

**MERCY-USA FOR AID & DEVELOPMENT, INC.
FINANCIAL REPORT
WITH ADDITIONAL INFORMATION
YEAR ENDED DECEMBER 31, 2005
(WITH COMBINED COMPARATIVE TOTALS FOR 2004)**

**Alan C.
Young & Associates, P.C.**
CERTIFIED PUBLIC ACCOUNTANTS

MERCY-USA FOR AID & DEVELOPMENT, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Mercy-USA For Aid & Development, Inc.
Plymouth, Michigan

We have audited the accompanying general purpose financial statements of Mercy-USA For Aid & Development, Inc. (a nonprofit organization) as of December 31, 2005 and 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these general purposes financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Mercy-USA For Aid & Development, Inc. as of December 31, 2005 and 2004 and the results of operations and changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our examination was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The data contained in the supplemental statement is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the examination of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2006 on our consideration of the Mercy-USA For Aid & Development, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



May 18, 2006

MERCY - USA FOR AID & DEVELOPMENT, INC.
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2005
 (WITH COMPARATIVE TOTALS FOR 2004)

<u>ASSETS</u>	<u>USA</u> <u>OPERATIONS</u>	<u>OVERSEAS</u> <u>OPERATIONS</u>	<u>TOTAL</u> <u>2005</u>	<u>TOTAL</u> <u>2004</u>
Current Assets:				
Cash and Cash Equivalents (Note 2)	\$1,803,796	\$153,646	\$1,957,442	\$2,743,587
Investments (Note 4)	429,169	0	429,169	406,103
Pledges & Accounts Receivable (Note 5)	42,711	167,282	209,993	225,506
Advances to Sub-Contractor	0	0	0	15,309
Notes Receivable - Micro-lending/SED	0	8,000	8,000	1,000
Inventory (Note 8)	0	0	0	1,820,595
Prepaid Insurance & Expenses	6,893	0	6,893	8,219
Total Current Assets	2,282,569	328,928	2,611,497	5,220,319
Fixed Assets:				
Vehicles, Furniture & Equipment (Note 6)	45,196	173,009	218,205	216,924
Less: Accumulated Depreciation	(34,485)	(113,985)	(148,450)	(141,411)
Total Fixed Assets	10,711	59,044	69,755	75,513
Other Assets:				
Travel Advance	0	0	0	3,471
Security Deposits	6,245	0	6,245	5,600
Total Other Assets	6,245	0	6,245	9,071
Total Assets	\$2,299,525	\$387,972	\$2,687,497	\$5,304,903
 <u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities:				
Accounts Payable	589,788	\$365,926	\$455,694	\$501,763
Deferred Revenue (Note 9)	0	67,932	67,932	2,305,475
Accrued Payroll & Taxes	489	0	489	356
Total Current Liabilities	90,257	433,858	524,115	2,807,594
Net Assets:				
Unrestricted	2,207,078	(48,781)	2,158,297	2,485,943
Temporarily Restricted	2,190	2,895	5,085	11,366
Total Net Assets	2,209,268	(45,886)	2,163,382	2,497,309
Total Liabilities and Net Assets	\$2,299,525	\$387,972	\$2,687,497	\$5,304,903

MERCY - USA FOR AID & DEVELOPMENT, INC.
STATEMENTS OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2005
(WITH COMPARATIVE TOTALS FOR 2004)

