

MERCY-USA FOR AID & DEVELOPMENT, INC.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

AND

SINGLE AUDIT REPORT

DECEMBER 31, 2014

Mercy-USA for Aid & Development, Inc.

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Mercy-USA for Aid and Development, Inc. (a nonprofit organization) (the Organization) and its overseas operations, which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Independent Auditor's Report
(Continued)**

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, statement of functional expense and other supplemental information as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 21, 2015 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization's internal control over financial reporting and compliance.

Alan C. Young, Assoc.

Detroit, Michigan
August 21, 2015

Mercy-USA for Aid & Development, Inc.

Consolidated Statements of Financial Position December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 2,464,313	\$ 2,703,731
Pledges & Accounts Receivable	341,193	713,218
Notes Receivable - Micro-lending/SED	12,000	-
Prepaid Insurance & Expenses	19,238	11,263
Total Current Assets	<u>2,836,744</u>	<u>3,428,212</u>
Fixed Assets:		
Building, Vehicles, Furniture & Equipment	1,140,589	1,105,972
Less: Accumulated Depreciation	(278,161)	(247,631)
Total Fixed Assets	<u>862,428</u>	<u>858,341</u>
Other Assets:		
Security Deposits	6,676	500
Total Other Assets	<u>6,676</u>	<u>500</u>
Total Assets	<u>\$ 3,705,848</u>	<u>\$ 4,287,053</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 462,251	\$ 718,244
Deferred Revenue	86,064	80,743
Tenant Security Deposit	7,719	6,625
Accrued Payroll & Taxes	1,003	2,576
Advance Rent	2,819	-
Total Current Liabilities	<u>559,856</u>	<u>808,188</u>
Net Assets:		
Unrestricted	1,482,523	1,351,708
Temporarily Restricted	1,663,469	2,127,157
Total Net Assets	<u>3,145,992</u>	<u>3,478,865</u>
Total Liabilities and Net Assets	<u>\$ 3,705,848</u>	<u>\$ 4,287,053</u>

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

Mercy-USA for Aid & Development, Inc.

Consolidated Statements of Activities Years Ended December 31, 2014 and 2013

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Contributions From Public	\$ 431,681	\$ 3,370,323	\$ 3,802,004	\$ 333,307	\$ 2,315,893	\$ 2,649,200
US Agency for International Development (USAID)	-	1,928,119	1,928,119	-	2,953,498	2,953,498
United Nation (UN) Grants	-	1,762,309	1,762,309	-	1,217,897	1,217,897
Global Fund to Fight AIDS, Tuberculosis & Malaria (GFATM) Grants	-	248,529	248,529	-	277,727	277,727
Contribution In-Kind - UN agencies	-	2,892,946	2,892,946	-	1,792,170	1,792,170
Rental Income	68,396	-	68,396	72,600	-	72,600
Dividend Income	8,124	-	8,124	3,543	-	3,543
Gain/Loss on Foreign Currency Fluctuation	11,485	-	11,485	6,146	-	6,146
Gain/Loss on Sale of Equipment	9,443	-	9,443	-	-	-
Program Fees	-	-	-	500	-	500
Net Assets Released From Restrictions:						
Satisfaction of Service Restrictions	10,665,914	(10,665,914)	-	8,599,980	(8,599,980)	-
Total Support and Revenue	<u>11,195,043</u>	<u>(463,688)</u>	<u>10,731,355</u>	<u>9,016,076</u>	<u>(42,795)</u>	<u>8,973,281</u>
EXPENSES						
Program Services:						
Food, Shelter and Orphan Assistance	5,503,620	-	5,503,620	2,797,042	-	2,797,042
Economic Vitalization	160,774	-	160,774	217,707	-	217,707
Health	4,631,844	-	4,631,844	5,354,849	-	5,354,849
Education	403,274	-	403,274	365,620	-	365,620
Total Program Services	<u>10,699,512</u>	<u>-</u>	<u>10,699,512</u>	<u>8,735,218</u>	<u>-</u>	<u>8,735,218</u>
Supporting Services:						
Management and General	171,523	-	171,523	247,146	-	247,146
Fund Raising	193,193	-	193,193	217,804	-	217,804
Total Supporting Expenses	<u>364,716</u>	<u>-</u>	<u>364,716</u>	<u>464,950</u>	<u>-</u>	<u>464,950</u>
Total Expenses	<u>11,064,228</u>	<u>-</u>	<u>11,064,228</u>	<u>9,200,168</u>	<u>-</u>	<u>9,200,168</u>
Change In Net Assets	130,815	(463,688)	(332,873)	(184,092)	(42,795)	(226,887)
Net Assets - Beginning of Year	1,351,708	2,127,157	3,478,865	1,535,800	2,169,952	3,705,752
Net Assets - End of Year	<u>\$ 1,482,523</u>	<u>\$ 1,663,469</u>	<u>\$ 3,145,992</u>	<u>\$ 1,351,708</u>	<u>\$ 2,127,157</u>	<u>\$ 3,478,865</u>

