

2018

Mercy-USA for Aid and Development

Annual Report



Mercy-USA[®]

Mercy-USA for Aid and Development



food aid & nutrition

Food aid to families affected by war and natural disasters.



health care

Health and nutrition support, especially for the most vulnerable populations.



shelter & winterization

Winter heat, emergency shelter and help for the homeless.



water, sanitation & hygiene

Clean water through wells plus sanitation and hygiene programs.



agriculture

Technical support, training, agricultural inputs and seedlings for families in need.



emergency relief

On the ground relief for natural and man-made disasters and crises.



seasonal food aid

Yearly seasonal food aid for vulnerable families.



education

Vocational, hard and soft skills training as well as school and teacher support.

Dear Friends and Supporters

Greetings and peace be upon you.

With the generosity and support of our individual and institutional donors in 2018, Mercy-USA for Aid and Development was able to provide life-saving relief and life-changing educational and economic development opportunities to over 600,000 vulnerable persons around the globe.

Whether it was distributing emergency relief to earthquake survivors in Indonesia and helping them rebuild, feeding thousands of displaced families in Syria, treating malnourished children in Somalia, Kenya and Syria, offering maternal and pediatric health services in Syria, Lebanon and Somalia, or providing English language and computer software training to orphans and other at-risk youth in Albania and Bosnia, Mercy-USA staff continued to be on the frontlines of humanitarian response and empowerment.



With your help, Kleo stands on the steps of his university with the hope and promise of a newly minted college student.

In this year's annual report, you will read about Kleo, (left) a young man in Albania who, as an orphaned child from a disadvantaged background, attended our after school English and computer classes, and, with the help of the skills and knowledge gained, is now a university student.

Like Kleo, many of our beneficiaries have their own stories of triumph over adversity. And they, like us, are deeply grateful for the generosity of our donors who make all of this possible.

Umar al-Qadi

Umar al-Qadi

President and CEO

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Syria



Mercy-USA for Aid and Development has been on the ground inside Syria since 2013. The work in bringing humanitarian aid to families caught up in devastating war has only gotten increasingly difficult as government forces gain control over more cities, towns and rural communities. Families we help tell us they have been forced to flee several times, each time losing a little more of their possessions, ability to earn a living and heart to start over again.

It is estimated that 3 million people were displaced in northern Syria in Idlib and Aleppo provinces during

2018. Families fled one camp to another ahead of missile strikes and bombings, taking refuge with other people in overcrowded living conditions.

Mercy-USA continues, despite severe risks, to bring vital necessities to these families. In 2018, we focused on food security for thousands of Syrians. Our food baskets were often the only source of nutrition for these families. In addition to the important food aid, our other humanitarian aid included winter heat, shelter and medical care.



Dablani Family Story

After suffering through the siege of Aleppo in 2016, Abdullah Dablani said he felt it was a miracle that he, his wife and their two sons escaped ahead of government troops.

Their youngest, little Maryam was born in the camp they've been living in since then. Abdullah said, "We lost everything we had in Aleppo, but I was happy to get out with my family alive. We have been in this camp two years now. Mercy-USA is providing food for us and they have never been late in delivering it. My children show a lot of joy when they see Mercy-USA volunteers coming every month."



Syria: Winter Heating

With more than 3 million people displaced from their homes in northern Syria, adequate housing and protection from winter's freezing temperatures put families, especially young children at serious risk of dying. In an attempt to cook, boil water and stay warm throughout winter nights, many families resorted to burning toxic trash risking serious upper respiratory illnesses that can be deadly. Since 2015, Mercy-USA has been providing cast iron stoves, and a cleaner burning eco-fuel made from olive oil production waste to families in

northern Syria. During the winter of 2018, with the generous support of the United Nations Office for the Coordination of Humanitarian Affairs, OCHA, Mercy-USA was able to ramp up the number of households receiving eco-friendly fuel to more than 50,000 people. Because of the continued increase of displaced persons we had to provide more than 1,200 households new stoves as they arrived to camps carrying not much more than the clothes on their backs.



The Al Hussein Family's Story

The Al Husseins were a happy family with the little income their farm provided before the war. Last year, fighting forced them to flee their home and livelihood. The family of five landed in a camp in Idlib province. When winter arrived, the harsh cold had no mercy on the children as they tried to survive in a tent. Without financial resources, the couple had resorted to burning trash and old clothes to keep from freezing throughout the night. Mercy-USA brought Mohammad's family, and thousands like them, olive pit bio-fuel to last the winter plus a ventilated cast iron stove to safely warm their makeshift home at no cost to them. "You have done

us a great favor, thank you for your generous help" Mohammed said, "God bless you for what you are doing for us".



The important Syrian tradition of serving tea to a guest was a dignity that Mohammad and his wife were denied before receiving their stove and eco-fuel.



Syria: Medical Aid

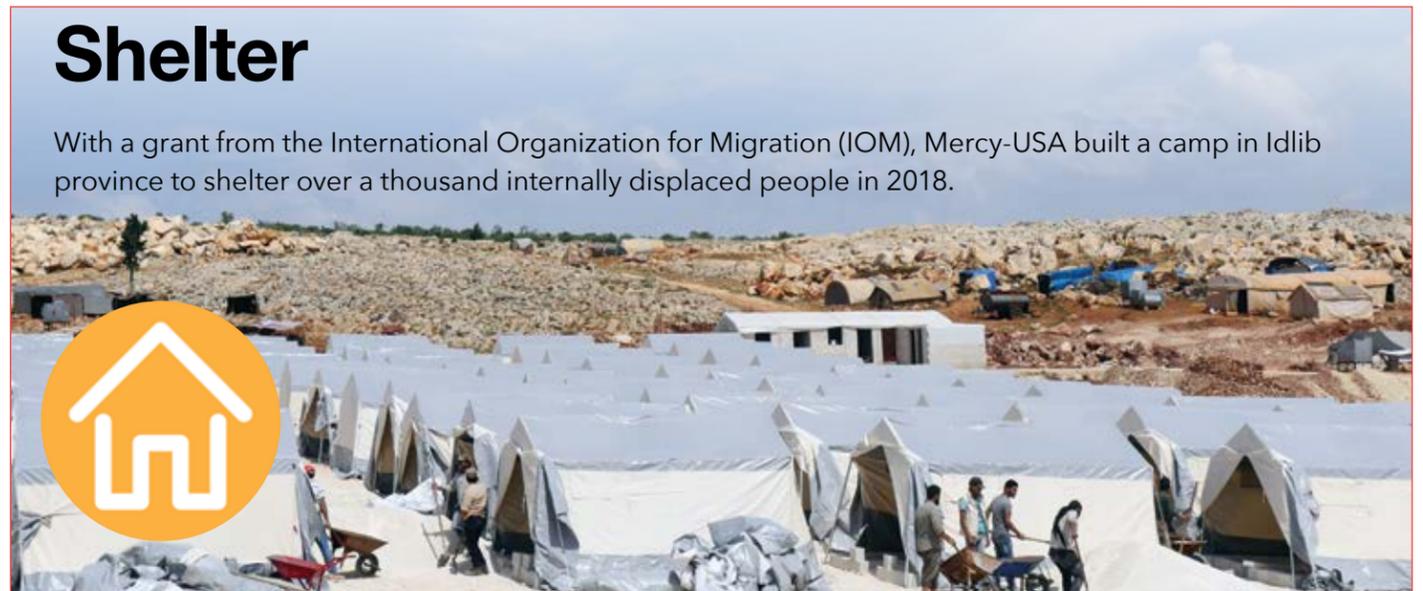
According to data from the United Nations, there were 119 attacks on medical facilities recorded in just the first half of 2018. In order to continue to provide care for the most vulnerable in northern Syria, our team of doctors, nurses and trained community health workers brought the medical care to Syrians where they were living in tents and makeshift camps.