	USA OPERATIONS			OVERSEAS OPERATIONS			TOTAL 2005			TOTAL 2004		
	Unrestricted	Temporarily Restricted		Unrestricted	Temporarily Restricted		Unrestricted	Temporarily Restricted		Unrestricted	Temporarily Restricted	
SUPPORT AND REVENUE												
Contributions From Public	\$275,245	\$2,019,666	\$0	\$24,953	\$2,044,019	\$303,456	\$1,204,839					
US Governmental Grants	0	0	0	774,504	774,504	0	2,328,133					
US Department of Agriculture (USDA)	0	0	0	23,277	23,277	0	0					
US Agency for International Development (USAID)	0	0	0	0	0	0	0					
United Nation (UN) Grants	0	0	0	0	0	0	0					
UNMIK/CAMLEST	0	0	0	0	0	0	0					
UNMIK/CAMLEST	0	0	0	1,514	1,514	0	4,637					
Other UN Grants	0	0	0	16,196	16,196	0	150,858					
Global Fund to Fight AIDS, Tuberculosis & Malaria (GFATM) Grants	0	0	0	67,817	67,817	0	0					
Organization for Security & Cooperation in Europe (OSCE) Grants	0	0	0	0	0	0	8,175					
NGO/Foundation Grants	0	0	0	2,593	2,593	0	0					
Contribution In-Kind - Public	0	0	0	0	0	0	0					
Contribution In-Kind - UN agencies	0	0	0	210,529	210,529	0	44,231					
Contribution In-Kind - NGO/Foundation	0	0	0	0	0	0	0					
Contribution In-Kind - US Government (USDA)	0	0	0	1,820,595	1,820,595	0	1,014,289					
Dividend Income	23,795	0	242	0	0	24,037	20,657					
Gain/Loss on Foreign Currency Fluctuation	0	0	(351,347)	0	0	(351,347)	37,786					
Unrealized Gain (Loss) on Investments	16,987	0	0	0	0	18,987	54,311					
Gain (Loss) on Sale of Equipment	535	0	1,340	0	0	1,875	1,710					
Sales	177	0	0	0	0	177	40					
Program Fees	0	0	351	0	0	351	530					
Transfer-In/(Out)	181,995	(1,900,000)	(181,995)	1,900,000	1,900,000	0	0					
Net Assets Released From Restrictions (Note 1):	122,825	(122,825)	4,845,000	(4,845,000)	(4,967,825)	4,967,825	(4,752,559)					
Satisfaction of Service Restrictions	623,559	(3,159)	4,313,591	(3,122)	(6,261)	4,937,153	5,171,649					
Total Support and Revenue												
EXPENSES												
Program Services:	37,825	0	1,132,712	0	0	1,170,537	497,629					
Food, Shelter and Orphan Assistance	0	0	849,057	0	0	849,057	2,042,728					
Economic Vitalization	0	0	284,862	0	0	284,862	253,330					
Health	0	0	2,183,929	0	0	2,183,929	1,390,949					
Education	0	0	182,550	0	0	182,550	224,593					
General	37,825	0	4,633,110	0	0	4,670,935	4,415,285					
Total Program Services												
Management and General	457,845	0	0	0	0	457,845	427,919					
Fund Raising	136,016	0	0	0	0	136,016	91,729					
Total Supporting Expenses	593,861	0	0	0	0	593,861	519,648					
Total Expenses	631,686	0	4,633,110	0	0	5,264,796	4,934,937					
Change in Net Assets	(8,127)	(3,159)	(319,519)	(3,122)	(6,261)	(327,646)	236,712					
Net Assets - Beginning of Year	2,215,205	5,349	270,738	5,017	11,366	2,485,943	2,249,231					
Net Assets - End of Year	\$2,207,078	\$2,190	(\$48,781)	\$2,895	\$5,085	\$2,485,943	\$11,366					

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

MERCY - USA FOR AID & DEVELOPMENT, INC.
 STATEMENTS OF FUNCTIONAL EXPENSES
 YEAR ENDED DECEMBER 31, 2005
 (WITH COMPARATIVE TOTALS FOR 2004)

