

MERCY-USA FOR AID & DEVELOPMENT, INC.
FINANCIAL REPORT
WITH ADDITIONAL INFORMATION
YEAR ENDED DECEMBER 31, 2006
(WITH COMBINED COMPARATIVE TOTALS FOR 2005)

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

MERCY-USA FOR AID & DEVELOPMENT, INC.

TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITORS' REPORT	1
STATEMENTS OF FINANCIAL POSITION.....	2
STATEMENTS OF ACTIVITIES	3
STATEMENTS OF FUNCTIONAL EXPENSES	4
STATEMENTS OF CASH FLOWS.....	5
NOTES TO FINANCIAL STATEMENTS	6
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.....	12
 <u>ADDITIONAL INFORMATION:</u>	
SUPPLEMENTAL STATEMENTS OF PROGRAM REVENUES AND EXPENSES	14
INDIRECT COST ALLOCATION SCHEDULE	15

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

2990 W. Grand Blvd., Suite 310
Detroit, MI 48202

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of Mercy-USA For Aid & Development, Inc. (a nonprofit organization) as of December 31, 2006 and 2005, and the related statement of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mercy-USA For Aid & Development, Inc. as of December 31, 2006 and 2005 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2007 on our consideration of the Mercy-USA For Aid & Development, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Alan C. Young & Assoc.

May 8, 2007

MERCY - USA FOR AID DEVELOPMENT, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2006
(WITH COMPARATIVE TOTALS FOR 2005)

ASSETS	USA OPERATIONS	OVERSEAS OPERATIONS	TOTAL 2006	TOTAL 2005
Current Assets:				
Cash and Cash Equivalents	\$1,841,309	\$156,065	\$1,997,374	\$1,957,442
Investments	460,414	0	460,414	429,169
Pledges & Accounts Receivable	22,843	176,859	199,702	209,993
Notes Receivable - Micro-Lending/SED	0	4,500	4,500	8,000
Prepaid Insurance & Expenses	6,974	0	6,974	6,893
Total Current Assets	2,331,540	337,424	2,668,964	2,611,497
Fixed Assets:				
Vehicles, Furniture & Equipment	43,112	147,336	190,448	218,205
Less: Accumulated Depreciation	(33,907)	(105,316)	(139,223)	(148,450)
Total Fixed Assets	9,205	42,020	51,225	69,755
Other Assets:				
Security Deposits	5,600	0	5,600	6,245
Total Other Assets	5,600	0	5,600	6,245
Total Assets	\$2,346,345	\$379,444	\$2,725,789	\$2,687,497
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts Payable	\$57,254	\$80,312	\$137,566	\$455,694
Deferred Revenue	0	0	0	67,932
Accrued Payroll & Taxes	0	0	0	489
Total Current Liabilities	57,254	80,312	137,566	524,115
Net Assets:				
Unrestricted	2,207,574	83,824	2,291,398	2,158,297
Temporarily Restricted	81,517	215,308	296,825	5,085
Total Net Assets	2,289,091	299,132	2,588,223	2,163,382
Total Liabilities and Net Assets	\$2,346,345	\$379,444	\$2,725,789	\$2,687,497

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

MERCY - USA FOR AID DEVELOPMENT, INC.
 STATEMENTS OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2006
 (WITH COMPARATIVE TOTALS FOR 2005)

