

**MERCY-USA FOR AID & DEVELOPMENT, INC.  
FINANCIAL REPORT  
WITH ADDITIONAL INFORMATION  
YEAR ENDED DECEMBER 31, 2007  
(WITH COMBINED COMPARATIVE TOTALS FOR 2006)**

**MERCY-USA FOR AID & DEVELOPMENT, INC.**

**TABLE OF CONTENTS**

	<u>Page No.</u>
INDEPENDENT AUDITORS' REPORT .....	1
STATEMENTS OF FINANCIAL POSITION.....	2
STATEMENTS OF ACTIVITIES .....	3
STATEMENTS OF FUNCTIONAL EXPENSES .....	4
STATEMENTS OF CASH FLOWS .....	5
NOTES TO FINANCIAL STATEMENTS.....	6
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	12
<b><u>ADDITIONAL INFORMATION:</u></b>	
SUPPLEMENTAL STATEMENTS OF PROGRAM REVENUES AND EXPENSES.....	14
INDIRECT COST ALLOCATION SCHEDULE.....	15

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

7310 Woodward Ave., Suite 740  
Detroit, MI 48202

(313) 873-7500  
(313) 873-7502 (Fax)  
[www.alancyoung.com](http://www.alancyoung.com)

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying statement of financial position of Mercy-USA For Aid & Development, Inc. (a nonprofit organization) as of December 31, 2007 and 2006, and the related statement of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these 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 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, 2007 and 2006 and the 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 basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 30, 2008 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

*Alan C. Young & Assoc.*

May 30, 2008

**MERCY - USA FOR AID & DEVELOPMENT, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2007**  
**(WITH COMPARATIVE TOTALS FOR 2006)**

<b>ASSETS</b>	<b>USA OPERATIONS</b>	<b>OVERSEAS OPERATIONS</b>	<b>TOTAL 2007</b>	<b>TOTAL 2006</b>
<b>Current Assets:</b>				
Cash and Cash Equivalents	\$2,334,102	\$50,818	\$2,384,920	\$1,997,374
Investments	471,768	0	471,768	460,414
Pledges & Accounts Receivable	4,544	274,942	279,486	199,702
Notes Receivable - Micro-lending/SEI	0	10,380	10,380	4,500
Prepaid Insurance & Expenses	5,624	0	5,624	6,974
<b>Total Current Assets</b>	<b>2,816,038</b>	<b>336,140</b>	<b>3,152,178</b>	<b>2,668,964</b>
<b>Fixed Assets:</b>				
Vehicles, Furniture & Equipment	43,390	151,704	195,094	190,448
Less: Accumulated Depreciation	(38,106)	(106,255)	(144,361)	(139,223)
<b>Total Fixed Assets</b>	<b>5,284</b>	<b>45,449</b>	<b>50,733</b>	<b>51,225</b>
<b>Other Assets:</b>				
Security Deposits	5,600	0	5,600	5,600
<b>Total Other Assets</b>	<b>5,600</b>	<b>0</b>	<b>5,600</b>	<b>5,600</b>
<b>Total Assets</b>	<b>\$2,826,922</b>	<b>\$381,589</b>	<b>\$3,208,511</b>	<b>\$2,725,789</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current Liabilities:</b>				
Accounts Payable	\$93,634	\$30,161	\$123,795	\$137,566
<b>Total Current Liabilities</b>	<b>93,634</b>	<b>30,161</b>	<b>123,795</b>	<b>137,566</b>
<b>Net Assets:</b>				
Unrestricted	2,362,633	85,096	2,447,729	2,291,398
Temporarily Restricted	370,655	266,332	636,987	296,825
<b>Total Net Assets</b>	<b>2,733,288</b>	<b>351,428</b>	<b>3,084,716</b>	<b>2,588,223</b>
<b>Total Liabilities and Net Assets</b>	<b>\$2,826,922</b>	<b>\$381,589</b>	<b>\$3,208,511</b>	<b>\$2,725,789</b>

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

MERCY - USA FOR AID & DEVELOPMENT, INC.  
 STATEMENTS OF ACTIVITIES  
 YEAR ENDED DECEMBER 31, 2007  
 (WITH COMPARATIVE TOTALS FOR 2006)