In addition to providing primary care for the entire household, Mercy-USA also conducted nutrition screenings for children. Malnutrition is on the rise in these camps and we worked to fend it off by conducting assessments and distributing nutritional supplements with follow-up care.



Shelter

With a grant from the International Organization for Migration (IOM), Mercy-USA built a camp in Idlib province to shelter over a thousand internally displaced people in 2018.





Somalia



For the past 25 years, our work in Somalia has grown in scope and positive results for Somalis who face continuous challenges to their survival due to political instability and the effects of climate change.

Our projects include mother and child focused healthcare that supports the future of a healthy community. With support from the US Agency for International Development's Office of Foreign Disaster Assistance (USAID/OFDA) and the United Nations Children's Fund (UNICEF), we provided pre- and post-natal care for mothers in our 23 health clinics as well as

29 health outreach sites that dot the landscape across some very remote and under-served regions in Somalia. In addition, we operated 17 nutrition centers in Somalia offering nutrition screenings and therapeutic feeding for pregnant mothers and children.

Additionally, we also operate 14 TB centers that treat not only tuberculosis, but also test and offer free treatment for HIV/AIDS. This healthcare service has significant impact on the communities and we're grateful to the Global Fund to Fight AIDS, Tuberculosis and Malaria for the funding support.



Hamda's Story

2-year-old Hamda Mohamed was brought by her mother into the Mercy-USA Mother and Child Health and Nutrition Clinic, the only health facility near to her tiny village in Somaliland. As always, her vitals were checked as well as her weight and height to ensure she was not suffering from malnutrition. Hamda was diagnosed with pneumonia, treated with vital antibiotics and sent home with follow-up instructions. This clinic is special to Hamda and her mother as it is where Hamda was born and given care. Because she has had regular access to healthcare and nutrition support, Hamda was strong and otherwise healthy enough to make a full recovery from dangerous pneumonia.



Somalia: Safe Access to Clean Water

Water, the source of life on earth is a daily struggle for millions in drought-hit Somalia. When Mercy-USA builds a well in a community, the impact of nearby, safe access to clean water is almost immediate. Babies and children are not at risk of waterborne diseases, girls have time to learn in school instead of spending half the day traveling back and forth on risky trips to water sources far from their homes. A family's health is no longer at risk when there is enough water for personal hygiene and household sanitation. We've seen less obvious but important improvements in villages and towns where we have installed a clean water well. Having this asset in their community inspires cooperation and innovation among neighbors to improve the quality of life in their village or neighborhood.

Mercy-USA built 30 wells during 2018, impacting over 8,000 people.



Asha's Story

70-year-old Asha is a soft-spoken widowed grandmother of 16. She cares for six of her grandchildren in Xafad-Somaal village in Odyweyne district of Somalia.

She told us that before the well was installed in her village, she and her grandchildren were forced to purchase water from a private seller that was over a 3 mile trek away. The water was brackish and barely fit to drink. Due to her age and very limited resources she told us that she and her grandchildren often went for days without clean water. Now with the new well and nearby access to clean water, Asha and her grandchildren no longer worry about their safety or needing to pay for water. Asha joined a women's group that planted fast-growing paw-paw trees around the well to provide better access to nutritious fruit. She is also part of a committee in her village to maintain the well along with the community's cleanliness and sanitation. The well has given Asha a new lease on life.



Education in Somalia

2018 marked the start of our “Educate All Children” program in Somalia to support students in some of the poorest parts of the country. We facilitated teacher training to help build capacity among local teachers. Materials and curriculum were distributed and implemented. We offered specialized curriculum to students who are academically behind their peers due to a myriad of factors, allowing them to return to their appropriate grade level faster and without stigma.

We rehabilitated and expanded school buildings including the addition of new classrooms, furniture, latrines and hand washing stations to promote disease prevention. The private lavatories provide

girls with the needed privacy at school that they deserve as they grow up.

Since 1993, our field staff has been providing healthcare and other humanitarian services to their neighbors in these hard-to-access rural parts of Somalia. This makes us successful in building capacity within the community for positive development with particular attention to girls’ education and empowerment for female teachers. One of our primary goals is to increase enrollment among girls in each community and inspire them to strive for higher education.

Maryama’s Story

Six-year old, Maryama lives in Hiraan Region in Somalia, a part of the country that is striving to overcome political and natural disasters. In 2018, Mercy-USA had just begun to bring large scale improvements to Maryama’s primary school. Since then, six latrines and hand-washing stations, a rain water harvesting system, and new classrooms were built. We have provided new furniture and learning materials as well. We’re working to improve the skills of teachers, one of whom is Maryama’s father, Mr. Mohamed Abdirahman. He has instilled the love

of learning in Maryama, who is already planning to become a doctor. We are supporting Mr. Abdirahman and Maryama in being leaders who influence their neighbors toward strengthening their local education system, plus leading the way in girls’ education.



Maryama leads her class in math with confidence.

Somalia: Agriculture & Emergency Relief

Somalia is suffering the brunt of climate change with reoccurring droughts as well as flooding in other parts of the country. In 2018, Mercy-USA provided agricultural support to struggling farms with a major canal rehabilitation, an innovative program that restored access to water to vulnerable farmers in Buloburte district. We also rehabilitated roads creating and improving accessibility and safety of roads in the same area for farmers to access their farms and markets. In addition, we worked to improve river embankments along the river Shebelle to protect

nearby communities from flooding.

Because Mercy-USA has been working all across Somalia for decades, our emergency response to local disasters is quick and appropriate. In 2018, in addition to ongoing drought relief in other parts of the country, we responded to flooding in southern Somalia, where flash floods took out fragile homes of already displaced families. Our team was able to respond to affected families within hours to offer help including a mobile medical relief unit.



Hawa's Story

Widowed mother of 3, Hawa Yussuf's home was swept away in flash flooding. "My daughter fell ill on the very day the floods displaced us. If it hadn't been for Mercy-USA's mobile medical team there to treat her pneumonia, I know the story would have been different. I could have lost her to the infection." We helped Hawa's family move to dry ground and gave her some basic household items to help her with the little she was able to salvage. She told us, "I appreciate the support; it's the first time I've had to look for help and was grateful to find an organization to come to our aid."



