

Mercy-USA

2005 Annual Report



A Publication of Mercy - USA for Aid and Development, Inc.



2005 Annual Report

Mercy-USA Responds to One of the Worst Natural Disasters in Human History

December 26, 2004 affected the entire world in ways few other days in human history have. That day witnessed an almost unimaginable disaster that had a direct impact on approximately ten countries along the Indian Ocean and on families from numerous other nations around the world. The massive earthquake off the Indonesian Island of Sumatra and the subsequent tsunami that it caused brought death and destruction to hundreds of thousands of persons from many countries.

Mercy-USA for Aid and Development (M-USA) responded immediately to this disaster by mobilizing its staff and local partners to provide aid to survivors in three of the most-affected countries: Indonesia, India and Somalia.



A family farmer in Indonesia receiving a FAO seed package from M-USA.



A home nearly completed in Seibun Ketapang

Indonesia

M-USA has focused primarily on Indonesia, the country most seriously affected by this disaster, with more than 220,000 dead or missing, over 500,000 left homeless, approximately 240,000 homes destroyed or damaged, and economic losses estimated at around \$4.5 billion. The United Nations estimates that it will take five to ten years to rebuild what the earthquake and subsequent tsunami destroyed in seconds.

Reconstruction Phase

Since April 2005, Mercy-USA's office and staff in Indonesia have concentrated on reconstruction and rehabilitation with a special emphasis on shelter, water and sanitation, and livelihood support.

From August 2005 to July 2006, Mercy-USA is rebuilding about 100 homes in the village of Seibun Ketapang in Aceh Besar District. M-USA is also constructing a fresh water system (a deep well with piping) for the residents of this village, which was destroyed by the December 2004 tsunami.

From July 2005 to February 2006, with the support of the United Nations Food and Agriculture Organization (FAO), Mercy-USA distributed 47 hand tractors, 25 threshers, 5 reapers and 50 water pumps that are being used by over 2,700 farming families on the island of Simuelue. M-USA also provided these families with 41,000 pounds of rice seed, 1,100 lb. of maize seed, 200 mixed vegetable seed packages, 600 hoes and rakes (300 each) and 327,000 lb. of fertilizers. These inputs are helping these families to support themselves once again.

From April to July 2005, M-USA constructed a fresh water system (a deep well with piping) for 300 homeless persons living in a temporary shelter in Aceh Besar district.



Seibun Ketapang Village under reconstruction by M-USA.



Homes under construction by M-USA in Seibun Ketapang Village..

Emergency Relief Phase

From January to March 2005, M-USA, in partnership with a local non-governmental organization, the National Humanitarian Foundation (Indonesian acronym PKPU), provided emergency relief in the form of food packages and household kits. During that same period, M-USA and PKPU also dug water wells and built sanitary latrines for displaced persons.

In January and February 2005, M-USA, working with PKPU, distributed food packages (containing rice, noodles, canned sardines, biscuits, bottled water, etc.) to 1,200 homeless families near Banda Aceh and Meulaboh. In March 2005, M-USA and PKPU distributed six-month household kits (containing kitchen items, towels, toiletries, clothing, plastic mats, candles, matches, etc.) to 400 homeless families near Banda Aceh and Meulaboh.

During February and March 2005, M-USA, working with PKPU, dug water wells and built latrines in ten camps/temporary shelters in Aceh Besar. This water and sanitation project has been benefiting approximately 4,000 persons.

India

Over 10,000 people in India were killed by the tsunami, and numerous coastal villages flooded and either destroyed or damaged. From January to March 2005, M-USA, through our local partner United Economic Forum (UEF), distributed food packages (containing rice, lentils, oil, sugar, tea, etc.), kitchen kits (containing pots, pans, plates, bowls, cups, utensils, etc.), clothes, plastic tarpaulins, ceiling fans for temporary shelters, sheets and blankets to approximately 2,000 families left homeless by the tsunami in the states of Andhra Pradesh and Tamil Nadu.



Tsunami displaced families in India receiving M-USA Kitchen Kits.



M-USA Program Manager Ghassan Husni greeting the Indonesian President Susilo Bambang Yudhoyono during his visit to Aceh on the first anniversary of the tsunami disaster.

Somalia

Despite Somalia's distance from the epicenter of the December 26 earthquake, the destructive tsunami waves traveled across the Indian Ocean to devastate parts of Somalia's coast, particularly the Hafun area in the northeastern part of the country. Many fishing villages were inundated, and the livelihoods of hundreds of vulnerable families destroyed. In April and May 2005, M-USA's staff assisted 100 tsunami-affected families in Hafun to restart their small fishing businesses. Mercy-USA provided these families with nets, hooks, anchors, buoys and other necessary equipment to allow them to support themselves once again.

Mercy-USA Aids Earthquake Survivors in Pakistan and Kashmir

On October 8, 2005 a 7.6-magnitude earthquake struck the northern part of Pakistan and Kashmir destroying villages and towns, killing over 75,000 people in Pakistan and 1,300 persons in Indian-Administered Kashmir, and leaving several million persons homeless.

From October 2005 to March 2006, Mercy-USA for Aid and Development provided emergency shelter and medical aid to over 37,000 earthquake survivors in Pakistan and Kashmir.