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

Mercy-USA for Aid & Development, Inc.

Consolidated Statements of Cash Flows Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (332,873)	\$ (226,887)
Adjustments to reconcile Change in Net Asset to Cash Used in Operations:		
Loss (Gain) on Disposal of Assets, net	(9,081)	-
Depreciation	65,758	57,432
Uncollectable Accounts Receivable	-	164,162
Change in:		
Repayments from/(Payments for) Notes Receivable	-	6,000
Prepaid Insurance and Expenses	(7,975)	(886)
Pledges and Accounts Receivable	372,025	(146,392)
Notes Receivable - Micro-lending/SED	(12,000)	-
Other Assets	(6,176)	-
Accounts Payable	(255,993)	(112,700)
Deferred Revenue	5,321	(276,118)
Accrued Payroll and Taxes	(1,573)	2,223
Other Liabilities	3,913	(1,283)
Net Cash Used in Operating Activities	<u>(178,654)</u>	<u>(534,449)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Equipment/Building	(70,207)	(53,189)
Proceeds from Sale of Assets	9,443	-
Net Cash Used in Investing Activities	<u>(60,764)</u>	<u>(53,189)</u>
Net Decrease in Cash	(239,418)	(587,638)
Cash and Cash Equivalents - Beginning of Year	<u>2,703,731</u>	<u>3,291,369</u>
Cash and Cash Equivalents - End of Year	<u>\$ 2,464,313</u>	<u>\$ 2,703,731</u>

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

1) NATURE OF ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activity

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

Basis of Accounting

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

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

- Albania
- Bosnia
- Indonesia
- Kenya, Somalia
- Lebanon
- Turkey

Translation of Currencies

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

Financial Statement Presentation

In accordance with accounting standards applicable to not-for-profit organizations, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

To ensure proper usage of restricted and unrestricted assets, the Organization maintains its accounting according to fund accounting principles. The assets, liabilities and net assets are classified in accordance with specified restrictions and objectives. The Organization's funds are described below and are placed in the following categories:

Mercy-USA for Aid & Development, Inc.

Notes to Financial Statements (Continued)
December 31, 2014 and 2013

1) NATURE OF ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unrestricted Fund:

Unrestricted net assets are those currently available for use of the Organization's Board.

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.

The Organization does not have any permanently restricted net assets.

Contributions

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

Certain restricted contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the donor restrictions.

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

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

Income Taxes

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

Mercy-USA for Aid & Development, Inc.

Notes to Financial Statements (Continued)
December 31, 2014 and 2013

1) NATURE OF ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants

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

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 if purchased 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. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. Assets with an individual cost of \$ 1,000 and over are capitalized.

Advertising:

The Organization expenses advertising costs as incurred. Advertising expense was \$108,086 and \$162,632 for the years ending December 31, 2014 and 2013, respectively.

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.

Mercy-USA for Aid & Development, Inc.

