

2002 Annual Report

Mercy-USA Carrying Out a US Government-Funded School Lunch Program in Albania

Through a United States Department of Agriculture (USDA) Global Food for Education (GFE) grant worth over \$3 million, Mercy-USA for Aid and Development is carrying out a daily school lunch program for over 30,600 children attending 67 primary schools in ten districts in the economically depressed northern and central regions of Albania.

The objectives of this project, which began in September 2002 and ends in June 2003, are to encourage attendance, reduce drop out rates, especially among girls, and improve academic performance. All student achievement indicators increased at the end of the first semester of this school year when compared to the same period last year.

Total student enrollment was up 4.7% from 29,254 in 2001/2002 to 30,627 in 2002/2003. Enrollment among girls increased 5.7% from 14,304 to 15,120. Total student attendance also increased 1.47% (from 98.27% to 99.74%), and, specifically, 1.44% among girls (from 98.34% in 2001/2002 to 99.78% in 2002/2003).

Moreover, the total percentage of students who successfully passed, based on first semester results, increased 12% (from 85.06% who passed in 2001/2002 to 97.10% in 2002/2003) and 8.3% among girls (from 89.09% in 2001/2002 to 97.43% in 2002/2003). Total student average grades also increased 5.6% from 7.1 to 7.5 out of 10, and, specifically, 8.2% among girls from 7.3 in 2001/2002 to 7.9 out of 10 in 2002/2003.

Under the GFE program, USDA provided M-USA with over 13 million pounds of US agricultural commodities (10.88 million pounds of wheat flour, 1.85 million lb. of rice and 328,000 lb. of corn oil) for direct feeding and bartering. Mercy-USA used rice, corn oil, and some wheat flour baked into bread for direct feeding and bartered much of the commodity received for locally produced foodstuffs necessary for well-balanced meals for the children.

Through GFE, USDA donated surplus US agricultural commodities for use in school feeding and pre-school nutrition projects in developing countries. The World Food Programme (WFP) and 14 Private Voluntary Organizations (PVOs), including Mercy-USA, were selected as grantees under this pilot program.



Primary school students receiving lunch from Mercy-USA through USDA grant.



Mr. James Jeffrey, US Ambassador to Albania, visiting Peze e Vogel Primary School in Tirana on December 6, 2002. This school is one of 67 that participated in M-USA's USDA-funded school lunch program in Albania.

Supporting the Education of Kosovo's Children



Ms. Noorafzah Ahmad of Brunei's Embassy in France standing next to M-USA Balkan Program Director Hussam Fawal (on right) after inaugural ceremony officially opening Emin Duraku School in Kosovo. Other M-USA personnel including Kosovo Program Director Abdinasir Nur (2nd row far right) are standing with them.



Emin Duraku school during an early stage of its construction by M-USA.



Emin Duraku students performing during the inauguration ceremony on September 2, 2002.

In 2002, Mercy-USA for Aid and Development successfully completed the construction of a ten-classroom primary school in the village of Likovac/Likoc in central Kosovo. Construction of Emin Duraku School began in September 2001 and was completed in June of last year. The school includes kindergarten to ninth grade and is serving approximately 500 students from Likovac/Likoc and five other surrounding villages in the municipality of Srbica/Skenderaj.

The new ten-classroom school building, including a library, replaces the original eight-classroom structure that was destroyed during the 1999 war. Before construction of the new facility, students had been studying in shipping containers converted into makeshift classrooms.

The school was officially opened during an inauguration ceremony held on September 2, 2002. The ceremony was attended by the Second Secretary of the Sultanate of Brunei's Embassy in France Ms. Noorafzah Ahmad, United Nations Interim Administration Mission in Kosovo (UNMIK) Municipal Administrator Robert Charmbury, representatives from UNMIK's Department of Education and UNICEF, NGO representatives, local school officials, town residents, teachers, students, and Mercy-USA personnel who organized the event with the assistance of the school's staff.

This project was made possible through a grant from UNMIK, with funds provided by the Sultanate of Brunei, and through the generous support of our private individual donors.

In May 2002, M-USA distributed educational supplies to a school in the village of Molliq located in the Djakovica/Gjakova municipality.

Protecting the Health of Mothers and Children in Somalia

Since 1997, Mercy-USA for Aid and Development has operated a mother/child health clinic (MCH) in Jilib, Somalia. The MCH not only serves mothers, children, and women of childbearing age, but also the general public.

The clinic provides curative services, labor and delivery, pre-natal and post-natal care, immunizations, micronutrients like vitamin A supplements, as well as training in midwifery, with 12 courses held during 2002. UNICEF supports the MCH with medicines and other medical supplies.

Since 1990, Somalia has not had a widely recognized or strong central government, and has been ravaged by intermittent civil war, famine and drought. This tragic situation has led to a total collapse of the country's fragile public infrastructure, including the health care system. Non-governmental organizations, like Mercy-USA, have been filling the gap left by the absence of government institutions. M-USA is primarily responsible for health services in the Jilib District.



A child being examined at Mercy-USA's MCH Clinic in Somalia.

Mercy-USA Supports Family Farmers in Bosnia through USDA Grants

During 2002, with two US Department of Agriculture grants, Mercy-USA for Aid and Development provided 1,144 rural families in the Brcko District of Bosnia with a choice of agricultural inputs. M-USA, through our partner Counterpart International (CPI), also held training seminars for farmers and others, and cleared and reforested 50 acres of denuded/infested land at three Brcko District nurseries.