Rohingya



Living in limbo, traumatized and without an end to their suffering in the foreseeable future, the Rohingya are being forgotten by much of the world. Through our partner, the Turkish Red Crescent, Mercy-USA delivered monthly food aid, as well as seasonal food aid including Ramadan Iftar and Fitra baskets and Qurbani/Udhia meat.



Lebanon



Woman's Empowerment

During 2018, Mercy-USA supported a vocational project in Lebanon for Palestinian refugee women that aimed to empower them toward self-employment. Hard skills trainings in food processing, catering and baking were offered and just as importantly, the women were offered classes on business and soft skills. The project targeted single mothers and other women facing extreme circumstances.



Mobile Medical Unit

Mercy-USA supported a mobile medical unit in the impoverished Wadi Khalid valley in Lebanon. Healthcare in Lebanon is expensive and Syrian Refugees and their host families struggle to afford any medical care. The mobile clinic traveled the rough roads of the valley offering primary healthcare for free to anyone who needed it. The clinic had a physician and three registered nurses on board.





Kenya



Small farmers along the Tana River in Kenya mainly grow mangoes and bananas but struggle to earn enough to support their families and keep livestock alive due to drought conditions and lack of pasture. With the generous support of USAID/OFDA, we supported farmers with agricultural inputs, equipment and training to help them plant and harvest fast growing Sudan grass for fodder for their livestock and to sell at market. The program has been successful in lifting farmers from sustenance to full-on success in one short growing season.

With OFDA's support and in partnership with the local government in Garissa county, we set up nutrition clinics to serve the needs of mothers and their children.

We have trained and placed community health workers in almost all villages in three sub-counties of Garissa. These community health workers provide qualified medical assessments to sick mothers and their children and then can either enroll them in feeding programs or refer them to our mobile outreach medical clinic team who can offer treatment or arrange for further medical interventions if necessary.



Yussuf's Story

11-month-old Yussuf was brought into the Mercy-USA supported nutrition outreach center in Garissa county, Kenya by his grandmother while his mother was in school. The baby was severely malnourished and suffering from diarrhea, vomiting and a urinary infection. He was half the normal weight for a baby his age. We began treatment and within weeks, Yussuf was restored to full health.



Gaza



Mercy-USA supports the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) to benefit 500 visually impaired Palestine refugee students at the Rehabilitation Center for the Visually Impaired (RCVI) in Gaza.

The Center offers rehabilitation, education, eye screenings and academic integration programs to children aged between 4-12 years who live with varying degrees of visual impairment. RCVI is the only center of its kind in the Gaza Strip.

Children with severely impaired visual acuity receive

training on Braille with the aid of devices like the Perkins writing machine. Low-vision students also receive specially tailored education courses aimed at helping them fully-integrate into regular public or private schools by the sixth grade.

This intervention provides crucial funding for specialized instructors, an optometrist, and dozens of eyeglasses for students. Additionally, this grant covers the cost of recreational activities designed to give these special children a sense of normalcy despite their challenges.



Mohammed's Story

"I love my school," says 7-year-old Mohammed Alwan, who dreams of one day becoming a doctor. "It's not easy to be a blind child. I want to learn, play, dream and enjoy my life equally with all children across the world. RCVI is the only place in Gaza that gives me the opportunity to access education." Like many children at the center, Mohammed was born blind. However, he and his peers are provided with education and rehabilitation services that are tailored to each child's specific conditions.



Albania



Our work in Albania continues to support the sustainable development of the country's most vulnerable. We work with farmers by providing a well-qualified agronomist to them multiple times a year resulting in improved harvests and sustainable use of their land.

We focus on Albania's youth, particularly those children who have been orphaned and struggle within a public school system that has begun reforming only within the last decade or so. We stock public school libraries each year with quality titles to make sure children develop a true love of reading.

We support Roma families with incentive programs that encourage regular school attendance instead of putting children to work.

Our after school computer and English classes provide additional tutoring and skills for at-risk and orphaned students who can't afford the classes. We provide the children with psycho-social lectures offering support that goes beyond classroom learning.

Kleo's story at right is a good example of the long term results of these programs in Albania.



Kleo's Story

In Albania, the public school system has only recently begun to modernize and reform. Wealthier students take advantage of private schools and tutoring; however, these services are out of reach for the poor. As an orphaned child, Kleo Mejdani's opportunities were limited due to poverty, but with great determination and a boost from our after school computer and English classes he gained admission to university. He is now attending the University of Agriculture, a well recognized institute of higher learning that will provide Kleo with outstanding opportunities in the field of agronomy and other sciences.



Indonesia



During the summer of 2018, a series of three major earthquakes struck the Indonesian island of Lombok killing hundreds. We focused our emergency relief efforts on the village of Kerta Raharja where all the schools were flattened and most people's homes were destroyed. Our efforts began with emergency food baskets and water.

We ended the year with helping to set up an outdoor classroom for the primary classes and distributed desks, school supplies and uniforms for the primary school while we finished building a new and permanent school building. In addition, we

completed semi-permanent homes for those who lost theirs to the quakes.

Later that year in September, another earthquake and tsunami struck the island of Sulawesi with devastating consequences.



We were able to dispatch our teams to the affected area quickly and set about providing emergency food, water and tents to survivors.



Rasyid's Story

Rasyid is 5-years-old and was orphaned as an infant. Living with his two siblings and their elderly grandmother, a tenant farmer, the earthquake that struck his village of Kerta Raharja took the family from poverty to desperation.



Rasyid's primary school was flattened and the family lost everything. Mercy-USA provided Rasyid's village with emergency food baskets, new school uniforms and supplies for the primary students until we could rebuild the school building. We built semi-permanent homes for families like Rasyid's who were made homeless by the earthquake.



Indonesia Heifer Program

The fortunes of poor farmers in Indonesia are tied to weather and natural phenomena like volcanoes. Hasil lost his ability to farm when the land he had always rented was near the Sinabung volcano that erupted two years ago. Mercy-USA enrolled him in our cooperative Heifer program where Hasil cares

for a heifer for two years and keeps the calf(s), then transfers the heifer to the next needy farmer. Hasil already has one calf and is benefiting from the sale of the cow patties while he waits for his calf to mature.



English and Computer Skills

Mercy-USA provided free English and Computer skills classes to orphaned or at risk young people in Indonesia. Technical skills make it more likely a

young person can find a good job with a salary to support themselves and a family in the future.



Murni's Story

Murni is a 17-year-old senior high school student who lives in an orphan center in Indonesia. Far away from her siblings, she has been working hard to finish her education and have marketable skills. Murni attended computer skills classes provided for free from Mercy-USA where she learned more than computer basics. She hopes to attend college after graduation but if the funds are not available for her to go straight away, she knows she can find a job in digital printing with the graphic design skills she learned in our classes. Her ability to save plus send money home will lift her entire family.