Medical Treatment

From October 14, 2005 to March 31, 2006, M-USA supported the medical teams sent by Canadian Relief Foundation (CRF) to Pakistan to treat injured and sick survivors of this devastating earthquake. During this period, these teams treated over 18,500 patients (including 3,108 children under the age of five and 2,047 elderly patients over the age of 60) at three permanent hospitals, three field hospitals and 40 mobile clinics that serviced remote villages in Pakistani Kashmir.

Services provided by these teams included major and minor surgery, physiotherapy, occupational therapy, primary care and vaccinations, as well as, technical training for local Pakistani health care professionals.



A doctor treating a woman injured in the October earthquake at an M-USA funded field clinic.

Province	Village	# of Tents Distributed	# of Blankets Distributed	# of Families Assisted	# of Persons Assisted
	Bajla	100	400	100	537
	Baghsar	0	330	137	994
	Chala Bandi	50	0	50	267
AK	Choti region	367	734	367	1500
	Trichha	35	0	35	210
	Amwar Sharif region	390	100	390	2457
	Muzaffarabad region	0	704	704	2112
	Dhari Mai Sahiba	30	0	30	169
	Ajaz Gillani	28	0	28	178
	Neelum Valley	0	2412	1206	7236
	Beta Amrik	18	100	18	110
	Dandi	34	340	34	195
	Gul Maira	20	200	20	135
NWFP	Mandi	17	170	17	150
	Bangar	38	380	38	227
	Sanghrat	34	340	34	218
	Sharka	20	200	20	149
	Terugaay	19	190	19	112
	TOTAL	1,200	7,000	3,307	16,871

Emergency Shelter

From November 2005 to January 2006, Mercy-USA, through CRF and the Association of Physicians of Pakistani Descent of North America, distributed 1,200 winterized tents to 1,200 homeless families (about 6,600 persons) and 7,000 thermal blankets to over 3,150 families (over 16,000 persons) in the Azad Kashmir (AK) and Northwest Frontier (NWFP) Provinces of Pakistan. The table left contains detailed information on these distributions:



Three generations of this family relaxing near their winterized tent.

During October and November 2005, M-USA, through our partner in India, United Economic Forum (UEF), distributed about 3,700 corrugated galvanized iron (CGI) sheets (traditionally used as roofing material) to 285 families (about 2,000 persons) living in seven villages (Bada Chadon, Choti Gwallan, Jambhur Patnan, Nambla A, Singtung, Thajal Pawdia and Uri Proper) in Indian-Administered Kashmir. These families used the CGI sheets along with wood beams that they retrieved from their damaged or destroyed homes to build semi-permanent shelters to protect them from the harsh winter weather.

Reconstruction of an Earthquake-Damaged Village in Pakistan

M-USA and its local partners are planning to reconstruct homes and public infrastructure like roads and water and sewage systems in a village in Pakistan severely damaged by the October 2005 earthquake.

Controlling Tuberculosis in Somalia

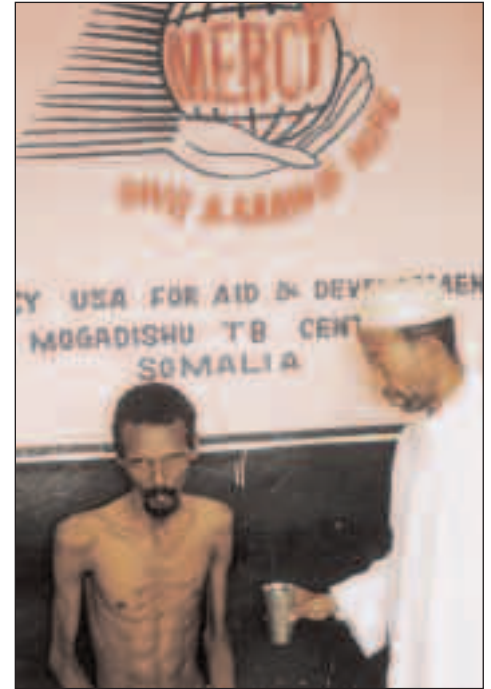
During 2005, Mercy-USA for Aid and Development continued carrying out its well-recognized tuberculosis (TB) treatment and prevention program in Somalia. This program consists of specialized treatment centers with public education and community outreach.

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 Bossaso in 1995, and the third began in 1999 at our mother/child health clinic (MCH) in the southern town of Jilib. Mercy-USA's fourth center opened in 2005 in the northern city of Las Anod and is supported by a sub-grant from GFATM.

These four centers, which have a cure rate of about 80% to 85%, treated more than 1,500 TB patients in 2005. M-USA utilizes the most effective TB treatment strategy, the Directly Observed Treatment Short-course (DOTS) method. During 2005, over 7,000 additional persons were also tested for potential TB infection by the laboratories at our centers.

In addition to testing and treatment, our centers educate their local communities about TB prevention. During 2005, approximately 40,000 persons benefited directly or indirectly through health education seminars and educational radio programs conducted by Mercy-USA health personnel. Also, in 2005, M-USA's TB centers trained 45 nursing students.

Through an agreement with the United Nations World Food Programme (WFP), M-USA's Bossaso and Mogadishu Centers also provided 82,000 pounds of food for TB patients and their families. Since 1994, the World Health Organization (WHO) has been providing Mercy-USA with all TB medicines free-of-charge.



A TB patient receiving his daily medicine at M-USA's TB Treatment Center in Mogadishu, Somalia.