Notes to Financial Statements (Continued)
December 31, 2014 and 2013

1) NATURE OF ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Reorganization

Funds provided under grant or contract, which are not considered contributions, are deemed to be earned and reported as revenue when the Organization has either incurred expenditures or completed the deliverables in compliance with the specific terms and conditions of the grant or contract. Grants or contract funds received for which no corresponding expenditures or performance has yet been made are accounted for as deferred revenue. Expenditures and performance made in advance of funds received are recorded as grants or accounts receivables.

Commodities are received and reported at fair value and recognized as revenue as the commodities are distributed for program purposes.

Contributions, including unconditional promises to give, are recognized initially at fair value as revenue in the period received at net realizable value.

2) CASH AND CASH EQUIVALENTS

The total cash held by the Organization at December 31, 2014, includes \$1,754,799 not covered by insurance provided by the Federal Deposit Insurance Corporation. As of December 31, 2013 the uninsured amount was \$1,313,049.

3) PROGRAM AND SUPPORTING SERVICES

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

Program Services

Economic Vitalization

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

Health Services

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

Mercy-USA for Aid & Development, Inc.

Notes to Financial Statements (Continued)
December 31, 2014 and 2013

3) PROGRAM AND SUPPORTING SERVICES (Continued)

Food and Shelter

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

Orphan Assistance

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

Education

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

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) CONTRIBUTIONS IN-KIND

These consist of food, medicines and medical supplies etc. provided by UNICEF and World Food Program for distribution to needy people. The amounts recognized in the statement of activities are based on fair value of the goods received at the time of donation. The Organization received \$2,892,946 and \$1,792,170 in fiscal years 2014 and 2013, respectively.

5) PLEDGES AND ACCOUNTS RECEIVABLE

Accounts receivable consist of Somalia/Kenya grant funding receivable from the USAID and the United Nations Grant agencies. Details of Accounts Receivable as of December 31, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Grants Receivable	\$ 320,633	\$ 696,540
Pledges Receivable	20,560	16,678
	<u>\$ 341,193</u>	<u>\$ 713,218</u>

Mercy-USA for Aid & Development, Inc.

Notes to Financial Statements (Continued)
December 31, 2014 and 2013

6) FIXED ASSETS

Fixed assets are comprised of the following:

	Balance January 1, 2014	Additions	Deletions	Balance December 31, 2014
Fixed Assets:				
Building	\$ 820,000	\$ -	\$ -	\$ 820,000
Office Equipment	157,125	8,670	(1,966)	163,829
Office Furniture	16,159	-	-	16,159
Audio Visual Equipment	8,464	-	-	8,464
Automobiles	93,629	61,537	(33,624)	121,542
Others	10,595	-	-	10,595
TOTAL	<u>1,105,972</u>	<u>70,207</u>	<u>(35,590)</u>	<u>1,140,589</u>
Less Accumulated Depreciation	(247,631)	(65,758)	35,228	(278,161)
NET FIXED ASSETS	<u>\$ 858,341</u>	<u>\$ 4,449</u>	<u>\$ (362)</u>	<u>\$ 862,428</u>

	Balance January 1, 2013	Additions	Deletions	Balance December 31, 2013
Fixed Assets:				
Building	\$ 820,000	\$ -	\$ -	\$ 820,000
Office Equipment	131,107	31,475	(5,457)	157,125
Office Furniture	13,650	2,509	-	16,159
Audio Visual Equipment	8,464	-	-	8,464
Automobiles	75,129	18,500	-	93,629
Others	9,890	705	-	10,595
TOTAL	<u>1,058,240</u>	<u>53,189</u>	<u>(5,457)</u>	<u>1,105,972</u>
Less Accumulated Depreciation	(195,656)	(57,432)	5,427	(247,631)
NET FIXED ASSETS	<u>\$ 862,584</u>	<u>\$ (4,243)</u>	<u>\$ -</u>	<u>\$ 858,341</u>

7) PENSION PLAN

The Organization started a 401(k) pension plan on January 1, 2000 for all employees in the headquarters in the USA, who have attained the age of 20 ½ years. Employees 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. The employer provides a 50% match on eligible employee contributions to the plan up to a maximum allowable by the plan. The Organization contributed \$10,362 and \$10,183 in fiscal years 2014 and 2013, respectively, to the plan.