Bosnia



Our work in Bosnia focuses on supporting children's education and sustainable agricultural projects to improve the future for those who still suffer from the legacy of war.



In 2018, we distributed new school supplies and backpacks to needy children entering first grade. We hope to inspire kids with excitement for learning without the

stigma of poverty.

We offer after-school English classes for children who are unable to afford the private tuition necessary to improve the skills needed for college entrance.

We operate a 10,900 sq. foot greenhouse and one acre farm that serves as a training facility for the local agricultural college as well as a seedling source for small farmers. A portion of the seedlings always go to needy families who plant them in their own gardens. These vegetable crops mean fresh produce to poor families who struggle to survive on little or no income.



Mejra's Story

80-year-old Mejra Smajlović was born in Srebrenica but has not been able to return since the war. She lives alone in collective center housing and struggles to survive on a tiny pension. She has a small garden behind her home and with the seedlings from the Mercy-USA Agricultural Education Center (AEC) she is able to grow fresh vegetables. With the donation of seedlings she can harvest at least 110 pounds of tomatoes that she will preserve for the coming year. The Mercy-USA AEC serves a triple purpose, as an education center for agronomy students at the local university, as a source for small farmers to purchase high quality seedlings plus the center donates seedlings to needy families and seniors like Mejra.



United States



Mercy-USA and its volunteers got involved in the local community in Detroit to offer a helping hand to the homeless and needy families in 2018.

The "Urban Warmth Project" brought much needed supplies to three homeless shelters in February when shelter operators told us supplies and holiday donations dwindle while the Michigan cold weather is still brutal. Warm blankets, socks, hats and gloves along with basic hygiene items were distributed in one day at three separate shelters. We also provided disposable diapers and feminine hygiene supplies to families to make sure dignity and comfort could be assured.



In the Fall, we launched our "We Care Backpacks" program in three Detroit public schools where the majority of students are in need. New backpacks and the school supplies required by the school were distributed to all children in grades K-5 on the first day of school. We also provided all the teachers at each school with teacher bags filled with supplies to alleviate the burden that typically falls on a teacher to provide for her classroom.

During the Thanksgiving season, we launched our "Thanks for Giving" food distribution for needy individuals and families in Detroit to make sure they too would be able to enjoy a Thanksgiving meal with their families.



Seasonal food aid



Each year, Mercy-USA provides seasonal food aid for needy families around the world in observance of Ramadan, Eid Al Fitr and Eid Al Adha. In 2018, we provided food to families in 12 countries. Over the years, we have served hundreds of thousands of needy people during these special times.



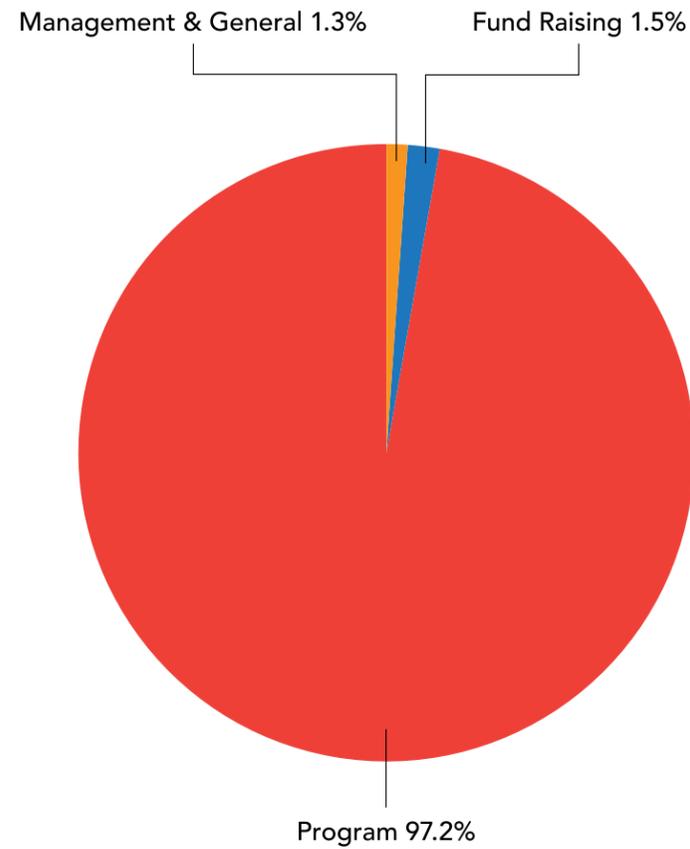
Santi's Story

Santi Erningsih is a 43-year-old widowed mother of six children. For the past five years, Santi has been supporting herself and the children with whatever work she can find in her village. She told us that keeping the children fed and educated without the support of her late husband is overwhelming most days. "There are times when I don't earn enough to buy food and have to borrow from my neighbors."

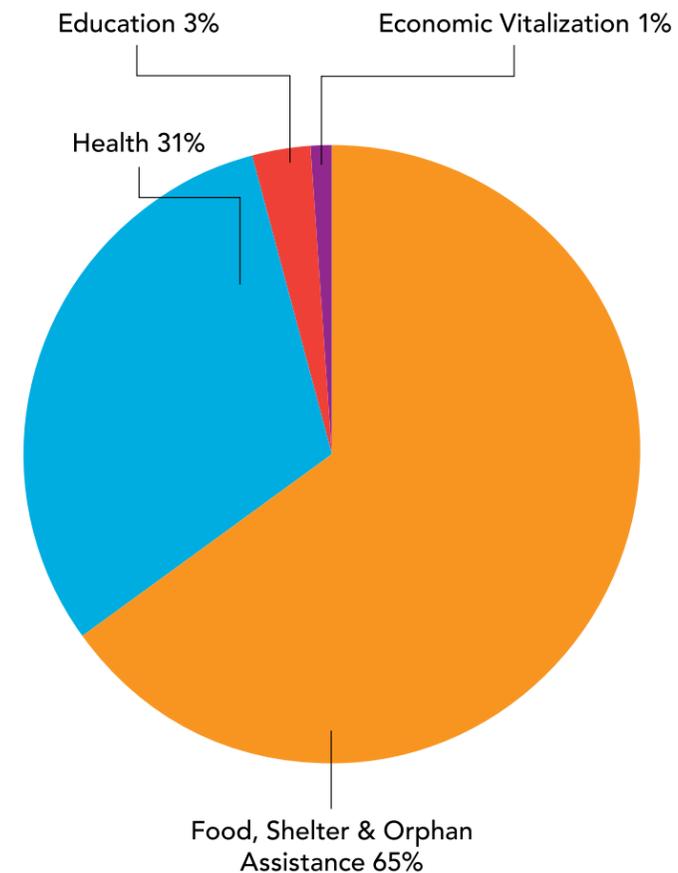
We brought Santi's family a Ramadan food basket, and her oldest daughter said, "not only is this food going to make our Ramadan and Eid al Fitr special, it will lighten the burden on our mother so she can focus on her worship during this holy month."



