

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

**FINANCIAL STATEMENTS**

**AND**

**SINGLE AUDIT REPORT**

**YEAR ENDED DECEMBER 31, 2011**

# Mercy-USA for Aid & Development, Inc.

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# *Alan C. Young & Associates, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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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 consolidated statement of financial position of Mercy-USA for Aid and Development, Inc (the Organization) and its overseas operations as of December 31, 2011 and 2010 and the related consolidated statements of activities 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 audits.

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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 audit provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the organization as of December 31, 2011 and 2010, 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.

In accordance with Government Accounting Standards, we have issued a report dated September 20, 2012 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and

Independent Auditors' Report  
(Continued)

other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Alan C. Young; Assoc.*

September 20, 2012

# Mercy-USA for Aid & Development, Inc.

## Statements of Financial Position December 31, 2011 and 2010

<b>ASSETS</b>	<b>2011</b>	<b>2010</b>
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 4,429,330	\$ 3,795,758
Pledges & Accounts Receivable	81,067	128,246
Notes Receivable - Micro-Lending/SED	10,000	12,000
Prepaid Insurance & Expenses	10,037	10,142
<b>Total Current Assets</b>	<b>4,530,434</b>	<b>3,946,146</b>
<b>Fixed Assets:</b>		
Vehicles, Furniture & Equipment	214,513	174,624
Less: Accumulated Depreciation	(153,418)	(140,671)
<b>Total Fixed Assets</b>	<b>61,095</b>	<b>33,953</b>
<b>Other Assets:</b>		
Security Deposits	5,600	5,600
<b>Total Other Assets</b>	<b>5,600</b>	<b>5,600</b>
<b>Total Assets</b>	<b>\$ 4,597,129</b>	<b>\$ 3,985,699</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 441,787	\$ 266,328
Deferred Revenue	298,311	-
Accrued Payroll & Taxes	333	59,229
<b>Total Current Liabilities</b>	<b>740,431</b>	<b>325,557</b>
<b>Net Assets:</b>		
Unrestricted	2,588,907	2,599,933
Temporarily Restricted	1,267,791	1,060,209
<b>Total Net Assets</b>	<b>3,856,698</b>	<b>3,660,142</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 4,597,129</b>	<b>\$ 3,985,699</b>

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

# Mercy-USA for Aid & Development, Inc.

## Statements of Activities Years Ended December 31, 2011 and 2010

	2011			2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>						
Contributions From Public	\$ 289,949	\$ 2,922,376	\$ 3,212,325	\$ 304,400	\$ 1,891,023	\$ 2,195,423
US Agency for International Development (USAID)	-	1,987,460	1,987,460	-	1,520,731	1,520,731
United Nation (UN) Grants	-	850,808	850,808	-	59,650	59,650
Global Fund to Fight AIDS, Tuberculosis & Malaria (GFATM) Grants	-	267,782	267,782	-	380,145	380,145
Contribution In-Kind - UN agencies	-	744,324	744,324	-	2,844,435	2,844,435
Dividend Income	5,667	-	5,667	10,227	-	10,227
Gain/Loss on Foreign Currency Fluctuation	22,541	-	22,541	-	3,423	3,423
<b>Net Assets Released From Restrictions:</b>						
Satisfaction of Service Restrictions	6,565,168	(6,565,168)	-	6,580,900	(6,580,900)	-
<b>Total Support and Revenue</b>	<b>\$ 6,883,325</b>	<b>\$ 207,582</b>	<b>\$ 7,090,907</b>	<b>\$ 6,895,527</b>	<b>\$ 118,507</b>	<b>\$ 7,014,034</b>
<b>EXPENSES</b>						
<b>Program Services:</b>						
Food, Shelter and Orphan Assistance	\$ 574,452	\$ -	\$ 574,452	\$ 408,182	\$ -	\$ 408,182
Economic Vitalization	265,929	-	265,929	126,200	-	126,200
Health	5,278,161	-	5,278,161	5,207,840	-	5,207,840
Education	446,626	-	446,626	820,965	-	820,965
General	-	-	-	17,713	-	17,713
<b>Total Program Services</b>	<b>6,565,168</b>	<b>-</b>	<b>6,565,168</b>	<b>6,580,900</b>	<b>-</b>	<b>6,580,900</b>
<b>Supporting Services:</b>						
Management and General	121,347	-	121,347	122,666	-	122,666
Fund Raising	207,836	-	207,836	143,702	-	143,702
<b>Total Supporting Expenses</b>	<b>329,183</b>	<b>-</b>	<b>329,183</b>	<b>266,368</b>	<b>-</b>	<b>266,368</b>
<b>Total Expenses</b>	<b>6,894,351</b>	<b>-</b>	<b>6,894,351</b>	<b>6,847,268</b>	<b>-</b>	<b>6,847,268</b>
Change In Net Assets	(11,026)	207,582	196,556	48,259	118,507	166,766
Net Assets - Beginning of Year	2,599,933	1,060,209	3,660,142	2,551,674	941,702	3,493,376
<b>Net Assets - End of Year</b>	<b>\$ 2,588,907</b>	<b>\$ 1,267,791</b>	<b>\$ 3,856,698</b>	<b>\$ 2,599,933</b>	<b>\$ 1,060,209</b>	<b>\$ 3,660,142</b>