Mercy-USA for Aid & Development, Inc.

Notes to Financial Statements (Continued)
December 31, 2014 and 2013

8) RELATED PARTY TRANSACTIONS

The Organization partners with Mercy-USA for Aid & Development, (Canada) towards providing relief and development activities. For the years ended December 31, 2014 and 2013 the Organization, collected \$43,537 and \$40,024 respectively, on behalf of Mercy-USA for Aid & Development, (Canada) and received \$117,399 and \$58,343, respectively, from Mercy-USA for Aid & Development, (Canada). As at December 31, 2014, an amount of \$ 2,000 was payable to Mercy- USA for Aid and Development, (Canada) and no amount was receivable from them.

9) 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:

	<u>2014</u>	<u>2013</u>
Albania Programs	\$ 102,397	\$ 87,058
Bosnia Programs	129,991	89,014
Indonesia Programs	71,917	51,245
Lebanon Programs	121,277	165,669
Somalia & Kenya Programs	7,116,471	6,697,866
Syria Programs	2,566,832	1,285,137
Gaza Programs	434,314	122,181
Bangladesh Programs	86,380	62,492
United States Programs	16,901	15,000
India Programs	19,434	22,764
Other Programs	-	1,554
Total Restrictions Released	<u><u>\$ 10,665,914</u></u>	<u><u>\$ 8,599,980</u></u>

The details of the temporarily restricted net assets are as below:

	<u>12/31/2014</u>	<u>12/31/2013</u>
Albania	\$ 3,543	\$ -
Lebanon	77,688	116,444
Bosnia	19,488	-
Somalia and Kenya	280,396	611,555
India	476	308
Syria	478,877	895,176
Bangladesh	-	14,503
Gaza	346,019	42,188
USA	3,599	-
Others	453,383	446,983
Total	<u><u>\$1,663,469</u></u>	<u><u>\$2,127,157</u></u>

Mercy-USA for Aid & Development, Inc.

Notes to Financial Statements (Continued)
December 31, 2014 and 2013

10) CONTINGENCY

The Organization is the recipient of several grants. The expenditures for each program are subject to audit by appropriate agencies. Any disallowed claims, including amounts already collected, may constitute a liability. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Organization expects such amounts, if any to be immaterial.

11) SUBSEQUENT EVENTS

The Organization has evaluated events through August 21, 2015 the date that the accompanying financial statements were available to be issued. No significant subsequent event was noted that required adjustment or disclosure in the financial statements.

Mercy-USA for Aid & Development, Inc.

Schedule of Expenditures of Federal Awards Year Ended December 31, 2014

<u>FEDERAL/PASS THROUGH GRANTOR PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>GRANT IDENTIFYING NUMBER</u>	<u>AWARD AMOUNT</u>	<u>EXPENDITURES</u>
U.S. Agency for International Development (USAID)				
Emergency Nutrition and WASH Support Program in Kenya	98.001	AID-OFDA-G-12-00064	\$ 1,868,060	\$ 112,697
Integrated Health, Nutrition and WASH Project in Somalia	98.001	AID-OFDA-G-11-00145	5,466,773	966,008
Integrated Health, Nutrition and WASH Project in Somalia	98.001	AID-OFDA-G-14-00174	<u>2,397,969</u>	<u>849,414</u>
Total Federal Financial Assistance			<u>\$ 9,732,802</u>	<u>\$ 1,928,119</u>

See Notes to Schedule of Expenditures of Federal Awards.

Mercy-USA for Aid & Development, Inc.