Expenditures	Food, Shelter & Orphan Assistance	Health	Economic Vitalization	Education	General Program	Total Program Services	Management & General	Fund Raising	Total	
									2005 Expenditures	2004 Expenditures
Grants	\$438,402	\$29,000	\$0	\$0	\$0	\$468,402	\$0	\$0	\$468,402	\$213,920
Scholarships	0	0	0	2,840	0	2,840	0	0	2,840	2,640
Salaries & Wages	90,378	112,471	55,782	110,890	102,038	471,559	226,360	0	697,919	706,095
Employee Benefits	58	871	10,656	5,795	12,536	29,917	52,043	0	81,960	73,477
Advertising & Promotion	0	0	0	0	0	0	2,810	55,131	57,941	54,280
Transportation Expenses	6,913	6,956	20,065	14,628	8,237	56,799	4,056	0	60,855	55,331
Commercial Insurance	0	0	0	0	0	0	5,929	0	5,929	6,519
Conference, Meeting & Seminars	0	0	0	0	0	0	4,454	0	4,454	2,802
Consultants & Other Professional Services	30	282	78	11,191	180	11,761	0	0	11,761	36,416
Dues, Subscriptions, Fees, etc.	122	1,145	350	396	808	2,821	9,734	0	9,745	7,358
Legal	0	0	0	3,000	0	3,000	27,165	0	30,165	33,723
Accounting	34,789	19,361	6,456	18,161	12,938	91,705	36,870	0	128,575	106,299
Occupancy & Warehousing	0	0	634	346	320	1,300	17,577	17,794	36,671	28,587
Postage & Shipping, etc.	5	0	27	544	289	865	1,371	10,163	12,399	17,483
Printing & Copying	531,068	93,755	733,105	1,964,839	1,130	3,323,917	0	0	3,323,917	3,276,223
Program Materials	2,587	3,548	7,469	13,176	6,854	33,934	7,114	0	41,048	49,460
Telephone	52,088	12,140	8,324	5,551	11,424	102,537	7,452	30,030	140,019	102,781
Travel	611	5,333	4,865	3,548	3,155	17,532	10,964	22,898	51,394	16,823
Bank Charges/Currency Adjustment	2,166	0	1,226	3,498	2,272	9,152	12,434	0	21,596	27,604
Office Supplies and Equipment	0	0	0	0	0	0	18,507	0	18,507	15,675
Payroll Taxes	0	0	0	0	0	0	0	0	0	1,997
Loss on Sale of Assets	0	0	0	0	0	0	0	0	0	49,480
Indirect cost	0	0	0	22,715	0	22,715	0	0	22,715	0
Depreciation	0	0	0	0	20,358	20,358	3,689	0	24,047	23,286
Total	\$1,170,537	\$284,852	\$849,057	\$2,183,929	\$182,550	\$4,670,935	\$457,845	\$136,016	\$5,264,796	\$4,934,937

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

MERCY - USA FOR AID & DEVELOPMENT, INC.
STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2005
(WITH COMPARATIVE TOTALS FOR 2004)

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	(333,927)	\$245,830
Adjustments to reconcile change in net asset to cash provided by operations		
(Gain) Loss on Sale of Asset	(1,875)	(1,710)
Depreciation	24,047	23,286
Unrealized (Gain)/Loss from Investments	(18,987)	(54,811)
Change in:		
Inventory	1,820,595	(1,820,595)
Prepaid Expenses/Security Deposits/Travel Advance	4,152	(3,379)
Pledges and Accounts Receivable	15,513	(92,219)
Advances to Sub Contractor	15,309	(1)
Accounts Payable	(46,089)	369,774
Deferred Revenue	(2,237,543)	594,457
Accrued Payroll Taxes	133	356
Net Cash Provided by (Used in) Operating Activities	(758,652)	(739,012)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments	(4,079)	0
Purchase of Equipment	(18,479)	(17,665)
Proceeds from Sale of Assets	2,065	19,438
Net Cash Provided by (Used in) Investing Activities	(20,493)	1,773
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds(Payments) from Notes Receivable	(7,000)	7,600
Net Cash Provided by (Used in) Financing Activities	(7,000)	7,600
Increase/(Decrease) in Cash	(788,145)	(728,639)
Cash and Cash Equivalents - Beginning of Year	2,743,587	3,473,226
Cash and Cash Equivalents - End of Year	1,957,442	\$2,743,587

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

MERCY-USA FOR AID & DEVELOPMENT, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2005 AND 2004

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activity

Mercy-USA For Aid & Development, Inc. is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It was incorporated in the State of Michigan on September 23, 1988. The organization is also licensed by the states of Michigan, Illinois, New Jersey and California to solicit public funds. Mercy-USA is involved in the relief and development for individuals and communities providing economic vitalization, health care, food and shelter and education mainly in Kenya, Somalia, Bosnia, Kosovo, Indonesia and Albania and also in the United States and other countries around the world with the help of United States Department of Agriculture (USDA), United Nations Interim Administration Mission in Kosovo (UNMIK), United Nations Children Fund (UNICEF) and other United Nations grants as well as through public contributions.