From May to November 2002, Mercy-USA provided 1,144 rural families with a choice of gardening tools, fruit trees, beehives, bee colonies, broiler chickens or egg-laying chickens. From February to October 2002, CPI organized a number of training seminars for local farmers and others on such topics as fodder crops, fruit tree illnesses, corn crop pests, beekeeping and the state of Brcko's environment.

Since 1999, under the agriculture revitalization part of both USDA grants, M-USA has provided over 6,460 displaced and returnee families in Brcko District with various agricultural inputs to assist them in reviving their small farming businesses. These inputs have included sheep, in addition to the items mentioned above.

Mercy-USA has also trained executives and managers in the wheat milling industry and other agri-businesses. Further, through our partner CPI, M-USA has supported urban greening, reforestation and other environment-enhancing programs.

Thus far, the projects, funded by these grants, have impacted over 10,000 people directly or indirectly and improved the environment in towns with a total population in the thousands. These projects have already helped returnee and formerly displaced families take an important step towards a return to self-sufficiency in the near and long term by facilitating the production of food at home.



Beekeepers in Brcko, Bosnia receiving bee colonies from Mercy-USA through USDA grant.



M-USA distributing tools to returnee families in Brcko, Bosnia.

USDA Food Aid Provided to Over 120,000 Vulnerable Persons in Albania

Through a US Department of Agriculture sub-grant from Counterpart International (CPI) worth approximately \$3.4 million, Mercy-USA for Aid and Development provided over 13 million pounds of wheat flour and beans to more than 120,000 vulnerable persons (30,225 families) in Albania. This food distribution project, which began in February 2002 and ended in January 2003, helped to feed orphans, the elderly, single-parent families, and persons with disabilities living in almost 100 towns and villages in 14 districts throughout the country.

Each client family also had an increased monthly disposable income of at least \$12 (equivalent to the market value of the food items received), a significant savings for these families who often survive on only two to three dollars per day.

In addition, the project helped to strengthen the management and logistics capabilities of our eight local partner organizations, including associations for persons with disabilities, orphans, retirees and youth.

During 2000, M-USA distributed almost 12.9 million pounds of wheat flour to approximately 200,000 vulnerable persons living in 364 towns and villages throughout Albania. This 2000 food aid program was also funded through a USDA sub-grant from CPI.



Women in Tirana receiving USDA flour and beans from M-USA.



A family in northern Albania receiving USDA wheat flour from Mercy-USA.

Aid to Children Orphaned by HIV/AIDS in Kenya

During December 2002, Mercy-USA for Aid and Development provided 60 HIV/AIDS orphans at the Child Rescue Center in Sotik, Kenya (about 150 miles southwest of Nairobi) with a variety of materials to support their education, provide for their shelter and improve the hygienic situation at the center.

These 60 orphans, 3 months old to 13 years of age, are now benefiting from new classroom furniture, including tables and individual desks and chairs. M-USA also distributed 60 new beds with all bedding items, and provided construction material to build two new restrooms.

The HIV/AIDS' pandemic has devastated much of sub-Saharan Africa including Kenya. The loss of parents and other working-age family and community members to this dreaded disease has created many orphans and has strained traditional support systems.



HIV/AIDS' orphans at the Child Rescue Center in Sotik, Kenya receiving bedding materials from Mercy-USA.

Controlling Tuberculosis in Somalia

During 2002, Mercy-USA for Aid and Development continued carrying out its well-recognized tuberculosis (TB) treatment and prevention program in Somalia. This program consists of three M-USA specialized treatment centers with public education and community outreach. The program also includes care supervision and staff training at another eight TB centers that are administered by other organizations.

Opened in 1994, Mercy-USA's center in Mogadishu was the first specialized TB treatment facility to begin operation in Somalia after the outbreak of civil war in 1990. M-USA's second center opened in the northeastern city of Bosasso in 1995, and the third began in 1999 at our mother/child health clinic (MCH) in the southern town of Jilib.

Combined, these three centers, which have a cure rate of about 85%, treated 1,500 TB patients in 2002, including 218 children. M-USA utilizes the most effective TB treatment strategy, the Directly Observed Treatment Short-course (DOTS) method. During 2002, 11,654 persons were also tested for potential TB infection by the laboratories at our centers.

Last year, M-USA initiated a new collaborative project with the World Health Organization (WHO) and SOS Children's Hospital in Mogadishu to focus specifically on children infected with TB. Mercy-USA treated 100 children as part of this collaborative effort.

In addition to testing and treatment, our centers educate their local communities about TB prevention. During 2002, about 2,500 persons attended health education seminars, while approximately 40,000 others indirectly benefited through regular educational radio programs conducted by Mercy-USA health personnel.

During 2002, over 100 nursing students from the Mogadishu and Bosasso Institutes of Nursing were also trained at M-USA TB centers.

Since 1994, WHO has been providing M-USA with all TB medicines free-of-charge. In 2000, WHO designated Mercy-USA as its agency to train and support other non-governmental organizations' TB programs in Puntland and the south and central regions of Somalia.



Children at Mercy-USA's TB Center in Mogadishu, Somalia being examined by a doctor.