Helping Flood Survivors in Bangladesh to Rebuild

From January to June 2005, Mercy-USA for Aid and Development funded the reconstruction of homes, tube wells and sanitary latrines in Bangladesh that were destroyed by severe flooding in the summer of 2004. Mercy-USA, through our local partner Islamic Aid Bangladesh (IAB), rebuilt 140 homes for approximately 840 persons. During the same period, M-USA also dug 140 tube wells to provide safe drinking water and constructed 168 sanitary latrines to improve hygienic conditions for over 8,600 flood-affected persons.

Severe flooding throughout Bangladesh during July and August 2004 adversely affected over 33.5 million people, killing more than 725 persons, and forcing about 1.7 million people to seek refuge in homeless shelters. Over 4 million homes were destroyed or damaged during the flooding, and more than 300,000 persons contracted illnesses like diarrhea and dysentery from drinking unsafe water.



A flood-affected family standing in front of their new home in Bangladesh.



A man in Bangladesh using his new tube well to collect fresh water

M-USA Continues its US Government-Funded Support of Small Farmers in Bosnia



A family in Brcko, Bosnia in their USDA-funded greenhouse received from M-USA

From August 2003 to March 2006, under a grant worth almost \$3 million from the United States Department of Agriculture, Mercy-USA for Aid and Development distributed poultry (egg-layer and broiler) packages, fruit tree packages with hand tools, chainsaws, bees and beehives, hay trimmers, livestock feed mills or greenhouses to 2,369 families living in the Brcko District of Bosnia.

During this period, M-USA also provided over 1,780 of these families with training specific to their choice of input through group seminars on poultry and orchard care, greenhouse production and beekeeping. Additionally, Mercy-USA contracted with local agronomists to ensure that on-site consultation and technical support was available to any client family that needed it.

In March 2006, Mercy-USA began construction on an Agriculture Education Center (AEC) in Brcko. The AEC project, which includes the building of a 10,890 square-foot greenhouse, will serve as a theoretical and practical training center for all of our beneficiary farmers plus all farmers in and around the Brcko District. It is expected that the AEC, initiated under this USDA grant, will directly and indirectly benefit approximately 4,000 farmers per year.

In 2004, M-USA's subcontractor for the forestry and agri-training components, Counterpart International

(CPI), assisted approximately 1,500 families under the forestry component, and about 75 acres of forest were cleaned and thinned out to restore biodiversity. Also, during that same period, CPI trained approximately 2,000 family farmers through technical support seminars on a variety of topics including: orchard planting; sunflower and rape seed oil production; medicinal herb production; protection of fruit trees from illnesses and pests; and the economics of fruit growing and oil seed and medicinal herb production, etc.

The projects, funded under this USDA agreement, have impacted approximately 15,000 people directly through the distribution of agricultural inputs and seedlings, as well as the provision of technical training. In addition, thousands more have indirectly benefited through general improvements to the Brcko District's environment. With USDA's support, Mercy-USA has 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.

Under two previous USDA grants, M-USA provided over 6,460 displaced and returnee families in Brcko District with various agricultural inputs to assist them in reviving their small farming businesses. Mercy-USA has also trained executives and managers in the wheat milling industry and other agri-businesses.



M-USA distributing fruit-tree and hand tool packages in Brcko District.

Seasonal Food Aid and Clothing Provided Around the World

During 2005, Mercy-USA for Aid and Development provided meat, rice, pasta, beans, cooking oil, flour, other food items and clothing to approximately 100,000 vulnerable persons in Albania, Bosnia, Indonesia, 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. Fresh qurbani meat was distributed during the Muslim holiday of Eid ul-Adha.



School children in India with their M-USA Ramadan food packages.

Relief for Persons Affected by Hurricanes Katrina and Rita

From September to December 2005, Mercy-USA for Aid and Development's disaster response teams and the organization's hurricane response office, that was based in Lake Charles, Louisiana, assisted over 300 hurricane-affected families from New Orleans and other parts of Louisiana. Assistance was provided to evacuees and local hurricane-affected families in the Lake Charles and Houston areas.



M-USA CEO Umar al-Qadi and M-USA's Disaster Response Coordinator Fathi Mohamed with Lake Charles Mayor Randy Roach and Director of Community Services Esther Vincent after meeting on September 20, 2005.

Within a few days of Hurricane Katrina's destructive landfall, an M-USA assessment team visited Houston, Baton Rouge, and southwestern Louisiana. The Mercy-USA team met with evacuees from the New Orleans area and some of the local communities and organizations housing them.

During September 2005, Mercy-USA staff distributed twin mattresses, tents, first aid materials (including antibiotic, burn and insect-bite ointments, antiseptics, bandages, gauze and tape, eye wash, hand sanitizer, medical gloves, etc.), inflatable camp mattresses, tarpaulins, fans, sheets, towels, diapers, hygiene packages, brooms, clothing, slippers, bottled water, ice, Gatorade, juice, batteries, and other items to evacuees at Sam Houston Jones State Park, Moss Bluff and other areas around Lake Charles, LA.

From October to December 2005, M-USA staff made assessment trips to New Orleans and provided relief



M-USA Disaster Response Coordinator Fathi Mohamed distributing a vacuum and other household items to an evacuee family housed in Houston.

in Houston and Lake Charles. They met with community leaders, FEMA and other government officials and with returnees in New Orleans and evacuees housed in apartments, hotels and private homes around Houston and

Lake Charles. M-USA staff also distributed furniture store vouchers, food packages, store gift cards, twin mattresses, microwaves, vacuum cleaners, pillows, kitchen kits (containing pots, pans, cooking and eating utensils, dishes and cups), toys, first aid materials and other items to many of these families.