**Functional Expenses
Jan. 1 to Dec. 31, 2018**



**Program Expenses (by Service Category)
Jan. 1 to Dec. 31, 2018**



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Mercy-USA for Aid and 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, 2018 and 2017, the related consolidated statements of activities, and cash flows for the years then ended, functional expenses for the year ended December 31, 2018 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 audit. 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. 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 Organization'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 Organization'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, 2018 and 2017, 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for federal awards, 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 September 20, 2019 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 L. Young, Assoc.

Detroit, Michigan
September 20, 2019

MERCY-USA FOR AID AND DEVELOPMENT, INC.

Consolidated Statements of Financial Position
December 31, 2018 and 2017

	2018	2017
ASSETS		
Current Assets		
Cash and Cash Equivalents (Note 2)	\$ 3,556,687	\$ 3,631,842
Pledges & Grants Receivable (Note 5)	953,537	1,028,918
Notes Receivable - Micro-lending/SED (Note 1)	6,000	18,857
Prepaid Insurance & Expenses	13,012	15,100
Total Current Assets	<u>4,529,236</u>	<u>4,694,717</u>
Fixed Assets (Note 6)		
Building, Vehicles, Furniture & Equipment	1,473,879	1,446,379
Less: Accumulated Depreciation	(513,800)	(417,952)
Total Fixed Assets	<u>960,079</u>	<u>1,028,427</u>
Other Assets		
Security Deposits	9,169	9,169
Travel Advance	-	250
Total Other Assets	<u>9,169</u>	<u>9,419</u>
Total Assets	<u>\$ 5,498,484</u>	<u>\$ 5,732,563</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	702,143	\$ 800,385
Deferred Revenue	453,906	177,313
Tenant Security Deposit	5,610	6,893
Accrued Payroll & Taxes	4,768	3,521
Advance Rent	4,200	1,510
Total Current Liabilities	<u>1,170,627</u>	<u>989,622</u>
Net Assets		
Without Donor Restrictions	3,021,813	3,198,061
With Donor Restrictions (Note 9)	1,306,044	1,544,880
Total Net Assets	<u>4,327,857</u>	<u>4,742,941</u>
Total Liabilities and Net Assets	<u>\$ 5,498,484</u>	<u>\$ 5,732,563</u>

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

MERCY-USA FOR AID AND DEVELOPMENT, INC.

Consolidated Statements of Activities
Years Ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions From Public	\$ 875,388	\$ 3,821,015	\$ 4,696,403	\$ 1,012,491	\$ 3,814,437	\$ 4,826,928
US Agency for International Development (USAID)	-	4,547,106	4,547,106	-	2,723,742	2,723,742
NGO Grants	-	197,617	197,617	-	-	-
United Nation (UN) Grants	-	3,738,333	3,738,333	-	4,043,036	4,043,036
Global Fund to Fight AIDS, Tuberculosis & Malaria (GFATM) Grants	-	322,583	322,583	-	572,771	572,771
Contribution In-Kind - UN agencies (Note 4)	-	5,772,680	5,772,680	-	8,465,481	8,465,481
Rental Income	81,153	-	81,153	76,220	-	76,220
Dividend Income	13,298	-	13,298	8,215	-	8,215
Gain/Loss on Foreign Currency Fluctuation	85,790	-	85,790	49,936	-	49,936
Gain/Loss on Sale of Equipment	-	-	-	1,518	-	1,518
Program Fees	9,171	-	9,171	17,646	-	17,646
Net Assets Released From Restrictions:						
Satisfaction of Service Restrictions (Note 9)	18,638,170	(18,638,170)	-	19,970,753	(19,970,753)	-
Total Support and Revenue	<u>19,702,970</u>	<u>(238,836)</u>	<u>19,464,134</u>	<u>21,136,779</u>	<u>(351,286)</u>	<u>20,785,493</u>
EXPENSES						
Program Services:						
Food, Shelter and Orphan Assistance	12,556,265	-	12,556,265	14,969,850	-	14,969,850
Health	5,940,023	-	5,940,023	4,443,951	-	4,443,951
Economic Vitalization	244,345	-	244,345	255,023	-	255,023
Education	573,649	-	573,649	301,929	-	301,929
Total Program Services	<u>19,314,282</u>	<u>-</u>	<u>19,314,282</u>	<u>19,970,753</u>	<u>-</u>	<u>19,970,753</u>
Supporting Services:						
Management and General	269,706	-	269,706	96,545	-	96,545
Fund Raising	295,230	-	295,230	326,256	-	326,256
Total Supporting Expenses	<u>564,936</u>	<u>-</u>	<u>564,936</u>	<u>422,801</u>	<u>-</u>	<u>422,801</u>
Total Expenses	<u>19,879,218</u>	<u>-</u>	<u>19,879,218</u>	<u>20,393,554</u>	<u>-</u>	<u>20,393,554</u>
Change In Net Assets	(176,248)	(238,836)	(415,084)	743,225	(351,286)	391,939
Net Assets - Beginning of Year	3,198,061	1,544,880	4,742,941	2,454,836	1,896,166	4,351,002
Net Assets - End of Year	<u>\$ 3,021,813</u>	<u>\$ 1,306,044</u>	<u>\$ 4,327,857</u>	<u>\$ 3,198,061</u>	<u>\$ 1,544,880</u>	<u>\$ 4,742,941</u>

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

MERCY-USA FOR AID AND DEVELOPMENT, INC.

Consolidated Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (415,084)	\$ 391,939
Adjustments to Reconcile Change in Net Asset to Cash Used in Operations:		
Loss (Gain) on Disposal of Assets, net	-	(1,518)
Depreciation	99,931	96,296
Change in:		
Prepaid Insurance and Expenses	2,088	5,372
Pledges and Grants Receivable	75,381	(116,715)
Notes Receivable - Micro-lending/SED	12,857	(8,857)
Other Assets	250	(296)
Accounts Payable	(98,242)	(105,602)
Deferred Revenue	276,593	(538,274)
Accrued Payroll and Taxes	1,247	1,108
Tenant Security Deposits	(1,283)	-
Advance Rent	2,690	1,510
Net Cash Used in Operating Activities	<u>(43,572)</u>	<u>(275,037)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(31,583)	(189,584)
Proceeds from Sale of Assets	-	1,568
Net Cash Used in Investing Activities	<u>(31,583)</u>	<u>(188,016)</u>
Net Decrease in Cash	(75,155)	(463,053)
Cash and Cash Equivalents - Beginning of Year	3,631,842	4,094,895
Cash and Cash Equivalents - End of Year	<u>\$ 3,556,687</u>	<u>\$ 3,631,842</u>

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

MERCY-USA FOR AID AND DEVELOPMENT, INC.

Notes to Financial Statements
December 31, 2018 and 2017

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 Somalia, Syria, Kenya, Bosnia, Indonesia, Lebanon and Albania and also in the United States and other countries around the world with the help of the United States Agency for International Development (USAID), Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM), , 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 States 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.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

MERCY-USA FOR AID AND DEVELOPMENT, INC.