Relief and Reconstruction Assistance to the Victims of Communal Violence in India

Since May 2002, Mercy-USA for Aid and Development, through our local partner organization United Economic Forum (UEF), has provided relief and reconstruction assistance to about 4,000 families left homeless by communal violence in the State of Gujarat in western India.

From August 2002 to May 2003, M-USA, with a grant to UEF, helped 262 families in 12 villages in Gujarat to rebuild or repair their homes, which had been destroyed or severely damaged during the communal rioting. These families received bricks, cement, doors, windows, pipes, and zinc sheets for roofing, and, with UEF's assistance, they used these materials to reconstruct or repair their homes.

During May and June 2002, Mercy-USA, in partnership with UEF, distributed 3,700 household/kitchen kits to 3,700 families left homeless by the rioting. The average household/kitchen kit included a kerosene camping stove, bucket, 5 pots and pans, 12 plates and bowls, 9 cups, kettle, rolling pin, 37 utensils, pair of slippers, towel, bed sheet, comb, bar soap, teeth cleaning powder, etc.

Over 100,000 people were left homeless by communal violence in Gujarat during 2002. Official figures put the number of dead at about 900, but some unofficial figures place the number killed at several thousand.

During 2001, Mercy-USA, working through UEF, distributed 995 tents, 10,000 blankets, food and medicine to approximately 10,000 earthquake survivors in Gujarat.



Children standing in front of their homes that are being rebuilt by M-USA in Gujarat, India.



Families in Gujarat receiving household / kitchen kits from Mercy-USA.

Protecting the Health of School Children in Kosovo

During 2002, Mercy-USA for Aid and Development continued its successful program to protect the health of school children in Kosovo. From July to September 2002, M-USA fixed the water and sanitation systems at six schools in the municipalities of Kamenica and Lipljan/Lipjan. During this same period, Mercy-USA also repaired a seventh school in Kamenica damaged by an earthquake.

Both projects, which were funded by the United Nations Children's Fund (UNICEF), are providing a safer and more sanitary environment for students and staff. Since 2000, M-USA, with UNICEF funding, has made water and sanitation system and other repairs to 31 primary schools throughout Kosovo. Like much of Kosovo's public infrastructure, many schools, already neglected before the 1999 war, were destroyed or badly damaged during the conflict.



Students in front of their school's new restrooms built by Mercy-USA through UNICEF grant in Kosovo.

Rebuilding Homes and Digging Wells for Flood Survivors in Bangladesh

From November 2002 to February 2003, through a grant to our local partner Islamic Aid Bangladesh (IAB), Mercy-USA for Aid and Development rebuilt 73 homes destroyed by flooding in the sub-district of Sundargonj in Gaibandha District (northern Bangladesh). M-USA also funded the digging of 40 new tube wells to provide safe drinking water to flood survivors in that sub-district. Together, these projects are protecting 2,411 persons from the elements and from potentially serious water-borne illnesses.

During 2000 and 1999, M-USA partnered with IAB to provide 15,500 flood victims with medicine and food. From 1997 to 1998, Mercy-USA and IAB rebuilt 150 homes and six schools destroyed by severe flooding and storms and provided dairy cows to poor farmers in cyclone-affected areas.



A family in Bangladesh standing in front of their home being rebuilt by Mercy-USA.



Children and their families in Bangladesh enjoying fresh water from a tube well built with Mercy-USA funding.

Helping to Eradicate Polio and Controlling Cholera in Somalia

In February 2002, Mercy-USA for Aid and Development helped the World Health Organization (WHO) to carry out a polio eradication campaign in the Jilib District of southern Somalia that immunized about 14,400 children. Since 1998, M-USA has participated in this annual WHO program. Our efforts have helped to immunize approximately 143,000 children in Jilib District against polio.

During March and April 2002, Mercy-USA helped control the outbreak of cholera in a portion of Jilib District. A Cholera Control Team was dispatched to the area and treated about 200 infected children and adults. The United Nations Children's Fund (UNICEF) and WHO provided the necessary medical supplies free-of-charge.

Since 1997, M-USA has played a vital role in providing safe drinking water and controlling the outbreak of cholera in Somalia. Mercy-USA continues to chlorinate 62 water sources (24 wells, 36 water tanks and 2 ice factories) around Mogadishu. During 2002, M-USA also chlorinated 30 wells and other water sources in Jilib District.

Mercy-USA's chlorination activities in Jilib and Mogadishu are providing safe drinking water to an estimated 132,500 residents. UNICEF continues to provide us with chlorine powder.

Helping Control Malaria in Somalia

During December 2002, Mercy-USA for Aid and Development distributed 500 insecticide-treated bed nets to families with pregnant women and children under five years of age living in villages around Jilib. The nets are placed over beds to produce a tent-like enclosure that surrounds the sleeping person and prevents contact between the person and potentially harmful malaria-carrying mosquitoes that are often most active in the middle of the night.

Bed netting is a very effective method of preventing malaria infection. UNICEF supplied M-USA with the nets. In 2001, Mercy-USA distributed 1,064 UNICEF-supplied bed nets to vulnerable residents in the Jilib District.

WFP-Food Distributed to the Most Vulnerable in Albania

From March to June 2002, Mercy-USA for Aid and Development distributed 700,700 pounds of WFP food items – wheat flour, beans, vegetable oil and sugar - to about 1,000 vulnerable persons in Rreshen municipality in northern Albania. Our clients included orphans and persons with disabilities.