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

# Mercy-USA for Aid & Development, Inc.

## Statement of Functional Expenses Year Ended December 31, 2011 (With Combined Comparative Totals for 2010)

Expenditures	Food, Shelter & Orphan Assistance	Health	Economic Vitalization	Education	Total Program Services	Management & General	Fund Raising	Total Expenditures	2010 Total Expenditures
Grants	\$ 92,725	\$ 294,951	\$ -	\$ 221,239	\$ 608,915	\$ -	\$ -	\$ 608,915	\$ 652,738
Salaries & Wages	52,123	1,087,707	76,235	72,101	1,288,166	53,150	19,131	1,360,447	1,096,555
Employee Benefits	-	58,678	14,110	3,005	75,793	23,720	-	99,513	177,879
Advertising & Promotion	-	-	-	-	-	-	146,049	146,049	85,080
Transportation Expenses	2,950	815,231	14,139	6,495	838,815	2,086	-	840,901	370,178
Commercial Insurance	-	-	-	-	-	1,483	-	1,483	1,207
Conferences, Meetings & Seminars	-	315	-	-	315	2,519	-	2,834	4,184
Consultants & Other Professional Services	17,400	35,695	879	10,640	64,614	-	500	65,114	29,673
Dues, Subscriptions, Fees, etc.	-	853	-	-	853	2,622	-	3,475	4,888
Legal	-	363	4,285	337	4,985	1,037	-	6,022	4,107
Accounting	-	10,877	-	-	10,877	3,423	-	14,300	27,240
Occupancy & Warehousing	559	95,379	6,319	11,709	113,966	7,774	-	121,740	79,718
Postage & Shipping, etc.	4,356	5,841	548	1,160	11,905	7,639	5,673	25,217	31,102
Printing & Copying	-	708	18	17	743	1,017	12,364	14,124	13,220
Program Materials	335,777	2,352,464	99,729	66,472	2,854,442	-	-	2,854,442	3,718,705
Telephone	474	43,557	3,095	3,265	50,391	2,462	-	52,853	30,730
Travel	26,609	76,404	12,712	7,524	123,249	1,703	-	124,952	97,304
Bank Charges/Currency Adjustment	4,708	72,064	1,187	1,924	79,883	1,283	24,119	105,285	69,826
Office Supplies and Equipment	663	76,181	1,846	1,408	80,098	3,670	-	83,768	43,649
Payroll Taxes	-	920	-	-	920	3,929	-	4,849	6,952
Loss on Sale of Assets	-	-	-	-	-	15	-	15	1,830
Indirect Cost	36,108	234,869	28,507	38,008	337,492	-	-	337,492	287,546
Depreciation	-	15,104	2,320	1,322	18,746	1,815	-	20,561	12,957
<b>Total</b>	<b>\$ 574,452</b>	<b>\$ 5,278,161</b>	<b>\$ 265,929</b>	<b>\$ 446,626</b>	<b>\$ 6,565,168</b>	<b>\$ 121,347</b>	<b>\$ 207,836</b>	<b>\$ 6,894,351</b>	<b>\$ 6,847,268</b>