Basis of Accounting

The financial statements of Mercy-USA For Aid & Development, Inc. have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

Mercy USA for Aid & Development follows the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements for Not-For-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding the financial position and activities according to three classes of net assets, unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

To ensure proper usage of restricted and unrestricted assets, the Organization maintains it's accounting according to fund accounting principles. The assets liabilities and net assets are classified in accordance with specified restrictions and objectives. The Organization's funds are described below and are placed in the following categories:

Unrestricted Fund:

Unrestricted net assets are those currently available for use of the Organization Board, and the resources invested in fixed assets. These assets are accounted for internally in the general operating fund.

Temporarily Restricted Fund:

Temporarily restricted net assets are those assets received with donor stipulations that limit the use of the donated assets. When stipulated time restrictions expire or purpose restrictions are accomplished, these net assets are reclassified as unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

MERCY-USA FOR AID & DEVELOPMENT, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2005 AND 2004
(Continued)

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Contributions

In accordance with SFAS No. 116, "Accounting for Contributions Received and Contributions Made", contributions are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions.

Under SFAS No. 116, certain restricted contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the donor restrictions.

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor.

Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in subsequent years are reported at the present value of their net realized value, using risk-free interest rates applicable to the years in which the promises are to be received.

Grants

Grant support is recognized as revenue when expenditures are incurred for the specific purpose established under the grant agencies.

Inventory

Inventory consists of equipment, consumable supplies and pharmaceuticals items, which were donated and are stated at their estimated fair value at the date of donation. Obsolete items are written down to their net realizable value.

Investments

The Organization has adopted SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations". Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Accordingly, donated marketable securities are recorded as contributions at their estimated fair market values at the date of donation. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

MERCY-USA FOR AID & DEVELOPMENT, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2005 AND 2004
(Continued)

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Functional Allocation of Expenses

The cost of providing the various programs and other activities has been summarized on a program basis in the statement of activities.

Costs are allocated between fund raising, management and general and the appropriate program based on evaluations of the related benefits. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide the overall support and direction of the Organization.

Cash and Cash Equivalents

Cash includes cash on hand and cash in checking and savings accounts. For financial statement purposes, Mercy-USA For Aid & Development, Inc. considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents. Cash equivalents are carried at cost, which approximates market value.

Fixed Assets

Fixed assets are stated at cost or, at fair market value when received as contributions. Depreciation is recorded on a straight-line basis over the estimated useful life of the assets.

Temporarily Restricted Net Assets

Net assets were released from donor restrictions by incurring expenses satisfying the purpose specified by donors as follows:

Purpose Restriction Accomplished:

Albania Programs	\$2,275,420
Bosnia Programs	758,471
Kosovo Programs	39,868
Somalia & Kenya Programs	408,008
Bangladesh Programs	10,070
Chechen Refugees	20,384
India Programs	91,134
Indonesia Programs	1,039,537
Pakistan Earthquake	281,808
USA Program	<u>43,125</u>
Total Restrictions Released	<u><u>\$4,967,825</u></u>

MERCY-USA FOR AID & DEVELOPMENT, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2005 AND 2004
(Continued)

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Temporarily restricted net assets are available for specific programs and have a balance of \$ 5,085 at December 31, 2005.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, 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. Actual results could differ from these estimates.

2) **CASH**

The total cash held by the Organization at December 31, 2005, includes \$1,739,845 in monies that are not covered by insurance provided by the federal government. It is the opinion of management that the solvency of the referenced financial institutions is not of particular concern at this time.

