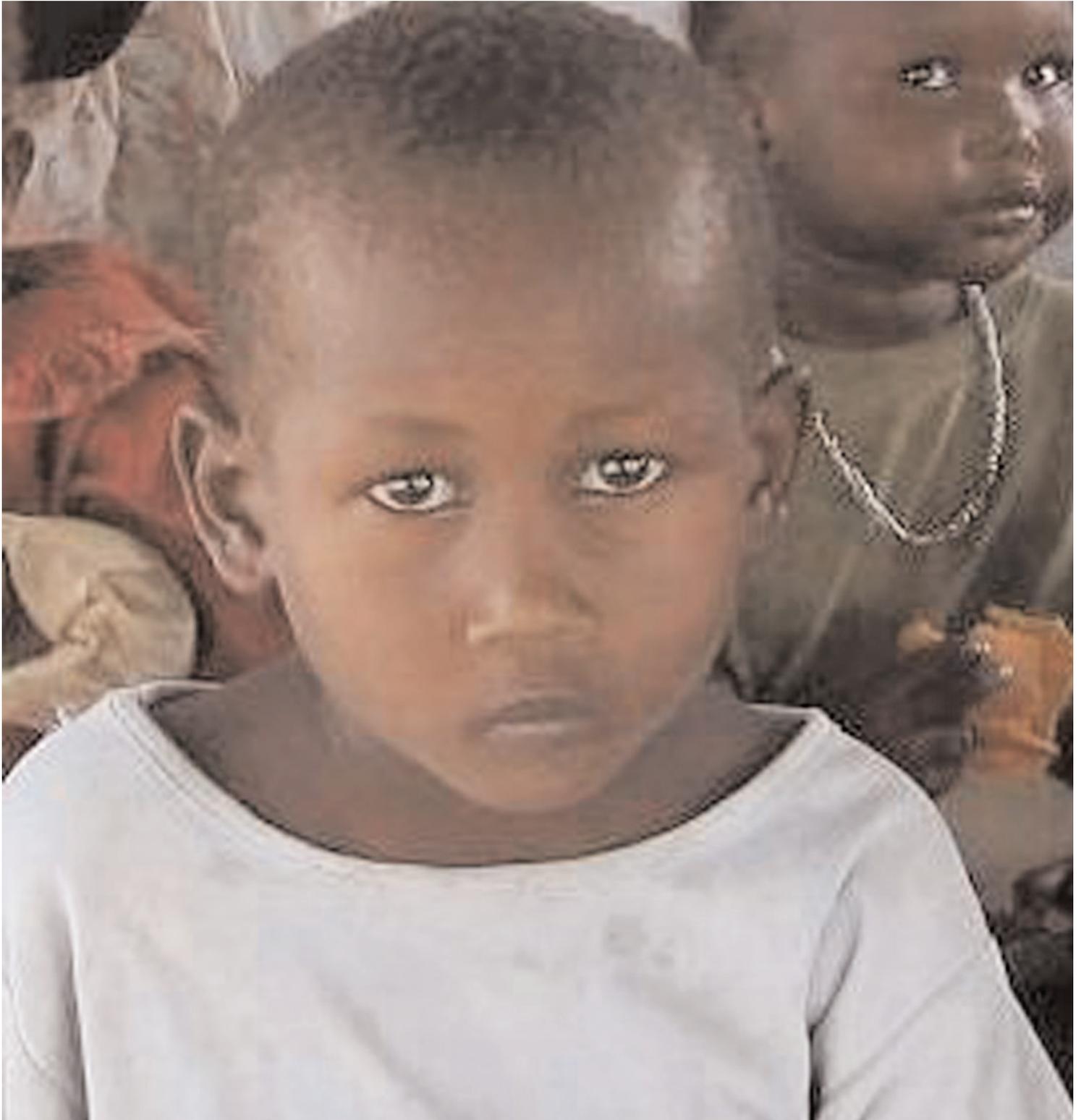


Mercy USA

2007 Annual Report



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



2007 Annual Report

Saving Children and Women in Somalia with US Government and UNICEF Support



Mercy-USA staff checking the height of a child at our USAID-funded SFP Center in Buloburte, Somalia.



A young child being weighed at a Mercy-USA SFP Center in Somalia.

In September 2007, Mercy-USA for Aid and Development received a grant from the United States Agency for International Development (USAID). This grant, valued at over \$300,000, helped us to open three new clinics and three feeding centers that are providing health and nutrition services to approximately 20,000 vulnerable women and children in south-central Somalia.

The three Maternal and Child Health (MCH) centers opened in the districts of Buloburte and Beletweyne in the Hiraan Region and in the Jowhar District of the Middle Shabelle Region. These MCH centers are primarily serving 1,400 pregnant and lactating women and 7,000 children in these isolated communities. Medical services provided include prevention and treatment of malaria, diarrhea and other infectious diseases, immunization, pre-natal and post-natal care, as well as health education. Health education activities focus on training and promoting awareness of best practices at the household level to prevent common illnesses and infections.

The three new Supplemental Feeding Program (SFP) centers opened in the districts of Buloburte and Beletweyne. These SFP centers are primarily serving 14,000 children and 2,800 pregnant and lactating women in these isolated communities. The services provided include emergency feeding for malnourished children, provision of vitamins, immunization and nutrition education activities. To promote improved feeding practices, Mercy-USA is carrying out food demonstration exercises to train mothers on the preparation of balanced meals using locally available food. The United Nations Children's Fund (UNICEF) is providing the medicines, vaccines, vitamins, specialized food for malnourished children, and other medical and nutritional supplies free of charge.

Somalia has one of the highest child and maternal mortality rates in the world. One in eight children dies before reaching the age of five and 1,600 women die for every 100,000 live births. Various UNICEF studies report that other social indicators for children are among the worst in the world: one in three children is chronically malnourished, hardly a third of families have access to clean drinking water, just 30 per cent of children go to school and on average people only live to the age of 47. A recent study by UNICEF estimates that 83,000 children in the central and southern parts of the country, where M-USA is working, are suffering from malnutrition and 13,500 of these children are severely malnourished and at risk of dying.



A child in Somalia being examined by an M-USA nutritionist.