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

# Mercy-USA for Aid & Development, Inc.

## Statements of Cash Flows Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 196,556	\$ 166,766
Adjustments to reconcile Change in Net Asset to Cash Provided by Operations:		
Loss on Disposal of Assets	15	1,830
Depreciation	20,561	12,957
<b>Change in:</b>		
Repayments from/(Payments for) Notes Receivable	2,000	(12,000)
Prepaid Expenses	105	(3,003)
Pledges and Accounts Receivable	47,179	(18,406)
Accounts Payable	175,459	44,554
Deferred Revenue	298,311	(104,019)
Accrued Payroll and Taxes	(58,896)	49,712
<b>Net Cash Provided by Operating Activities</b>	<u>681,290</u>	<u>138,391</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sale of Investments	-	488
Purchase of Equipment	(48,267)	(6,451)
Proceeds from Disposal of Assets	549	-
<b>Net Cash Used in Investing Activities</b>	<u>(47,718)</u>	<u>(5,963)</u>
Increase in Cash	633,572	132,428
Cash and Cash Equivalents - Beginning of Year	<u>3,795,758</u>	<u>3,663,330</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 4,429,330</u>	<u>\$ 3,795,758</u>

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



## 1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Nature of Activity

Mercy-USA for Aid & Development, Inc. (the Organization) 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 Nations Food and Agriculture Organization (FAO), United Nations Children Fund (UNICEF), World Food Program (WFP) 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.

The financial statements include the amounts of the Organization and its various overseas locations. All significant inter-branch transactions and accounts are eliminated.

### Translation of Currencies

Financial statements in currencies other than United State dollars are revalued for accounting as per FASB Accounting Standards Codification Topic 830-20, *Foreign Currency Translations*. The adjustments for currency exchange rates are included in the net income for those transactions that impact cash flow and are excluded for those that do not.

### Financial Statement Presentation

In accordance with accounting standards applicable to not-for-profit organizations, 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.

To ensure proper usage of restricted and unrestricted assets, the Organization maintains its 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:

# Mercy-USA for Aid & Development, Inc.

Notes to Financial Statements (Continued)  
December 31, 2011 and 2010

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

### 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.

### Contributions

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

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.

### Income Taxes

On January 1, 2009, the Organization adopted the FASB Accounting Standards Codification Topic, *Accounting for Uncertainty in Income Taxes*, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. The Organization's federal

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

Income Taxes (Continued)

tax returns for the prior three years remain subject to examination by the Internal Revenue Service.

Fair Value Measurements

The Organization uses fair value measurements in the preparation of its financial statements, which utilize various inputs, including those that can be readily observable, corroborated, or are generally unobservable. The Organization utilizes market-based data and valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Additionally, the Organization applies assumptions that market participants would use in pricing an asset or liability, including assumptions about risk.

Accounting Standards Codification (ASC) 820 establishes a framework for measuring fair value, which includes a hierarchy based on the quality of inputs used to measure fair value, and provides specific disclosure requirements based on the hierarchy. ASC 820 requires the categorization of financial assets and liabilities, based on the inputs to valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs. The three levels of the ASC 820 fair value hierarchy are described as follows:

The various levels of the ASC 820 fair value hierarchy are described as follows:

- Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted market prices for identical assets and liabilities in an active market that the Organization has the ability to access.
- Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable for substantially the full term of the asset or liability.
- Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The use of observable market data is required, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized.