In 2002, WFP also supported a small Mercy-USA food-for-work program in the village of Milot, which was completed in April of last year. This project involved repairing and resurfacing 1.25 miles of the main road to the village. M-USA supervised the repairs, while the local government provided some material and transportation. The residents of the village provided the labor and were compensated with WFP-donated food items.

Since 1997, M-USA has carried out a number of WFP-supported food aid projects throughout Albania that have helped to feed tens of thousands of vulnerable persons in Europe's poorest country.



An elderly woman in Albania receiving WFP-food aid from M-USA.

Repairing Kosovo's Public Infrastructure

From April to June 2002, Mercy-USA for Aid and Development repaired and refurbished regional Pension Fund buildings in Djakovica/Gjakova, Urosevac/Ferizaj, Gnjilane/Gjilan and Mitrovica. In April and May 2002, M-USA also refurbished one Municipal Civil Registration Center in Malisheve/Malishevo municipality. UNMIK fully funded these refurbishment projects.

Computer Software Training in Bosnia

Since December 1998, through a mobile center (computers and other training materials are moved from one fixed site to another), Mercy-USA for Aid and Development has been providing computer software training to individuals in towns throughout the Tuzla Canton. Three-month training courses are given in the leading basic office software, Windows, Microsoft Word and Excel.

At the end of each training session, students are tested, and if they have mastered the required skills they receive a certificate. Employers in the region recognize the quality of the training and some have requested M-USA to setup specific courses for their employees. As of December 2002, over 750 persons have graduated from this program.



Students during one of Mercy-USA's computer software training courses in Albania.

Seasonal Food Aid and Clothing Provided Around the World

During 2002, Mercy-USA for Aid and Development provided meat, rice, pasta, beans, cooking oil, flour, other food items and clothing to over 100,000 vulnerable persons in Albania, Bosnia, Kenya, Kosovo, Somalia, Bangladesh, India, and to Chechen refugees in Turkey. M-USA distributed the above food items and clothing to orphans, the elderly, displaced individuals, refugees, persons with disabilities and those living in poverty.

Food was provided as hot meals and food packages during the Muslim fasting month of Ramadan, while the clothing was distributed as gifts during Eid ul-Fitr, the holiday that marks the end of the fast. In addition, about 65,000 pounds of meat was prepared during the Muslim holiday of Eid ul-Adha. This meat was distributed fresh in Kenya, Somalia, Bangladesh, India, and Turkey. In Albania, Bosnia and Kosovo, Mercy-USA canned the Eid ul-Adha meat and distributed it throughout the year.



Children in Bangladesh enjoying their Iftar meal funded by M-USA.



Village school children in India receiving food packages funded by Mercy-USA.



Children in Albania enjoying a Ramadan Iftar meal.



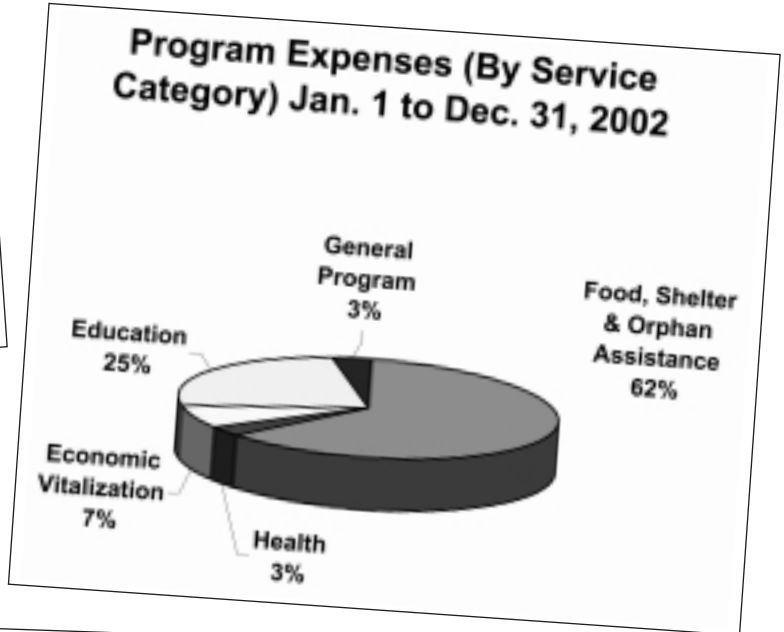
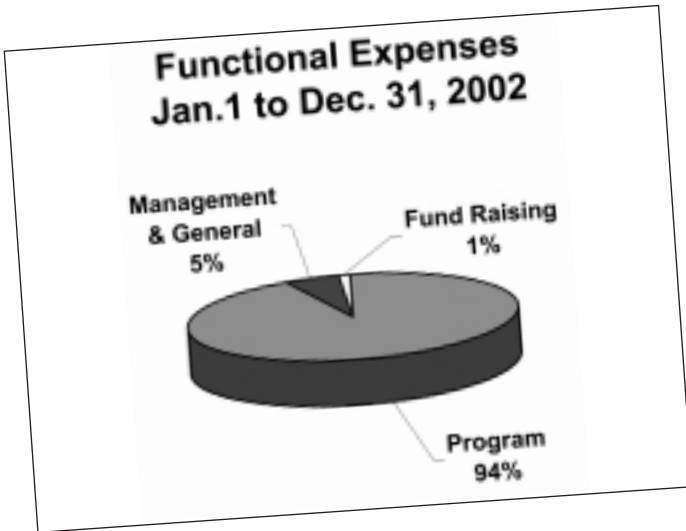
An elderly man in Kosovo receiving a food package from M-USA.



