, 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.

**Supplementary information**
Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental schedules of Mercy Corps Global Schedule of Financial Position as of June 30, 2025 and Mercy Corps Global Schedule of Activities for the year ended June 30, 2025 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with US

GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

**Report on 2024 summarized comparative information**

We have previously audited the Organization's 2024 consolidated financial statements (not presented herein), and we expressed an unmodified audit report on those audited consolidated financial statements in our report dated December 10, 2024. In our opinion, the accompanying summarized comparative information as of and for the year ended June 30, 2024 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Grant Thornton LLP

New York, New York
December 19, 2025

**Mercy Corps and Affiliates**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**June 30,**
**(in thousands)**

| | | 2025 | | 2024 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and cash equivalents | $ | 394,179 | $ | 252,664 |
| Investments | | 7,068 | | 10,444 |
| Grants and accounts receivable, net | | 50,403 | | 95,874 |
| Microfinance loans receivable, net | | - | | 194,313 |
| Inventories and material aid | | 1,185 | | 2,464 |
| Prepaid expenses, deposits, and other assets | | 5,270 | | 11,366 |
| Pledges receivable, net | | 1,812 | | - |
| Program-related investments, net | | 7,567 | | 7,331 |
| Property and equipment, net | | 24,109 | | 32,729 |
| Right-of-use assets | | 12,353 | | 15,019 |
| Assets held for sale - discontinued operations | | 406,689 | | - |
| Total assets | $ | 910,635 | $ | 622,204 |
| **LIABILITIES AND NET ASSETS** | | | | |
| **Liabilities** | | | | |
| Accounts payable and accrued liabilities | $ | 95,514 | $ | 79,336 |
| Deferred revenue | | 296,771 | | 167,907 |
| Customer deposits for microfinance activities | | - | | 167,023 |
| Debt for microfinancing activities | | - | | 21,683 |
| Lease liabilities | | 11,249 | | 13,529 |
| Long-term debt, net | | 4,397 | | 4,588 |
| Liabilities held for sale - discontinued operations | | 346,441 | | - |
| Total liabilities | | 754,372 | | 454,066 |
| **Net assets** | | | | |
| Without donor restrictions | | | | |
| Controlling interests | | 115,275 | | 131,549 |
| Noncontrolling interests | | 21,334 | | 18,533 |
| Total without donor restrictions | | 136,609 | | 150,082 |
| With donor restrictions | | 19,654 | | 18,056 |
| Total net assets | | 156,263 | | 168,138 |
| Total liabilities and net assets | $ | 910,635 | $ | 622,204 |

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

**Mercy Corps and Affiliates**

**CONSOLIDATED STATEMENT OF ACTIVITIES**

**For the year ended June 30, 2025**
**(with summarized financial information for the year ended June 30, 2024)**
**(in thousands)**

| | 2025 | | | 2024 |
|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| **Operating support and revenue** | | | | |
| Public support and revenue | | | | |
| Government grants | $ 389,515 | $ - | $ 389,515 | $ 427,577 |
| Material aid | 2,130 | - | 2,130 | 2,738 |
| Total public support and revenue | 391,645 | - | 391,645 | 430,315 |
| Other support and multilateral revenue | | | | |
| Other grants | 158,967 | - | 158,967 | 128,463 |
| Contributions of financial assets | 34,278 | 10,387 | 44,665 | 39,736 |
| Contributions of nonfinancial assets | 2,111 | - | 2,111 | 1,641 |
| Bequests | 3,270 | - | 3,270 | 2,912 |
| Total other support and multilateral revenue | 198,626 | 10,387 | 209,013 | 172,752 |
| Other revenue | | | | |
| Interest, dividend income and other revenue | 861 | - | 861 | 57,000 |
| Total other revenue | 861 | - | 861 | 57,000 |
| Net assets released from donor restrictions | 8,789 | (8,789) | - | - |
| Total operating support and revenue | 599,921 | 1,598 | 601,519 | 660,067 |
| **Operating expenses** | | | | |
| Program services | | | | |
| Humanitarian assistance – relief | 138,091 | - | 138,091 | 150,853 |
| Humanitarian assistance – recovery | 30,723 | - | 30,723 | 30,797 |
| Livelihood/economic development | 206,573 | - | 206,573 | 228,177 |
| Civil society and education | 90,381 | - | 90,381 | 89,688 |
| Health | 42,945 | - | 42,945 | 52,722 |
| Total program services | 508,713 | - | 508,713 | 552,237 |
| Supporting services | | | | |
| General and administrative | 90,672 | - | 90,672 | 96,716 |
| Resource development | 20,946 | - | 20,946 | 22,293 |
| Total supporting services | 111,618 | - | 111,618 | 119,009 |
| Total operating expenses | 620,331 | - | 620,331 | 671,246 |
| Change in net assets from operations | (20,410) | 1,598 | (18,812) | (11,179) |
| **Non-operating gains and losses, net** | | | | |
| Foreign currency exchange loss, net | (1,726) | - | (1,726) | (315) |
| Realized and unrealized gain on investments, net | 124 | - | 124 | 1,293 |
| Loss on swap agreements | (129) | - | (129) | (31) |
| Total non-operating gains and losses, net | (1,731) | - | (1,731) | 947 |
| Change in net assets before other interests | (22,141) | 1,598 | (20,543) | (10,232) |
| **Discontinued operations** | 8,549 | - | 8,549 | (749) |
| **Affiliate capital activity** | 119 | - | 119 | (1,718) |
| **CHANGE IN NET ASSETS** | (13,473) | 1,598 | (11,875) | (12,699) |
| **Net assets at beginning of year** | 150,082 | 18,056 | 168,138 | 180,837 |
| **Net assets at end of year** | $ 136,609 | $ 19,654 | $ 156,263 | $ 168,138 |

The accompanying notes are an integral part of this consolidated financial statement.

**Mercy Corps and Affiliates**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**Years ended June 30,**
**(in thousands)**

| | 2025 | 2024 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Change in net assets | $ (11,875) | $ (12,699) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 2,762 | 6,032 |
| Allowance for expected credit losses | - | (897) |
| Net realized and unrealized gain on investments | (124) | (1,293) |
| Unrealized loss on foreign exchange arrangements and financial instruments | 1,726 | 315 |
| Effects of currency translation on cash and cash equivalents | (292) | (2,211) |
| Changes in assets and liabilities: | | |
| Grants and accounts receivable | 26,852 | 6,400 |
| Inventories | 1,267 | (2,420) |
| Prepaid expenses, deposits, and other assets | (302) | 995 |
| Right-of-use assets | (1,412) | (810) |
| Customer deposits for microfinance activities | - | 43,663 |
| Accounts payable and accrued liabilities | 21,890 | (12,812) |
| Deferred revenue | 128,865 | 52,509 |
| Lease liabilities | 1,808 | 1,884 |
| Net cash provided by operating activities - continuing operations | 171,165 | 78,656 |
| Net cash provided by (used in) operating activities - discontinued operations | 128,238 | (749) |
| Net cash provided by operating activities | 299,403 | 77,907 |
| **Cash flows from investing activities:** | | |
| Acquisition of investments and derivatives | (2,827) | (12,965) |
| Proceeds from sale of investments and derivatives | 4,327 | 14,187 |
| Proceeds from program-related investments | 126 | - |
| Issuances of microfinance loans | - | (207,129) |
| Repayments on microfinance loans | - | 162,844 |
| Acquisition of property and equipment | (1,690) | (6,916) |
| Proceeds from sale of property and equipment | 44 | 180 |
| Net cash used in investing activities - continuing operations | (20) | (49,799) |
| Net cash used in investing activities - discontinued operations | (93,315) | - |
| Net cash used in investing activities | (93,335) | (49,799) |
| **Cash flows from financing activities:** | | |
| Proceeds from borrowings by microfinance entities | - | 40,677 |
| Repayments on borrowings of microfinance entities | - | (31,629) |
| Repayments on long-term debt | (191) | (191) |
| Net cash used in financing activities - continuing operations | (191) | 8,857 |
| Net cash used in financing activities - discontinued operations | - | - |
| Net cash (used in) provided by financing activities | (191) | 8,857 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | 205,877 | 36,965 |
| **Cash and cash equivalents at beginning of year** | 252,664 | 215,699 |
| **Cash and cash equivalents at end of year** | $ 458,541 | $ 252,664 |
| **Supplemental disclosures:** | | |
| Interest paid during the year | $ 24,236 | $ 18,916 |
| Noncash contributions | $ 4,241 | $ 4,379 |
| New ROU assets | $ 5,882 | $ 6,988 |