Grants

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

# Mercy-USA for Aid & Development, Inc.

Notes to Financial Statements (Continued)  
December 31, 2011 and 2010

## 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	\$	93,205
Bosnia Programs		100,103
Indonesia Programs		213,236
Lebanon Programs		144,429
Somalia & Kenya Programs		4,935,536
Libya Programs		366,524
Egypt Programs		36,429
Syria Programs		325,008
Gaza Programs		241,058
Bangladesh Programs		47,231
United States Programs		15,000
Yemen Programs		33,334
India Programs		14,075
<b>Total Restrictions Released</b>	<b>\$</b>	<b>6,565,168</b>

Temporarily restricted net assets are available for specific programs and have a balance of \$1,267,791 and \$1,060,209 at December 31, 2011 and 2010 respectively.

# Mercy-USA for Aid & Development, Inc.

Notes to Financial Statements (Continued)  
December 31, 2011 and 2010

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

### 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, 2011, includes \$1,038,491 not covered by insurance provided by the Federal Deposit Insurance Corporation. As of December 31, 2010 the uninsured amount was \$273,077.

## 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, nutrition support, safe water, hygiene, sanitation 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.

#### Orphan Assistance

The orphan assistance includes specific projects or other assistance for orphans around the world.

# Mercy-USA for Aid & Development, Inc.

Notes to Financial Statements (Continued)  
December 31, 2011 and 2010

## 3) PROGRAM AND SUPPORTING SERVICES (Continued)

### Education

The improvement of attendance and academic performance, especially among girls, through daily school lunch programs. It also includes construction of school buildings, as well as repairs and renovations to existing schools. Additionally, the provision of vocational and technical training especially to orphans and other vulnerable children and youth.

### 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) PLEDGES AND ACCOUNTS RECEIVABLE

Accounts receivable consist of Somalia/Kenya grant funding receivable from the USAID and the United Nations Grant agencies. Details of Accounts Receivable as of December 31, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Grants Receivable	\$ 75,364	\$ 113,376
Pledges Receivable	<u>5,703</u>	<u>14,870</u>
	<u>\$ 81,067</u>	<u>\$ 128,246</u>

## Mercy-USA for Aid & Development, Inc.

Notes to Financial Statements (Continued)  
December 31, 2011 and 2010

### 5) **FIXED ASSETS**

Fixed assets are comprised of the following:

	<u>Total 2011</u>	<u>Total 2010</u>
Automobiles	\$ 75,129	\$ 75,430
Office Equipment	106,199	68,937
Office Furniture	13,301	8,967
Audio Visual Equipment	9,661	11,058
Others	10,223	10,232
	<u>214,513</u>	<u>174,624</u>
Less: Accumulated Depreciation	<u>(153,418)</u>	<u>(140,671)</u>
<b>Total</b>	<u><u>\$ 61,095</u></u>	<u><u>\$ 33,953</u></u>

The depreciation for the years ended December 31, 2011 and 2010 was \$ 20,561 and \$12,957 respectively.

### 6) **PENSION PLAN**

The Organization started a 401(k) pension plan January 1, 2000 for all employees who have attained the age of 20 ½ years. Employees may join the plan on the January 1 or July 1 that coincides with or follows the date of employment after the completion of one year of service. The employer provides a 50% match on eligible employee contributions to the plan up to a maximum allowable by the plan. The Organization contributed \$9,882 and \$9,663 in the years 2011 and 2010 respectively to the plan.

### 7) **RELATED PARTY TRANSACTIONS**

The Organization partners with Mercy-USA for Aid & Development, (Canada) towards providing relief and development activities. For the years ended December 31, 2011 and 2010 the Organization, collected \$38,737 and \$29,530 respectively, on behalf of Mercy-USA for Aid & Development, (Canada) and received \$61,594 and \$45,179, respectively, from Mercy-USA for Aid & Development, (Canada).