Caring for Malnourished Children in Somalia

Mercy-USA for Aid and Development -with the support of USAID, UNICEF, the United Nations Office for the Coordination of Humanitarian Affairs (OCHA), the UN World Food Programme (WFP) and our generous individual private donors- has been carrying out a program focused on combating disease and malnutrition among children in southern and central Somalia.

This project includes seven supplemental feeding centers to identify and treat malnourished children, food rations for vulnerable children and their families, immunization, vitamin A distribution, the prevention of malaria through the distribution of insecticide-treated bed nets, and the provision of safe drinking water.

In 2007, Mercy-USA's seven supplemental feeding centers examined and treated about 6,000 malnourished children. These children and their families were also supplied with take-home food rations provided by UNICEF and WFP.

In addition, M-USA's nutrition workers educated pregnant women and nursing mothers about proper nutrition. This was done through food demonstration exercises that focus on the preparation of well-balanced meals using locally available nutritious foods.

Mercy-USA is also providing safe drinking water through chlorinating water sources, rehabbing and repairing existing wells, and digging new ones. In 2007, thirteen water wells were also cleaned.

M-USA thanks the UN agencies, USAID and all the private donors who are supporting this program and all our vital projects to help vulnerable children around the world, helping to provide them with a safer and brighter future.



A young child with TB being examined by a nurse.

Controlling Tuberculosis and HIV/AIDS in Somalia

During 2007, 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.

These four centers, which have a cure rate of about 80% to 85%, treated approximately 900 TB patients in 2007. M-USA utilizes the most effective TB treatment strategy, the Directly Observed Treatment Short-course (DOTS) method.

In addition to testing and treatment, our centers educate their local communities about TB prevention. During 2007, approximately 45,000 persons benefited directly or indirectly through health education seminars and educational radio programs conducted by Mercy-USA health personnel. The TB centers in Bossaso and Las Anod are supported by a sub-grant from the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM).

In 2007, with the support of UNICEF and GFATM, Mercy-USA added an HIV/AIDS component to our TB centers in Mogadishu, Bossaso and Las Anod. The objective is to ensure that HIV prevalence in Somalia is contained below an epidemic level through strengthened support to prevention, treatment, care and support services.

Additionally, through an agreement with the United Nations World Food Programme (WFP), our Bossaso and Mogadishu Centers are providing 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 woman with TB taking her medicine in front of an M-USA nurse.

Protecting the Health of Mothers and Children in Somalia



A child being examined at a Mercy-USA MCH 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 2007, the MCH treated over 5,000 children under the age of five and over 10,000 women. Many of these patients were also immunized against measles, diphtheria, pertussis, tetanus, polio or tuberculosis. M-USA also distributed vitamins (especially vitamin A) and provided health and nutrition seminars to mothers and pregnant women.

Additionally, 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, drought and flooding. 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.

Helping School Children in Kenya

Since January 2007, Mercy-USA for Aid and Development, in partnership with the local community, has been providing daily breakfast and lunch to over 500 pre-school, kindergarten and primary school children in two schools in the Kariobangi slum area of Nairobi, Kenya. The objectives of this program are to improve the children's nutrition and to increase attendance, reduce dropout rates and improve overall academic performance, especially among girls.

Below is specific information on the participating schools:

Watoto Weto School

This school focuses on orphans, whose parents died from HIV/AIDS. It has a total student population of approximately 230 children.

Kariobangi Day Nursery School (KDNS)

This school was established as an initiative by the community self-help group. Currently, it has a student population of approximately 280 children, ranging from three to six years of age. The daycare allows the parents to work and thus support their families.

During 2007, these schools received new kitchen utensils and serving containers; M-USA also repaired damaged kitchen counters. From March to July 2008, Mercy-USA provided the children at KDNS with 250 new chairs, repainted 60 other chairs and 70 tables and installed new playground equipment. The children now have a slide, seesaw and five new swings, as well as a repainted climbing frame.

For many of these children, the two meals provided by Mercy-USA are the only ones that they consistently eat daily.



Pre-schoolers at KDNS in Kariobangi, Kenya sitting on their new chairs.



Young girls at KDNS enjoying their new swing set.



A worker painting window trims on the new girls' high school being built in Shamdhara, NWFP Pakistan.



Workers completing construction on two of the three buildings that make-up the new campus of the girls' high school in Shamdhara.

Rebuilding a Girls' High School in Pakistan Destroyed by the October 2005 Earthquake

From September 2007 to September 2008, Mercy-USA for Aid and Development and its partner Humanity Hope are building a new high school for girls in the Northwest Frontier Province (NWFP) of Pakistan. The original high school was severely damaged in the devastating earthquake that struck the region in October 2005, killing over 75,000 people and leaving three million persons homeless.

The new school, which is located in the village of Shamdhara in the Mansehra District of NWFP, will serve approximately 250 girls from this village and several surrounding villages. The campus consists of a building with ten classrooms, another with an examination hall and laboratory and a third with administrative offices. All structures are earthquake resistant, utilizing a light steel design.

Relief for Survivors of Cyclone Sidr in Bangladesh



A cyclone survivor in Bangladesh receiving food and clothing.

In November and December 2007, Mercy-USA for Aid and Development, through our local partner Assistance for Humanitarian Development (AHD), provided emergency relief to 3,535 families (approximately 22,324 people) in Bangladesh severely affected by Cyclone Sidr.

This project was implemented in the sub-districts of Patuakhali Sadar and Bauphal in Patuakhali District and in the Moreganj sub-district of Bagerhat District. Each family received clothing, one blanket and a food package containing 44 pounds of rice, 2.2 lb. of lentils, 1 liter of cooking oil and 2.2 lb. of salts.



A cyclone survivor in Bangladesh receiving clothing and a blanket for her family.

Cyclone Sidr struck Bangladesh on November 15, 2007 with winds in excess of 150 miles per hour and a 16-foot tidal surge. This devastating storm, the worst to strike Bangladesh since 1991, killed about 3,500 people and left approximately three million others homeless.

Helping to Restore the Livelihoods of Tsunami-Affected Farmers in Indonesia

From September 2007 to July 2008, with the support of the United Nations Food and Agriculture Organization (FAO), Mercy-USA for Aid and Development distributed 1,200 packages of vegetable/fruit seeds (rice, chili and watermelon), 40 livestock, 13 water pumps and 140 fish production packages to over 1,560 tsunami-affected farming families in East Aceh District in Indonesia.