Notes to Schedule of Expenditures of Federal Awards
December 31, 2014

1) BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards presents the activity of federal award programs of Mercy-USA for Aid & Development, Inc. (the Organization) for the year ended December 31, 2014. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, cost principles for non-profit organizations, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

3) EXPENDITURE REPORTS

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

4) SUBSEQUENT EVENTS

All subsequent events related to the major programs were evaluated through August 21, 2015, the date the accompanying reports were available to be issued. No significant event was noted that required adjustment or disclosure in the accompanying reports.



Alan C. Young & Associates, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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**INDEPENDENT AUDITOR'S 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, in accordance with the 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, the financial statements of Mercy-USA for Aid & Development, Inc. (the Organization), which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated August 21, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Independent Auditor's Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An
Audit Of Financial Statements Performed In
Accordance With Government Auditing Standards
(Continued)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from 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.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Alan C. Young, Assoc.

Detroit, Michigan
August 21, 2015



Alan C. Young & Associates, P.C.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited Mercy-USA for Aid & Development, Inc.'s (the Organization) compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2014. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

**Independent Auditor's Report On Compliance
For Each Major Program And On
Internal Control Over Compliance
Required by OMB Circular A-133
(Continued)**

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Alan C. Young; Assoc.

Detroit, Michigan
August 21, 2015

Mercy-USA for Aid & Development, Inc.

Schedule of Findings and Questioned Costs Year Ended December 31, 2014

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's Report Issued: Unmodified

Internal Control over Financial Reporting:

- Material Weakness(es) Identified? Yes No
- Significant Deficiency(ies) Identified Yes None Reported
- Noncompliance Material to Financial Statements Noted? Yes No

Federal Awards

Internal Control over Major Program(s):

- Material Weakness(es) Identified? Yes No
- Significant Deficiency(ies) Identified Yes None Reported

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

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

Identification of Major Program(s):

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

Dollar Threshold used to Distinguish Between Type A and Type B programs: \$ 300,000

Auditee Qualified as Low-Risk Auditee? Yes No

Mercy-USA for Aid & Development, Inc.

Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2014

SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS

No Financial Audit Findings.

SECTION III – FEDERAL PROGRAM AUDIT FINDINGS

No Federal Program Audit Findings.

Mercy-USA for Aid & Development, Inc.

Status of Prior Year Findings
Year Ended December 31, 2014

PRIOR YEAR FINDINGS

SECTION II - FINANCIAL STATEMENT AUDIT FINDINGS

None

SECTION III - FEDERAL PROGRAM AUDIT FINDINGS

None

OTHER SUPPLEMENTAL INFORMATION

Mercy-USA for Aid & Development, Inc.

Statement of Functional Expenses Year Ended December 31, 2014 (With Combined Comparative Totals for 2013)

Expenditures	Food, Shelter & Orphan Assistance	Health	Economic Vitalization	Education	Total Program Services	Management & General	Fund Raising	Total Expenditures	2013 Total Expenditures
Grants	\$ 260,731	\$ -	\$ -	\$ 215,431	\$ 476,162	\$ -	\$ -	\$ 476,162	\$ 204,879
Salaries & Wages	450,542	1,792,443	66,997	50,006	2,359,988	48,706	23,233	2,431,927	2,273,804
Employee Benefits	17,010	135,950	13,999	-	166,959	27,264	-	194,223	186,920
Advertising & Promotion	-	-	-	-	-	-	108,086	108,086	162,632
Transportation Expenses	50,664	574,676	14,916	6,687	646,943	1,395	-	648,338	827,205
Commercial Insurance	574	-	-	-	574	1,932	-	2,506	992
Conference, Meeting & Seminars	846	6,772	-	-	7,618	2,454	6,070	16,142	5,542
Consultants & Other Professional Services	24,200	7,475	1,316	10,473	43,464	923	6,000	50,387	40,212
Dues, Subscriptions, Fees, etc.	2,139	3,191	-	60	5,390	4,825	-	10,215	1,345
Legal	4,804	310	177	1,319	6,610	805	-	7,415	8,616
Accounting	3,751	25,257	-	716	29,724	3,141	-	32,865	26,756
Occupancy & Warehousing	30,285	126,213	6,352	9,109	171,959	12,069	-	184,028	165,115
Postage & Shipping, etc.	4,733	787	508	324	6,352	6,603	15,417	28,372	17,558
Printing & Copying	2,466	1,488	43	148	4,145	4,264	14,708	23,117	12,318
Program Materials	4,324,169	1,243,664	8,103	29,069	5,605,005	-	-	5,605,005	3,938,947
Telephone	10,433	41,048	2,718	1,380	55,579	2,921	-	58,500	72,548
Travel	65,777	126,997	8,700	1,265	202,739	8,980	543	212,262	267,844
Bank Charges/Currency Adjustment	22,056	62,841	10,387	10,218	105,502	1,374	19,136	126,012	96,589
Office Supplies and Equipment	27,042	107,666	2,370	2,259	139,337	4,214	-	143,551	147,285
Payroll Taxes	-	2,169	-	-	2,169	5,656	-	7,825	3,596
Loss on Sale of Assets	-	-	-	-	-	362	-	362	-
Uncollectible Accounts Receivables	-	-	-	-	-	-	-	-	164,162
Indirect cost	195,586	354,347	19,525	61,712	631,170	-	-	631,170	517,871
Depreciation	5,812	18,550	4,663	3,098	32,123	33,635	-	65,758	57,432
Total	\$ 5,503,620	\$ 4,631,844	\$ 160,774	\$ 403,274	\$ 10,699,512	\$ 171,523	\$ 193,193	\$ 11,064,228	\$ 9,200,168