### 8) **SUBSEQUENT EVENTS**

The Organization has evaluated events through, the date that the accompanying financial statements were available to be issued. No significant subsequent event was noted that required adjustment or disclosure in the financial statements.

# Mercy-USA for Aid & Development, Inc.

## Schedule of Expenditures of Federal Awards Year Ended December 31, 2011

<u>FEDERAL/PASS THROUGH GRANTOR PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>AWARD AMOUNT</u>	<u>EXPENDITURES</u>
<b>U.S. Agency for International Development (USAID)</b>			
Nutrition Support Program for Kenya DFD-G-00-09-00268-00	98.001	\$ 574,915	\$ 120,062
Integrated Health, Nutrition and WASH Program for Somalia DFD-G-00-10-00055-00	98.001	1,264,416	33,478
Integrated Health, Nutrition and WASH Project in Somalia AID-OFDA-G-11-00145	98.001	1,499,236	718,844
Nutrition Rehabilitation Services for Children and PLW in Kenya AID-OFDA-G-11-00091	98.001	865,936	633,379
Integrated Health, Nutrition and WASH Program for Mogadishu IDP AID-OFDA-G-11-00250	98.001	956,037	481,697
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>		<u>\$ 5,160,540</u>	<u>\$ 1,987,460</u>

See Notes to Schedule of Expenditures of Federal Awards.



# **Mercy-USA for Aid & Development, Inc.**

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## **Notes to Schedule of Expenditures of Federal Awards December 31, 2011 and 2010**

### **1) SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of expenditures of federal awards presents the activity of federal award programs of Mercy-USA For Aid & Development, Inc.

#### Basis of Accounting

The accompanying schedule of federal awards is presented using the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

### **2) EXPENDITURE REPORTS**

Management has reconciled the expenditures reported in the Schedule of Expenditures of Federal Awards to those amounts reported in the annual or final cost reports.

### **3) SUBSEQUENT EVENTS**

All subsequent events related to the major programs were evaluated through September 20, 2012, the date the accompanying reports were available to be issued. No significant event was noted that required adjustment or disclosure in the accompanying reports.



# *Alan C. Young & Associates, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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## **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. (Mercy-USA) as of and for the year ended December 31, 2011, and have issued our report thereon dated September 20, 2012. 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

Management of Mercy-USA is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Mercy-USA'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 Mercy-USA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Mercy-USA's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

**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)**

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 the Board of Directors, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than the specified parties.

*Alan C. Young, Assoc.*

September 20, 2012



# *Alan C. Young & Associates, P.C.*

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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## **REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

### Compliance

We have audited Mercy-USA for Aid & Development, Inc.'s (Mercy USA) compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Mercy USA's major federal programs for the year ended December 31, 2011. Mercy-USA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Mercy-USA's management. Our responsibility is to express an opinion on Mercy-USA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mercy-USA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Mercy-USA's compliance with those requirements.

In our opinion, Mercy-USA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

**Report on Compliance with Requirements That Could  
Have a Direct and Material Effect on each Major Program  
And on Internal Control Over Compliance in Accordance  
With OMB Circular A-133  
(Continued)**

Internal Control Over Compliance

Management of Mercy-USA is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Mercy-USA's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mercy-USA's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

*Alan C. Young, Assoc.*

September 20, 2012

# Mercy-USA for Aid & Development, Inc.

## Schedule of Findings and Questioned Costs Year Ended December 31, 2011

### Section I - Summary of Auditors' Results

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency (ies) identified?  Yes  No
- Noncompliance material to financial statements noted?  Yes  No

#### Federal Awards

Internal control over major program(s):

- Material weakness(es) identified?  Yes  No
- Significant deficiency (ies) identified?  Yes  No

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?  Yes  No

#### Identification of major program(s):

CFDA Number(s)	Name of Federal Program or Cluster
98.001	U.S. Agency for International Development (USAID) Integrated Health, Nutrition and WASH Program for Somalia, Kenya and Mogadishu and Nutrition Support Program for Kenya and Mogadishu

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee?  Yes  No

**Mercy-USA for Aid & Development, Inc.**

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**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2011**

**SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS**

No Financial Audit Findings.