Notes to Financial Statements (Continued)
December 31, 2018 and 2017

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

Basis of Presentation (Continued)

Net Assets Without Donor Restriction—Net assets that are not subject to or are no longer subject to donor imposed stipulations.

Net Assets With Donor Restriction—Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

Financial Instruments

The carrying value of cash and cash equivalents, restricted cash, accounts receivable, pledges receivable, accounts payable and accrued liabilities, are stated at carrying cost at December 31, 2018 and 2017, which approximates fair value due to the relatively short maturity of these instruments.

New Accounting Pronouncement

During the year ended December 31, 2018, the Organization adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14—*Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). This Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions.

A footnote on liquidity has also been added (Note 10).

The accompanying summarized information from the 2017 financial statements has been restated to conform to the 2018 presentation and disclosure requirements of ASU 2016-14.

MERCY-USA FOR AID AND DEVELOPMENT, INC.

Notes to Financial Statements (Continued)
December 31, 2018 and 2017

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

Income Taxes

The Organization is organized as a nonprofit corporation and is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Organization follows the guidance of ASC-740-10, Accounting for Uncertainty in Income Taxes. The Organization recognizes the tax (benefit) expense from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities. The Organization had no uncertain tax positions at December 31, 2018 or 2017. The Organization files an exempt organization return with the Internal Revenue Service (IRS). The Organization had no taxable unrelated business income for the years ended December 31, 2018 and 2017. Accordingly, a provision for income taxes has not been established in the accompanying financial statements. The Organization's federal tax returns for the prior three years remain subject to examination by the Internal Revenue Service.

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, The Organization 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.

MERCY-USA FOR AID AND DEVELOPMENT, INC.

Notes to Financial Statements (Continued)
December 31, 2018 and 2017

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

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, and a useful life in excess of one year are capitalized.

Advertising

The Organization expenses advertising costs as incurred. Advertising expense was \$143,010 and \$139,749 for the years ending December 31, 2018 and 2017, 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.

Revenue Recognition

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. Deferred revenue was \$453,906 and \$177,313 for the years ending December 31, 2018 and 2017, respectively. 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.

Grants

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

MERCY-USA FOR AID AND DEVELOPMENT, INC.

Notes to Financial Statements (Continued)
December 31, 2018 and 2017

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

Microfinance Loans Receivable

Microfinance loans receivable are recorded in the consolidated statements of financial position at their unpaid principal balances net of allowance for loan losses. Interest income is accrued based on the outstanding principal amount and contractual terms of each individual loan. A loan is considered impaired when, based on current information, it is probable that the organization will not receive all amounts due in accordance with the contractual terms of the underlying loan agreement. When an impairment loss has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan receivable and the present value of the estimated future cash flows, including amounts recoverable from guarantees and collateral discounted at the loan receivable's original effective interest rate. All loan receivable losses are recognized in the consolidated statements of activities. When a loan is uncollectible, it is written off against the related reserve for loan impairment. Loan balances are written off when management determines that the loans are uncollectible and when all necessary steps to collect the loan are exhausted. The balance outstanding as of December 31, 2018, and 2017, were \$6,000 and \$18,857, respectively. There was no allowance for uncollectible against these loans.

Microfinance loans receivable were concentrated in the following country as of December 31:

	<u>2018</u>	<u>2017</u>
Bosnia	<u>\$ 6,000</u>	<u>\$ 18,857</u>

2) **CASH AND CASH EQUIVALENTS**

The total cash held by the Organization at December 31, 2018 includes \$3,306,283 not covered by insurance provided by the Federal Deposit Insurance Corporation. As of December 31, 2017, the uninsured amount was \$3,197,109.

3) **PROGRAM AND SUPPORTING SERVICES**

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

Program Services

Food and Shelter

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

Orphan Assistance

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

MERCY-USA FOR AID AND DEVELOPMENT, INC.

Notes to Financial Statements (Continued)
December 31, 2018 and 2017

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

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.

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.

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 \$5,772,680 and \$8,465,481 in fiscal years 2018 and 2017, respectively.

MERCY-USA FOR AID AND DEVELOPMENT, INC.

Notes to Financial Statements (Continued)
December 31, 2018 and 2017

5) PLEDGES AND GRANTS 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, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Grants Receivable	\$ 914,644	\$ 989,737
Pledges Receivable	38,451	39,181
Others	442	-
	<u>\$ 953,537</u>	<u>\$ 1,028,918</u>

6) FIXED ASSETS

Fixed assets are comprised of the following:

	<u>Balance January 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2018</u>
Fixed Assets				
Building	\$ 1,071,903	\$ -	\$ -	\$ 1,071,903
Office Equipment	125,748	31,583	(3,778)	153,553
Office Furniture	10,024	-	-	10,024
Audio Visual Equipment	7,225	-	-	7,225
Automobiles	218,311	-	-	218,311
Others	13,168	-	(305)	12,863
TOTAL	<u>1,446,379</u>	<u>31,583</u>	<u>(4,083)</u>	<u>1,473,879</u>
Less Accumulated Depreciation	(417,952)	(99,931)	4,083	(513,800)
Net Fixed Assets	<u>\$ 1,028,427</u>	<u>\$ (68,348)</u>	<u>\$ -</u>	<u>\$ 960,079</u>

	<u>Balance January 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications</u>	<u>Balance December 31, 2017</u>
Fixed Assets					
Building	\$ 934,110	\$ 113,873	\$ -	\$ 23,920	\$ 1,071,903
Office Equipment	173,941	20,891	(51,694)	(17,390)	125,748
Office Furniture	20,354	1,225	(10,668)	(887)	10,024
Audio Visual Equipment	13,289	3,589	(2,385)	(7,268)	7,225
Automobiles	186,092	50,006	(15,647)	(2,140)	218,311
Others	10,595	-	(1,192)	3,765	13,168
TOTAL	<u>1,338,381</u>	<u>189,584</u>	<u>(81,586)</u>	<u>-</u>	<u>1,446,379</u>
Less Accumulated Depreciation	(403,192)	(96,296)	81,536	-	(417,952)
Net Fixed Assets	<u>\$ 935,189</u>	<u>\$ 93,288</u>	<u>\$ (50)</u>	<u>\$ -</u>	<u>\$ 1,028,427</u>

MERCY-USA FOR AID AND DEVELOPMENT, INC.

Notes to Financial Statements (Continued)
December 31, 2018 and 2017

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 100% match on eligible employee contributions to the plan up to a maximum allowable by the plan. This was increased from 50% match in the previous years. The Organization contributed \$45,506 and \$12,134 in fiscal years 2018 and 2017, respectively, to the plan.

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, 2018 and 2017 the Organization collected \$26,661 and \$37,544 respectively, on behalf of Mercy-USA for Aid & Development, (Canada) and received \$77,064 and \$85,419, respectively, from Mercy-USA for Aid & Development, (Canada). As at December 31, 2018 and 2017, an amount of \$335 and \$808, respectively, was payable to Mercy-USA for Aid and Development, (Canada) and no amount was receivable from them.