	USA OPERATIONS		OVERSEAS OPERATIONS		TOTAL 2007		TOTAL 2006	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
<b>SUPPORT AND REVENUE</b>								
Contributions From Public	\$368,156	\$1,755,757	\$0	\$0	\$368,156	\$1,755,757	\$331,578	\$1,743,557
US Governmental Grants	0	0	0	0	0	0	0	45,186
US Department of Agriculture (USDA)	0	0	0	81,485	0	81,485	0	0
US Agency for International Development (USAID)	0	0	0	165,908	0	165,908	0	11,714
United Nation (UN) Grants	0	0	0	184,822	0	184,822	0	160,206
Global Fund to Fight AIDS, Tuberculosis & Malaria (GFATM) C	0	0	0	0	0	0	0	0
NGO/Foundation Grants	0	0	0	0	0	0	0	0
Contribution In-Kind - Public	0	0	0	0	0	0	0	0
Contribution In-Kind - UN agencies	0	0	0	885,130	0	885,130	0	220,092
Contribution In-Kind - US Government (USDA)	0	0	0	0	0	0	0	0
Dividend Income	50,849	0	157	0	51,006	0	41,874	0
Gain on Foreign Currency Fluctuation	0	0	0	0	0	0	3,317	0
Realized Gain on Investments	45,525	0	0	0	45,525	0	18,089	0
Unrealized Gain on Investments	0	0	0	0	0	0	10,924	0
Gain on Sale of Equipment	0	0	5,517	0	5,517	0	91	0
Sales	10	0	0	0	10	0	105	0
Program Fees	0	0	800	0	800	0	493	0
Transfer-In/(Out)	0	(1,454,882)	0	1,454,882	0	0	0	0
<b>Net Assets Released From Restrictions:</b>								
Satisfaction of Service Restrictions	11,737	(11,737)	2,721,203	(2,721,203)	2,732,940	(2,732,940)	1,889,015	(1,889,015)
<b>Total Support and Revenue</b>	<b>476,277</b>	<b>289,136</b>	<b>2,727,677</b>	<b>51,024</b>	<b>3,203,954</b>	<b>340,162</b>	<b>2,295,486</b>	<b>291,740</b>
<b>EXPENSES</b>								
<b>Program Services:</b>								
Food, Shelter and Orphan Assistance	11,737	0	613,391	0	625,128	0	685,103	0
Economic Vitalization	0	0	383,701	0	383,701	0	389,499	0
Health	0	0	1,210,643	0	1,210,643	0	525,980	0
Education	0	0	295,164	0	295,164	0	52,097	0
General	0	0	223,506	0	223,506	0	236,336	0
<b>Total Program Services</b>	<b>11,737</b>	<b>0</b>	<b>2,726,405</b>	<b>0</b>	<b>2,738,142</b>	<b>0</b>	<b>1,889,015</b>	<b>0</b>
<b>Supporting Services:</b>								
Management and General	216,248	0	0	0	216,248	0	195,909	0
Fund Raising	93,233	0	0	0	93,233	0	77,461	0
<b>Total Supporting Expenses</b>	<b>309,481</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>309,481</b>	<b>0</b>	<b>273,370</b>	<b>0</b>
<b>Total Expenses</b>	<b>321,218</b>	<b>0</b>	<b>2,726,405</b>	<b>0</b>	<b>3,047,623</b>	<b>0</b>	<b>2,162,385</b>	<b>0</b>
<b>Change in Net Assets</b>	<b>155,059</b>	<b>289,136</b>	<b>1,272</b>	<b>51,024</b>	<b>156,331</b>	<b>340,162</b>	<b>133,101</b>	<b>291,740</b>
<b>Net Assets - Beginning of Year</b>	<b>2,207,574</b>	<b>81,517</b>	<b>83,824</b>	<b>215,308</b>	<b>2,291,398</b>	<b>296,825</b>	<b>2,158,297</b>	<b>5,085</b>
<b>Net Assets - End of Year</b>	<b>\$2,362,633</b>	<b>\$370,655</b>	<b>\$85,096</b>	<b>\$286,332</b>	<b>\$2,447,729</b>	<b>\$636,987</b>	<b>\$2,291,398</b>	<b>\$296,825</b>