Elderly women in Bosnia with their Mercy-USA food packages.

2002 Financial Audit

Graphs of Functional Expenses and Program Service Expenses Year Ended December 31, 2002



MERCY - USA FOR AID & DEVELOPMENT, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2002
(WITH COMPARATIVE TOTALS FOR 2001)

Expenditures	Food, Shelter & Orphan Assistance	Health	Economic Vitalization	Education	General Program	Total Program Services	Management & General	Fund Raising	Total Expenditures	2001 Total Expenditures
Grants	\$182,505	\$0	\$3,992	\$0	\$0	\$186,497	\$0	\$0	\$186,497	\$148,775
Scholarships	0	0	0	5,190	0	5,190	0	0	5,190	4,440
Salaries & Wages	61,775	85,241	78,048	132,487	115,258	472,809	122,410	0	595,219	661,416
Employee Benefits	3,870	2,551	7,554	1,529	8,029	23,533	28,548	0	52,081	74,699
Advertising & Promotion	0	0	0	0	0	0	18,236	22,643	40,879	41,343
Transportation Expenses	17,859	4,822	4,504	17,274	10,727	55,186	2,652	0	74,375	67,150
Commercial Insurance	0	0	0	0	90	90	0	0	7,375	7,027
Conference, Meeting & Seminars	3	0	0	0	0	0	0	0	43,607	12,061
Consultants & Other Professional Services	2,159	100	10,387	5,163	380	18,189	3,997	0	4,090	7,027
Dues, Subscriptions, Fees, etc.	0	0	0	0	250	250	25,418	0	43,607	12,061
Legal	2,384	0	146	1,261	29	3,820	10,675	0	10,925	10,270
Accounting	880	0	880	0	0	880	2,390	0	6,210	8,111
Occupancy & Warehousing	14,790	20,531	17,896	21,324	16,899	91,240	29,800	0	30,680	28,950
Postage & Shipping, etc.	261	0	530	823	455	2,069	19,370	0	110,610	140,867
Printing & Copying	199	261	198	2,710	586	3,954	15,490	11,966	29,525	30,760
Managerial/Technical Training Assistance	0	0	0	0	0	0	11,607	11,921	27,482	16,935
Program Materials	3,539,089	38,989	266,971	1,330,957	600	5,176,606	0	0	112,357	112,357
Telephone	9,717	4,411	5,656	12,803	26,343	58,930	8,273	0	5,176,606	2,963,185
Travel	8,565	4,483	13,090	18,793	14,822	59,753	3,554	28,230	87,203	52,207
Bank Charges/Currency Adjustment	1,954	1,287	8,295	2,106	11,723	25,365	11,381	9,882	91,537	93,568
Office Supplies and Equipment	5,590	7,092	7,591	5,146	5,356	30,775	8,683	0	46,828	45,377
Payroll Taxes	0	0	0	0	0	0	17,290	0	39,458	71,101
Indirect cost	101,993	0	12,859	33,381	0	148,233	0	0	16,404	25,597
Depreciation	0	0	0	0	19,765	19,765	5,601	0	148,233	25,597
Total	\$3,952,713	\$169,768	\$438,597	\$1,590,947	\$231,112	\$6,383,137	\$352,750	\$84,642	\$6,820,529	\$4,660,219