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

Mercy Corps and Affiliates

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2025
(With summarized financial information for the year ended June 30, 2024)
(in thousands)

| | 2025 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Program Services | | | | | | Supporting Services | | | |
| | Humanitarian Assistance - Relief | Humanitarian Assistance - Recovery | Livelihood/ Economic Development | Civil Society and Education | Health | Total Program Services | General and Administration | Resource Development | Total Operating Expenses | 2024 Total |
| Personnel | $ 24,225 | $ 10,507 | $ 74,448 | $ 27,565 | $ 15,446 | $ 152,191 | $ 70,557 | $ 11,066 | $ 233,814 | $ 252,163 |
| Professional services | 2,072 | 933 | 9,366 | 1,949 | 1,701 | 16,021 | 6,711 | 2,347 | 25,079 | 34,112 |
| Travel and vehicle expense | 3,017 | 1,301 | 7,776 | 3,724 | 2,312 | 18,130 | 2,125 | 251 | 20,506 | 26,599 |
| Office and occupancy expense | 2,555 | 1,262 | 8,221 | 3,038 | 1,497 | 16,573 | 8,100 | 4,138 | 28,811 | 35,833 |
| Other operating expenses | 829 | 734 | 1,133 | 497 | 338 | 3,531 | 1,147 | 2,997 | 7,675 | 11,767 |
| Material aid | (141) | 8 | 513 | 37 | 1,713 | 2,130 | 1,245 | - | 3,375 | 3,414 |
| Materials and supplies | 4,349 | 882 | 13,451 | 2,862 | 4,278 | 25,822 | 8 | - | 25,830 | 28,146 |
| Construction, non-owned assets | 3,284 | 2,152 | 5,453 | 2,392 | 1,883 | 15,164 | - | - | 15,164 | 13,921 |
| Training, monitoring, and evaluation | 1,133 | 835 | 7,840 | 5,713 | 1,084 | 16,605 | 5 | - | 16,610 | 20,409 |
| Subgrants | 96,402 | 11,984 | 77,558 | 42,098 | 12,427 | 240,469 | - | - | 240,469 | 221,757 |
| Microfinancing activity | - | - | 236 | - | - | 236 | - | - | 236 | 17,093 |
| Depreciation and amortization | 366 | 125 | 578 | 506 | 266 | 1,841 | 774 | 147 | 2,762 | 6,032 |
| | $ 138,091 | $ 30,723 | $ 206,573 | $ 90,381 | $ 42,945 | $ 508,713 | $ 90,672 | $ 20,946 | $ 620,331 | $ 671,246 |

The accompanying notes are an integral part of this consolidated financial statement.

## NOTE 1 - ORGANIZATION AND PURPOSE

***Business and Organization***

Mercy Corps and Affiliate (Organization) is a global team of humanitarians working together on the front lines of today's biggest crises to create a future of possibility where everyone can prosper.

Our mission: to alleviate suffering, poverty, and oppression by helping people build secure, productive, and just communities. In more than 40 countries worldwide, over 6,000 team members work side by side with people living in poverty, in the aftermath of disasters, in violent conflict, and in the acute impacts of climate change. We're committed to creating global change through local impact - 95% of our team members are from the countries where they work.

We bring a comprehensive approach to every challenge, addressing problems from multiple angles. And we go beyond emergency aid, partnering with local governments, forward-thinking corporations, social entrepreneurs, and people living in fragile communities to develop bold solutions that enable lasting change.

Mercy Corps Global (Mercy Corps), a Washington nonprofit corporation, and its controlled affiliates under common control are collectively referred to herein as the Organization. All intercompany transactions and balances have been eliminated. Consolidated affiliates include:

Mercy Corps Europe (MCE)

Mercy Corps Netherlands (MCNL)

Kompanion Bank Closed Joint Stock Company (Kompanion) (classified as discontinued operations)

Mercy Corps Kenya

MC Nigeria LTD/GTE

Yayasan Mercy Corps Indonesia (YMCI)

Mercy Corps Corporate Fund (MCCF) (previously Asian Credit Public Fund)

Mercy Corps Development Holdings, LLC (MCDH)

Humanitarian Energy PLC (HumEn)

MC VZLA (VZLA)

The following entities are inactive, in dissolution, or dissolved as of June 30, 2025:

CIT Services, LLC (CIT) (disposed of as of February 23, 2025)

Mercy Corps International Jordan, LLC (inactive)

Mercy Corps Condominium Unit Owners Association (inactive)

MiCRO Insurance Catastrophe Risk Organization SCC (MiCRO) (in dissolution)

Energy 4 Impact (E4I) (in dissolution)

Mercy Corps India (in dissolution)

MC Egypt, LLC (in dissolution)

Kompanion Invest Microcredit Company LLC (inactive)

HumEnergi Uganda Limited (inactive)

MC Kosovo (inactive)

As discussed in Note 16 - Discontinued Operations, Kompanion has been classified as a discontinued operation, and its assets and liabilities have been presented separately on the consolidated statement of financial position.

Effective January 1, 2023, Mercy Corps gained effective control of MiCRO due to a redistribution of its voting shares. On May 13, 2024, Mercy Corps entered into an agreement to sell the assets of this entity, with final disposal expected by June 30, 2026. As the sale of MiCRO does not represent a strategic shift in operations of Mercy Corps, it has not been classified as a discontinued operations.

Effective September 30, 2021, Mercy Corps and E4I signed a transfer agreement whereby Mercy Corps assumed sole control of E4I. As of June 30, 2024, all programs, assets, and staff have been transferred, and the Organization recognized a loss on discontinued operations. The dissolution was finalized on August 28, 2025.

Changes in governance structures are accounted for under Accounting Standard Codification (ASC) 958-805, *Not-for-Profit Entities - Business Combinations*.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

### *Basis of Accounting*

The accompanying consolidated 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 are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Organization's net assets and changes therein are classified and reported as follows:

*Net assets without donor restrictions*: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization.

*Net assets with donor restrictions*: Net assets that are subject to donor-imposed restrictions that permit the Organization to use or expend the assets as specified. Some donor-imposed restrictions are temporary, such as those imposed for a particular purpose or that will be met with the passage of time or other events specified by the donor. Other donor-imposed restrictions include maintaining resources in perpetuity.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Organization has no assets that must be maintained in perpetuity as of June 30, 2025, or 2024.

### *Use of Estimates*

The preparation of consolidated financial statements, in conformity with U.S. GAAP, requires management to make estimates and assumptions that affect the reported assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates in the Organization's consolidated financial statements include loan loss reserves. Actual results may differ from those estimates.

### *Revenue Recognition*

Contributions, including unconditional promises to give, are recognized initially at fair value as revenue in the period in which they are received at net realizable value. Contribution revenue is reported as an increase in net assets without donor restrictions unless their use is limited by donor-imposed restrictions, in which case they are reported as net assets with donor restrictions.

Funds provided under grants or contracts, which may have associated conditions, are deemed to be earned and reported as contribution revenue when the Organization has met the related condition in compliance with the specific terms and conditions of the grant or contract. Grant or contract funds received for which the condition has not yet been met are accounted for as deferred revenue. Performance of conditions made in advance of funds received is recorded as grants and accounts receivable.

A contribution is conditional if the agreement includes both 1) a barrier that must be overcome for the recipient to be entitled to the assets transferred and 2) a right of return for the transferred assets or a right of release from the promisor's obligation to transfer assets. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are met. The conditional contributions are related to funding for the establishment of new programs or continuation of current programs within Mercy Corps' overall mission, subject to the terms of each funding agreement. On June 30, 2025, the Organization had $84,252 in conditional promises to give, in the form of measurable performance-related or other barriers and a right of return, that have not been reflected in the accompanying consolidated financial statements.

Commodities received are reported at fair value and recognized as revenue as the commodities are distributed for program purposes.

### *Functional Allocation of Expenses*

The Organization allocates expenses on a functional basis among its various programs and supporting services. Expenses that can be identified with a specific program or supporting service are charged directly to that program or service. Other expenses common to several functions are allocated using various statistical bases such as headcount, hours worked, or as a percentage of total expenses.