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, 2007  
 (WITH COMPARATIVE TOTALS FOR 2006)

	Food, Shelter & Orphan	Health	Economic Vitalization	Education	General Program	Total Program Services	Management & General	Fund Raising	Total Expenditures	2006 Total Expenditures
Grants	\$129,375	\$0	\$0	\$144,000	\$0	\$273,375	\$0	\$0	\$273,375	\$111,920
Scholarships	0	0	0	2,640	0	2,640	0	0	2,640	3,300
Salaries & Wages	67,212	211,998	66,768	38,026	135,524	519,528	74,230	0	593,758	542,057
Employee Benefits	5,754	7,641	10,783	4,980	3,798	32,956	32,432	0	65,388	66,771
Advertising & Promotion	0	0	0	0	0	0	605	43,494	44,099	40,059
Transportation Expenses	23,264	30,844	20,652	2,455	8,595	85,810	1,528	0	87,338	33,545
Commercial Insurance	0	0	0	0	109	109	2,152	0	2,261	1,967
Conference, Meeting & Seminars	0	101	0	0	10	111	1,298	0	1,409	4,146
Consultants & Other Professional Services	5,500	4,000	0	8,243	0	17,743	0	2,500	20,243	19,707
Dues, Subscriptions, Fees, etc.	0	0	0	0	0	0	3,766	0	3,766	4,637
Legal	0	0	167	0	2,537	2,704	508	0	3,212	8,404
Accounting	0	0	0	0	0	0	13,598	0	13,598	14,968
Occupancy & Warehousing	4,953	32,237	8,666	8,109	7,065	61,030	16,039	0	77,069	72,952
Postage & Shipping, etc.	5,052	1,402	154	0	1,781	8,389	7,332	9,184	24,905	28,876
Printing & Copying	1,397	2,188	53	65	279	3,982	3,106	6,743	13,831	6,362
Program Materials	279,804	759,447	201,694	59,652	1,043	1,301,640	0	0	1,301,640	782,461
Telephone	3,112	6,637	2,518	1,679	7,266	21,212	2,991	0	24,203	21,307
Travel	28,564	38,010	5,807	1,994	23,229	97,604	2,874	8,984	109,462	70,363
Bank Charges/Currency Adjustment	8,479	10,125	45	565	8,861	28,075	5,921	22,328	56,324	40,387
Office Supplies and Equipment	2,709	9,703	1,820	803	4,895	19,930	1,921	0	21,851	10,835
Payroll Taxes	0	0	0	0	0	0	6,683	0	6,683	6,692
Unrealized Loss on Investments	0	0	0	0	0	0	35,065	0	35,065	0
Loss on Sale of Assets	0	0	0	0	0	0	0	0	0	3,257
Indirect cost	59,953	96,310	64,574	21,953	0	242,790	0	0	242,790	246,393
Depreciation	0	0	0	0	18,514	18,514	4,199	0	22,713	21,019
<b>Total</b>	<b>\$625,128</b>	<b>\$1,210,643</b>	<b>\$383,701</b>	<b>\$295,164</b>	<b>\$223,506</b>	<b>\$2,738,142</b>	<b>\$216,248</b>	<b>\$93,233</b>	<b>\$3,047,623</b>	<b>\$2,162,385</b>

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, 2007**  
**(WITH COMPARATIVE TOTALS FOR 2006)**

	<b>2007</b>	<b>2006</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$496,493	\$424,841
Adjustments to reconcile Change in Net Asset to Cash Provided by Operations:		
(Gain)/Loss on Sale of Asset	(5,517)	3,166
Depreciation	22,713	21,019
Realized (Gain)/Loss from Investments	(45,525)	(18,089)
Unrealized (Gain)/Loss from Investments	35,065	(10,924)
<b>Change in:</b>		
Prepaid Expenses/Security Deposits/Travel Advance	1,350	564
Pledges and Accounts Receivable	(79,784)	10,291
Accounts Payable	(13,771)	(318,128)
Deferred Revenue	0	(67,932)
Accrued Payroll Taxes	0	(489)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>411,024</b>	<b>44,319</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investments	(894)	(2,232)
Purchase of Equipment	(27,372)	(8,355)
Proceeds from Sale of Assets	10,668	2,700
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>(17,598)</b>	<b>(7,887)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds(Payments) from Notes Receivable	(5,880)	3,500
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>(5,880)</b>	<b>3,500</b>
Increase/(Decrease) in Cash	387,546	39,932
Cash and Cash Equivalents - Beginning of Year	1,997,374	1,957,442
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$2,384,920</b>	<b>\$1,997,374</b>