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

Statement of Functional Expenses Year Ended December 31, 2002

2002 Financial Audit

Statement of Activities Year Ended December 31, 2002

	MERCY - USA FOR AID & DEVELOPMENT, INC. STATEMENTS OF ACTIVITIES YEAR ENDED DECEMBER 31, 2002 (WITH COMPARATIVE TOTALS FOR 2001)				TOTAL 2002		TOTAL 2001	
	USA OPERATIONS		OVERSEAS OPERATIONS		Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted				
SUPPORT AND REVENUE								
	\$274,868	\$1,025,359	\$0	\$0	\$274,868	\$1,025,359	\$275,281	\$1,083,434
Contributions From Public	0	0	0	1,307,257	0	1,307,257	0	404,842
US Governmental (USDA) Grants	0	0	0	0	0	0	0	822,932
United Nation (UN) Grants	0	0	0	0	0	0	0	140,000
UNICEF/Kosovo	0	0	0	0	0	0	0	435,501
UNMIK-DEES	0	0	0	0	0	0	0	20,926
UNMIK - DLA	0	0	0	0	0	0	0	0
UNMIK - DHSW	0	0	0	15,345	0	15,345	0	0
UNMIK/CA/MPS	0	0	0	100,306	0	100,306	0	114,930
UNMIK/CA/MSW	0	0	0	14,684	0	14,684	0	0
Other UN Grants	0	0	0	0	0	0	185,000	0
NGO/Foundation Grants	0	0	0	0	0	0	0	926,233
Contribution In-Kind - Public	0	0	0	164,915	0	164,915	0	0
Contribution In-Kind - UN agencies	0	0	0	3,023	0	3,023	0	0
Contribution In-Kind - NGO/Foundation	0	0	0	5,250,418	0	5,250,418	45,179	0
Contribution In-Kind - US Government (USDA)	29,688	0	40	0	29,728	0	0	0
Dividend Income	(61,351)	0	0	0	(61,351)	0	(121,848)	0
Unrealized Gain (Loss) on Investments	3,000	0	(172)	0	2,828	0	10	0
Gain (Loss) on Sale of Equipment	491	0	0	0	491	0	320	0
Sales	0	0	548	0	548	0	(522,425)	522,425
Program Fees	0	(834,573)	0	834,573	0	0	0	0
Transfer-In/(Out)	0	0	0	0	0	0	0	0
Net Assets Released From Restrictions:	215,103	(215,103)	6,542,856	(6,542,856)	6,757,959	(6,757,959)	4,508,619	(4,508,619)
Satisfaction of Service Restrictions	461,799	(24,317)	6,543,272	1,378,228	7,005,071	1,383,911	4,366,411	(37,396)
Total Support and Revenue	461,799	(24,317)	6,542,856	(6,542,856)	6,757,959	(6,757,959)	4,508,619	(4,508,619)
EXPENSES								
Program Services:	0	0	3,952,713	0	3,952,713	0	1,877,698	0
Food, Shelter and Orphan Assistance	0	0	438,597	0	438,597	0	669,706	0
Economic Vitalization	0	0	169,768	0	169,768	0	500,630	0
Health	0	0	1,990,947	0	1,990,947	0	884,743	0
Education	4,392	0	226,720	0	231,112	0	193,252	0
General	4,392	0	6,378,745	0	6,383,137	0	4,126,029	0
Total Program Services	4,392	0	6,378,745	0	6,383,137	0	4,126,029	0
Supporting Services:	352,750	0	0	0	352,750	0	442,893	0
Management and General	84,642	0	0	0	84,642	0	91,297	0
Fund Raising	437,392	0	0	0	437,392	0	534,190	0
Total Supporting Expenses	437,392	0	0	0	437,392	0	534,190	0
Total Expenses	441,784	0	6,378,745	0	6,820,529	0	4,660,219	0
Change In Net Assets	20,015	(24,317)	164,527	1,378,228	184,542	1,353,911	(293,808)	(37,396)
Net Assets - Beginning of Year	1,733,120	60,521	64,370	28,563	1,797,490	89,084	2,091,298	126,480
Net Assets - End of Year	\$1,753,135	\$36,204	\$228,897	\$1,406,791	\$1,982,032	\$1,442,995	\$1,797,490	\$89,084

The accompanying notes to financial statements are an integral part of these statements.
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MERCY - USA FOR AID & DEVELOPMENT, INC. STATEMENTS OF CASH FLOWS YEAR ENDED DECEMBER 31, 2002 (WITH COMPARATIVE TOTALS FOR 2001)		
	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets		
Adjustments to reconcile change in net asset to cash provided by operations	\$1,538,453	(\$331,204)
Adjustment to Beginning Net Assets (Gain) Loss on Sale of Asset	20,015	0
Depreciation	0	(86,772)
Unrealized Loss from Investments	(2,828)	3,725
Change in:	25,366	25,448
Inventory	61,351	121,848
Prepaid Insurance and Expenses	(1,276,595)	(184,999)
Pledges and Accounts Receivable	2,379	(3,120)
Advances to Sub Contractor	(29,260)	(21,314)
Accounts Payable	196,715	95,325
Deferred Revenue	(213,611)	204,894
Accrued Payroll Taxes	(281,557)	44,454
Net Cash Provided by (Used in) Operating Activities	(594)	544
CASH FLOWS FROM INVESTING ACTIVITIES	19,622	(131,171)
Investments		
Purchase of Equipment	(3,054)	2,257
Proceeds from Sale of Assets	(72,924)	(4,925)
Net Cash Provided by (Used in) Investing Activities	3,100	0
CASH FLOWS FROM FINANCING ACTIVITIES	(72,878)	(2,866)
Proceeds(Payments) from Notes Receivable		
Net Cash Provided by (Used in) Financing Activities	11,413	(5,171)
Increase/(Decrease) in Cash	11,413	(5,171)
Cash and Cash Equivalents - Beginning of Year	(41,643)	(139,010)
Cash and Cash Equivalents - End of Year	1,609,224	1,748,234
	\$1,567,381	\$1,600,224

The accompanying notes to financial statements are an integral part of these statements.
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Statement of Cash Flows Year Ended December 31, 2002

Notes To The Financial Statements – Year Ended December 31, 2002

MERCY-USA FOR AID & DEVELOPMENT, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2002 AND 2001

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 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 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.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions.

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

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire the equipment are reported as restricted support.

MERCY-USA FOR AID & DEVELOPMENT, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2002 AND 2001
(Continued)

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

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 estimated fair market values at the date of 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.

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 a maturity of three months or less to be cash equivalents. Cash equivalents are carried at cost, which approximates market value.

MERCY-USA FOR AID & DEVELOPMENT, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2002 AND 2001
(Continued)

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:	
Kosovo Programs	\$625,446
Bosnia Programs	578,783
Albania Programs	4,909,792
Somalia & Kenya Programs	270,956
Bangladesh Programs	24,383
India Programs	213,259
Other Programs	109,282
Other Countries Programs	26,058
Total Restrictions Released	\$6,757,959

Temporarily restricted net assets are available for specific programs and have a balance of \$1,442,995 at December 31, 2002.

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, 2002, includes \$1,325,831 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.