### *Change in Net Assets from Operations*

Change in net assets from operations excludes activities that the Organization considers to be outside the scope of its primary business, as defined by its mission statement.

### *Foreign Currency Translation*

Assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on reporting dates, and revenue and expenses are translated at rates that approximate the average rate for the period in which the transactions occurred. Net transaction and translation gains and losses are included in the accompanying consolidated statement of activities in the non-operating revenue and losses section as foreign currency exchange gains or losses.

***Income Taxes***

Mercy Corps has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and corresponding sections of the State of Washington provisions as a publicly supported organization, which is not a private foundation.

U.S. GAAP requires the Organization's management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that, more likely than not, would not be sustained upon examination by the Internal Revenue Service (IRS). Management has analyzed the Organization's tax positions and concluded that, as of June 30, 2025, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no IRS audits in progress for any tax periods.

***Cash and Cash Equivalents***

Cash and cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less as of the date of acquisition, other than those held as part of the investment portfolio.

Project-related cash is held separately from the primary operating accounts per donor terms and internal processes. These segregated accounts totaled $202,498 and $171,191 as of June 30, 2025 and 2024, respectively.

***Investments***

The Organization holds various types of investments, including money market accounts, treasury securities, certificates of deposit, and mutual funds. Investments are recorded at fair value. Interest earned on funds and dividends are included in Interest, dividend income and other revenue. There are no significant concentrations as the investment portfolio is diversified among issuers.

***Charitable Gift Annuities***

Mercy Corps has certificates of authority from several states to receive transfers of money or property upon agreement to pay an annuity. The annuity liability included in accounts payable and accrued liabilities as of June 30, 2025, and 2024, was $459 and $508, respectively. Mercy Corps maintains segregated accounts for all gift annuities included in investments. The fair value of the accounts was $1,292 and $1,321 as of June 30, 2025 and 2024, respectively.

***Fair Value Measurements***

The Organization applies ASC Topic 820, *Fair Value Measurement*, which establishes a framework for measuring fair value. This standard defines fair value as the amount that would be exchanged for an asset or transferred for a liability in an orderly transaction between market participants at the measurement date.

The standard establishes a three-level fair value hierarchy that prioritizes the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 - Unadjusted quoted or published prices in active markets accessible at the measurement date for identical assets or liabilities.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted market prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the whole term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are unavailable.

The Organization used the following methods and significant assumptions to estimate fair value for its assets measured and carried at fair value in the consolidated financial statements:

*Mutual Funds, Certificates of Deposit, and U.S. Government Securities* - Fair values for these investments are based on quoted market or published prices (Level 1).

*Foreign Government Securities* - Fair value for these investments may use a variety of inputs, including inputs based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques (e.g., the Black Scholes model) for which all significant inputs are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Where applicable, these models project future cash flows and discount them to present value using market-based observable inputs, including interest rate curves, credit spreads, foreign exchange rates, and forward and spot currency prices (Level 2).

*Derivative Financial Instruments* - The fair value of the microfinance institution’s derivatives is based on estimates using standard pricing models that consider the present value of future cash flows as of the date of the consolidated statement of financial position. The fair values of the derivative arrangements are based on models that rely on observable market-based data (Level 2).

### *Grants and Accounts Receivable*

The majority of the Organization’s grants and accounts receivable are due from U.S. and European governments, with small balances due from multilateral agencies and private foundations. Grants and accounts receivable are expected to be collected within one year and are recorded at net realizable value.

### *Pledges Receivable*

Unconditional promises to give (pledges receivable) are recognized as assets and contribution revenue when a donor’s promise is received and all conditions have been substantially met. Pledges expected to be collected within one year are recorded at net realizable value; pledges due in future periods are recorded at the present value of estimated future cash flows. The discount on long-term pledges is computed using the Organization’s incremental borrowing rate in effect at the time the promise is received. Amortization of the discount is recorded as additional contribution revenue over the term of the pledge.

### *Allowance for Doubtful Accounts and Credit Losses*

The Organization evaluates the collectability of its receivables based on the applicable guidance in ASC Subtopic *958-310 Not-for-Profit Entities - Receivables* and ASC Topic 326 *Financial Instruments - Credit Losses*. Receivables arising from contribution-based grants and pledges are accounted for under ASC 958-310 and are measured at the net amount expected to be collected; these receivables are not subject to the credit-loss model in ASC 326.

Receivables arising from exchange transactions-primarily grant and contract arrangements accounted for under ASC Topic 606 Revenue from Contracts with Customers, and microfinance loans-are within the scope of ASC 326. The Organization estimates expected credit losses for these receivables based on historical experience, current conditions, and reasonable and supportable forecasts.

For all receivable types, the allowance reflects management’s evaluation of shared or individual risk characteristics. Receivables with similar risk characteristics are evaluated collectively, and certain balances are evaluated individually when specific information indicates a heightened risk of non-collection.

### *Microfinance Loans Receivable*

All microfinance lending activities were conducted through Kompanion Bank, which has been classified as a discontinued operation as of June 30, 2025 (see Note 16). Accordingly, no microfinance loans receivable remain in continuing operations.

### *Inventories and Material Aid*

The Organization receives agricultural commodities from governments for distribution through its programs and for monetization, in which the proceeds from the commodity sale are used to fund the Organization's programs. Commodities received for distribution are recorded at estimated fair value as inventory and deferred revenue. Revenue is recognized as inventory is distributed and is recorded in the consolidated statement of activities as material aid. Funds received from the monetization of commodities are deferred until utilized in program activities and are then recorded in the consolidated statement of activities as material aid.

Material Aid commodities received from the U.S. government that are held for sale are valued at the lesser of the fair value on the contribution date or the expected sales price in the foreign location if impaired. Material Aid commodities held for distribution, not for sale, are valued at estimated fair value.

From time to time, the Organization’s subsidiaries may hold inventories related to their primary programs. The Organization considers these inventories to be immaterial, as they are typically low-value and distributed within 12 months of receipt.

### *Program-Related Investments*

Program-related investments represent the Organization’s investments in domestic and overseas organizations that do not meet the control requirements for consolidation under U.S. GAAP. The investments are typically in the form of private equity investments funded with grants or the Organization’s net assets without donor restrictions. The primary purpose of these investments is the furtherance of the Organization’s mission rather than the generation of income. Investments are recorded on either the cost or equity method, depending on the Organization’s level of ownership and influence over the entities.

***Property and Equipment, Net***

Land, buildings, and equipment are stated at acquisition cost or fair value on the date of contribution. Depreciation is computed on a straight-line basis over the shorter of the estimated useful lives of the respective assets or the related lease term. The estimated useful lives by asset class are as follows:

| | Years |
|---|---|
| Buildings | 30 - 39 |
| Leasehold improvements | 3 - 30 |
| Furniture, fixtures, equipment, and software | 3 - 10 |
| Vehicles | 3 - 5 |

Restrictions associated with gifts for capital projects are released when the associated long-lived asset is placed into service.

***Customer Deposits for Microfinancing Activities***

Customer deposits for microfinancing activities include liabilities related to term and demand deposits held by Kompanion, which have been classified as discontinued operations as of June 30, 2025 (see Note 16). Accordingly, no customer deposits for microfinancing activities remain in continuing operations.

***Comparative Financial Information***

The accompanying consolidated financial statements include certain prior-year summarized information. With respect to the consolidated statement of functional expenses, information from the prior year is presented in the aggregate, is not presented by function, and the consolidated statement of activities does not include balances for net assets without donor restrictions and net assets with donor restrictions. Accordingly, such information should be read in conjunction with the Organization’s prior year consolidated financial statements from which the summarized information was derived.

***Leases***

The Organization determines if an arrangement is or contains a lease at inception and allocates the consideration between lease and non-lease components of the agreement. Leases are included in right-of-use (ROU) assets and lease liabilities in the consolidated statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, including any renewal options the Organization is reasonably certain to exercise, calculated using a discount rate equal to the Organization’s incremental borrowing rate at the lease commencement date. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and lease liabilities for short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

***Contributed Non-financial Assets and Services***

Contributed nonfinancial assets are recorded at their estimated fair value in the principal market of the geographic region in which they were received as an increase in contributions of nonfinancial assets with a corresponding increase to prepaid expenses, which are expensed as they are utilized. Contributed services are recognized as contributions of nonfinancial assets and as an appropriately classified expense at their estimated fair value if they create or enhance nonfinancial assets or require specialized skills that would need to be purchased if they were not donated. It is the Organization's policy not to monetize contributed nonfinancial assets.