Mercy-USA for Aid & Development, Inc.

Supplemental Statement of Revenue and Program Expenses Year Ended December 31, 2014 (With Combined Comparative Totals for 2013)

	ALBANIA	LEBANON*	BOSNIA	INDONESIA	SOMALIA & KENYA	SYRIA	BANGLADESH	GAZA	INDIA	USA	OTHERS	NOT DESIGNATED	TOTAL	TOTAL 2013
REVENUES														
Contributions from Public:														
General	\$ 8,940	\$ 5,521	\$ 84,313	\$ 3,917	\$ 163,958	\$ 915,430	\$ 8,678	\$ 698,145	\$ 2,602	\$ -	\$ 6,400	\$ 431,681	\$ 2,329,585	\$ 1,350,308
Food Aid	13,000	37,000	19,000	14,000	71,223	126,232	12,531	-	11,000	15,500	-	-	319,486	273,775
Orphan Fund	35,000	-	12,166	35,000	-	-	-	-	-	-	-	-	82,166	19,826
Education	4,000	-	4,000	4,000	-	-	5,522	-	-	-	-	-	17,522	-
Zakat	45,000	40,000	30,000	15,000	46,701	780,398	45,146	40,000	6,000	5,000	-	-	1,053,245	1,005,291
US Government Grants														
US Agency for International Development (USAID)	-	-	-	-	1,928,119	-	-	-	-	-	-	-	1,928,119	2,953,498
United Nations (UN) Grants	-	-	-	-	1,677,852	84,457	-	-	-	-	-	-	1,762,309	1,217,897
Global Fund to Fight AIDS, Tuberculosis & Malaria (GFATM) Gran	-	-	-	-	248,529	-	-	-	-	-	-	-	248,529	277,727
Gifts In Kind - UN Agencies	-	-	-	-	2,648,930	244,016	-	-	-	-	-	-	2,892,946	1,792,170
Rental Income	-	-	-	-	-	-	-	-	-	-	-	68,396	68,396	72,600
Dividend Income	-	-	-	-	-	-	-	-	-	-	-	8,124	8,124	3,543
Gain/Loss on Foreign Currency Fluctuation	-	-	-	-	-	-	-	-	-	-	-	11,485	11,485	6,146
Gain/Loss on Sale of Equipment	-	-	-	-	-	-	-	-	-	-	-	9,443	9,443	-
Program Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	500
Total Revenues	\$ 105,940	\$ 82,521	\$ 149,479	\$ 71,917	\$ 6,785,312	\$ 2,150,533	\$ 71,877	\$ 738,145	\$ 19,602	\$ 20,500	\$ 6,400	\$ 529,129	\$ 10,731,355	\$ 8,973,281
EXPENDITURES														
Program Services:														
Food, Shelter & Orphan Assistance	\$ 19,969	\$ 88,574	\$ 33,200	\$ 15,937	\$ 2,697,729	\$ 2,362,381	\$ 12,531	\$ 236,964	\$ 19,434	\$ 16,901	\$ -	\$ -	\$ 5,503,620	\$ 2,797,042
Economic Vitalization	7,744	-	76,277	76,753	-	-	-	-	-	-	-	-	160,774	217,707
Health	-	8,651	-	-	4,418,742	204,451	-	-	-	-	-	-	4,631,844	5,354,849
Education	74,684	24,052	20,514	12,825	-	-	73,849	197,350	-	-	-	-	403,274	365,620
Total Program Services	\$ 102,397	\$ 121,277	\$ 129,991	\$ 105,515	\$ 7,116,471	\$ 2,566,832	\$ 86,380	\$ 434,314	\$ 19,434	\$ 16,901	\$ -	\$ -	\$ 10,699,512	\$ 8,735,218