Notes To The Financial Statements – Year Ended December 31, 2002

MERCY-USA FOR AID & DEVELOPMENT, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2002 AND 2001
(Continued)

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, existing health care institutions; improvement, rehabilitation and renovation of the 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.

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.

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MERCY-USA FOR AID & DEVELOPMENT, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2002 AND 2001
(Continued)

3) PROGRAM AND SUPPORTING SERVICES (Continued)

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, 2002. 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.

	Cost	Fair Value	Unrealized Gain (Loss)
Cash & Money Market Funds	\$21,175	\$21,175	\$0
Stocks	312,138	248,771	(63,367)
Corporate Fixed Income	33,315	35,331	2,016
Total	\$366,628	\$305,277	(\$61,351)

5) PLEDGES AND ACCOUNTS RECEIVABLE

Accounts Receivable / Pledges Receivable – USA Operations

Accounts receivable at December 31, 2002 were collected in January, 2003. Unconditional pledges receivable at December 31, 2001 and 2002 were collected in 2002 and 2003, respectively.

Accounts Receivable - Overseas Operations

Accounts receivable – overseas operations consists of Albania grant funding receivable from the United States Department of Agriculture (USDA) passed through Counterpart International.

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MERCY-USA FOR AID & DEVELOPMENT, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2002 AND 2001
(Continued)

6) FIXED ASSETS

The fixed assets comprised of the following:

	USA Operations	Overseas Operations	Total 2002	Total 2001
Automobiles	\$33,300	\$124,954	\$158,254	\$107,715
Office Equipment	25,908	54,122	80,030	91,287
Office Furniture	1,175	4,687	5,862	5,503
Audio Visual	6,183	4,525	10,708	12,108
Others	450	4,195	4,645	3,648
	67,016	192,483	259,499	220,261
Less: Accumulated Depreciation	(48,543)	(122,341)	(170,884)	(178,932)
Total	\$18,473	\$70,142	\$88,615	\$41,329

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 \$6,213 and \$4,763 in the year 2002 and 2001 respectively to the Plan.

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2002 Financial Audit

Supplemental Statement of Revenues and Program Expenses

Year Ended December 31, 2002

MERCY - USA FOR AID & DEVELOPMENT, INC.
SUPPLEMENTAL STATEMENTS OF REVENUES AND PROGRAM EXPENSES
YEAR ENDED DECEMBER 31, 2002
(WITH COMPARATIVE TOTALS FOR 2001)

	ALBANIA	KOSOVO	BOSNIA	SOMALIA & KENYA	INDIA	BANGLADESH	OTHERS*	NOT DESIGNATED	TOTAL	TOTAL 2001
REVENUES										
Contributions from Public:										
General	\$13,575	\$159,050	\$15,807	\$70,832	\$261,579	\$6,730	\$30,120	\$207,359	\$765,052	\$841,395
Food Aid	11,000	35,000	24,000	27,637	4,500	3,500	1,170	27,625	134,432	130,666
Orphan Fund	0	840	105	2,060	0	0	384	9,341	12,730	27,521
Zakat	25,000	25,000	94,000	150,176	5,000	8,000	1,100	79,737	388,013	359,132
US Government (USDA) Grants	901,647	0	405,610	0	0	0	0	0	1,307,257	404,842
UN Grants										
UNICEF/Kosovo	0	230,563	0	0	0	0	0	0	230,563	822,932
UNMIK-DES	0	0	0	0	0	0	0	0	0	140,000
UNMIK-DLA	0	0	0	0	0	0	0	0	0	435,501
UNMIK-DHSW	0	0	0	0	0	0	0	0	0	20,926
UNMIK/CA/MPS	0	15,345	0	0	0	0	0	0	15,345	0
UNMIK/CA/MLSW	0	100,306	0	0	0	0	0	0	100,306	0
Other UN Grants	12,444	0	0	2,240	0	0	0	0	14,684	114,930
NGO/Foundation Grants	0	0	0	0	0	0	0	0	0	0
Gifts In Kind - Public	0	0	0	0	0	0	0	0	0	185,000
Gifts In Kind - UN Agencies	133,377	0	0	31,538	0	0	0	0	164,915	926,233
Gifts In Kind - NGO/Foundation	0	3,023	0	0	0	0	0	0	3,023	0
Gifts In Kind - US Govt (USDA)	5,250,418	0	0	0	0	0	0	0	5,250,418	0
Dividend Income	0	0	0	40	0	0	0	29,689	29,728	45,179
Unrealized Gain/Loss on Investments	0	0	0	0	0	0	0	(61,351)	(61,351)	(121,848)
Gain/Loss on Sale of Equipment	0	100	(272)	0	0	0	0	3,000	2,828	(3,725)
Sales	0	0	0	0	0	0	0	491	491	10
Program Fees	548	0	0	0	0	0	0	0	548	320
Total Revenues	\$6,348,009	\$569,227	\$539,250	\$284,523	\$271,079	\$18,230	\$32,774	\$295,890	\$8,358,982	\$4,329,014
EXPENDITURES										
Program Services:										
Food, Shelter & Orphan Assistance	\$3,523,849	\$163,906	\$30,442	\$35,711	\$159,505	\$23,000	\$16,300	\$0	\$3,952,713	\$1,877,698
Economic Vitalization	617	0	437,960	0	0	0	0	0	438,597	669,706
Health	0	8,628	0	161,140	0	0	0	0	169,768	500,530
Education	1,316,438	270,910	3,599	0	0	0	0	0	1,590,947	884,743
General	43,501	82,724	37,695	62,800	0	0	4,392	0	231,112	193,252
Total Program Services	\$4,884,405	\$526,168	\$509,716	\$259,651	\$159,505	\$23,000	\$20,692	\$0	\$6,383,137	\$4,126,029

* Includes Chechen Refugees in Turkey, USA, etc.