***Crypto Assets***

Crypto assets are initially recorded at cost under the specific identification method. After initial recognition, crypto assets are remeasured at fair value at each reporting date, with changes in fair value recognized in net income. The fair value of crypto assets is determined based on quoted market prices from active exchanges (level 1). Due to the immateriality of the Organization's crypto asset holdings, the Organization has elected not to disclose information on individual significant crypto assets or to provide a reconciliation of the beginning and ending balances of its crypto asset holdings. The Organization will continue to monitor the materiality of its crypto asset holdings and update disclosures as necessary in accordance with applicable accounting standards. As of June 30, 2025, Mercy Corps Development Holdings held crypto assets valued at $189, which are included in prepaid expenses, deposits, and other assets. Fair value changes for crypto assets are included in realized and unrealized gains on investments in the consolidated statement of activities.

***New Accounting Pronouncements***

In December 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2023-08, which addresses the disclosure requirements for certain crypto assets. The new guidance requires entities to subsequently measure certain crypto assets at fair value, record changes in fair value in net income, and disclose information about the nature, risks, and changes in the Organization's crypto holdings. The guidance also requires that entities adopt the amendments for fiscal years beginning after December 15, 2024, by recording a cumulative-effect adjustment to beginning net assets. As of June 30, 2025, the Organization has elected to adopt ASU No. 2023-08 early. The adoption did not require an adjustment to beginning net assets.

In July 2025, the FASB issued ASU No. 2025-05, which addresses the complexity of identifying, analyzing, and documenting macroeconomic data when developing reasonable and supportable forecasts for estimating expected credit losses under Subtopic 326, Financial Instruments-Credit Losses. The ASU introduces practical expedients that help entities provide decision-useful information while reducing the time and effort necessary to analyze and estimate credit losses for current accounts receivable and contract assets. The amendments introduced by this ASU will be effective for annual reporting periods beginning after December 15, 2025. The Organization does not anticipate a material impact on the consolidated financial statements as a result of adopting ASU No. 2025-05.

In September 2025, the FASB issued ASU No. 2025-06, which amends current GAAP regarding the capitalization of development costs of internal-use software. This update requires that an entity capitalize software costs when both: management has authorized and committed to funding the software project; and it is probable that the project will be completed and the software will be used to perform the intended function, irrespective of the project's stage in the development cycle or the development method used. The Organization does not anticipate a material impact on the consolidated financial statements as a result of adopting ASU No. 2025- 06.

**NOTE 3 - LIQUIDITY AND AVAILABILITY**

The Organization monitors liquidity at the Mercy Corps reporting level, as affiliated entities are managed independently of Mercy Corps. The Organization regularly monitors the liquidity required to meet its operating needs, liabilities, and other financial commitments.

(Dollars in thousands)

As of June 30, 2024, customer deposits of $167,023 held at Kompanion Bank were subject to a 15% reserve ratio requirement. As of June 30, 2025, Kompanion Bank is classified as a discontinued operation, and its balances are excluded from financial assets available for general expenditure (see Note 16).

The following tables show Mercy Corps' financial assets, as of June 30, 2025 and 2024, that the Organization has access to and are available to meet general expenditures over the next 12 months. Note 9, Debt, describes the financial instruments and derivatives, net, and an additional $10,000 undrawn line of credit.

| Financial Assets as of June 30, 2025 | Mercy Corps | Affiliated Entities | Mercy Corps and Affiliates |
|---|---|---|---|
| Cash and cash equivalents | $ 266,877 | $ 127,302 | $ 394,179 |
| Investments | 7,068 | - | 7,068 |
| Grants and accounts receivable | 19,861 | 30,542 | 50,403 |
| Program-related investments | 25,019 | (17,452) | 7,567 |
| Total | 318,825 | 140,392 | 459,217 |
| Less: financial assets limited to use | | | |
| Deferred revenue | 216,421 | 80,350 | 296,771 |
| Net assets with donor restrictions | 18,145 | 1,509 | 19,654 |
| Split interest agreements | 1,292 | - | 1,292 |
| Program-related investments | 25,019 | (17,452) | 7,567 |
| Total financial assets limited to use | 260,877 | 64,407 | 325,284 |
| Financial assets available for general and administrative expenditure | $ 57,948 | $ 75,985 | $ 133,933 |

| Financial Assets as of June 30, 2024 | Mercy Corps | Affiliated Entities | Mercy Corps and Affiliates |
|---|---|---|---|
| Cash and cash equivalents | $ 145,327 | $ 107,337 | $ 252,664 |
| Investments | 8,384 | 2,060 | 10,444 |
| Financial instruments and derivatives, net | 192 | - | 192 |
| Grants and accounts receivable | 47,113 | 48,761 | 95,874 |
| Microfinance loans receivable | - | 194,313 | 194,313 |
| Program-related investments | 24,557 | (17,226) | 7,331 |
| Total | 225,573 | 335,245 | 560,818 |
| Less: financial assets limited to use | | | |
| Deferred revenue | 116,286 | 51,621 | 167,907 |
| Net assets with donor restrictions | 15,528 | 2,528 | 18,056 |
| Split interest agreements | 1,321 | - | 1,321 |
| Financial instruments and derivatives, net | 192 | - | 192 |
| Microfinance loans receivable | - | 194,313 | 194,313 |
| Customer deposits for microfinance activities | - | 25,053 | 25,053 |
| Program-related investments | 24,557 | (17,226) | 7,331 |
| Total financial assets limited to use | 157,884 | 256,289 | 414,173 |
| Financial assets available for general and administrative expenditure | $ 67,689 | $ 78,956 | $ 146,645 |

(Dollars in thousands)

## NOTE 4 - RECEIVABLES AND CREDIT LOSSES

### *Grants and Accounts Receivable*

The Organization's grants and accounts receivable as of June 30 are as follows:

| | 2025 | 2024 |
|---|---|---|
| Grant funds receivable | $ 47,205 | $ 69,176 |
| Due from banks and other financial institutions | - | 18,731 |
| Value-added tax (VAT) receivable | 48 | 474 |
| Notes receivable | 244 | 244 |
| Due from officers and employees | 324 | 484 |
| Other receivables | 2,922 | 6,765 |
| Less: allowance for doubtful accounts | (340) | - |
| Total grants and accounts receivable | $ 50,403 | $ 95,874 |

The Organization's receivables consist primarily of amounts due from donors, granting agencies, and subrecipients under cost-reimbursement agreements.

Receivables arising from contributions are evaluated under ASC 958-310, while receivables arising from exchange transactions are evaluated under ASC 326. Receivables with similar risk characteristics are assessed collectively, and certain balances are assessed individually when specific information indicates a heightened risk of non-collection. Expected credit losses for receivables arising from exchange transactions were determined to be immaterial; therefore, no allowance was recorded for those receivables as of June 30, 2025 or 2024.

### *Pledges Receivable*

The Organization's pledges receivable as of June 30 are as follows:

| | 2025 |
|---|---|
| Gross pledges receivable | $ 1,900 |
| Less: discount to present value | (88) |
| Pledges receivable, net | $ 1,812 |

The Organization did not have any pledges receivable as of June 30, 2024. The weighted-average discount rate used to determine the present value of pledges receivable was 4.53% at June 30, 2025. The maturity of future collections is as follows:

| Expected collection period | Total Collections |
|---|---|
| Within one year | $ 800 |
| One to five years | 1,100 |
| Total | $ 1,900 |

(Dollars in thousands)

Pledges receivable are accounted for as contribution-based receivables and are evaluated under ASC 958-310. Pledges with similar risk characteristics are evaluated collectively, and certain balances are evaluated individually when specific information indicates a heightened risk of non-collection. Expected credit losses were determined to be immaterial; accordingly, no allowance for doubtful pledges was recorded as of June 30, 2025 or 2024.

## NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS AND INVESTMENTS

The Organization measures certain assets and liabilities at fair value regularly in accordance with ASC 820, *Fair Value Measurement*. The 2025 disclosures relate solely to the Organization's continuing operations and exclude foreign government securities held by Kompanion Bank, which has been classified as a discontinued operation as of June 30, 2025 (see Note 16). Comparative 2024 balances include Kompanion's investments, as they were considered part of ongoing operations at that time.

Fair value measurements for the assets measured at fair value on a recurring basis on June 30, 2025, consisted of the following:

| | Level 1 | Level 2 | Total |
|---|---|---|---|
| Assets | | | |
| Investments | | | |
| Mutual funds - equity | $ 758 | $ - | $ 758 |
| Mutual funds - fixed income | 1,002 | - | 1,002 |
| Mutual funds - real estate investment trust | 57 | - | 57 |
| U.S. government securities | 5,251 | - | 5,251 |
| Total investments | 7,068 | - | 7,068 |
| Derivative financial instruments | | | |
| Interest rate swap arrangements (included in prepaid, expenses, deposits, and other assets) | - | 63 | 63 |
| Total investments and financial instruments | $ 7,068 | $ 63 | $ 7,131 |

Fair value measurements for the assets measured at fair value on a recurring basis on June 30, 2024, consisted of the following:

| | Level 1 | Level 2 | Total |
|---|---|---|---|
| Assets | | | |
| Investments | | | |
| Certificates of deposit | $ 739 | $ - | $ 739 |
| Mutual funds - equity | 745 | - | 745 |
| Mutual funds - fixed income | 809 | - | 809 |
| Mutual funds - real estate investment trust | 58 | - | 58 |
| U.S. government securities | 6,033 | - | 6,033 |
| Foreign government securities | - | 2,060 | 2,060 |
| Total investments | 8,384 | 2,060 | 10,444 |
| Derivative financial instruments | | | |
| Interest rate swap arrangements (included in prepaid, expenses, deposits, and other assets) | - | 192 | 192 |
| Total investments and financial instruments | $ 8,384 | $ 2,252 | $ 10,636 |

The Organization had no Level 3 assets or liabilities measured at fair value as of June 30, 2025 or 2024.

**(Dollars in thousands)**

## NOTE 6 - PROGRAM-RELATED INVESTMENTS

As of June 30, 2025 and 2024, two of the Organization’s investments, Middle East Venture Capital Fund, L.P., and Mercy Corps Development Holdings (MCDH), held private equity investments of $7,565 and $7,318 in companies with social missions that align with the Organization’s mission and programs.

Mercy Corps has other small investments in various entities recorded at cost. These investments enable the Organization to partner with developing social enterprises aligned with its mission.

## NOTE 7 - PROPERTY AND EQUIPMENT

The 2025 balances presented below relate solely to the Organization’s continuing operations and exclude assets of Kompanion, which have been classified as discontinued operations as of June 30, 2025 (see Note 16). Comparative 2024 amounts include Kompanion’s balances, as they were considered part of ongoing operations at that time.

The Organization’s property and equipment as of June 30 were as follows:

| | 2025 | 2024 |
|---|---|---|
| Land | $ 2,534 | $ 2,534 |
| Buildings and leasehold improvements | 32,925 | 39,854 |
| Vehicles | 11,070 | 18,871 |
| Furniture, fixtures, and equipment | 17,558 | 17,910 |
| | 64,087 | 79,169 |
| Less: accumulated depreciation and amortization | (39,978) | (46,440) |
| Property and equipment, net | $ 24,109 | $ 32,729 |

## NOTE 8 - OBLIGATIONS UNDER OPERATING LEASES

The Organization leases office facilities, equipment, and vehicles under operating leases with various terms and renewal options. These disclosures relate solely to the Organization’s continuing operations and exclude Kompanion Bank, which has been classified as a discontinued operation as of June 30, 2025 (see Note 16).

(Dollars in thousands)

***Future Minimum Lease Payments***

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease liabilities as of June 30, 2025:

| Year Ending | Payments |
|---|---|
| 2026 | $ 4,031 |
| 2027 | 2,239 |
| 2028 | 1,644 |
| 2029 | 1,316 |
| 2030 | 1,168 |
| Thereafter | 1,701 |
| | 12,099 |
| Less: effects of discounting | (850) |
| Total lease liability | $ 11,249 |

***Lease Cost***

| | 2025 | 2024 |
|---|---|---|
| Operating lease cost (cost resulting from lease payments) | $ 5,024 | $ 5,826 |
| Short-term lease cost | 401 | 2,465 |
| Total lease cost | $ 5,425 | $ 8,291 |

***Other Information***

| | 2025 | 2024 |
|---|---|---|
| Operating cash flows (fixed payments) | $ 4,800 | $ 4,688 |
| Operating cash flows (liability reduction) | $ 4,517 | $ 2,465 |
| New ROU assets | $ 5,882 | $ 6,988 |
| Weighted average lease term (in years) | 4.63 | 4.75 |
| Weighted average discount rate | 3.76% | 6.60% |

(Dollars in thousands)

## NOTE 9 - DEBT

On June 22, 2022, Mercy Corps refinanced the 2015 Tax Exempt Bonds with a $5,000 term note issued by Wells Fargo. The proceeds were used to refinance the debt of the headquarters building in Portland, Oregon, which also collateralized the note. Under this debt, Wells Fargo has a first-priority security interest in all of the Organization's accounts receivable and other rights to payment, general intangibles, inventory, and equipment. Principal payments of $17 are due monthly until maturity on July 1, 2027. The balance due, including unamortized loan fees on June 30, 2025 and 2024, is as follows:

| | 2025 | 2024 |
|---|---|---|
| Wells Fargo | $ 4,417 | $ 4,617 |
| Unamortized loan fees | (20) | (29) |
| Total debt | $ 4,397 | $ 4,588 |

Future maturities of debt outstanding on June 30, 2025, are as follows:

| Year Ending | Total Payments |
|---|---|
| 2026 | $ 200 |
| 2027 | 200 |
| 2028 | 4,017 |
| | $ 4,417 |

At the inception of borrowing, the Organization hedged its interest rate risk by entering into an interest rate swap agreement with Wells Fargo. The swap agreement provides that, each month, the Organization will pay to Wells Fargo interest on the notional amount at a fixed rate of 2.85%, and Wells Fargo will pay to the Organization interest on the notional amount at a rate equal to the United States Dollar Secured Overnight Financing Rate (SOFR) 30-day average rate. The Organization has elected to use the simplified hedge accounting approach consistent with ASC 815. On June 30, 2025 and 2024, the fair market value of the swap agreement was $63 (an asset) and $192 (an asset), respectively, which are included in prepaid expenses, deposits, and other assets on the consolidated statement of financial position.

### *2023 Line of Credit*

Mercy Corps has a $10,000 line of credit commitment with Wells Fargo for working capital purposes, which expires on July 1, 2027. The line of credit contains certain restrictive covenants that the Organization was not in compliance with as of June 30, 2025, but the Organization obtained a waiver from Wells Fargo to forego those requirements. No amounts were outstanding as of June 30, 2025 or 2024. See Note 17 for further discussion.

### *2025 Credit Facility*

Subsequent to June 30, 2025, the Organization entered into an additional $20,000 unsecured credit facility to supplement operating liquidity. No amounts were outstanding under this facility as of June 30, 2025. See Notes 17 and 18.

## NOTE 10 - COMMITMENTS AND CONTINGENCIES

The Organization receives a substantial portion of its funding in the form of grants from government and multilateral agencies. These grants contain certain compliance and internal control requirements that, if violated, may result in the disallowance of certain costs incurred under the grant programs. Additionally, the Organization is involved in various legal proceedings and claims arising in the normal course of business. The Organization adjusts the contingent liabilities each year based on the settlement of accrued amounts and potential liabilities that are reasonably likely and estimable. As of June 30, 2025 and 2024, the Organization had total accrued contingent liabilities of $1,270 and $1,479, respectively, which are included in accounts payable and accrued liabilities on the consolidated statement of financial position.

While it is not possible to determine the ultimate liability, if any, in these matters at this time, in the opinion of management, such matters will not have a material adverse effect on the financial condition of the Organization in excess of the recorded contingent liability.