* Includes Palestinian refugees in Lebanon.

Mercy-USA for Aid & Development, Inc.

Indirect Cost Allocation Year Ended December 31, 2014

<u>Expenditures</u>	<u>Total Cost</u>	<u>Allowable Indirect</u>	<u>Unallowable Indirect</u>	<u>Fund Raising Cost</u>	<u>Program Cost</u>	<u>Excluded Program Cost*</u>	<u>Total Direct Cost</u>
Grants	\$ 476,162	\$ -	\$ -	\$ -	\$ 476,162	\$ -	\$ 476,162
Salaries & Wages	2,431,927	48,706	-	23,233	2,359,988	-	2,383,221
Employee Benefits	194,223	27,264	-	-	166,959	-	166,959
Advertising & Promotion	108,086	-	-	108,086	-	-	108,086
Transportation Expenses	648,338	1,395	-	-	646,943	-	646,943
Commercial Insurance	2,506	1,932	-	-	574	-	574
Conference, Meetings & Seminars	16,142	2,454	-	6,070	7,618	-	13,688
Consultants & Other Professional Services	50,387	923	-	6,000	43,464	-	49,464
Dues, Subscription, Fees etc.	10,215	4,825	-	-	5,390	-	5,390
Legal	7,415	805	-	-	6,610	-	6,610
Accounting	32,865	3,141	-	-	29,724	-	29,724
Occupancy & Warehousing	184,028	12,069	-	-	171,959	-	171,959
Postage & Shipping	28,372	6,603	-	15,417	6,352	-	21,769
Printing & Copying	23,117	4,264	-	14,708	4,145	-	18,853
Program Materials	5,605,005	-	-	-	5,605,005	2,892,946	2,712,059
Telephone	58,500	2,921	-	-	55,579	-	55,579
Travel	212,262	8,980	-	543	202,739	-	203,282
Bank Charges/Currency Adjustment	126,012	1,374	-	19,136	105,502	-	124,638
Office Supplies & Equipment	143,551	4,214	-	-	139,337	-	139,337
Payroll Taxes	7,825	5,656	-	-	2,169	-	2,169
Loss on Sale of Assets	362	-	362	-	-	-	-
Indirect Cost	631,170	-	-	-	631,170	-	631,170
Depreciation	65,758	33,635	-	-	32,123	-	32,123
Total	11,064,228	171,161	362	193,193	10,699,512	2,892,946	7,999,759
Reclassify Overhead Charged to Program Costs	-	631,170	-	-	-	-	(631,170)
Total	\$ 11,064,228	\$ 802,331	\$ 362	\$ 193,193	\$ 10,699,512	\$ 2,892,946	\$ 7,368,589

Base = Total Direct Cost

Pool Cost \$802,331
Base Cost \$7,368,589
Indirect Rate 10.89%

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