3) **PROGRAM AND SUPPORTING SERVICES**

Mercy-USA For Aid & Development, Inc.'s program and supporting services are as follows:

Program Services

Economic Vitalization

The provision of ways for needy individuals and their communities to sustain themselves and to improve their quality of life; and assistance in reviving the economies of communities devastated by natural and man-made disasters.

Health Services

The improvement of individual and community health through education, immunization and other preventive measures. It also includes the operation or funding of clinics, hospitals, and other health care institutions; improvement, rehabilitation and renovation of the existing health care infrastructure; and the provision of medicines, medical supplies and medical equipment to health care facilities.

Food and Shelter

The provision of all types of food and shelter, winterization materials, and necessary household and personal items.

MERCY-USA FOR AID & DEVELOPMENT, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2005 AND 2004
(Continued)

3) **PROGRAM AND SUPPORTING SERVICES (Continued)**

Refugee and Orphan Assistance

The refugee and orphan assistance includes specific projects or other assistance for orphans around the world and refugees residing in North America.

Civil Society

The support of initiatives that encourage fair and representative governance structures and strengthen citizen participation in society.

General Program

General program includes all ancillary program services needed to maintain and enhance the specific program sectors.

Management and General

Includes the services necessary to maintain an adequate working environment, provide proper administrative support for the Organization's programs, and manage the financial and budgeting responsibilities of the Organization.

Fundraising

Provides the structure necessary to encourage and secure support from individuals and organizations.

4) **INVESTMENTS**

Investments consist of money market funds, stocks and Corporate Fixed Income and are carried at fair value at December 31, 2005. Dividends and capital gains earned on the shares are reinvested in the fund.

Any change in investment market values has been recorded as unrealized gain or loss.

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Cash & Money Market Funds	\$24,777	\$24,777	\$0
Stocks	325,735	380,580	54,845
Corporate Fixed Income	23,964	23,812	(152)
Total	<u>\$374,476</u>	<u>\$429,169</u>	<u>\$54,693</u>

5) **PLEDGES AND ACCOUNTS RECEIVABLE**

Accounts Receivable / Pledges Receivable – USA Operations

Accounts receivable at December 31, 2005 were collected in 2006.

MERCY-USA FOR AID & DEVELOPMENT, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2005 AND 2004
(Continued)

5) **PLEDGES AND ACCOUNTS RECEIVABLE (Continued)**

Accounts Receivable - Overseas Operations

Accounts receivable – Overseas operations consist of Albania and Bosnia grant funding receivable from the United States Department of Agriculture (USDA), Kosovo grant funding receivable from the United Nations Interim Administration Mission in Kosovo (UNMIK) and Indonesia grant funding receivable from the United Nations Food and Agriculture Organization (FAO) .

6) **FIXED ASSETS**

The fixed assets comprised of the following:

	<u>USA Operations</u>	<u>Overseas Operations</u>	<u>Total 2005</u>	<u>Total 2004</u>
Automobiles	\$17,301	\$98,143	115,443	\$113,962
Office Equipment	19,975	56,352	76,328	80,108
Office Furniture	2,620	5,897	8,517	7,617
Audio Visual Equipment	4,850	6,088	10,938	10,592
Others	450	6,529	6,979	4,645
	<u>45,196</u>	<u>173,009</u>	<u>218,205</u>	<u>216,924</u>
Less: Accumulated Depreciation	<u>(34,485)</u>	<u>(113,965)</u>	<u>(148,450)</u>	<u>(141,411)</u>
Total	<u>\$10,711</u>	<u>\$59,044</u>	<u>\$69,755</u>	<u>\$75,513</u>

During the year, the office at Kosovo was closed and all the fixed assets of this office were either transferred to other location or sold.