## NOTE 11 - EMPLOYEE BENEFIT PLANS

Mercy Corps has a defined-contribution plan under Internal Revenue Code Section 403(b) for eligible employees. Employees are eligible to make voluntary pretax contributions beginning the first day of the month following their employment date. Employees are eligible to receive employer contributions equal to 6% of gross salary after one year of service. The Organization’s contributions to the plan for the years ended June 30, 2025 and 2024 amounted to $2,286 and $2,324, respectively.

Until October 2024, Mercy Corps also maintained a non-qualified employee benefit plan for certain third-country nationals who would otherwise be ineligible for the defined contribution plan under Internal Revenue Code Section 403(b). These employees are eligible to receive employer contributions equal to 6% of gross salary after one year of service. The Organization recorded associated program expenses monthly and made lump-sum payments to team members upon end-of-service.

In October 2024, the Organization entered into an agreement with a third-party plan administrator, resulting in the transfer of accrued contributions. As of June 30, 2025 and 2024, the Organization reported total plan-related liabilities of $115 and $3,120, respectively. Total program expenses for the years ended June 30, 2025 and 2024 were $515 and $1,009, respectively.

Mercy Corps Europe contributes to defined-contribution pension plans on behalf of employees. The assets of the plans are held separately from the Organization's assets. Contributions are charged to the income and expenditure account and to the consolidated statement of activities in the period in which they are incurred. Total defined contribution retirement plan costs charged to operations were $433 and $373 for the years ended June 30, 2025 and 2024, respectively. These are included in general and administrative expenses in the accompanying consolidated statement of activities.

In the countries where the Organization operates outside the United States and the United Kingdom, most employees are citizens of the host country. These employees are not eligible for the Organization’s defined-contribution plan or for the employee benefit plan for third-country nationals; however, they may qualify for certain local government-sponsored plans appropriate for that country.

**(Dollars in thousands)**

## NOTE 12 - CONCENTRATION RISK

### *Significant Sources of Revenue*

The Organization's primary sources of revenue include donor grants and contracts, contributions, and other program income received in support of its humanitarian and development activities. The 2025 amounts presented below relate solely to the Organization's continuing operations and exclude Kompanion, which has been classified as discontinued operations as of June 30, 2025 (see Note 16). Comparative 2024 amounts include Kompanion's revenues, as they were considered part of ongoing operations at that time.

Funding from the U.S. Agency for International Development (USAID) represented approximately 30% and 38% of total revenue in 2025 and 2024, respectively, reflecting the Organization's continued reliance on U.S. government funding as a primary source of support for its program portfolio. As of June 30, 2025, the Organization has experienced a 26% year-over-year reduction in revenue from the U.S. government. Any further reduction in the government grants available or in the Organization's ability to receive grants may have a further material impact on its programs and operations. The Organization's major donor groups are as follows:

| Funding source | 2025 | 2024 |
|---|---|---|
| U.S. Agency for International Development (USAID) | $ 181,973 | $ 248,360 |
| U.K. Foreign, Commonwealth & Development Office (FCDO) | 82,372 | 41,217 |
| United Nations | 29,258 | 22,838 |
| European Union | 39,120 | 22,393 |
| Global Affairs Canada | 12,734 | 18,125 |
| Other U.S. agencies | 20,265 | 25,881 |
| Other European agencies | 43,557 | 54,058 |
| Private contributions and other sources | 192,240 | 227,195 |
| Total operating support and revenue | $ 601,519 | $ 660,067 |

### *Regional Cash Concentration*

The 2025 amounts presented below relate solely to the Organization's continuing operations and exclude Kompanion, which has been classified as discontinued operations as of June 30, 2025 (see Note 16). Comparative 2024 amounts include Kompanion's cash positions, as they were considered part of ongoing operations at that time.

For cash held in the United States, the Organization maintains its cash with commercial banks in amounts exceeding the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk associated with balances exceeding FDIC limits is minimal.

For cash held in the United Kingdom, the Organization maintains cash with commercial banks in excess of U.K. deposit insurance limits. Management believes the risk associated with the balance exceeding deposit insurance limits is minimal.

To fulfill grant agreements and maintain ongoing operations in foreign countries, the Organization maintains cash balances in both regional and local currencies. The Organization had cash deposits of 4.4% and 16.4% of the total cash balance in the Organization's foreign locations as of June 30, 2025 and 2024, respectively. Of the cash held in foreign locations, 0.0% and 57.9% was held by the Organization's subsidiary entities involved in microfinance activities as of June 30, 2025 and 2024, respectively.

(Dollars in thousands)

## NOTE 13 - CONTRIBUTED NONFINANCIAL ASSETS

The Organization received the following contributions of services and nonfinancial assets without restrictions for the years ended June 30:

| | 2025 | 2024 |
|---|---|---|
| Equipment | $ 333 | $ 173 |
| Software | 598 | 10 |
| Training | 88 | - |
| Legal services | 971 | 616 |
| Other services | 121 | 842 |
| Total contributed nonfinancial assets | $ 2,111 | $ 1,641 |

As of June 30, 2025 and 2024, the Organization received no contributions of nonfinancial assets or services with donor restrictions.

## NOTE 14 - NET ASSETS

***Changes in Consolidated Net Assets without Donor Restrictions Attributable to Controlling and Noncontrolling Interests***

| | Controlling Interest | Noncontrolling Interest | Total |
|---|---|---|---|
| Balance on June 30, 2023 | $ 138,872 | $ 16,035 | $ 154,907 |
| Excess of revenue over expenses | (6,955) | 3,099 | (3,856) |
| Change in net unrealized gains and losses on other than trading securities | (31) | - | (31) |
| Discontinued operations | 780 | - | 780 |
| Dividends distributed | (1,117) | (601) | (1,718) |
| Change in net assets | (7,323) | 2,498 | (4,825) |
| Balance on June 30, 2024 | 131,549 | 18,533 | 150,082 |
| Excess of revenue over expenses | (20,195) | (215) | (20,410) |
| Change in net unrealized gains and losses on other than trading securities | (1,731) | - | (1,731) |
| Discontinued operations - Kompanion (see Note 16) | 5,533 | 3,016 | 8,549 |
| Affiliate capital activity | 119 | - | 119 |
| Change in net assets | (16,274) | 2,801 | (13,473) |
| Balance on June 30, 2025 | $ 115,275 | $ 21,334 | $ 136,609 |

(Dollars in thousands)

### *Net Assets with Donor Restrictions*

Net assets subject to donor restrictions were restricted for the following purposes or geographic regions as of June 30, 2025 and 2024:

| | 2025 | 2024 |
|---|---|---|
| Subject to expenditure for a specified purpose | | |
| Humanitarian assistance - relief | $ 9,441 | $ 10,354 |
| Humanitarian assistance - recovery | 1,164 | 167 |
| Livelihood/economic development | 5,842 | 5,067 |
| Civil society and education | 2,462 | 1,870 |
| Health | 544 | 542 |
| Resource development and general administration | - | 19 |
| Total net assets with purpose restrictions | 19,453 | 18,019 |
| Subject to expenditure in a specified region | | |
| Africa | 108 | - |
| Americas | 47 | - |
| Asia | 46 | 37 |
| Total net assets with region restrictions | 201 | 37 |
| Total net assets with donor restrictions | $ 19,654 | $ 18,056 |

The Organization did not have net assets subject to time restrictions as of June 30, 2025 and 2024.

Net assets released from donor restrictions as of June 30, 2025 and 2024 were as follows:

| | 2025 | 2024 |
|---|---|---|
| Satisfaction of purpose restrictions | | |
| Humanitarian assistance - relief | $ 4,234 | $ 6,492 |
| Humanitarian assistance - recovery | 504 | 340 |
| Livelihood/economic development | 1,447 | 5,015 |
| Civil society and education | 1,421 | 1,074 |
| Health | 721 | 865 |
| Resource development and general administration | 19 | 444 |
| Total net assets released from purpose restrictions | 8,346 | 14,230 |
| Satisfaction of geographic restrictions | | |
| Africa | 265 | 119 |
| Americas | 28 | 71 |
| Asia | 50 | 129 |
| Europe & Middle East | 100 | 151 |
| Total net assets released from geographic restrictions | 443 | 470 |
| Total net assets released from donor restrictions | $ 8,789 | $ 14,700 |

## NOTE 15 - CONSOLIDATION AND SUBSIDIARY ENTITIES

The Organization is required to consolidate certain entities under the guidance of FASB ASC Topic 810, *Consolidation*, and ASC Topic 958 820, *Not-for-Profit Entities - Consolidation.*

ASC Topic 810 allows for consolidated parents to account for their investments in subsidiaries under the initial value method. As such, the Organization has accounted for our subsidiary investments (program-related investments) under rules consistent with the initial value method as described in ASC Topic 321. Under this method, dividends are considered interagency dividend revenue and are eliminated on consolidation. The remaining investment in subsidies is eliminated upon consolidation against the subsidiaries' equity.