M-USA also provided these families with training specific to the particular material received and assisted them in marketing their produce and in forming cooperatives. This project is helping these families to support themselves once again.



A training course for tsunami-affected fish-farmers in East Aceh District, Indonesia.



Chili-farmers in East Aceh surveying their crops grown from FAO-donated seeds distributed by M-USA.

Preventing the Spread of Malaria in Somalia

Mercy-USA for Aid and Development is preventing the spread of malaria and protecting children from becoming infected with this deadly disease in the Jilib District of southern Somalia. M-USA is achieving this through the distribution of insecticide-treated bed nets (ITNs) to pregnant women and families with children under five years of age. From January to April 2007, Mercy-USA distributed over 6,600 ITNs to these families.

M-USA's Mother and Child Health Clinic in Jilib is also testing patients for potential malaria infection and treating those infected. UNICEF is providing Mercy-USA with ITNs, testing kits and anti-malarial drugs.

Safe Drinking Water and Improved Sanitation in Somalia



One of 95 water wells completed by Mercy-USA.

From August to December 2007, Mercy-USA for Aid and Development, with UNICEF's support, dug eleven new wells and rehabilitated nine existing ones in the Galgadud region of central Somalia. This project is increasing access to safe water for 6,000 persons and over 500,000 livestock in eight villages of Eldher and Mesegawein Districts of Galgadud.

Mercy-USA also constructed garbage collection pits for each village and built 200 new latrines for the safe disposal of waste products. Additionally, M-USA is improving community hygiene and sanitation through forming and training village sanitation and water source maintenance committees, as well as through community clean-up campaigns and the provision of hand soap, water purification tablets, and chlorine to chlorinate the twenty wells and other area water sources.

Since 1997, M-USA has played a vital role in providing safe drinking water in Somalia, digging and repairing 95 wells. Mercy-USA also continues to chlorinate over 100 water sources. Approximately 160,000 persons, as well as over one million livestock are benefiting from this safe water program. Many of the beneficiaries are pastoralists or agro-pastoralists and thus depend on raising and herding livestock to make their living and indeed for their very survival. M-USA plans to continue expanding this life-saving project to other regions of Somalia.

Relief for Palestinian Refugees in Lebanon

During 2007, Mercy-USA for Aid and Development assisted about 22,000 persons displaced by fighting in the Nahr al-Bared Palestinian Refugee Camp in northern Lebanon. From August to October 2007, Mercy-USA distributed 9,000 floor mats to all displaced Nahr Al-Bared families that were temporarily sheltered in the nearby Beddawi Camp.

These mats, which are especially prized during the summer months, provide a safe, clean sitting area for four to five people. In addition, two to three persons can sleep on them. The mats, which are used both indoors and outdoors, are easy to clean and carry.

In June 2007, Mercy-USA distributed drinking water, floor mats and hygiene packages to 740 families (about 3,400 persons). The hygiene packages provided to these families consisted of towels, toothbrushes, toothpaste, soap, shampoo, detergent, disinfectant and other hygiene items. Clinics in the Beddawi Camp, that hosted many of the displaced, received anti-lice spray.

Mercy-USA's relief workers provided the drinking water, floor mats and hygiene packages to 500 families housed in four schools (Al-Nasreh, Majdal, Nahr Al-Ardon and Kawakab) run by the UN Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) and also to 240 displaced families who were living with host families in the Beddawi Camp.

Fighting, that began in May 2007, left approximately 30,000 of Nahr al-Bared's residents homeless. UNICEF estimates that about half of them were children.

A young Palestinian refugee from Nahr al-Bared Camp in Lebanon receiving hygiene items for his family.



Displaced Nahr al-Bared families receiving floor mats from Mercy-USA.



An acknowledgement letter from UNRWA.

Aid and Reconstruction Assistance to Flood Survivors in Bangladesh

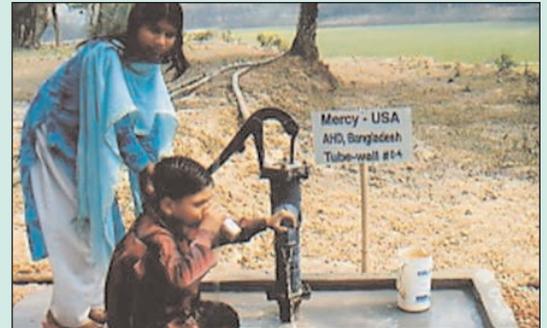
From November 2007 to February 2008, Mercy-USA for Aid and Development, through our local partner Assistance for Humanitarian Development (AHD), helped 285 families (about 1,800 persons) in Bangladesh severely affected by flooding to rebuild their lives. This project involved: the construction of ten new homes; the repair of 16 other homes, two orphanages, one school and one community institution; the digging of 55 water wells and the building of 102 sanitary latrines; and the distribution of 114 goats to 38 women and their families (3 goats per beneficiary) to help them to support themselves.

In August and September 2007, through our local partner Islamic Aid Bangladesh, Mercy-USA distributed 58,200 pounds of food in packages containing rice, potatoes, lentils, and salt to 3,000 displaced families (about 15,000 persons).

Severe flooding in the summer of 2007 displaced about 9 million people throughout Bangladesh. Approximately 1,000 persons, many of them children, drowned or died from waterborne illnesses.



A flood survivor in Bangladesh enjoying his new well.



A young boy in Bangladesh drinking water from his family's new well.

Hygiene Education and Improving Sanitary Conditions for School Children in Albania



Students in Albania attending a Mercy-USA hygiene awareness course at their school.

During the 2007-2008 school year, Mercy-USA for Aid and Development trained elementary school children in four districts of Albania (Lezha, Shkoder, Tirana and Elbasan) about proper hygiene and the importance of caring for the environment. M-USA also made necessary improvements to the sanitation facilities in the participating schools.

Mercy-USA covered topics such as hand washing and other personal hygiene, water and food safety, the dangers of alcohol, tobacco and drugs, as well as protecting the environment and keeping schools and neighborhoods clean. The program included lectures, practical demonstrations, and competitions between the participating schools in each district. About 1,000 students and families in rural areas have directly benefited from this project.