7) **PENSION PLAN**

The Organization started a 401(k) pension plan from January 1, 2000 for all employees who have attained the age of 20 ½ years. Employee may join the plan on January 1 or July 1 that coincides with or follows the date of employment after the completion of one year of service. Employer provides a 50% match on eligible employee contributions to the plan up to a maximum allowable by the plan. The Organization contributed \$ 7,523 and \$7,306 in the year 2005 and 2004 respectively to the Plan.

8) **INVENTORY**

Inventory consists of in-kind contributions of wheat, rice, beans & vegetable oil received from the United States Department of Agriculture (USDA) for distribution in Albania.

MERCY-USA FOR AID & DEVELOPMENT, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2005 AND 2004
(Continued)

9) **DEFERRED REVENUE**

Deferred revenue shows advances from grants awarded for assistance programs in Bosnia.

MERCY - USA FOR AID & DEVELOPMENT, INC.
 SUPPLEMENTAL STATEMENTS OF REVENUES AND PROGRAM EXPENSES
 YEAR ENDED DECEMBER 31, 2005
 (WITH COMPARATIVE TOTALS FOR 2004)

	ALBANIA	KOSOVO	BOSNIA	INDONESIA	U.S.A	SOMALIA & KENYA	INDIA	PAKISTAN	BANGLADESH	CHECHEN REFUGEES	NOT DESIGNATED	TOTAL 2005	TOTAL 2004
REVENUES													
Contributions from Public:													
General	\$52,005	\$3,030	\$24,219	\$0	\$101,940	\$24,141	\$766	\$524,370	\$1,316	\$2,201	\$265,245	\$1,139,240	\$620,897
Tsunami	0	0	5526,709	0	0	\$15,000	\$30,000	50	0	0	\$25,771	596,480	0
Food Aid	25,500	26,000	24,365	16,000	1,000	25,000	5,000	0	4,956	3,000	31,696	172,507	151,060
Orphan Fund	0	0	360	0	1,730	0	0	0	0	0	8,698	10,968	9,630
Zakat	1,000	500	70,000	194,644	0	110,000	530	20,000	1,000	1,000	0	383,644	525,587
US Government Grants	249,371	0	525,133	0	0	0	0	0	0	0	0	774,504	2,328,133
US Department of Agriculture (USDA)	0	0	0	0	0	23,277	0	0	0	0	0	23,277	0
US Agency for International Development (USAID)	0	0	0	0	0	0	0	0	0	0	0	0	0
UN Grants	0	0	0	0	0	0	0	0	0	0	0	0	4,697
UN/MIK/CA/MEST	0	0	0	0	0	0	0	0	0	0	0	0	0
UN/MIK/CA/MP5	0	0	0	0	0	0	0	0	0	0	0	0	0
UN/MIK/CA/MLSW	0	1,514	0	0	0	0	0	0	0	0	0	1,514	150,609
Other UN Grants	0	0	0	16,186	0	0	0	0	0	0	0	16,186	0
Organization for Security & Cooperation in Europe (OSCE) Grants	0	0	0	0	0	0	0	0	0	0	0	0	8,175
Global Fund to Fight AIDS, Tuberculosis & Malaria (GFATM) Grants	0	0	0	0	0	57,617	0	0	0	0	0	57,617	0
NGO/ Foundation Grants	0	0	0	0	0	2,892	0	0	0	0	0	2,892	0
Gifts in Kind - Public	0	0	0	0	0	0	0	0	0	0	0	0	0
Gifts in Kind - UN Agencies	0	0	0	160,475	0	41,054	0	0	0	0	0	210,529	44,232
Gifts in Kind - NGO/ Foundation	0	0	0	0	0	0	0	0	0	0	0	0	0
Gifts in Kind - US Govt (USDA)	1,320,595	0	0	0	0	0	0	0	0	0	0	1,820,595	1,014,259
Dividend Income	0	0	0	242	0	0	0	0	0	0	25,795	24,037	27,351
Gain/Loss on Foreign Currency Fluctuation	(2)	(6,924)	(341,218)	(1,259)	0	65	0	0	0	0	0	(351,347)	37,786
Unrealized Gain/Loss on Investments	0	0	0	0	0	0	0	0	0	0	18,987	13,967	54,811
Gain/Loss on Sale of Equipment	0	1,340	0	0	0	0	0	0	0	0	555	1,875	1,710
Sales	0	0	0	0	0	0	0	0	0	0	177	177	40
Program Fees	351	0	0	0	0	0	0	0	0	0	0	351	630
Total Revenues	\$2,168,820	\$23,400	\$332,858	\$923,997	\$102,946	\$314,577	\$40,208	\$544,375	\$7,272	\$5,201	\$376,094	\$4,930,659	\$5,180,757