**SECTION III – FEDERAL PROGRAM AUDIT FINDINGS**

No Federal Program Audit Findings

**PRIOR YEAR FINDINGS**

**SECTION II - FINANCIAL STATEMENT AUDIT FINDING**

None

**SECTION III - FEDERAL PROGRAM AUDIT FINDINGS**

None



## **OTHER SUPPLEMENTAL INFORMATION**

# Mercy-USA for Aid & Development, Inc.

## Supplemental Statement of Revenue and Program Expenses Year Ended December 31, 2011 (With Combined Comparative Totals for 2010)

	ALBANIA	LEBANON*	BOSNIA	INDONESIA	SOMALIA & KENYA	LIBYA	SYRIAN REFUGEES	BANGLADESH	GAZA	YEMEN	USA	OTHERS**	NOT DESIGNATED	TOTAL	TOTAL 2010
<b>REVENUES</b>															
Contributions from Public:															
General	\$ 14,496	\$ 6,817	\$ 86,759	\$ 151,711	\$ 1,230,630	\$ 301,197	\$ 313,159	\$ 2,483	\$ 81,568	\$ 32,081	\$ -	\$ 36,853	\$ 4,949	\$ 2,262,703	\$ 1,364,236
Food Aid	10,000	23,002	10,000	16,000	57,880	8,000	29,000	15,000	-	-	15,000	30,000	13,389	227,271	177,472
Orphan Fund	15,509	-	890	1,030	1,380	-	-	-	-	-	-	-	-	18,809	18,579
Zakat	55,000	126,542	4,000	40,000	140,000	45,000	150,000	10,000	125,000	5,000	-	3,000	-	703,542	635,136
US Government Grants															
US Agency for International Development (USAID)	-	-	-	-	1,987,460	-	-	-	-	-	-	-	-	1,987,460	1,520,731
United Nations (UN) Grants	-	-	-	-	850,808	-	-	-	-	-	-	-	-	850,808	59,650
Global Fund to Fight AIDS, Tuberculosis & Malaria (GFATM) Grants	-	-	-	-	267,782	-	-	-	-	-	-	-	-	267,782	380,145
NGO/Foundation Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gifts In Kind - UN Agencies	-	-	-	-	744,324	-	-	-	-	-	-	-	-	744,324	2,844,435
Dividend Income	-	-	-	671	-	-	-	-	-	-	-	-	4,996	5,667	10,227
Gain/Loss on Foreign Currency Fluctuation	-	-	-	-	-	-	-	-	-	-	-	-	22,541	22,541	3,423
<b>Total Revenues</b>	<b>\$ 95,005</b>	<b>\$ 156,361</b>	<b>\$ 101,649</b>	<b>\$ 209,412</b>	<b>\$ 5,280,264</b>	<b>\$ 354,197</b>	<b>\$ 492,159</b>	<b>\$ 27,483</b>	<b>\$ 206,568</b>	<b>\$ 37,081</b>	<b>\$ 15,000</b>	<b>\$ 69,853</b>	<b>\$ 45,875</b>	<b>\$ 7,090,907</b>	<b>\$ 7,014,034</b>
<b>EXPENDITURES</b>															
<b>Program Services:</b>															
Food, Shelter & Orphan Assistance	15,814	45,715	13,414	19,479	60,512	-	325,008	29,006	-	-	15,000	50,504	-	574,452	408,182
Economic Vitalization	9,621	-	66,983	189,325	-	-	-	-	-	-	-	-	-	265,929	126,200
Health	-	21,697	-	-	4,856,606	366,524	-	-	-	33,334	-	-	-	5,278,161	5,207,840
Education	67,770	77,017	19,706	4,432	18,418	-	-	18,225	241,058	-	-	-	-	446,626	820,965
General	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17,713
<b>Total Program Services</b>	<b>\$ 93,205</b>	<b>\$ 144,429</b>	<b>\$ 100,103</b>	<b>\$ 213,236</b>	<b>\$ 4,935,536</b>	<b>\$ 366,524</b>	<b>\$ 325,008</b>	<b>\$ 47,231</b>	<b>\$ 241,058</b>	<b>\$ 33,334</b>	<b>\$ 15,000</b>	<b>\$ 50,504</b>	<b>\$ -</b>	<b>\$ 6,565,168</b>	<b>\$ 6,580,900</b>