M-USA closed its Lake Charles' office in mid-December 2005 but has continued to assist hurricane-affected individuals through local community organizations. Through a partnership with Rebuilding Together/Calcasieu, a local charity in Calcasieu Parish in southwestern Louisiana, Mercy-USA will be funding repairs to the homes of vulnerable persons like the elderly and persons with disabilities.



M-USA CFO Anas Alhaidar distributing aid to hurricane evacuees at Sam Houston Jones State Park.



M-USA staff delivering mattresses to a Hurricane Katrina displaced family from New Orleans.

Mercy-USA Successfully Completes Second US Government-Funded School Lunch Program in Albania

From September 2004 to June 2005, under a \$3.2 million grant from the United States Department of Agriculture (USDA), Mercy-USA for Aid and Development (M-USA) provided daily lunch to over 32,000 vulnerable school children in ten districts in the economically depressed northern and central regions of Albania.

The objectives of this project, like a similar one in the 2002/2003 academic year, were to improve the children's nutrition and encourage attendance, reduce drop out rates, especially among girls, and improve academic performance. In addition, M-USA improved the hygiene and health knowledge and awareness of these students and their teachers through seminars conducted by our health monitors.



School children in Albania enjoying their lunch.

The school lunch program helped alleviate the students' hunger and increased their daily calorie intake while in school. The added nutrition and energy helped students learn more attentively, and, as a result, their academic performance improved.

All student achievement indicators increased at the end of the 2004/2005 school year when compared to the previous one. Total student enrollment increased 4.4% (from 30,782 in 2003-2004 to 32,143 in 2004-2005). Among girls, enrollment increased 4.9% (from 15,084 in 2003-2004 to 15,825 in 2004-2005). Total student attendance increased 0.7% (from 98.7% in 2003-2004 to 99.4% in 2004-2005).

Moreover, the total percentage of students who successfully passed increased 2% (from 97% who passed in 2003-2004 to 99% in 2004-2005). Total student average marks increased 8% (from 7.2 out of 10 in 2003-2004 to 7.8 in 2004-2005) and specifically 9% among girls (from 7.3 out of 10 to 8.0).

Additionally, Mercy-USA and its local partners have built and improved infrastructure, such as kitchens, lunch rooms and water and sanitation, at 39 schools. These infrastructure improvements include the construction of approximately one mile of water piping in Gjorm village, the extension of water piping in Fushe Kuqe village, the digging of a water well in Kus village, plus the renovation and construction of 33 school kitchens and four dining rooms.

In our efforts to build the capacity of local implementing partners, M-USA organized five training workshops: three for organizational/managerial development and financial management, and two for health education. Moreover, the project created nearly 340 new full and part-time jobs at the businesses and implementing partners involved in storing, transporting, preparing, serving and monitoring the lunches for the children.



Teachers and parents distributing lunch to school children in Albania.

Computer Software and English Language Training in Bosnia

Since 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 2005, over 1,100 persons have graduated from this program.

In 2004, Mercy-USA initiated a series of two-month long intensive English language courses in Srebrenik Municipality in northeastern Bosnia. As of December 2005, over 200 persons have successfully completed these courses.

Restoring the Vision of Cataract Patients in Somalia

In 2005, Mercy-USA for Aid and Development, in collaboration with the Eye Unit of Kikuyu Hospital in Kenya and Arafat Hospital and Zam Zam Foundation in Somalia, helped restore the vision of approximately 2,200 persons suffering from cataracts in Somalia. M-USA and Zam Zam Foundation arranged for joint teams from Kikuyu and Arafat Hospitals to operate on the cataract patients in Mogadishu. All of these patients are now able to see.



Doctors perform surgery to restore vision of cataract patients.

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 the Jilib District of southern 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, and micronutrients like vitamin A supplements. In 2005, the MCH treated over 11,000 patients and immunized over 13,500 children and women against measles, diphtheria, pertussis, tetanus, polio or tuberculosis. M-USA also distributed vitamins (especially vitamin A) and provided health and nutrition seminars to over 6,200 mothers.

In addition, Mercy-USA continues to chlorinate over 100 wells and other water sources in Jilib and around Somalia's capital city Mogadishu to prevent waterborne illnesses like cholera. UNICEF provides M-USA with vaccines, medicines, chlorine 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 doctor examining patients at M-USA's MCH Clinic in Jilib, Somalia.

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INDEPENDENT AUDITORS' REPORT

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

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

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

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

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

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

Alan C. Young, Assoc.
 May 18, 2006

Audit Letter from Certified Public Accountants

**Year Ended
 December 31, 2005**

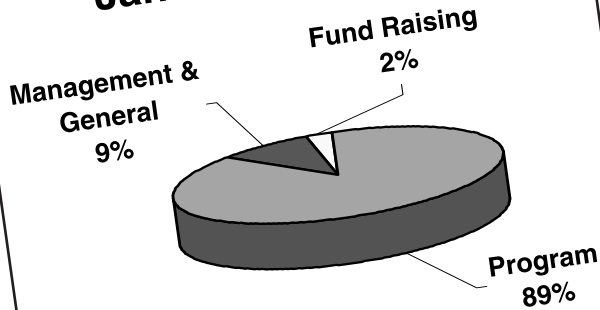
**Statement of
 Financial Position
 December 31, 2005**