Mercy Corps has limitations on the use of the assets and is not obligated for the liabilities of these consolidated subsidiaries under the laws in place in the foreign jurisdiction of each of these subsidiaries and under the terms of the entities' bylaws.

The Organization continues to establish new entities to invest in emerging technologies, business models, and social enterprises, providing transformational opportunities to alleviate suffering, poverty, and oppression. The following entities are yet to have significant activities but are controlled by Mercy Corps and have therefore been consolidated as of June 30, 2025:

*MCCF* (formerly Asian Credit Public Fund) was formed in 2020 and serves as the custodian of the Asian Credit Fund's sales proceeds.

*Mercy Corps Development Holdings (MCDH)* was formed in 2015 as a for-profit holding entity and invests in early-stage start-up companies with a social mission and a focus that aligns with Mercy Corps' mission and programs.

*HumEn* was established as a new entity in Ethiopia in 2022. Mercy Corps holds 80% of the outstanding shares.

*Mercy Corps International Jordan, LLC* was formed as a not-for-profit entity in 2007 to carry out operations in Jordan. This entity is inactive as of June 30, 2024.

*Mercy Corps Condominium Unit Owners Association*, inactive since June 30, 2016.

*Mercy Corps Egypt, LLC* was formed in 2012 to establish a field office and operations in Egypt. It remains in dissolution as of June 30, 2025.

*Micro Insurance Catastrophe Risk Organisation (MiCRO)* was formed in 2011 to provide micro-insurance products and services to achieve poverty alleviation in Central America and the Caribbean.

*Energy 4 Impact (E4I)*, a UK entity with operations in Africa, was acquired by Mercy Corps and Affiliates as of September 30, 2021. The remaining operations were incorporated into Mercy Corps and Mercy Corps Europe in 2024. This entity was in dissolution as of June 30, 2025, and dissolved on August 28, 2025.

*Mercy Corps India* was formed in August 2010 as a joint stock company to carry out operations in India. This entity remains in dissolution as of June 30, 2025.

*Yayasan Mercy Corps Indonesia (YMCI)* was founded in January 2012 to establish field offices and carry out operations in Indonesia. It retained loose affiliation with Mercy Corps and Affiliates until the Organization gained representation and controlling influence on YMCI's Board of Trustees in July 2022.

(Dollars in thousands)

*HumEnergi Uganda Limited* was established as a new entity in May 2025 and is scheduled to commence operations in 2026.

The total combined net assets of the entities listed above are $11,160 and $10,549 as of June 30, 2025 and 2024, respectively.

## NOTE 16 - DISCONTINUED OPERATIONS

The Organization has classified the assets, liabilities, and activities of Kompanion Bank Closed Joint Stock Company (Kompanion) as discontinued operations as of June 30, 2025.

The planned sale of Kompanion reflects a strategic divestiture that has been under consideration for several years, aimed at simplifying the Organization's global structure and reducing exposure to regulated financial services. In fiscal year 2025, deteriorating international aid conditions and liquidity pressures accelerated the timeline for this transaction. As discussed in Note 17 - Going Concern Considerations, the divestiture serves as a key mitigation measure to support the Organization's ability to continue operations. Kompanion's assets and liabilities have been presented separately on the consolidated statement of financial position, and its results and cash flows have been presented separately on the consolidated statement of activities and consolidated statement of cash flows, respectively. The Organization executed a purchase agreement with the buyer for its interests in Kompanion on October 31, 2025.

### *Classification as Held for Sale*

In accordance with ASC 205-20*, Presentation of Financial Statements - Discontinued Operations*, the assets and liabilities of Kompanion have been classified as held for sale and presented separately on the consolidated statement of financial position as of June 30, 2025.

The major classes of assets and liabilities held for sale as of June 30, 2025, are summarized below:

| Assets held for sale | 2025 |
|---|---|
| Cash and cash equivalents | $ 64,362 |
| Investments | 14,413 |
| Accounts receivable, net | 35,500 |
| Microfinance loans receivable, net | 272,996 |
| Prepaid expenses, deposits, and other assets | 6,187 |
| Property and equipment, net | 9,793 |
| Right-of-use assets | 3,438 |
| Total assets | $ 406,689 |

| Liabilities held for sale | 2025 |
|---|---|
| Accounts payable and accrued liabilities | $ 15,166 |
| Customer deposits for microfinance activities | 301,899 |
| Debt for microfinancing activities | 25,806 |
| Lease liabilities | 3,570 |
| Total liabilities | $ 346,441 |

(Dollars in thousands)

***Results of Discontinued Operations***

Kompanion's operating results are presented separately as discontinued operations in the consolidated statement of activities for the year ended June 30, 2025. Prior-year information has not been reclassified. The change in net assets attributable to discontinued operations is as follows:

| | 2025 |
|---|---|
| Interest income | $ 59,962 |
| Interest expense | (24,006) |
| Personnel and professional fees | (20,383) |
| Office and occupancy | (4,498) |
| Depreciation and amortization | (4,021) |
| Nonoperating gains and losses, net | 1,495 |
| Change in net assets from discontinued operations | $ 8,549 |

***Reconciliation of Ending Cash and Cash Equivalents***

As the operating and investing cash flows of Kompanion are presented within the consolidated statement of cash flows, but the cash and cash equivalents attributable to Kompanion are classified as assets held for sale, the ending cash and cash equivalents reported on the consolidated statement of cash flows do not equal the cash and cash equivalents line on the consolidated statement of financial position. The reconciliation is as follows:

| | 2025 |
|---|---|
| Ending cash and cash equivalents on the consolidated statement of cash flows (including net cash flows from discontinued operations) | $ 458,541 |
| Less: cash and cash equivalents classified as assets held for sale | (64,362) |
| Cash and cash equivalents per the consolidated statement of financial position | $ 394,179 |

***Presentation***

No prior-year amounts have been reclassified to conform to the current-year presentation. All Kompanion-related assets, liabilities, activities, and cash flows have been aggregated and reported as a single discontinued component for 2025.

(Dollars in thousands)

***Microfinance Loans Receivable and Credit Losses***

Microfinance loans were issued to individuals and groups for small-business and consumer purposes, typically with maturities of 3 to 60 months and interest rates consistent with local market conditions. All such lending activity in 2025 was conducted by Kompanion and has therefore been reclassified to discontinued operations. Loans were carried at amortized cost, net of an allowance for expected credit losses, and primarily consisted of consumer and small-business credits issued in the Kyrgyz Republic. Expected credit losses were estimated in accordance with ASC 326 using Kompanion's historical loss experience, economic conditions, and reasonable and supportable forecasts. For reference, the prior-year balances (when Kompanion was part of ongoing operations) were as follows:

| | 2024 |
|---|---|
| Small and medium businesses | $ 111,306 |
| Consumer lending | 87,451 |
| Microlending | 105 |
| Gross loans receivable | 198,862 |
| Less: allowance for expected credit losses | (4,549) |
| Microfinance loans receivable, net | $ 194,313 |

***Customer Deposits and Microfinancing Debt***

As of June 30, 2025, all customer-deposit and microfinance-debt balances related to Kompanion were classified as liabilities held for sale. For reference, the prior-year balances (when Kompanion was part of ongoing operations) were as follows:

| Customer deposits | 2024 |
|---|---|
| Term deposits | $ 107,686 |
| Demand deposits | 58,137 |
| Accrued interest | 1,200 |
| Total customer deposits | $ 167,023 |

| Debt for microfinancing activities | Interest Rates | Due Date | 2024 |
|---|---|---|---|
| EBRD | 12.58%-17.55% | 2025-2027 | $ 7,919 |
| MinFIn | 8.0% | 2033 | 962 |
| Triodos | 14.0% | 2025 | 2,458 |
| State Mortgage Co | 4.0%-6.0% | 2032 | 629 |
| Symbiotics | 11.0%-14.0% | 2025-2027 | 9,715 |
| Total debt for microfinancing activities | | | $ 21,683 |

Mercy Corps does not guarantee repayment of Kompanion's borrowings. All obligations are expected to be transferred to the purchaser upon disposal.