*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, 2007 AND 2006**

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, Indonesia, Lebanon and Albania and also in the United States and other countries around the world with the help of the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM), United States Agency for International Development (USAID), United States Department of Agriculture (USDA), United Nations Food and Agriculture Organization (FAO), 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, 2007 AND 2006**  
**(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.

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 or 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, 2007 AND 2006**  
**(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:

Albania Programs	\$115,591
Bosnia Programs	198,597
Indonesia Programs	355,750
Lebanon Programs	286,488
Somalia & Kenya Programs	1,435,055
Pakistan Earthquake Programs	168,306
Bangladesh Programs	147,589
United States Programs	11,737
India Programs	<u>13,827</u>
<b>Total Restrictions Released</b>	<b><u><u>\$2,732,940</u></u></b>

**MERCY-USA FOR AID & DEVELOPMENT, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2007 AND 2006**  
**(Continued)**

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

Temporarily restricted net assets are available for specific programs and have a balance of \$ 636,987 at December 31, 2007.

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, 2007, includes \$2,162,982 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, 2007 AND 2006**  
**(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, 2007. 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	\$12,684	\$12,684	\$0
Stocks	460,427	459,084	(1,343)
<b>Total</b>	<b>\$473,111</b>	<b>\$471,768</b>	<b>(\$1,343)</b>

**MERCY-USA FOR AID & DEVELOPMENT, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2007 AND 2006**  
**(Continued)**

5) **PLEDGES AND ACCOUNTS RECEIVABLE**

Accounts Receivable / Pledges Receivable – USA Operations

Pledges receivable at December 31, 2007 were collected in 2008.

Accounts Receivable - Overseas Operations

Accounts receivable – Overseas operations consist of Albania and Bosnia grant funding receivable from the United States Department of Agriculture (USDA); Somalia grant funding receivable from the Global Fund to Fight AIDS; Tuberculosis and Malaria 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 2007</u>	<u>Total 2006</u>
Automobiles	\$17,301	\$60,359	\$77,660	\$95,214
Office Equipment	16,991	73,550	\$90,541	67,294
Office Furniture	2,620	5,897	\$8,517	8,517
Audio Visual Equipment	6,028	6,388	\$12,416	11,838
Others	450	5,510	\$5,960	7,585
	<u>43,390</u>	<u>151,704</u>	<u>\$195,094</u>	<u>190,448</u>
Less: Accumulated Depreciation	<u>(38,106)</u>	<u>(106,255)</u>	<u>(144,361)</u>	<u>(139,223)</u>
<b>Total</b>	<u><u>\$5,284</u></u>	<u><u>\$45,449</u></u>	<u><u>\$50,733</u></u>	<u><u>\$51,225</u></u>

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 \$8,304 and \$6,604 in the years 2007 and 2006 respectively to the plan.

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

---

7310 Woodward Ave., Suite 740  
Detroit, MI 48202

(313) 873-7500  
(313) 873-7502 (Fax)  
[www.alancyoung.com](http://www.alancyoung.com)

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of Mercy-USA For Aid & Development, Inc. (a non profit Organization) as of and for the year ended December 31, 2007, and have issued our report thereon dated May 30, 2008 . We conducted our audit 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.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered Mercy-USA For Aid & Development, Inc's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Mercy-USA For Aid & Development, Inc's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Mercy-USA For Aid & Development, Inc's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Mercy-USA For Aid & Development, Inc's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Mercy-USA For Aid & Development, Inc's financial statements that is more than inconsequential will not be prevented or detected by the Mercy-USA For Aid & Development, Inc's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Mercy-USA For Aid & Development, Inc's internal control.

**Report on Internal Control over Financial Reporting  
And on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards  
(Continued)**

**Internal Control over Financial Reporting (Continued)**

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Mercy-USA For Aid & Development, Inc's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of Management and Board of Directors, of Mercy-USA For Aid & Development, Inc and is not intended to be and should not be used by anyone other than these specified parties.