\* Includes Palestinian refugees in Lebanon.

\*\* Includes Egypt, India and Pakistan

# Mercy-USA for Aid & Development, Inc.

## Indirect Cost Allocation Year Ended December 31, 2011

Expenditures	Total Cost	Allowable Indirect	Unallowable Indirect	Fund Raising Cost	Program Cost	Excluded Program Cost*	Total Direct Cost
Grants	\$ 608,915	\$ -	\$ -	\$ -	\$ 608,915	\$ -	\$ 608,915
Salaries & Wages	1,360,447	53,150	-	19,131	1,288,166	-	1,307,297
Employee Benefits	99,513	23,720	-	-	75,793	-	75,793
Advertising & Promotion	146,049	-	-	146,049	-	-	146,049
Transportation Expenses	840,901	2,086	-	-	838,815	-	838,815
Commercial Insurance	1,483	1,483	-	-	-	-	-
Conference, Meetings & Seminars	2,834	2,519	-	-	315	-	315
Consultants & Other Professional Services	65,114	-	-	500	64,614	-	65,114
Dues, Subscription, Fees etc.	3,475	2,622	-	-	853	-	853
Legal	6,022	1,037	-	-	4,985	-	4,985
Accounting	14,300	3,423	-	-	10,877	-	10,877
Occupancy & Warehousing	121,740	7,774	-	-	113,966	-	113,966
Postage & Shipping	25,217	7,639	-	5,673	11,905	-	17,578
Printing & Copying	14,124	1,017	-	12,364	743	-	13,107
Program Materials	2,854,442	-	-	-	2,854,442	744,324	2,110,118
Telephone	52,853	2,462	-	-	50,391	-	50,391
Travel	124,952	1,703	-	-	123,249	-	123,249
Bank Charges/Currency Adjustment	105,285	1,283	-	24,119	79,883	-	104,002
Office Supplies & Equipment	83,768	3,670	-	-	80,098	-	80,098
Payroll Taxes	4,849	3,929	-	-	920	-	920
Loss on Sale of Assets	15	-	15	-	-	-	-
Indirect Cost	337,492	-	-	-	337,492	-	337,492
Depreciation	20,561	1,815	-	-	18,746	-	18,746
<b>Total</b>	<b>6,894,351</b>	<b>121,332</b>	<b>15</b>	<b>207,836</b>	<b>6,565,168</b>	<b>744,324</b>	<b>6,028,680</b>
Reclassify Overhead Charged to Program Costs	-	337,492	-	-	-	-	(337,492)
<b>Total</b>	<b>\$ 6,894,351</b>	<b>\$ 458,824</b>	<b>\$ 15</b>	<b>\$ 207,836</b>	<b>\$ 6,565,168</b>	<b>\$ 744,324</b>	<b>\$ 5,691,188</b>
<b>Base = Total Direct Cost</b>							
<b>Pool Cost</b>	\$ 458,824						
<b>Base Cost</b>	\$ 5,691,188						
<b>Indirect Rate</b>		8.06%					

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