Training for Small Farmers in Albania

In October 2007, Mercy-USA for Aid and Development began providing technical training to small farmers in four districts of Albania (Shkoder, Kavaja, Berat and Tirana). The objectives of this training are to improve local agricultural production, stimulate the local economy, increase food security and promote the establishment of farmers' cooperatives in these four districts.

Workshops are covering topics such as fruit, vegetable, olive and maize production. Farmers are being trained in basic production methods and new developments, effective ways of fighting crop infections and infestations, as well as simple management and marketing techniques. As of July 2008, over 235 farmers had attended ten seminars.



Farmers in Albania attending a training seminar.



The Vice-President of Puntland Hassan Dahir Mohamoud addressing attendees at the opening ceremony for the new TB Center in Bossaso.

Mercy-USA Builds Two New Tuberculosis Clinics in Somalia

During 2007 and 2008, Mercy-USA for Aid and Development completed the construction of two new tuberculosis (TB) centers in northern Somalia. From July 2007 to April 2008, Mercy-USA constructed a satellite TB clinic in the northern city of Buuhoodle on the border with Ethiopia. This center, which officially opened on May 31, 2008, is serving the local community estimated at 33,000, as well as, surrounding villages including those across the border. The Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) and M-USA's individual private donors funded this construction.

From October 2006 to March 2007, Mercy-USA built a new TB clinic in Bossaso. On March 24, 2007, M-USA held an opening ceremony to celebrate the completion of this new center.

March 24 is also World TB Day, an annual event that helps to focus attention on one of the major disease killers in the developing world, especially in Africa (including Somalia). Every year, TB kills almost 2 million persons worldwide.

The guests who attended the opening ceremony of M-USA's new Bossaso clinic included: the Vice-President of Puntland (the autonomous area in northeastern Somalia, of which Bossaso is a part) Mr. Hassan Dahir Mohamoud, the Minister of Health Dr. Abdirahman Sa'id Mohamoud, the Minister of Information, the Minister of Ports & Fisheries, the Governor of Bari Region (of which Bossaso is the capital city) and the Mayor of Bossaso among many other Puntland government officials. Representatives of UN agencies such as UNICEF, WFP and WHO and international and local NGOs, as well as community elders and local businessmen were also present.

Mercy-USA has been carrying out a very successful TB treatment and prevention program in Bossaso since 1995. We wish to thank the GFATM, as well as our individual private donors for making this new center a reality.

Relief to Survivors of Earthquakes and Floods in Indonesia

In March 2007, two earthquakes struck near the city of Padang on western Sumatra. These quakes left over 135,000 persons homeless.

During April 2007, Mercy-USA for Aid and Development's office in Indonesia provided food packages and two blankets each to 750 families affected by these earthquakes. Each food package contained: 22 pounds of rice, 4.4 lb. of sugar, 2 liters of oil, 1 box of instant noodles (40 packages), 2 cans of sardines, 2 lb. of biscuits, one pint of condensed sweetened milk, tea and coffee.

Specifics on these distributions are listed in the table below:

District	Village	Number of Food and Blanket Packages	Number of Beneficiary Families
Solok	Sumani	220	220
Pariaman	Padang Alay	330	330
Tanah Datar	Batiduh	100	100
Agam	Padang Kudo	100	100
Total		750	750



Earthquake survivors in Indonesia carrying food items received from M-USA.



Earthquake survivors in Sumatra receiving food aid and blankets from Mercy-USA.

Flash floods in December 2006 left over 200,000 persons in Aceh, Indonesia homeless. In the worst-hit district of Aceh Tamiang, more than 12,500 houses and 75 schools were destroyed.

During January 2007, Mercy-USA distributed rice and household kits to 350 families left homeless by these floods in Aceh Tamiang. The household kits contained the following items: kerosene stove, 40-liter plastic pail, cooking and frying pans, basin, water jug, prayer mat and clothing.

The table below shows the specific locations of these distributions and the number of beneficiaries.

District	Sub-District	Village	No. of Beneficiaries
Aceh Tamiang	Sekrak	Sulum	100
		Juar	50
		Sekumur	100
		Pematang Durian	100
			350

Providing Warmth to School Children in Lebanon

During early March 2007, Mercy-USA for Aid and Development's office in Lebanon distributed heating oil to 55 schools in the Bekaa Valley (Hermel and Baalbek) and in Kfar Gooz in the south. Over 15,000 children benefited by having warm classrooms in which to learn and develop.



Children in Lebanon sitting in their classroom warmed by heating oil distributed by Mercy-USA.

Food Aid to Families Displaced from Mogadishu, Somalia

In November 2007, Mercy-USA for Aid and Development distributed sorghum (an important grain staple) and cooking oil to over 1,200 families (about 7,200 persons, including an estimated 4,500 children) left homeless by fighting in Mogadishu. Each family received 35 pounds of sorghum and 4 liters of oil.



Displaced families in Somalia receiving food aid.



Mohamed Ahmed (on the right), M-USA's Director of International Programs, visiting the AEC in Brcko, Bosnia.

Agriculture Education Center in Bosnia

This Agriculture Education Center (AEC), located in the Brcko District of Bosnia, is being carried out in cooperation with Brcko district authorities, who donated approximately one acre of farmland, and the Agriculture Institute of Sarajevo, which is providing technical assistance.

The AEC, which includes a 10,900 square-foot greenhouse, is serving as a theoretical and practical training center for all farmers in and around the Brcko District. This project was funded by a US Department of Agriculture (USDA) grant and the generous support of M-USA's private donors.

Seasonal Food Aid and Clothing Provided Around the World

During 2007, Mercy-USA for Aid and Development provided meat, rice, pasta, beans, cooking oil, flour, other food items and clothing to approximately 75,000 vulnerable persons. These distributions took place in Albania, Bangladesh, Bosnia, India, Indonesia, Kenya, Lebanon, Somalia, the United States, as well as to Palestinian refugees in Lebanon. 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.



Computer Software, English Language and Job Search 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. As of December 2007, over 1,300 persons have graduated from this program.

In 2004, Mercy-USA initiated a series of intensive English language courses in Srebrenik Municipality in northeastern Bosnia. As of December 2007, over 450 persons have successfully completed these courses.