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

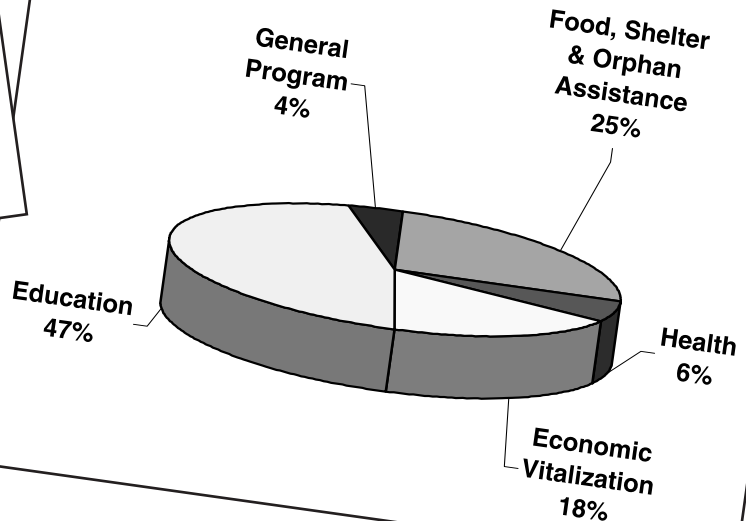
	USA OPERATIONS	OVERSEAS OPERATIONS	TOTAL 2005	TOTAL 2004
ASSETS				
Current Assets:				
Cash and Cash Equivalents (Note 2)	\$1,803,796	\$153,646	\$1,957,442	\$2,743,587
Investments (Note 4)	429,169	0	429,169	406,103
Pledges & Accounts Receivable (Note 5)	42,711	167,282	209,993	225,506
Advances to Sub-Contractor	0	0	0	15,309
Notes Receivable - Micro-lending/SED	0	8,000	8,000	1,000
Inventory (Note 8)	6,893	0	6,893	1,820,595
Prepaid Insurance & Expenses	2,282,569	328,928	2,611,497	8,219
Total Current Assets				5,220,319
Fixed Assets:				
Vehicles, Furniture & Equipment (Note 6)	45,196	173,009	218,205	216,924
Less: Accumulated Depreciation	(34,485)	(113,965)	(148,450)	(141,411)
Total Fixed Assets	10,711	59,044	69,755	75,513
Other Assets:				
Travel Advance	0	0	0	3,471
Security Deposits	6,245	0	6,245	5,600
Total Other Assets	6,245	0	6,245	9,071
Total Assets	\$2,299,525	\$387,972	\$2,687,497	\$5,304,903
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts Payable	\$89,768	\$365,926	\$455,694	\$501,763
Deferred Revenue (Note 9)	0	67,932	67,932	2,305,475
Accrued Payroll & Taxes	489	0	489	366
Total Current Liabilities	90,257	433,858	524,115	2,807,594
Net Assets:				
Unrestricted	2,207,078	(48,781)	2,158,297	2,485,943
Temporarily Restricted	2,190	2,895	5,085	11,366
Total Net Assets	2,209,268	(45,886)	2,163,382	2,497,309
Total Liabilities and Net Assets	\$2,299,525	\$387,972	\$2,687,497	\$5,304,903