9) DONOR 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>2018</u>	<u>2017</u>
Albania Programs	\$ 117,600	\$ 97,460
Bosnia Programs	97,824	99,067
Indonesia Programs	298,045	190,924
Lebanon Programs	196,867	1,063,956
Somalia & Kenya Programs	14,205,799	14,510,181
Syria Programs	3,291,283	3,619,804
Gaza Programs	136,715	191,067
Rohingya Refugees Program	165,315	125,687
United States Programs	41,679	57,936
Pakistan	43,651	-
Yemen	28,801	-
India Programs	14,591	14,671
Total Restrictions Released	<u>\$ 18,638,170</u>	<u>\$ 19,970,753</u>

MERCY-USA FOR AID AND DEVELOPMENT, INC.

Notes to Financial Statements (Continued)
December 31, 2018 and 2017

9) TEMPORARILY RESTRICTED NET ASSETS (Continued)

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

	2018	2017
Albania	\$ 2,054	\$ 2,261
Lebanon	3,351	2,502
Bosnia	2,030	2,603
Somalia and Kenya	117,473	218,286
Syria	-	230,605
Indonesia	4,602	6,306
Gaza	449,395	386,648
India	57	-
Rohingya Refugees	336,351	240,892
USA	-	1,394
Yemen	9,047	30,048
Pakistan	381,684	423,335
Total	\$ 1,306,044	\$ 1,544,880

10) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's working capital and cash flows have variations during the year attributable to the timing of grants and contribution receipts. Monthly cash outflows vary each year based on the specific requirements of the events and programs that year.

The following reflects the Organization's financial assets as of the balance sheet date, reduced by the amounts not available for general use within one year of the balance sheet date because of contractual or donor-imposed restrictions.

	2018
Current Assets, at Year End	\$ 4,529,236
Less:	
Assets with Donor Restrictions	(1,306,044)
Financial assets available within one year to meet needs for general expenditures within one year	<u>\$ 3,223,192</u>

11) 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.

MERCY-USA FOR AID AND DEVELOPMENT, INC.

Notes to Financial Statements (Continued)
December 31, 2018 and 2017

12) NEW ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers, in May 2014. The objectives of this ASU are to improve upon revenue recognition requirements by providing a single comprehensive model to determine the measurement of revenue and timing of recognition. The core principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. This ASU also requires expanded qualitative and quantitative disclosures regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

ASU 2014-09 is effective for fiscal years beginning after December 15, 2018.

The Organization's management has not determined the impact on the Organization's financial statements because of implementing ASU 2014-09.

The FASB issued ASU 2016-02, Leases (Topic 842), in February 2017. ASU 2016-02 requires the recognition by lessees of assets and liabilities that arise from all lease transactions, except for leases with a lease term of 12 months or less. The lessee accounting model under ASU 2016-02 retains two types of leases: finance leases, which are to be accounted for in substantially the same manner as the existing accounting for capital leases, and operating leases, which are to be accounted for (both in the statements of activities and the statements of cash flows) in a manner consistent with existing accounting for operating leases. ASU 2016-02 also requires expanded qualitative and quantitative disclosures regarding the amount, timing, and uncertainty of cash flows arising from leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019.

The Organization's management has not determined the impact on the Organization's financial statements because of implementing ASU 2016-02.

13) SUBSEQUENT EVENTS

The Organization has evaluated events through September 20, 2019 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 AND DEVELOPMENT, INC.

**Statement of Consolidated Functional Expenses
Year Ended December 31, 2018
(With Combined Comparative Totals for 2017)**

Expenditures	Food, Shelter & Orphan Assistance	Health	Economic Vitalization	Education	Total Program Services	Management & General	Fund Raising	Total Expenditures	2017 Total Expenditures
Grants	\$ 262,130	\$ -	\$ 73,330	\$ 125,000	\$ 460,460	\$ -	\$ -	\$ 460,460	\$ 339,281
Salaries & Wages	2,403,793	2,076,874	72,876	131,038	4,684,581	80,739	37,037	4,802,357	3,720,638
Employee Benefits	74,692	301,020	21,301	3,108	400,121	26,658	-	426,779	335,363
Advertising & Promotion	-	-	-	-	-	199	142,811	143,010	139,749
Transportation Expenses	375,743	560,129	4,180	45,020	985,072	887	207	986,166	818,652
Commercial Insurance	6,000	-	-	-	6,000	5,194	-	11,194	5,245
Conference, Meeting & Seminars	-	-	-	-	-	3,516	18,056	21,572	17,437
Consultants & Other Professional Services	47,615	71,015	3,325	12,962	134,917	1,606	27,052	163,575	117,433
Dues, Subscriptions, Fees, etc.	-	8,597	-	-	8,597	4,248	330	13,175	12,058
Legal	7,429	1,670	79	-	9,178	325	-	9,503	8,929
Accounting	2,895	28,260	-	-	31,155	7,462	-	38,617	32,274
Occupancy & Warehousing	138,443	111,382	10,779	26,580	287,184	20,696	16,172	324,052	272,233
Postage & Shipping, etc.	1,293	2,612	694	605	5,204	14,356	485	20,045	7,830
Printing & Copying	3,932	-	192	178	4,302	11,452	4,529	20,283	18,132
Program Materials	8,686,692	1,664,133	3,247	162,701	10,516,773	-	-	10,516,773	12,739,497
Telephone	27,327	60,943	1,457	1,015	90,742	2,422	-	93,164	77,427
Travel	151,637	241,751	18,506	33,591	445,485	9,772	1,448	456,705	395,140
Bank Charges/Currency Adjustment	67,578	90,404	8,157	9,560	175,699	3,372	46,951	226,022	178,693
Office Supplies and Equipment	49,294	148,791	2,504	6,568	207,157	4,493	152	211,802	161,769
Payroll Taxes	-	761	-	-	761	12,780	-	13,541	4,528
Indirect cost	232,423	554,173	20,638	13,258	820,492	-	-	820,492	894,950
Depreciation	17,349	17,508	3,080	2,465	40,402	59,529	-	99,931	96,296
Total	\$ 12,556,265	\$ 5,940,023	\$ 244,345	\$ 573,649	\$ 19,314,282	\$ 269,706	\$ 295,230	\$ 19,879,218	\$ 20,393,554

MERCY-USA FOR AID AND DEVELOPMENT, INC.