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Indirect Cost Allocation Schedule

Year Ended December 31, 2002

MERCY - USA FOR AID & DEVELOPMENT, INC.
INDIRECT COST ALLOCATION SCHEDULE
YEAR ENDED DECEMBER 31, 2002

Expenditures	Total Cost	Allowable Indirect	Fund Raising Cost	Program Cost	Excluded Program Cost*	Total Direct Cost
Grants	\$186,497	\$0	\$0	\$186,497	\$0	\$186,497
Scholarships	0	5,190	0	5,190	0	5,190
Salaries & Wages	595,219	122,410	0	472,809	0	472,809
Employee Benefits	52,081	28,548	0	23,533	0	23,533
Advertising & Promotion	40,879	18,236	22,643	0	0	22,643
Transportation Expenses	57,838	2,652	0	55,186	0	55,186
Commercial Insurance	7,375	7,375	0	0	0	0
Conference, Meetings & Seminars	4,090	3,997	0	93	0	93
Consultants & Other Professional Services	43,607	25,418	0	18,189	0	18,189
Dues, Subscription, Fees etc.	10,925	10,675	0	250	0	250
Legal	6,210	2,390	0	3,820	0	3,820
Accounting	30,680	29,800	0	880	0	880
Occupancy & Warehousing	110,610	19,370	0	91,240	0	91,240
Postage & Shipping	29,525	15,490	11,966	2,069	0	14,035
Printing & Copying	27,482	11,607	11,921	3,954	0	15,875
Managerial/Technical Training Assistance	0	0	0	0	0	0
Program Materials	5,176,606	0	0	5,176,606	3,958,761	1,219,845
Telephone	67,203	8,273	0	58,930	0	58,930
Travel	91,537	3,554	28,230	59,753	0	87,983
Bank Charges/Currency Adjustment	46,628	11,381	9,882	25,365	0	35,247
Office Supplies & Equipment	39,458	8,683	0	30,775	0	30,775
Payroll Taxes	17,290	17,290	0	0	0	0
Indirect Cost	148,233	0	0	148,233	135,374	12,859
Depreciation	25,366	5,601	0	19,765	0	19,765
Total	6,820,529	352,750	84,642	6,383,137	4,092,135	2,375,644
Reclassify Overhead Charged to Program Costs	0	135,374	0	0	0	0
Total	\$6,820,529	\$488,124	\$84,642	\$6,383,137	\$4,092,135	\$2,375,644
Base = Total Direct Cost						
Pool Cost	\$488,124					
Base Cost	\$2,375,644					
Indirect Rate	20.55%					

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

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Founded in 1986, Mercy-USA, for Aid and Development (M-USA), is a nonprofit relief and development organization dedicated to alleviating human suffering and supporting individuals and their communities in their efforts to become more self-sufficient. M-USA's projects focus on improving health and promoting economic and educational growth around the world.

Special ways to join Mercy-USA in "Helping People Help Themselves"™

These special ways of joining M-USA in this vital effort include:

- 1) encouraging your employer to match your donation, or
- 2) donating stocks, or
- 3) making a bequest.

Please call us at

1-800-55MERCY
(1-800-556-3729)
to discuss options.

You may also participate in the Automatic Giving Program; a gift of your choice is automatically deducted monthly from your bank or major credit card account (please clip the adjoining form and mail it along with a voided check).

Contribution / Pledge Form

Personal Information

Name _____
 Address _____
 City _____
 State/Province _____ Zip/Postal Code _____
 Country _____ Work Phone _____
 Home Phone _____ Fax _____
 E-mail _____

One Time Donation Monthly Donation
 \$10 \$25 \$50 \$100 \$250 Other \$ _____

Check
 Credit Card (Fill out Section A)
 Bank Auto Withdrawal (Fill out Section B)
 Pledge

I give my permission to Mercy-USA/Mercy-USA (Canada) to withdraw from my **Credit Card** or **Bank Account** the amount I have indicated above. I also understand that I may change or end a monthly donation agreement at any time with a written notice.

A) Credit Card Information (Charged in US Currency)



Account No. _____
 Expiration Date _____
 Signature _____

B) Banking Information (For Banks in the US Only)

Please include a voided check to avoid any delays due to inaccurate data.

Checking Account Savings Account

Bank Route (ABA) No. (9 digits) _____
 Account No. _____
 Starting with ____/____/20____
 Signature _____
 Date _____

Important!

Please fill out the Personal Information section.
 Kindly send your tax deductible donation made payable to:
Mercy-USA for Aid and Development

US Federal Tax # 38-2846307
 44450 Pinetree Drive, Suite 201, Plymouth, MI 48170-3869

or
Mercy-USA for Aid and Development (Canada)

Canadian Charitable Registration # 89458-5553-RR0001
 Fiesta RPO P.O. Box 56102, 102 Hwy #8, Stoney Creek, ON L8G 5C9
 Canada

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