2005 Financial Audit

Functional Expenses Jan.1 to Dec. 31, 2005



Program Expenses (By Service Category) Jan. 1 to Dec. 31, 2005



**Graphs of Functional Expenses and Program Service Expenses
Year Ended December 31, 2005**

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

	USA OPERATIONS		OVERSEAS OPERATIONS		TOTAL 2005		TOTAL 2004	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
SUPPORT AND REVENUE								
Contributions From Public	\$275,245	\$2,010,666	\$0	\$24,953	\$275,245	\$2,044,619	\$303,458	\$1,204,839
US Governmental Grants	0	0	0	774,504	0	774,504	0	2,328,133
US Department of Agriculture (USDA)	0	0	0	23,277	0	23,277	0	0
US Agency for International Development (USAID)	0	0	0	0	0	0	0	4,697
United Nation (UN) Grants	0	0	0	1,514	0	1,514	0	150,609
UN/MIK/CAMEST	0	0	0	16,196	0	16,196	0	0
UN/MIK/CAMS/SW	0	0	0	67,817	0	67,817	0	8,175
Other UN Grants	0	0	0	0	0	0	0	0
Global Fund to Fight AIDS, Tuberculosis & Malaria (GFATM) Grants	0	0	0	2,693	0	2,693	0	0
Organization for Security & Cooperation in Europe (OSCE) Grants	0	0	0	0	0	0	0	0
NGO/Foundation Grants	0	0	0	210,529	0	210,529	0	44,231
Contribution in-Kind - Public	0	0	0	0	0	0	0	0
Contribution in-Kind - UN agencies	0	0	0	0	0	0	0	0
Contribution in-Kind - NGO/Foundation	0	0	0	1,820,595	0	1,820,595	0	1,014,299
Contribution in-Kind - US Government (USDA)	0	0	0	0	0	0	0	6,084
Dividend Income	23,795	0	242	0	24,037	0	20,657	0
Gain/Loss on Foreign Currency Fluctuation	0	0	(351,347)	0	(351,347)	0	37,786	0
Gain/Loss on Sale of Equipment	18,987	0	0	0	18,987	0	54,811	0
Unrealized Gain (Loss) on Investments	535	0	1,340	0	1,875	0	1,710	0
Gain (Loss) on Sale of Equipment	177	0	0	0	177	0	40	0
Sales	0	0	351	0	351	0	630	0
Program Fees	181,995	(1,900,000)	(181,995)	1,800,000	0	0	0	0
Transfer-in/Out	122,825	(122,825)	4,845,000	(4,845,000)	4,967,825	(4,967,825)	4,752,559	(4,752,559)
Net Assets Released From Restrictions (Note 1):								
Satisfaction of Service Restrictions	823,559	(3,158)	4,313,591	(3,122)	4,937,150	(6,281)	5,171,849	9,118
Total Support and Revenue								
EXPENSES								
Program Services:								
Food, Shelter and Orphan Assistance	37,825	0	1,132,712	0	1,170,537	0	497,820	0
Economic Vitalization	0	0	284,882	0	284,882	0	253,390	0
Health	0	0	182,550	0	182,550	0	1,396,949	0
Education	0	0	182,550	0	182,550	0	224,593	0
General	0	0	4,633,110	0	4,633,110	0	4,415,289	0
Total Program Services								
Management and General	457,845	0	0	0	457,845	0	427,919	0
Fund Raising	136,016	0	0	0	136,016	0	91,729	0
Total Supporting Expenses								
693,861	0	0	0	693,861	0	519,648	0	
Total Expenses								
631,686	0	4,633,110	0	5,264,796	0	4,934,937	0	
Change in Net Assets								
(6,127)	(3,158)	(319,519)	(3,122)	(327,646)	(6,281)	236,712	9,118	
Net Assets - Beginning of Year								
2,215,205	5,349	270,738	6,017	2,485,943	11,366	2,249,231	2,248	
Net Assets - End of Year								
\$2,207,078	\$2,190	(\$48,781)	\$2,895	\$2,158,297	\$5,085	\$2,485,943	\$11,366	

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

Statement of Activities Year Ended December 31, 2005

2005 Financial Audit

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

Expenditures	Food, Shelter & Orphan Assistance		Health	Economic Vitalization	Education	General Program	Total Program Services	Management & General	Fund Raising	Total 2005 Expenditures	Total 2004 Expenditures
Grants	\$439,402	\$29,000	\$0	\$0	\$0	\$0	\$468,402	\$0	\$0	\$468,402	\$213,920
Scholarships	0	0	0	0	2,640	0	2,640	0	0	2,640	2,640
Salaries & Wages	90,378	112,471	0	0	110,890	102,038	471,559	226,300	0	2,640	2,640
Employee Benefits	58	871	55,782	10,656	5,796	12,536	29,917	52,043	0	697,919	706,095
Advertising & Promotion	0	0	0	0	0	0	0	2,810	55,131	21,560	73,477
Transportation Expenses	6,913	6,356	20,055	14,628	8,237	56,799	4,056	0	0	57,941	54,280
Commercial Insurance	0	0	0	0	0	0	0	5,929	0	60,855	55,331
Conference, Meeting & Seminars	0	0	0	0	0	0	0	4,454	0	5,529	5,519
Consultants & Other Professional Services	30	282	78	0	0	0	0	0	0	4,454	2,902
Dues, Subscriptions, Fees, etc.	0	0	0	11,191	180	11,761	11	0	0	11,761	35,416
Legal	122	1,145	350	0	0	0	0	9,734	0	9,745	7,358
Accounting	0	0	0	0	396	808	2,821	9,316	0	12,137	27,473
Occupancy & Warehousing	0	0	0	3,000	0	0	3,000	27,155	0	30,165	33,723
Postage & Shipping, etc.	34,789	19,361	6,456	18,161	12,938	320	91,705	36,870	0	128,575	105,289
Printing & Copying	0	0	634	346	288	865	1,371	17,794	10,183	36,671	28,887
Program Materials	5	0	27	544	288	865	1,371	10,183	0	12,399	17,483
Telephone	531,088	93,755	733,105	1,964,839	1,130	3,323,917	0	3,323,917	0	3,323,917	3,276,223
Travel	2,887	3,548	7,469	13,176	6,854	33,934	7,114	7,452	30,030	41,048	49,460
Bank Charges/Currency Adjustment	62,088	12,140	8,324	8,561	11,424	102,537	10,994	22,898	0	140,019	102,781
Office Supplies and Equipment	611	5,333	4,885	3,548	3,155	17,532	12,434	18,507	0	21,596	27,604
Payroll Taxes	2,166	0	1,226	3,498	2,272	9,162	0	0	0	18,507	16,675
Loss on Sale of Assets	0	0	0	0	0	0	0	0	0	22,715	1,897
Indirect cost	0	0	0	0	0	0	0	0	0	20,358	49,480
Depreciation	0	0	0	22,715	0	22,715	0	0	0	24,047	23,286
Total	\$1,170,537	\$284,862	\$849,057	\$2,183,929	\$182,550	\$4,670,935	\$457,845	\$136,016	\$5,264,796	\$4,934,937	