In 2007, graduates of M-USA's computer and English courses were also offered job search skills training. They were instructed on proper techniques for developing a resume, how to find job openings and interview skills.



Students at Mercy-USA's English language training course in Srebrenik, Bosnia.

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

7310 Woodward Ave., Suite 740
Detroit, MI 48202

(313) 873-7500
(313) 873-7502 (Fax)
www.alancyoung.com

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of Mercy-USA For Aid & Development, Inc. (a nonprofit organization) as of December 31, 2007 and 2006, and the related statement of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mercy-USA For Aid & Development, Inc. as of December 31, 2007 and 2006 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2008 on our consideration of the Mercy-USA For Aid & Development, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Alan C. Young & Assoc.

May 30, 2008

Audit Letter from Certified Public Accountants

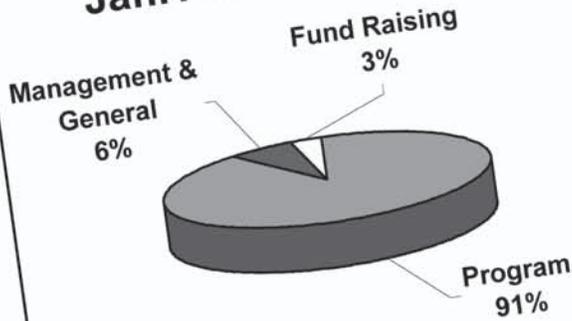
**Year Ended
December 31, 2007**

**Statement of
Financial Position
December 31, 2007**

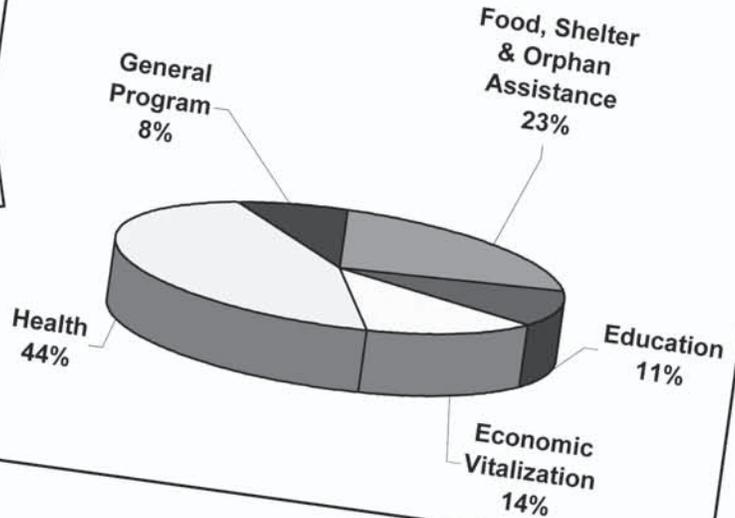
**MERCY - USA FOR AID & DEVELOPMENT, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2007
(WITH COMPARATIVE TOTALS FOR 2006)**

	USA OPERATIONS	OVERSEAS OPERATIONS	TOTAL 2007	TOTAL 2006
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$2,334,102	\$50,816	\$2,384,920	\$1,997,374
Investments	471,768	0	471,768	460,414
Pledges & Accounts Receivable	4,544	274,942	279,486	199,702
Notes Receivable - Micro-lending/SEI	0	10,380	10,380	4,500
Prepaid Insurance & Expenses	5,624	0	5,624	6,974
Total Current Assets	<u>2,816,038</u>	<u>336,140</u>	<u>3,152,178</u>	<u>2,668,964</u>
Fixed Assets:				
Vehicles, Furniture & Equipment	43,390	151,704	195,094	190,448
Less: Accumulated Depreciation	(38,106)	(108,255)	(144,381)	(139,223)
Total Fixed Assets	<u>5,284</u>	<u>45,449</u>	<u>50,733</u>	<u>51,225</u>
Other Assets:				
Security Deposits	5,600	0	5,600	5,600
Total Other Assets	<u>5,600</u>	<u>0</u>	<u>5,600</u>	<u>5,600</u>
Total Assets	<u>\$2,826,922</u>	<u>\$381,589</u>	<u>\$3,208,511</u>	<u>\$2,725,789</u>
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts Payable	\$93,634	\$30,161	\$123,795	\$137,566
Total Current Liabilities	<u>93,634</u>	<u>30,161</u>	<u>123,795</u>	<u>137,566</u>
Net Assets:				
Unrestricted	2,362,633	85,096	2,447,729	2,291,398
Temporarily Restricted	370,655	266,332	636,987	296,825
Total Net Assets	<u>2,733,288</u>	<u>351,428</u>	<u>3,084,716</u>	<u>2,588,223</u>
Total Liabilities and Net Assets	<u>\$2,826,922</u>	<u>\$381,589</u>	<u>\$3,208,511</u>	<u>\$2,725,789</u>