	USA OPERATIONS			OVERSEAS OPERATIONS			TOTAL 2006			TOTAL 2005		
	Unrestricted	Temporarily Restricted		Unrestricted	Temporarily Restricted		Unrestricted	Temporarily Restricted		Unrestricted	Temporarily Restricted	
SUPPORT AND REVENUE												
Contributions From Public US Governmental Grants	\$331,578	\$1,743,557	\$0	\$0	\$0	\$331,578	\$1,743,557	\$275,245	\$2,044,619			
US Department of Agriculture (USDA)	0	0	0	45,186	0	0	45,186	0	774,504			
US Agency for International Development (USAID)	0	0	0	0	0	0	0	0	23,277			
United Nation (UN) Grants	0	0	0	0	0	0	0	0	0			
UNMIK/CA/MLSW	0	0	0	0	0	0	0	0	0			
Other UN Grants	0	0	0	11,714	0	0	11,714	0	1,514			
Global Fund to Fight AIDS, Tuberculosis & Malaria (GFATM) Grants	0	0	0	160,206	0	0	160,206	0	16,196			
Organization for Security & Cooperation in Europe (OSCE) Grants	0	0	0	0	0	0	0	0	67,617			
NGO/Foundation Grants	0	0	0	0	0	0	0	0	0			
Contribution In-Kind - Public	0	0	0	0	0	0	0	0	2,693			
Contribution In-Kind - UN agencies	0	0	0	0	0	0	0	0	0			
Contribution In-Kind - US Government (USDA)	0	0	0	220,092	0	0	220,092	0	210,529			
Dividend Income	41,137	0	737	0	0	41,874	0	24,037	1,820,595			
Gain/Loss on Foreign Currency Fluctuation	0	0	3,317	0	0	3,317	0	(351,347)	0			
Realized Gain (Loss) on Investments	18,089	0	0	0	0	18,089	0	0	0			
Unrealized Gain (Loss) on Investments	10,924	0	0	0	0	10,924	0	18,987	0			
Gain (Loss) on Sale of Equipment	0	0	91	0	0	91	0	1,875	0			
Sales	105	0	0	0	0	105	0	177	0			
Program Fees	0	0	493	0	0	493	0	351	0			
Transfer-In/(Out)	(237,967)	(1,554,230)	237,967	1,554,230	0	0	0	0	0			
Net Assets Released From Restrictions:												
Satisfaction of Service Restrictions	110,000	(110,000)	1,779,015	(1,779,015)	0	1,889,015	(1,889,015)	4,967,825	(4,967,825)			
Total Support and Revenue	273,866	79,327	2,021,620	212,413	0	2,295,486	291,740	4,937,150	(6,281)			
EXPENSES												
Program Services:												
Food, Shelter and Orphan Assistance	0	0	685,103	0	0	685,103	0	1,170,537	0			
Economic Vitalization	0	0	389,499	0	0	389,499	0	849,057	0			
Health	0	0	525,980	0	0	525,980	0	284,862	0			
Education	0	0	52,097	0	0	52,097	0	2,183,929	0			
General	0	0	236,336	0	0	236,336	0	182,550	0			
Total Program Services	0	0	1,889,015	0	0	1,889,015	0	4,670,935	0			
Supporting Services:												
Management and General	195,909	0	0	0	0	195,909	0	457,845	0			
Fund Raising	77,461	0	0	0	0	77,461	0	136,016	0			
Total Supporting Expenses	273,370	0	0	0	0	273,370	0	593,861	0			
Total Expenses	273,370	0	1,889,015	0	0	2,162,385	0	5,264,796	0			
Change In Net Assets	496	79,327	132,605	212,413	0	133,101	291,740	(327,646)	(6,281)			
Net Assets - Beginning of Year	2,207,078	2,190	(48,781)	2,895	0	2,158,297	5,085	2,485,943	11,366			
Net Assets - End of Year	\$2,207,574	\$81,517	\$83,824	\$215,308	\$0	\$2,291,398	\$296,825	\$2,158,297	\$5,085			

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

MERCY - USA FOR AID DEVELOPMENT, INC.
 STATEMENTS OF FUNCTIONAL EXPENSES
 YEAR ENDED DECEMBER 31, 2006
 (WITH COMPARATIVE TOTALS FOR 2005)