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

Statement of Functional Expenses Year Ended December 31, 2005

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

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES	(333,927)	\$245,830
Change in Net Assets		
Adjustments to reconcile change in net asset to cash provided by operations	(1,875)	(1,710)
(Gain) Loss on Sale of Asset	24,047	23,285
Depreciation	(18,987)	(54,811)
Unrealized (Gain)/Loss from Investments	1,820,595	(1,820,595)
Change In:	4,152	(3,379)
Inventory	15,513	(92,219)
Prepaid Expenses/Security Deposits/Travel Advance	15,309	(1)
Pledges and Accounts Receivable	(46,069)	369,774
Advances to Sub Contractor	(2,237,543)	594,457
Accounts Payable	133	356
Deferred Revenue	(756,652)	(739,012)
Accrued Payroll Taxes		
Net Cash Provided by (Used in) Operating Activities	(4,079)	0
CASH FLOWS FROM INVESTING ACTIVITIES	(18,475)	(17,865)
Investments	2,085	19,438
Purchase of Equipment	(20,493)	1,773
Proceeds from Sale of Assets		
Net Cash Provided by (Used in) Investing Activities	(7,000)	7,600
CASH FLOWS FROM FINANCING ACTIVITIES	(7,000)	7,600
Proceeds(Payments) from Notes Receivable		
Net Cash Provided by (Used in) Financing Activities	(786,145)	(729,639)
Increase/(Decrease) in Cash	2,743,587	3,473,226
Cash and Cash Equivalents - Beginning of Year	1,957,442	\$2,743,587
Cash and Cash Equivalents - End of Year		

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

Statement of Cash Flows Year Ended December 31, 2005

Notes To The Financial Statements – Year Ended December 31, 2005

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

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activity

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

Basis of Accounting

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

Financial Statement Presentation

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

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

Unrestricted Fund:

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

Temporarily Restricted Fund:

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

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

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

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

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

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

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

Grants

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

Inventory

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

Investments

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

Notes To The Financial Statements – Year Ended December 31, 2005

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

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

Functional Allocation of Expenses

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

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

Cash and Cash Equivalents

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

Fixed Assets

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

Temporarily Restricted Net Assets

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

Purpose Restriction Accomplished:

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

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

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

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

2) **CASH**

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

3) **PROGRAM AND SUPPORTING SERVICES**

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

Program Services

Economic Vitalization

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

Health Services

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

Food and Shelter

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

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2005 Financial Audit

Notes To The Financial Statements – Year Ended December 31, 2005

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

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

Refugee and Orphan Assistance

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

Civil Society

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

General Program

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

Management and General

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

Fundraising

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

4) **INVESTMENTS**

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

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

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

5) **PLEDGES AND ACCOUNTS RECEIVABLE**

Accounts Receivable / Pledges Receivable – USA Operations

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

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

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

Accounts Receivable - Overseas Operations

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

6) **FIXED ASSETS**

The fixed assets comprised of the following:

	USA Operations	Overseas Operations	Total 2005	Total 2004
Automobiles	\$17,301	\$98,143	115,443	\$113,962
Office Equipment	19,975	56,352	76,328	80,108
Office Furniture	2,620	5,897	8,517	7,617
Audio Visual Equipment	4,850	6,088	10,938	10,692
Others	450	6,529	6,979	4,645
Less: Accumulated Depreciation	45,196	173,009	218,205	216,924
	(34,485)	(113,955)	(148,450)	(141,411)
Total	<u>\$10,711</u>	<u>\$59,044</u>	<u>\$69,755</u>	<u>\$75,513</u>