## NOTE 17 - GOING CONCERN CONSIDERATIONS

Since January 2025, the nonprofit and international development sectors have faced unprecedented disruption following a reduction-in-force (and the eventual dissolution) of the United States Agency for International Development (USAID) and the suspension of federal foreign assistance programs. Executive orders issued by the current administration have halted or rescinded funding to NGOs whose missions are perceived to conflict with federal priorities, including those focused on humanitarian aid, climate resilience, and equity initiatives. These actions have triggered widespread program closures, layoffs, and liquidity crises across the sector.

These developments have led to an unprecedented reduction in the Organization's planned programming and have placed significant pressure on its liquidity and financial projections (see Note 3 and 12). Excluding proceeds from planned asset sales, initial internal projections indicated that unrestricted cash available for support services expenses may near depletion by December 2026. These conditions and events raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date the financial statements are available to be issued.

In response, management has implemented a series of mitigation measures designed to preserve liquidity and extend the Organization's operational runway. These include:

- **Revenue generation initiatives:** Management is intensifying efforts to grow multi-year unrestricted revenue by expanding private and institutional donor programs and identifying new sources of unrestricted funding. These efforts aim to narrow the gap between general and administrative expenses and indirect cost recovery revenue, and represent a key near-term strategic priority.

- **Cost containment and financial discipline:** The Organization implemented a significant operational restructuring, which included reducing its global workforce by approximately 30% and its U.S. staff by 40%, as well as introducing enhanced liquidity monitoring, quarterly financial reforecasting, and a moratorium on nonessential expenses.

- **Asset monetization:** The completed sale of the Organization's interest in Kompanion Bank in October 2025 generated approximately $36,000 in cash proceeds. Additionally, the Organization is actively pursuing a buyer for its Portland office property, but the sale is not expected to close within the next twelve months and has therefore been excluded from forecasted cash flows.

- **Pursuit of new financing:** On December 17, 2025, the Organization entered into a new $20,000 unsecured credit facility to supplement operating liquidity. This facility strengthens the Organization's financial position and supports ongoing operations.

Based on the updated financial forecast and the execution of these mitigation measures, management believes that the substantial doubt regarding the Organization's ability to continue as a going concern has been alleviated. Management has concluded that, despite continuing uncertainties-including the timing and outcome of the potential property sale, the successful execution of a new credit facility, and the realization of unrestricted fundraising targets-the Organization will have sufficient liquidity to meet its obligations and continue operations through at least December 2026. As such, the financial statements have been prepared on the assumption that Mercy Corps will continue as a going concern, and no adjustments have been made to the amounts or classifications of assets and liabilities that might result from an outcome that differs from this assumption. These disclosures have been prepared in accordance with the guidance in FASB ASC 205-40, *Presentation of Financial Statements - Going Concern*.

## NOTE 18 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through December 19, 2025, which is the date the consolidated financial statements were available to be issued.

Subsequent to June 30, 2025, the Organization completed the sale of its interests in Kompanion Bank Closed Joint Stock Company, generating approximately $36,000 in cash proceeds. All related assets and liabilities were transferred to the purchaser. The Organization also entered into a new $20,000 unsecured credit facility to support operating liquidity; as of the date these financial statements were available to be issued, no amounts had been drawn under the facility. See Notes 16 and 17.

SUPPLEMENTAL SCHEDULES

**Mercy Corps and Affiliates**

**MERCY CORPS GLOBAL SCHEDULE OF FINANCIAL POSITION**

**June 30,**
**(In thousands)**

| | 2025 | 2024 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 266,877 | $ 145,327 |
| Investments | 7,068 | 8,384 |
| Finanical instruments and derivatives, net | 63 | 192 |
| Grants and accounts receivable | 19,861 | 47,113 |
| Due from unconsolidated affiliates, net | 20,711 | 27,936 |
| Inventories and material aid | 1,081 | 751 |
| Prepaid expenses, deposits, and other assets | 4,964 | 6,380 |
| Pledges receivable, net | 1,812 | - |
| Program-related investments | 25,019 | 24,557 |
| Property and equipment, net | 23,003 | 24,781 |
| Right-of-use assets | 12,343 | 10,941 |
| Total assets | $ 382,802 | $ 296,362 |
| **LIABILITIES AND NET ASSETS** | | |
| **Liabilities** | | |
| Accounts payable and accrued liabilities | $ 59,092 | $ 57,332 |
| Deferred revenue | 216,421 | 116,286 |
| Lease liabilities | 11,240 | 9,441 |
| Long-term debt | 4,398 | 4,589 |
| Total liabilities | 291,151 | 187,648 |
| **Net assets** | | |
| Without donor restrictions | 73,506 | 93,238 |
| With donor restrictions | 18,145 | 15,476 |
| Total net assets | 91,651 | 108,714 |
| Total liabilities and net assets | $ 382,802 | $ 296,362 |

**Mercy Corps and Affiliates**

**MERCY CORPS GLOBAL SCHEDULE OF ACTIVITIES**

**June 30, 2025**
**(With comparative financial information for the year ended as of June 30, 2024)**
**(In thousands)**

| | 2025 | | | 2024 |
|---|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| **Operating support and revenue** | | | | |
| Public support and revenue: | | | | |
| Government grants | $ 222,730 | $ - | $ 222,730 | $ 320,029 |
| Government contracts | 182 | - | 182 | - |
| Material aid | 2,130 | - | 2,130 | 2,738 |
| Total public support and revenue | 225,042 | - | 225,042 | 322,767 |
| Other support and multilateral revenue: | | | | |
| Other grants | 101,954 | - | 101,954 | 89,037 |
| Contributions of financial assets | 33,771 | 10,295 | 44,066 | 39,040 |
| Contributions of nonfinancial assets | 2,111 | - | 2,111 | 1,641 |
| Bequests | 3,270 | - | 3,270 | 2,912 |
| Total other support and multilateral revenue | 141,106 | 10,295 | 151,401 | 132,630 |
| Other revenue: | | | | |
| Interest, dividend income and other revenue | (633) | - | (633) | 6,753 |
| Total other revenue | (633) | - | (633) | 6,753 |
| Net assets released from restriction | 7,626 | (7,626) | - | - |
| Total operating support and revenue | 373,141 | 2,669 | 375,810 | 462,150 |
| **Operating expenses** | | | | |
| Program services: | | | | |
| Humanitarian assistance – relief | 40,432 | - | 40,432 | 93,888 |
| Humanitarian assistance – recovery | 30,723 | - | 30,723 | 30,797 |
| Livelihood/economic development | 155,752 | - | 155,752 | 148,942 |
| Civil society and education | 39,926 | - | 39,926 | 63,298 |
| Health | 28,463 | - | 28,463 | 34,601 |
| Total program services | 295,296 | - | 295,296 | 371,526 |
| Supporting services: | | | | |
| General and administrative | 77,237 | - | 77,237 | 87,489 |
| Resource development | 19,030 | - | 19,030 | 20,877 |
| Total supporting services | 96,267 | - | 96,267 | 108,366 |
| Total operating expenses | 391,563 | - | 391,563 | 479,892 |
| Change in net assets from operations | (18,422) | 2,669 | (15,753) | (17,742) |
| **Nonoperating gain and losses, net** | | | | |
| Foreign currency exchange (loss) gain, net | (1,139) | - | (1,139) | 1,278 |
| Realized and unrealized (loss) gain investments, net | (42) | - | (42) | 7,533 |
| Loss on swap agreements | (129) | - | (129) | (31) |
| Total nonoperating (expenses) revenue, net | (1,310) | - | (1,310) | 8,780 |
| **CHANGE IN NET ASSETS** | (19,732) | 2,669 | (17,063) | (8,962) |
| **Net assets at beginning of year** | 93,238 | 15,476 | 108,714 | 117,678 |
| **Net assets at end of year** | $ 73,506 | $ 18,145 | $ 91,651 | $ 108,716 |