**Functional Expenses
Jan.1 to Dec. 31, 2007**



Program Expenses (By Service Category) Jan. 1 to Dec. 31, 2007



**Graphs of Functional Expenses and Program Service Expenses
Year Ended December 31, 2007**

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

	USA OPERATIONS		OVERSEAS OPERATIONS		TOTAL 2007		TOTAL 2006	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
SUPPORT AND REVENUE								
Contributions From Public	\$368,156	\$1,755,757	\$0	\$0	\$368,156	\$1,755,757	\$331,578	\$1,743,557
US Governmental Grants	0	0	0	0	0	0	0	45,186
US Department of Agriculture (USDA)	0	0	0	81,485	0	81,485	0	0
US Agency for International Development (USAID)	0	0	0	165,908	0	165,908	0	11,714
United Nation (UN) Grants	0	0	0	184,822	0	184,822	0	160,205
Global Fund to Fight AIDS, Tuberculosis & Malaria (GFATM) (0	0	0	0	0	0	0	0
NGO/Foundation Grants	0	0	0	0	0	0	0	0
Contribution In-Kind - Public	0	0	0	885,130	0	885,130	0	220,092
Contribution In-Kind - UN agencies	0	0	0	0	0	0	0	0
Contribution In-Kind - US Government (USDA)	50,849	0	157	0	51,006	0	41,874	0
Dividend Income	0	0	0	0	0	0	3,317	0
Gain on Foreign Currency Fluctuation	45,525	0	0	0	45,525	0	18,089	0
Realized Gain on Investments	0	0	0	0	0	0	10,924	0
Unrealized Gain on Investments	0	0	5,517	0	5,517	0	91	0
Gain on Sale of Equipment	10	0	0	0	10	0	105	0
Sales	0	0	800	0	800	0	493	0
Program Fees	0	(1,454,882)	0	1,454,882	0	0	0	0
Transfer-In/(Out)	0	0	0	0	0	0	0	0
Net Assets Released From Restrictions:	11,737	(11,737)	2,721,203	(2,721,203)	2,732,940	(2,732,940)	1,889,015	(1,889,015)
Satisfaction of Service Restrictions	476,277	289,138	2,721,677	51,024	3,203,954	340,162	2,295,456	291,740
Total Support and Revenue								
EXPENSES								
Program Services:								
Food, Shelter and Orphan Assistance	11,737	0	613,391	0	625,128	0	685,103	0
Economic Vitalization	0	0	383,701	0	383,701	0	399,499	0
Health	0	0	1,210,643	0	1,210,643	0	525,990	0
Education	0	0	295,164	0	295,164	0	52,097	0
General	0	0	223,506	0	223,506	0	236,336	0
Total Program Services	11,737	0	2,726,405	0	2,726,405	0	1,889,015	0
Supporting Services:								
Management and General	216,248	0	0	0	216,248	0	195,909	0
Fund Raising	93,233	0	0	0	93,233	0	77,461	0
Total Supporting Expenses	309,481	0	0	0	309,481	0	273,370	0
Total Expenses	321,218	0	2,726,405	0	3,047,623	0	2,162,385	0
Change In Net Assets	155,059	289,138	1,272	51,024	156,331	340,162	133,101	291,740
Net Assets - Beginning of Year	2,207,574	81,517	83,824	215,308	2,291,398	296,825	2,158,297	5,085
Net Assets - End of Year	\$2,362,633	\$370,655	\$85,096	\$266,332	\$2,447,729	\$636,987	\$2,291,398	\$296,825

**Statement of Activities
Year Ended December 31, 2007**

2007 Financial Audit

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

Expenditures	Food, Shelter & Orphan	Health	Economic Vitalization	Education	General Program	Total Program Services	Management & General	Fund Raising	Total Expenditures	2006 Total Expenditures
Grants	\$129,375	\$0	\$0	\$144,000	\$0	\$273,375	\$0	\$0	\$273,375	\$111,920
Scholarships	0	0	0	2,540	0	2,540	0	0	2,540	3,300
Salaries & Wages	67,212	211,998	66,768	38,028	135,524	519,528	74,230	0	693,758	542,057
Employee Benefits	5,754	7,541	10,783	4,980	3,798	32,959	0	0	65,388	66,771
Advertising & Promotion	0	0	0	0	0	0	32,432	0	32,432	44,099
Transportation Expenses	23,264	0	20,652	2,455	8,595	85,810	0	43,484	139,299	87,338
Commercial Insurance	0	101	0	0	109	109	1,528	0	1,746	33,540
Conference, Meeting & Seminars	0	0	0	0	0	0	1,296	0	1,296	1,967
Consultants & Other Professional Services	5,500	4,000	0	8,243	0	17,743	0	0	22,811	4,148
Dues, Subscriptions, Fees, etc.	0	0	0	0	0	0	0	2,500	2,500	19,707
Legal	0	0	167	0	2,537	2,704	0	0	2,704	4,637
Accounting	0	0	0	0	0	0	0	0	0	8,404
Occupancy & Warehousing	4,853	32,237	8,866	8,108	7,065	61,030	13,598	0	74,631	14,968
Postage & Shipping, etc.	5,052	1,402	154	1,781	0	8,389	16,039	0	25,378	12,952
Printing & Copying	1,397	2,188	53	65	279	3,982	7,332	0	11,756	28,876
Program Materials	279,854	759,447	201,894	59,652	1,043	1,301,649	3,106	9,184	1,315,339	3,302
Telephone	3,112	8,637	2,518	1,879	7,268	21,212	2,991	0	28,262	782,481
Travel	28,564	38,010	5,807	1,994	7,268	80,646	2,874	8,984	93,772	21,307
Bank Charges/Currency Adjustment	8,479	10,125	45	505	8,961	28,075	1,921	0	39,545	70,363
Office Supplies and Equipment	2,709	9,703	1,820	803	4,895	19,930	5,921	22,328	58,076	49,387
Payroll Taxes	0	0	0	0	0	0	6,883	0	6,883	10,835
Unrealized Loss on Investments	0	0	0	0	0	0	35,065	0	35,065	6,692
Loss on Sale of Assets	0	0	0	0	0	0	0	0	0	3,257
Indirect cost	59,953	96,310	64,574	21,953	0	242,790	0	0	389,627	246,383
Depreciation	0	0	0	0	0	0	0	0	0	21,019
Total	\$825,128	\$1,210,643	\$383,701	\$295,164	\$223,506	\$2,738,142	\$216,248	\$93,233	\$3,047,623	\$2,162,385

Statement of Functional Expenses Year Ended December 31, 2007

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

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES	\$496,493	\$424,841
Change in Net Assets		
Adjustments to reconcile Change in Net Asset to Cash Provided by Operations:		
(Gain)/Loss on Sale of Asset	(5,517)	3,166
Depreciation	22,713	21,019
Realized (Gain)/Loss from Investments	(45,525)	(18,089)
Unrealized (Gain)/Loss from Investments	35,065	(10,924)
Change in:		
Prepaid Expenses/Security Deposits/Travel Advance	1,350	564
Pledges and Accounts Receivable	(79,784)	10,291
Accounts Payable	(13,771)	(318,128)
Deferred Revenue	0	(67,932)
Accrued Payroll Taxes	0	(489)
Net Cash Provided by (Used in) Operating Activities	411,024	44,319
CASH FLOWS FROM INVESTING ACTIVITIES	(894)	(2,232)
Investments	(27,372)	(8,355)
Purchase of Equipment	10,668	2,700
Proceeds from Sale of Assets	(17,598)	(7,887)
Net Cash Provided by (Used in) Investing Activities	(34,102)	(13,542)
CASH FLOWS FROM FINANCING ACTIVITIES	(5,880)	3,500
Proceeds (Payments) from Notes Receivable	(5,880)	3,500
Net Cash Provided by (Used in) Financing Activities	(5,880)	3,500
Increase/(Decrease) in Cash	370,042	33,277
Cash and Cash Equivalents - Beginning of Year	1,997,374	1,957,442
Cash and Cash Equivalents - End of Year	\$2,384,920	\$1,997,374