**Supplemental Statement of Revenue and Program Expenses
Year Ended December 31, 2018
(With Combined Comparative Totals for 2017)**

REVENUES	ALBANIA		LEBANON ¹		BOSNIA		INDONESIA		SOMALIA & KENYA		SYRIA		GAZA		INDIA		ROHINGYA REFUGEES		USA		PAKISTAN		YEMEN		NOT DESIGNATED		TOTAL	TOTAL 2017	
Contributions from Public:																													
General	\$ 10,035	\$ 36,716	\$ 9,251	\$ 172,841	\$ 254,032	\$ 817,880	\$ 199,462	\$ 500	\$ 260,774	\$ 285	\$ -	\$ 1,800	\$ 875,388	\$ 2,638,964	\$ 2,850,137														
Food Aid	12,000	31,000	11,000	15,500	71,000	146,295	-	14,148	-	30,000	2,000	6,000	-	338,943	346,761														
Orphan Fund	13,177	-	9,000	16,000	-	-	-	-	-	-	-	-	-	38,177	37,128														
Education	5,681	-	7,500	7,000	-	-	-	-	-	-	-	-	-	20,181	13,350														
Zakat	76,500	130,000	60,500	85,000	350,000	948,138	-	-	-	10,000	-	-	-	1,680,138	1,579,552														
US Government Grants																													
US Agency for International Development (USAID)	-	-	-	-	4,547,106	-	-	-	-	-	-	-	-	4,547,106	2,723,742														
NGO Grants	-	-	-	-	197,617	-	-	-	-	-	-	-	-	197,617	-														
United Nations (UN) Grants	-	-	-	-	2,589,968	1,148,365	-	-	-	-	-	-	-	3,738,333	4,043,036														
Global Fund to Fight AIDS, Tuberculosis & Malaria (GFATM) Grants	-	-	-	-	322,583	-	-	-	-	-	-	-	-	322,583	572,771														
Gifts In Kind - UN Agencies	-	-	-	-	5,772,680	-	-	-	-	-	-	-	-	5,772,680	8,465,481														
Rental Income	-	-	-	-	-	-	-	-	-	-	-	-	81,153	81,153	76,220														
Dividend Income	-	-	-	-	-	-	-	-	-	-	-	-	13,298	13,298	8,215														
Gain/Loss on Foreign Currency Fluctuation	-	-	-	-	-	-	-	-	-	-	-	-	85,790	85,790	49,936														
Gain/Loss on Sale of Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,518														
Events Ticket Sale	-	-	-	-	-	-	-	-	-	-	-	-	9,171	9,171	17,646														
Total Revenues	\$ 117,393	\$ 197,716	\$ 97,251	\$ 296,341	\$ 14,104,986	\$ 3,060,678	\$ 199,462	\$ 14,648	\$ 260,774	\$ 40,285	\$ 2,000	\$ 7,800	\$ 1,064,800	\$ 19,464,134	\$ 20,785,493														
EXPENDITURES																													
Program Services:																													
Food, Shelter & Orphan Assistance	\$ 15,190	\$ 41,688	\$ 16,520	\$ 195,518	\$ 8,290,450	\$ 3,669,357	\$ -	\$ 14,591	\$ 165,315	\$ 75,184	\$ 43,651	\$ 28,801	\$ -	\$ 12,556,265	\$ 14,969,850														
Economic Vitalization	10,724	-	65,525	94,766	-	-	-	-	-	73,330	-	-	-	244,345	255,023														
Health	-	26,357	-	-	5,729,036	184,630	-	-	-	-	-	-	-	5,940,023	4,443,951														
Education	91,686	128,822	15,779	7,761	186,313	-	136,715	-	-	6,573	-	-	-	573,649	301,929														
Total Program Services	\$ 117,600	\$ 196,867	\$ 97,824	\$ 298,045	\$ 14,205,799	\$ 3,853,987	\$ 136,715	\$ 14,591	\$ 165,315	\$ 155,087	\$ 43,651	\$ 28,801	\$ -	\$ 19,314,282	\$ 19,970,753														

MERCY-USA FOR AID AND DEVELOPMENT, INC.

**Indirect Cost Allocation
Year Ended December 31, 2018**

Expenditures	Total Cost	Allowable Indirect	Unallowable Indirect	Fund Raising Cost	Program Cost	Excluded Program Cost*	Total Direct Cost
Grants	\$ 460,460	\$ -	\$ -	\$ -	\$ 460,460	\$ -	\$ 460,460
Salaries & Wages	4,802,357	80,739	-	37,037	4,684,581	-	4,721,618
Employee Benefits	426,779	26,658	-	-	400,121	-	400,121
Advertising & Promotion	143,010	199	-	142,811	-	-	142,811
Transportation Expenses	986,166	887	-	207	985,072	-	985,279
Commercial Insurance	11,194	5,194	-	-	6,000	-	6,000
Conference, Meetings & Seminars	21,572	3,516	-	18,056	-	-	18,056
Consultants & Other Professional Services	163,575	1,606	-	27,052	134,917	-	161,969
Dues, Subscription, Fees etc.	13,175	4,248	-	330	8,597	-	8,927
Legal	9,503	325	-	-	9,178	-	9,178
Accounting	38,617	7,462	-	-	31,155	-	31,155
Occupancy & Warehousing	324,052	20,696	-	16,172	287,184	-	303,356
Postage & Shipping	20,045	14,356	-	485	5,204	-	5,689
Printing & Copying	20,283	11,452	-	4,529	4,302	-	8,831
Program Materials	10,516,773	-	-	-	10,516,773	5,772,680	4,744,093
Telephone	93,164	2,422	-	-	90,742	-	90,742
Travel	456,705	9,772	-	1,448	445,485	-	446,933
Bank Charges/Currency Adjustment	226,022	3,372	-	46,951	175,699	-	222,650
Office Supplies & Equipment	211,802	4,493	-	152	207,157	-	207,309
Payroll Taxes	13,541	12,780	-	-	761	-	761
Loss on Sale of Assets	-	-	-	-	-	-	-
Indirect Cost	820,492	-	-	-	820,492	-	820,492
Depreciation	99,931	59,529	-	-	40,402	-	40,402
Total	19,879,218	269,706	-	295,230	19,314,282	5,772,680	13,836,832
Reclassify Overhead Charged to Program Costs	-	820,492	-	-	-	-	(820,492)
Total	\$ 19,879,218	\$ 1,090,198	\$ -	\$ 295,230	\$ 19,314,282	\$ 5,772,680	\$ 13,016,340

Base = Total Direct Cost
 Pool Cost \$ 1,090,198
 Base Cost \$ 13,016,340
 Indirect Rate 8.38%

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

Mercy-USA for Aid and Development

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Other Mercy-USA Offices

Tirana, Albania	Nairobi, Kenya	Antakya, Turkey
Tuzla, Bosnia	Tripoli, Lebanon	
Medan, Indonesia	Mogadishu, Somalia	

About Mercy-USA

Mercy-USA for Aid and Development 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.

Incorporated in 1988, Mercy-USA's projects focus on improving health, nutrition and access to safe water, as well as promoting economic and educational growth around the world.

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

Join Mercy-USA in Our Work in "Helping People Help Themselves"™

In addition to your one-time charitable donation, there are easy ways to donate that will benefit people in need around the world. Consider joining Mercy-USA in this vital effort with a sustaining gift:

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A gift of your choice can be automatically deducted monthly from your bank or major credit card account. Please clip the form on page 55 and mail it along with a voided check.

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