*Alan C. Young; Assoc.*

May 30, 2008

MERCY - USA FOR AID & DEVELOPMENT, INC.  
**SUPPLEMENTAL STATEMENTS OF REVENUES AND PROGRAM EXPENSES**  
 YEAR ENDED DECEMBER 31, 2007  
 (WITH COMPARATIVE TOTALS FOR 2006)

	ALBANIA	LEBANON*	BOSNIA	INDONESIA	SOMALIA & KENYA	INDIA	PAKISTAN EARTHQUAKE	BANGLADESH	USA	NOT DESIGNATED	TOTAL	TOTAL 2006
<b>REVENUES</b>												
Contributions from Public:												
General	\$99,322	\$101,309	\$193,573	\$94,752	\$190,943	\$1,111	\$22,434	\$278,809	\$0	\$109,361	\$1,091,614	\$1,272,248
Food Aid	24,000	33,777	24,000	17,000	47,000	9,500	0	8,000	5,000	15,858	\$184,135	184,297
Orphan Fund	0	25	360	0	2,813	0	0	0	0	10,986	\$14,164	9,030
Zakat	5,000	100,000	5,000	100,000	500,000	2,098	5,000	35,000	0	81,882	\$833,980	609,560
<b>US Government Grants</b>												
US Department of Agriculture (USDA)	0	0	0	0	0	0	0	0	0	0	0	45,186
US Agency for International Development (U-	0	0	0	0	81,485	0	0	0	0	0	81,485	0
United Nations (UN) Grants	0	0	0	35,888	130,020	0	0	0	0	0	165,908	11,714
Global Fund to Fight AIDS, Tuberculosis & Malaria (GFA/TM) Grants	0	0	0	0	184,822	0	0	0	0	0	184,822	160,206
NGO/Foundations Grants	0	0	0	0	0	0	0	0	0	0	0	0
Gifts in Kind - Public	0	0	0	0	0	0	0	0	0	0	0	0
Gifts in Kind - UN Agencies	0	0	0	174,869	710,261	0	0	0	0	0	885,130	220,092
Gifts in Kind - US Govt (USDA)	0	0	0	0	0	0	0	0	0	0	0	0
Dividend Income	0	0	0	157	0	0	0	0	0	50,849	51,006	41,874
Gain/Loss on Foreign Currency Fluctuation	0	0	0	0	0	0	0	0	0	0	0	3,317
Realized Gain/Loss on Investments	0	0	0	0	0	0	0	0	0	45,525	45,525	18,089
Unrealized Gain/Loss on Investments	0	0	0	0	0	0	0	0	0	0	0	10,924
Gain/Loss on Sale of Equipment	0	0	5,653	0	(136)	0	0	0	0	0	5,517	91
Sales	0	0	0	0	0	0	0	0	0	10	10	105
Program Fees	800	0	0	0	0	0	0	0	0	0	800	493
<b>Total Revenues</b>	<b>\$129,122</b>	<b>\$235,111</b>	<b>\$228,586</b>	<b>\$422,666</b>	<b>\$1,847,208</b>	<b>\$12,709</b>	<b>\$27,434</b>	<b>\$321,809</b>	<b>\$5,000</b>	<b>\$314,471</b>	<b>\$3,544,116</b>	<b>\$2,587,226</b>
<b>EXPENDITURES</b>												
<b>Program Services:</b>												
Food, Shelter & Orphan Assistance	\$26,621	\$192,712	\$18,923	\$62,741	\$130,978	\$13,827	\$0	\$147,589	\$11,737	\$0	\$625,128	\$685,103
Economic Vitalization	37,050	0	\$104,513	242,138	0	0	0	0	0	0	383,701	389,499
Health	0	0	0	2,198	1,208,445	0	0	0	0	0	1,210,643	525,980
Education	21,536	68,168	18,729	5,779	12,646	0	168,306	0	0	0	285,164	52,087
General	30,384	25,608	60,249	24,311	82,954	0	0	0	0	0	223,505	236,336
<b>Total Program Services</b>	<b>\$115,591</b>	<b>\$286,488</b>	<b>\$202,414</b>	<b>\$357,167</b>	<b>\$1,435,023</b>	<b>\$13,827</b>	<b>\$168,306</b>	<b>\$147,589</b>	<b>\$11,737</b>	<b>\$0</b>	<b>\$2,738,142</b>	<b>\$1,889,015</b>

\* Includes Palestinian refugees in Lebanon.