Statement of Cash Flows Year Ended December 31, 2007

Notes To The Financial Statements – Year Ended December 31, 2007

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

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activity

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

Basis of Accounting

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

Financial Statement Presentation

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

To ensure proper usage of restricted and unrestricted assets, the Organization maintains 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, 2007 AND 2006
 (Continued)

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

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

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

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

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

Grants

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

Investments

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

Notes To The Financial Statements – Year Ended December 31, 2007

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

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

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

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

Cash and Cash Equivalents

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

Fixed Assets

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

Temporarily Restricted Net Assets

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

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

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

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Use of Estimates

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

2) CASH

The total cash held by the Organization at December 31, 2007, includes \$2,162,982 in monies that are not covered by insurance provided by the federal government. It is the opinion of management that the solvency of the referenced financial institutions is not of particular concern at this time.

3) PROGRAM AND SUPPORTING SERVICES

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

Program Services

Economic Vitalization

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

Health Services

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

Food and Shelter

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

2007 Financial Audit

Notes To The Financial Statements – Year Ended December 31, 2007

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

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

Refugee and Orphan Assistance

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

Civil Society

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

General Program

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

Management and General

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

Fundraising

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

4) **INVESTMENTS**

Investments consist of money market funds, stocks and Corporate Fixed Income and are carried at fair value at December 31, 2007. Dividends and capital gains earned on the shares are reinvested in the fund.

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

	Cost	Fair Value	Unrealized Gain (Loss)
Cash & Money Market Funds	\$12,684	\$12,684	\$0
Stocks	460,427	459,084	(1,343)
Total	<u>\$473,111</u>	<u>\$471,768</u>	<u>(\$1,343)</u>

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

5) **PLEDGES AND ACCOUNTS RECEIVABLE**

Accounts Receivable / Pledges Receivable – USA Operations

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

Accounts Receivable - Overseas Operations

Accounts receivable – Overseas operations consist of Albania and Bosnia grant funding receivable from the United States Department of Agriculture (USDA); Somalia grant funding receivable from the Global Fund to Fight AIDS; Tuberculosis and Malaria and Indonesia grant funding receivable from the United Nations Food and Agriculture Organization (FAO).

6) **FIXED ASSETS**

The fixed assets comprised of the following:

	USA Operations	Overseas Operations	Total 2007	Total 2006
Automobiles				
Office Equipment	\$17,301	\$60,359	\$77,660	\$95,214
Office Furniture	16,991	73,550	\$90,541	67,294
Audio Visual Equipment	2,620	5,897	\$8,517	8,517
Others	6,028	6,388	\$12,416	11,838
	450	5,510	\$5,960	7,585
Less: Accumulated Depreciation	43,390	151,704	\$195,094	190,448
	(38,106)	(106,255)	(144,361)	(139,223)
Total	<u>\$5,284</u>	<u>\$45,449</u>	<u>\$50,733</u>	<u>\$51,225</u>

7) **PENSION PLAN**

The Organization started a 401(k) pension plan from January 1, 2000 for all employees who have attained the age of 20 ½ years. Employee may join the plan on January 1 or July 1 that coincides with or follows the date of employment after the completion of one year of service. Employer provides a 50% match on eligible employee contributions to the plan up to a maximum allowable by the plan. The Organization contributed \$8,304 and \$8,604 in the years 2007 and 2006 respectively to the plan.

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

7310 Woodward Ave., Suite 740
Detroit, MI 48202

(313) 873-7500
(313) 873-7502 (Fax)
www.alancyoung.com

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

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

We have audited the financial statements of Mercy-USA For Aid & Development, Inc. (a non profit Organization) as of and for the year ended December 31, 2007, and have issued our report thereon dated May 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

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

Internal Control over Financial Reporting (Continued)

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

Compliance and Other Matters

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

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

Alan C. Young, Assoc.

May 30, 2008

2007 Financial Audit

Supplemental Statement of Revenues and Program Expenses

Year Ended
December 31,
2007

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

	ALBANIA	LEBANON*	BOSNIA	INDONESIA	SOMALIA & KENYA	INDIA	PAKISTAN EARTHQUAKE	BANGLADESH	USA	NOT DESIGNATED	TOTAL	TOTAL 2006
REVENUES												
Contributions from Public:												
General												
Food Aid	\$99,322	\$101,309										
Orphan Fund	24,000	33,777	\$193,573	\$94,752	\$190,943	\$1,111	\$22,434	\$278,809			\$1,091,614	\$1,272,248
Zakat	0	25	24,000	17,000	47,000	9,500	0	8,000	5,000	15,858	\$184,135	184,297
US Government Grants	5,000	100,000	360	0	2,813	0	0	0	0	10,986	\$14,164	9,030
US Department of Agriculture (USDA)	0	0	5,000	100,000	500,000	2,088	0	0	0	81,882	\$933,960	609,950
US Agency for International Development (U.S.AID)	0	0	0	0	0	0	5,000	35,000	0	0	0	0
United Nations (UN) Grants	0	0	0	0	0	0	0	0	0	0	0	0
Global Fund to Fight AIDS, Tuberculosis & Malaria (GFATM) Grants	0	0	0	35,888	130,020	81,485	0	0	0	0	0	45,186
NGO Foundation Grants	0	0	0	0	184,822	0	0	0	0	0	184,822	160,206
Gifts in Kind - Public	0	0	0	0	0	0	0	0	0	0	0	0
Gifts in Kind - UN Agencies	0	0	0	0	0	0	0	0	0	0	0	0
Gifts in Kind - US Govt (USDA)	0	0	0	0	0	0	0	0	0	0	0	0
Dividend Income	0	0	0	174,869	710,251	0	0	0	0	0	885,130	220,092
Gain/Loss on Foreign Currency Fluctuation	0	0	0	0	0	0	0	0	0	0	0	0
Realized Gain/Loss on Investments	0	0	0	157	0	0	0	0	0	0	157	0
Unrealized Gain/Loss on Investments	0	0	0	0	0	0	0	0	0	0	0	0
Gain/Loss on Sale of Equipment	0	0	0	0	0	0	0	0	0	0	0	0
Sales	0	0	0	0	0	0	0	0	0	50,849	51,006	41,874
Program Fees	800	0	5,653	0	(136)	0	0	0	0	45,525	5,517	3,317
Total Revenues	\$129,122	\$235,111	\$229,596	\$422,666	\$1,847,206	\$12,709	\$27,434	\$321,809	\$5,000	\$314,471	\$3,544,116	\$2,587,226
EXPENDITURES												
Program Services:												
Food, Shelter & Orphan Assistance	\$26,621	\$192,712	\$18,923	\$82,741	\$130,978	\$13,827						
Economic Vitalization	37,050	0	\$104,513	242,138	0	0	\$0	\$147,589	\$11,737	0	\$625,128	\$695,103
Health	0	0	0	2,199	1,208,445	0	0	0	0	0	383,701	389,499
Education	21,536	68,168	18,729	5,779	12,646	0	0	0	0	0	1,210,643	525,980
General	30,384	25,609	60,249	24,311	82,954	0	168,306	0	0	0	295,164	52,097
Total Program Services	\$115,591	\$286,488	\$202,414	\$357,167	\$1,435,023	\$13,827	\$168,306	\$147,589	\$11,737	\$0	\$2,738,142	\$1,886,015