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

7) **PENSION PLAN**

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

8) **INVENTORY**

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

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

9) **DEFERRED REVENUE**

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

2005 Financial Audit

Supplemental Statement of Revenues and Program Expenses

Year Ended
December 31,
2005

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

REVENUES	ALBANIA	KOSOVO	BOSNIA	INDONESIA	U S A	SOMALIA & KENYA	INDIA	PAKISTAN	BANGLADESH	CHECHEN REFUGEES	NOT DESIGNATED	TOTAL 2005	TOTAL 2004
Contributions from Public:													
General													
Tsunami	\$92,005	\$3,030	\$24,218	\$0	\$101,946	\$24,141	\$788	\$624,376	\$1,316	\$2,201	\$265,245	\$1,139,246	\$620,897
Food Aid	0	0	0	0	0	\$15,000	\$30,000	0	0	0	0	\$28,771	\$98,480
Orphan Fund	25,500	26,000	24,365	\$626,709	0	29,000	9,000	0	4,956	0	31,686	172,507	151,080
Zakat	0	0	360	0	0	1,730	0	0	0	0	8,898	10,988	6,630
US Government Grants	1,000	500	70,000	194,644	0	110,000	500	20,000	1,000	1,000	0	398,644	526,667
US Department of Agriculture (USDA)												774,504	2,328,133
US Agency for International Development (USAID)	249,371	0	525,133	0	0	0	0	0	0	0	0	23,277	0
UN Grants													
UNMIK/CA/MEST	0	0	0	0	0	23,277	0	0	0	0	0	0	0
UNMIK/CA/MPS	0	0	0	0	0	0	0	0	0	0	0	0	0
UNMIK/CA/MSW	0	0	0	0	0	0	0	0	0	0	0	0	0
Other UN Grants	0	1,514	0	0	0	0	0	0	0	0	0	0	0
Organization for Security & Cooperation in Europe (OSCE) Grants	0	0	0	0	0	0	0	0	0	0	0	0	4,697
Global Fund to Fight AIDS, Tuberculosis & Malaria (GFATM) Grants	0	0	0	16,196	0	0	0	0	0	0	0	1,514	150,609
NGO/Foundation Grants	0	0	0	0	0	0	0	0	0	0	0	16,196	0
Gifts in Kind - Public	0	0	0	0	0	67,617	0	0	0	0	0	0	8,175
Gifts in Kind - UN Agencies	0	0	0	0	0	2,692	0	0	0	0	0	2,692	0
Gifts in Kind - NGO/Foundation	0	0	0	0	0	0	0	0	0	0	0	0	0
Gifts in Kind - US Govt (USDA)	0	0	0	168,475	0	41,054	0	0	0	0	0	67,617	0
Dividend Income	1,820,595	0	0	0	0	0	0	0	0	0	0	210,529	44,232
Gain/Loss on Foreign Currency Fluctuation	0	0	0	0	0	0	0	0	0	0	0	0	0
Unrealized Gain/Loss on Investments	(2)	(8,924)	(341,218)	242	0	0	0	0	0	0	0	0	0
Gain/Loss on Sale of Equipment	0	0	0	(1,269)	0	66	0	0	0	0	0	1,820,595	1,014,299
Sales	0	1,340	0	0	0	0	0	0	0	0	23,795	24,037	27,351
Program Fees	0	0	0	0	0	0	0	0	0	0	0	(351,347)	37,796
Total Revenues	351	0	0	0	0	0	0	0	0	0	18,987	18,987	54,811
EXPENDITURES	\$2,188,820	\$23,460	\$302,858	\$923,997	\$102,946	\$314,577	\$40,288	\$644,376	\$7,272	\$6,201	\$376,094	\$4,930,869	\$5,180,767
Program Services:													
Food, Shelter & Orphan Assistance	\$26,069	\$27,935	\$26,156	\$672,045	\$37,825	\$34,573	\$91,000	\$225,093	\$9,841	\$20,000	\$0	\$1,170,537	\$497,629
Economic Vitalization	1,410	0	588,442	193,661	0	55,544	0	0	0	0	0	849,057	2,042,726
Health	0	0	0	34,560	0	228,302	0	22,000	0	0	0	284,862	253,390
Education	2,143,130	0	9,256	0	0	31,543	0	0	0	0	0	2,183,929	1,396,949
General	71,869	11,141	30,383	31,946	0	37,189	0	0	0	0	0	162,560	224,593
Total Program Services	\$2,242,498	\$39,076	\$664,237	\$932,214	\$37,825	\$397,151	\$91,000	\$247,093	\$9,841	\$20,000	\$0	\$4,670,935	\$4,415,269

2005 Financial Audit

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

Expenditures	Total Cost	Allowable Indirect	Fund Raising Cost	Program Cost	Excluded Program Cost*	Total Direct Cost
			\$0	\$468,402	\$0	\$488,402
Scholarships	2,640	0	0	2,640	0	2,640
Salaries & Wages	697,919	228,360	0	471,559	0	471,559
Employee Benefits	81,960	52,043	0	29,917	0	29,917
Advertising & Promotion	57,941	2,810	55,131	0	0	55,131
Transportation Expenses	60,855	4,056	0	0	0	56,799
Commercial Insurance	5,929	5,929	0	0	0	0
Conference, Meetings & Seminars	4,454	4,454	0	11,761	0	11,761
Consultants & Other Professional Services	11,761	0	0	11	0	11
Dues, Subscription, Fees etc.	9,745	9,734	0	2,821	0	2,821
Legal	12,137	9,316	0	3,000	0	3,000
Accounting	30,165	27,165	0	91,705	0	91,705
Occupancy & Warehousing	128,575	36,870	0	91,705	0	19,094
Postage & Shipping	36,671	17,577	17,794	1,300	0	11,028
Printing & Copying	12,399	1,371	10,163	865	2,031,124	1,292,793
Program Materials	3,323,917	0	0	3,323,917	0	33,934
Telephone	41,048	7,114	0	33,934	0	132,567
Travel	140,019	7,452	30,030	102,537	0	40,430
Bank Charges/Currency Adjustment	51,394	10,964	22,898	17,532	0	9,162
Office Supplies & Equipment	21,596	12,434	0	9,162	0	0
Payroll Taxes	18,507	18,507	0	0	22,715	0
Loss on Sale of Assets	0	0	0	22,715	0	20,358
Indirect Cost	22,715	0	0	20,358	0	2,753,112
Depreciation	24,047	3,689	0	4,670,935	0	0
Total	5,264,796	457,845	136,016	4,670,935	0	0
Reclassify Overhead Charged to Program Costs	0	22,715	0	0	0	0
Total	\$5,264,796	\$480,560	\$136,016	\$4,670,935	\$2,053,839	\$2,753,112
Base = Total Direct Cost	\$480,560					
Pool Cost	\$2,753,112					
Base Cost	17.46%					
Indirect Rate						

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

Indirect Cost Allocation Schedule Year Ended December 31, 2005

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.

Board of Directors

Ms. Zakia Mahasa, *Chairperson*

Mr. Faizil Baksh
Dr. Ali El-Menshawi

- *All members of the Board of Directors serve as volunteers.*

Mr. Umar al-Qadi, *President & CEO*
Mr. Anas Alhaidar, *CFO*

Independent Financial Auditors
Alan C. Young & Associates, P.C.
Certified Public Accountants

MERCY-USA FOR AID AND DEVELOPMENT

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