Expenditures	Food, Shelter & Orphan Assistance	Health	Economic Vitalization	Education	General Program	Total Program Services	Management & General	Fund Raising	2006 Total Expenditures	2005 Total Expenditures
Grants	\$111,920	\$0	\$0	\$0	\$0	\$111,920	\$0	\$0	\$111,920	\$468,402
Scholarships	0	0	0	3,300	0	3,300	0	0	3,300	2,640
Salaries & Wages	89,762	171,071	48,367	7,553	140,744	457,497	84,560	0	542,057	697,919
Employee Benefits	1,363	5,482	10,942	345	15,274	33,406	33,365	0	66,771	81,960
Advertising & Promotion	0	0	0	0	0	0	2,822	37,237	40,059	57,941
Transportation Expenses	8,941	0	12,382	1,067	9,944	32,334	1,211	0	33,545	60,855
Commercial Insurance	0	0	0	0	0	0	1,967	0	1,967	5,929
Conference, Meeting & Seminars	0	0	0	0	0	0	3,546	600	4,146	4,454
Consultants & Other Professional Services	10,000	3,000	1,334	5,173	200	19,707	0	0	19,707	11,761
Dues, Subscriptions, Fees, etc.	632	1,430	3,420	119	2,373	7,974	3,989	120	4,637	9,745
Legal	0	0	0	0	528	528	430	0	8,404	12,137
Accounting	3,438	28,743	4,183	2,268	18,290	56,922	14,968	0	14,968	30,165
Occupancy & Warehousing	8,940	938	270	0	1,369	11,517	16,030	0	72,952	128,575
Postage & Shipping, etc.	387	0	300	80	46	813	6,395	10,964	28,876	36,671
Printing & Copying	290,378	191,912	264,864	30,395	4,912	782,461	2,204	3,345	6,362	12,399
Program Materials	2,072	4,781	2,571	487	8,075	17,986	3,321	0	782,461	3,323,917
Telephone	27,123	17,008	1,723	668	11,498	58,020	2,526	9,817	21,307	41,048
Travel	7,257	12,945	745	425	(880)	20,492	4,517	15,378	70,363	140,019
Bank Charges/Currency Adjustment	1,848	0	1,717	217	3,894	7,676	3,159	0	40,387	51,394
Office Supplies and Equipment	0	0	0	0	0	0	6,692	0	10,835	21,596
Payroll Taxes	0	0	0	0	0	0	0	0	6,692	18,507
Loss on Sale of Assets	0	0	0	0	3,257	3,257	0	0	3,257	0
Indirect cost	121,042	88,670	36,681	0	0	246,393	0	0	246,393	22,715
Depreciation	0	0	0	0	16,812	16,812	4,207	0	21,019	24,047
Total	\$685,103	\$525,980	\$389,499	\$52,097	\$236,336	\$1,889,015	\$195,909	\$77,461	\$2,162,385	\$5,264,796

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

MERCY - USA FOR AID DEVELOPMENT, INC.
STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2006
(WITH COMPARATIVE TOTALS FOR 2005)

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$424,841	(\$333,927)
Adjustments to Reconcile Change in Net Asset to Cash Provided by Operations		
(Gain) Loss on Sale of Asset	3,166	(1,875)
Depreciation	21,019	24,047
Realized (Gain)/Loss from Investments	(18,089)	0
Unrealized (Gain)/Loss from Investments	(10,924)	0
Change in:	0	(18,987)
Inventory	0	1,820,595
Prepaid Expenses/Security Deposits/Travel Advance	564	4,152
Pledges and Accounts Receivable	10,291	15,513
Advances to Sub Contractor	0	15,309
Accounts Payable	(318,128)	(46,069)
Deferred Revenue	(67,932)	(2,237,543)
Accrued Payroll Taxes	(489)	133
Net Cash Provided by (Used in) Operating Activities	44,319	(758,652)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments	(2,232)	(4,079)
Purchase of Equipment	(8,355)	(18,479)
Proceeds from Sale of Assets	2,700	2,065
Net Cash Provided by (Used in) Investing Activities	(7,887)	(20,493)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds (Payments) from Notes Receivable	3,500	(7,000)
Net Cash Provided by (Used in) Financing Activities	3,500	(7,000)
Increase/(Decrease) in Cash	39,932	(786,145)
Cash and Cash Equivalents - Beginning of Year	1,957,442	2,743,587
Cash and Cash Equivalents - End of Year	\$1,997,374	\$1,957,442

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

**MERCY-USA FOR AID & DEVELOPMENT, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2006 AND 2005**

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activity

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

Basis of Accounting

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

Financial Statement Presentation

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

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

Unrestricted Fund:

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

Temporarily Restricted Fund:

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

MERCY-USA FOR AID & DEVELOPMENT, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)

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

Contributions

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

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

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

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

Grants

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

Investments

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

MERCY-USA FOR AID & DEVELOPMENT, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)

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

Functional Allocation of Expenses

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

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

Cash and Cash Equivalents

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

Fixed Assets

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

Temporarily Restricted Net Assets

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

Purpose Restriction Accomplished:

Albania Programs	\$131,881
Bosnia Programs	281,221
Indonesia Programs	464,298
Lebanon Programs	173,987
Somalia & Kenya Programs	679,802
Pakistan Earthquake Programs	74,298
Bangladesh Programs	19,672
Chechen Refugees	34,852
India Programs	29,004
	<hr/>
Total Restrictions Released	\$1,889,015
	<hr/> <hr/>

MERCY-USA FOR AID & DEVELOPMENT, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)

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

Temporarily restricted net assets are available for specific programs and have a balance of \$296,825 at December 31, 2006.