* Includes Palestinian refugees in Lebanon.

2007 Financial Audit

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

Expenditures	Total Cost	Allowable Indirect	Unallowable Indirect	Fund Raising Cost	Program Cost	Excluded Program Cost*	Total Direct Cost
					\$273,375	\$0	\$273,375
Grants	\$273,375	\$0	\$0	\$0	2,640	0	2,640
Scholarships	2,640	0	0	0	519,528	0	519,528
Salaries & Wages	593,758	74,230	0	0	32,956	0	43,494
Employee Benefits	65,388	32,432	0	43,494	0	0	85,810
Advertising & Promotion	44,099	605	0	0	85,810	0	109
Transportation Expenses	87,338	1,528	0	0	109	0	111
Commercial Insurance	2,261	2,152	0	0	111	0	20,243
Conference, Meetings & Seminars	1,409	1,298	0	2,500	17,743	0	0
Consultants & Other Professional Services	20,243	0	0	0	0	0	2,704
Dues, Subscription, Fees etc.	3,766	3,766	0	0	2,704	0	0
Legal	3,212	508	0	0	0	0	61,030
Accounting	13,598	13,598	0	0	61,030	0	17,573
Occupancy & Warehousing	77,069	16,039	0	9,184	8,389	0	10,725
Postage & Shipping	24,905	7,332	0	6,743	3,982	0	416,510
Printing & Copying	13,831	3,106	0	0	1,301,640	885,130	21,212
Program Materials	1,301,640	0	0	0	21,212	0	106,588
Telephone	24,203	2,991	0	8,984	97,604	0	50,403
Travel	109,462	2,874	0	22,328	28,075	0	19,930
Bank Charges/Currency Adjustment	56,324	5,921	0	0	19,930	0	0
Office Supplies & Equipment	21,851	1,921	0	0	0	0	0
Payroll Taxes	6,683	6,683	35,065	0	242,790	0	242,790
Unrealized Loss on Investments	35,065	0	0	0	18,514	0	18,514
Indirect Cost	242,790	0	0	0	2,738,142	885,130	1,946,245
Depreciation	22,713	4,199	35,065	93,233	0	0	(242,790)
Total	<u>3,047,623</u>	<u>181,183</u>	<u>35,065</u>	<u>93,233</u>	<u>2,738,142</u>	<u>885,130</u>	<u>1,946,245</u>
Reclassify Overhead Charged to Program Costs	0	242,790	0	0	0	0	0
Total	<u>\$3,047,623</u>	<u>\$423,973</u>	<u>\$35,065</u>	<u>\$93,233</u>	<u>\$2,738,142</u>	<u>\$885,130</u>	<u>\$1,703,455</u>
Base = Total Direct Cost	\$423,973						
Pool Cost	\$1,703,455						
Base Cost	24.89%						
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, 2007

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

44450 Pinetree Drive, Suite 201 • Plymouth, MI 48170-3869
Telephone 734-454-0011 • 1-800-55-MERCY (1-800-556-3729)
Facsimile 734-454-0303
e-mail mercycusa@mercycusa.org • <http://www.mercycusa.org>

- *Registered with the United States Agency for International Development (USAID)*
- *Special Consultative Status with United Nations*
- *Member of InterAction*

Other Mercy-USA Offices

Albania
Tirana

Bosnia
Tuzla

Indonesia
Banda Aceh

Kenya
Nairobi

Lebanon
Sidon

Somalia
Mogadishu

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

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

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

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

Please call us at

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

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

Contribution / Pledge Form

Personal Information

Name _____

Address _____

City _____

State/Province _____ Zip/Postal Code _____

Country _____ Work Phone _____

Home Phone _____ Fax _____

E-mail _____

One Time Donation Monthly Donation

\$10 \$25 \$50 \$100 \$250 Other \$ _____

Check

Credit Card (Fill out Section A)

Bank Auto Withdrawal (Fill out Section B)

Pledge

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

A) Credit Card Information (Charged in US Currency)



Account No. _____

Expiration Date _____ Sec. Code _____

Signature _____

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

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

Checking Account

Savings Account

Bank Route (ABA) No. (9 digits) _____

Account No. _____

Starting with the ____/____/20____

Signature _____

Date _____

Important!

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

US Federal Tax # 38-2846307

44450 Pinetree Drive, Suite 201, Plymouth, MI 48170-3869

or

Mercy-USA for Aid and Development (Canada)

Canadian Federal Tax # 89458-5553-RR0001

Fiesta RPO P.O. Box 56102, 102 Hwy. #8, Stoney Creek, ON L8G 5C9
Canada

Telephone 734-454-0011 1-800-55-MERCY (1-800-556-3729)

Facsimile 734-454-0303

e-mail mercyusa@mercyusa.org <http://www.mercyusa.org>