MERCY - USA FOR AID & DEVELOPMENT, INC.  
INDIRECT COST ALLOCATION SCHEDULE  
YEAR ENDED DECEMBER 31, 2007

Expenditures	Total Cost		Allowable Indirect		Unallowable Indirect		Fund Raising Cost		Program Cost		Excluded Program Cost*		Total Direct Cost	
Grants	\$273,375	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$273,375	\$0	\$0	\$273,375		
Scholarships	2,640	0	0	0	0	0	0	0	2,640	0	0	2,640		
Salaries & Wages	593,758	74,230	74,230	0	0	0	0	0	519,528	0	0	519,528		
Employee Benefits	65,388	32,432	32,432	0	0	0	0	0	32,956	0	0	32,956		
Advertising & Promotion	44,099	605	605	0	0	0	43,494	0	0	0	0	43,494		
Transportation Expenses	87,338	1,528	1,528	0	0	0	0	0	85,810	0	0	85,810		
Commercial Insurance	2,261	2,152	2,152	0	0	0	0	0	109	0	0	109		
Conference, Meetings & Seminars	1,409	1,298	1,298	0	0	0	0	0	111	0	0	111		
Consultants & Other Professional Services	20,243	0	0	0	0	0	2,500	0	17,743	0	0	20,243		
Dues, Subscription, Fees etc.	3,766	3,766	3,766	0	0	0	0	0	0	0	0	0		
Legal	3,212	508	508	0	0	0	0	0	2,704	0	0	2,704		
Accounting	13,598	13,598	13,598	0	0	0	0	0	0	0	0	0		
Occupancy & Warehousing	77,069	16,039	16,039	0	0	0	0	0	61,030	0	0	61,030		
Postage & Shipping	24,905	7,332	7,332	0	0	0	9,184	0	8,389	0	0	17,573		
Printing & Copying	13,831	3,106	3,106	0	0	0	6,743	0	3,982	0	0	10,725		
Program Materials	1,301,640	0	0	0	0	0	0	0	1,301,640	885,130	0	416,510		
Telephone	24,203	2,991	2,991	0	0	0	0	0	21,212	0	0	21,212		
Travel	109,462	2,874	2,874	0	0	0	8,984	0	97,604	0	0	106,588		
Bank Charges/Currency Adjustment	56,324	5,921	5,921	0	0	0	22,328	0	28,075	0	0	50,403		
Office Supplies & Equipment	21,851	1,921	1,921	0	0	0	0	0	19,930	0	0	19,930		
Payroll Taxes	6,683	6,683	6,683	0	0	0	0	0	0	0	0	0		
Unrealized Loss on Investments	35,065	0	0	35,065	0	0	0	0	0	0	0	0		
Indirect Cost	242,790	0	0	0	0	0	0	0	242,790	0	0	242,790		
Depreciation	22,713	4,199	4,199	0	0	0	0	0	18,514	0	0	18,514		
<b>Total</b>	<b>3,047,623</b>	<b>181,183</b>	<b>181,183</b>	<b>35,065</b>	<b>93,233</b>	<b>2,738,142</b>	<b>885,130</b>	<b>0</b>	<b>1,946,245</b>	<b>0</b>	<b>0</b>	<b>(242,790)</b>		
Reclassify Overhead Charged to Program Costs	0	242,790	242,790	0	0	0	0	0	0	0	0	0		
<b>Total</b>	<b>\$3,047,623</b>	<b>\$423,973</b>	<b>\$423,973</b>	<b>\$35,065</b>	<b>\$93,233</b>	<b>\$2,738,142</b>	<b>\$885,130</b>	<b>\$0</b>	<b>\$1,703,455</b>	<b>\$885,130</b>	<b>\$0</b>	<b>\$1,703,455</b>		

Base = Total Direct Cost  
Pool Cost \$423,973  
Base Cost \$1,703,455  
Indirect Rate 24.89%

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