Use of Estimates

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

2) **CASH**

The total cash held by the Organization at December 31, 2006, includes \$1,739,254 in monies that are not covered by insurance provided by the federal government. It is the opinion of management that the solvency of the referenced financial institutions is not of particular concern at this time.

3) **PROGRAM AND SUPPORTING SERVICES**

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

Program Services

Economic Vitalization

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

Health Services

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

Food and Shelter

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

MERCY-USA FOR AID & DEVELOPMENT, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)

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

Refugee and Orphan Assistance

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

Civil Society

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

General Program

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

Management and General

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

Fundraising

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

4) **INVESTMENTS**

Investments consist of money market funds, stocks and Corporate Fixed Income and are carried at fair value at December 31, 2006. Dividends and capital gains earned on the shares are reinvested in the fund.

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

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Cash & Money Market Funds	\$99,561	\$99,561	\$0
Stocks	271,332	336,966	65,634
Corporate Fixed Income	23,887	23,887	0
Total	<u>\$394,780</u>	<u>\$460,414</u>	<u>\$65,634</u>

MERCY-USA FOR AID & DEVELOPMENT, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)

5) **PLEDGES AND ACCOUNTS RECEIVABLE**

Accounts Receivable / Pledges Receivable – USA Operations

Pledges receivable at December 31, 2006 were collected in 2007.

Accounts Receivable - Overseas Operations

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

6) **FIXED ASSETS**

The fixed assets comprised of the following:

	<u>USA Operations</u>	<u>Overseas Operations</u>	<u>Total 2006</u>	<u>Total 2005</u>
Automobiles	\$17,301	\$77,913	\$95,214	\$115,443
Office Equipment	16,991	50,303	67,294	76,328
Office Furniture	2,620	5,897	8,517	8,517
Audio Visual Equipment	5,750	6,088	11,838	10,938
Others	450	7,135	7,585	6,979
	<u>43,112</u>	<u>147,336</u>	<u>190,448</u>	<u>218,205</u>
Less: Accumulated Depreciation	<u>(33,907)</u>	<u>(105,316)</u>	<u>(139,223)</u>	<u>(148,450)</u>
Total	<u><u>\$9,205</u></u>	<u><u>\$42,020</u></u>	<u><u>\$51,225</u></u>	<u><u>\$69,755</u></u>

During the year, a new office was opened at Lebanon.

7) **PENSION PLAN**

The Organization started a 401(k) pension plan from January 1, 2000 for all employees who have attained the age of 20 ½ years. Employee may join the plan on January 1 or July 1 that coincides with or follows the date of employment after the completion of one year of service. Employer provides a 50% match on eligible employee contributions to the plan up to a maximum allowable by the plan. The Organization contributed \$6,604 and \$7,523 in the years 2006 and 2005 respectively to the plan.

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

2990 W. Grand Blvd., Suite 310
Detroit, MI 48202

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

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

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

We have audited the financial statements of Mercy-USA For Aid & Development, Inc. (a non profit Organization) as of and for the year ended December 31, 2006, and have issued our report thereon dated May 8, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

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

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

Compliance and Other Matters

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

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

Alan C. Young; Asso.

May 8, 2007

MERCY - USA FOR AID DEVELOPMENT, INC.
 SUPPLEMENTAL STATEMENTS OF REVENUE AND PROGRAM EXPENSES
 YEAR ENDED DECEMBER 31, 2006
 (WITH COMPARATIVE TOTALS FOR 2005)