Program Services:	\$26,059	\$27,935	\$25,150	\$672,045	\$37,625	\$34,573	\$91,000	\$225,093	\$9,841	\$20,000	\$0	\$1,170,567	\$497,626
Food, Shelter & Orphan Assistance	1,410	0	388,442	193,861	0	55,544	0	0	0	0	0	849,057	2,042,726
Economic Vitalization	0	0	0	34,560	0	228,302	0	22,000	0	0	0	264,862	253,390
Health	2,143,130	0	9,256	0	0	31,543	0	0	0	0	0	2,183,929	1,996,949
Education	71,896	11,141	30,383	31,948	0	37,180	0	0	0	0	0	102,550	224,593
General	\$2,242,496	\$38,070	\$694,237	\$932,214	\$57,825	\$307,151	\$61,000	\$247,063	\$5,841	\$20,000	\$0	\$4,670,935	\$4,415,259
Total Program Services													

MERCY - USA FOR AID & DEVELOPMENT, INC.
 INDIRECT COST ALLOCATION SCHEDULE
 YEAR ENDED DECEMBER 31, 2005

Expenditures	Total Cost	Allowable Indirect	Fund Raising Cost	Program Cost	Excluded Program Cost*	Total Direct Cost
Grants	\$468,402	\$0	\$0	\$468,402	\$0	\$468,402
Scholarships	2,640	0	0	2,640	0	2,640
Salaries & Wages	697,919	225,360	0	471,559	0	471,559
Employee Benefits	81,960	52,043	0	29,917	0	29,917
Advertising & Promotion	57,941	2,810	55,131	0	0	55,131
Transportation Expenses	60,855	4,056	0	56,799	0	56,799
Commercial Insurance	5,929	5,929	0	0	0	0
Conference, Meetings & Seminars	4,454	4,454	0	0	0	0
Consultants & Other Professional Services	11,761	0	0	11,761	0	11,761
Dues, Subscription, Fees etc.	9,745	9,734	0	11	0	11
Legal	12,137	9,316	0	2,821	0	2,821
Accounting	30,165	27,165	0	3,000	0	3,000
Occupancy & Warehousing	128,575	36,870	0	91,705	0	91,705
Postage & Shipping	36,671	17,577	17,794	1,300	0	19,094
Printing & Copying	12,398	1,371	10,163	865	0	11,028
Program Materials	3,323,917	0	0	3,323,917	2,031,124	1,292,793
Telephone	41,048	7,114	0	33,934	0	33,934
Travel	140,019	7,452	30,030	102,537	0	132,567
Bank Charges/Currency Adjustment	51,394	10,864	22,896	17,532	0	40,430
Office Supplies & Equipment	21,596	12,434	0	9,162	0	9,162
Payroll Taxes	18,507	18,507	0	0	0	0
Loss on Sale of Assets	0	0	0	0	0	0
Indirect Cost	22,715	0	0	22,715	22,715	0
Depreciation	24,047	3,688	0	20,358	0	20,358
Total	5,264,796	457,845	136,016	4,670,935	2,053,839	2,753,112
Reclassify Overhead Charged to Program Costs	0	22,715	0	0	0	0
Total	\$5,264,796	\$480,560	\$136,016	\$4,670,935	\$2,053,839	\$2,753,112

Base = Total Direct Cost
 Pool Cost \$480,560
 Base Cost \$2,753,112
 Indirect Rate 17.46%

* Excluded program costs include in-kind program material expenses and administrative costs included in the indirect cost.