REVENUES	ALBANIA	LEBANON*	BOSNIA	INDONESIA	SOMALIA & KENYA	INDIA	PAKISTAN EARTHQUAKE	BANGLADESH	CHECHEN REFUGEES	NOT DESIGNATED	TOTAL	TOTAL 2005
Contributions from Public:												
General	\$28,383	\$297,809	\$287,875	\$185,085	\$237,170	\$1,547	\$178,986	\$1,565	\$2,025	\$51,793	\$1,272,248	\$1,139,246
Tsunami	0	0	0	0	0	0	0	0	0	0	0	598,480
Food Aid	20,000	8,000	19,000	31,000	25,000	18,724	9,233	6,899	0	46,441	184,297	172,507
Orphan Fund	0	850	360	0	1,456	0	0	0	0	6,364	9,030	10,988
Zakat	10,000	25,000	10,000	50,000	318,000	0	25,700	0	0	170,860	609,560	398,644
US Government Grants:												
US Department of Agriculture (USDA)	0	0	45,186	0	0	0	0	0	0	0	45,186	774,504
Other US Government Grants	0	0	0	0	0	0	0	0	0	0	0	23,277
UN Grants:												
UNMIK/CAMLSW	0	0	0	0	0	0	0	0	0	0	0	1,514
Other UN Grants	0	0	0	9,936	1,778	0	0	0	0	0	11,714	16,196
Global Fund to Fight AIDS, Tuberculosis & Malaria (GFATM) Grants	0	0	0	0	160,206	0	0	0	0	0	160,206	67,617
NGO/Foundation Grants	0	0	0	0	0	0	0	0	0	0	0	2,692
Gifts in Kind - UN Agencies	0	0	0	180,406	59,686	0	0	0	0	0	220,092	210,529
Gifts in Kind - US Govt (USDA)	0	0	0	0	0	0	0	0	0	0	0	1,820,595
Dividend Income	1	0	51	685	0	0	0	0	0	41,137	41,874	24,037
Gain/Loss on Foreign Currency Fluctuation	(508)	0	3,451	(475)	849	0	0	0	0	0	3,317	(351,347)
Realized Gain/Loss on Investments	0	0	0	0	0	0	0	0	0	18,089	18,089	0
Unrealized Gain/Loss on Investments	0	0	0	0	0	0	0	0	0	10,924	10,924	18,987
Gain/Loss on Sale of Equipment	91	0	0	0	0	0	0	0	0	0	91	1,875
Sales	0	0	0	0	0	0	0	0	0	105	105	177
Program Fees	0	0	493	0	0	0	0	0	0	0	493	351
Total Revenues	\$57,967	\$331,659	\$366,416	\$436,637	\$804,145	\$20,271	\$213,929	\$8,464	\$2,025	\$345,713	\$2,587,226	\$4,930,869
EXPENDITURES												
Program Services:												
Food, Shelter & Orphan Assistance	\$41,968	\$128,396	\$24,095	\$244,184	\$88,634	\$29,004	\$74,298	\$19,672	\$34,852	\$0	\$685,103	\$1,170,537
Economic Vitalization	0	0	208,535	180,964	0	0	0	0	0	0	389,499	849,057
Health	0	0	0	0	525,980	0	0	0	0	0	525,980	284,862
Education	4,986	21,566	5,315	3,178	17,052	0	0	0	0	0	52,097	2,183,929
General	84,927	24,025	43,276	35,972	48,136	0	0	0	0	0	236,336	182,550
Total Program Services	\$131,881	\$173,987	\$281,221	\$464,298	\$679,802	\$29,004	\$74,298	\$19,672	\$34,852	\$0	\$1,889,015	\$4,670,935

* Includes Palestinian refugees in Lebanon.

MERCY - USA FOR AID DEVELOPMENT, INC.
 INDIRECT COST ALLOCATION SCHEDULE
 YEAR ENDED DECEMBER 31, 2006

Expenditures	DIRECT COST					Total
	Total Cost	Allowable Indirect	Fund Raising Cost	Program Cost	Excluded Program Cost*	
Grants	\$111,920	\$0	\$0	\$111,920	\$0	\$111,920
Scholarships	3,300	0	0	3,300	0	3,300
Salaries & Wages	542,057	84,560	0	457,497	0	457,497
Employee Benefits	66,771	33,365	0	33,406	0	33,406
Advertising & Promotion	40,059	2,822	37,237	0	0	37,237
Transportation Expenses	33,545	1,211	0	32,334	0	32,334
Commercial Insurance	1,967	1,967	0	0	0	0
Conference, Meetings & Seminars	4,146	3,546	600	0	0	600
Consultants & Other Professional Services	19,707	0	0	19,707	0	19,707
Dues, Subscription, Fees etc.	4,637	3,989	120	528	0	648
Legal	8,404	430	0	7,974	0	7,974
Accounting	14,968	14,968	0	0	0	0
Occupancy & Warehousing	72,952	16,030	0	56,922	0	56,922
Postage & Shipping	28,876	6,395	10,964	11,517	0	22,481
Printing & Copying	6,362	2,204	3,345	813	0	4,158
Program Materials	782,461	0	0	782,461	220,092	562,369
Telephone	21,307	3,321	0	17,986	0	17,986
Travel	70,363	2,526	9,817	58,020	0	67,837
Bank Charges/Currency Adjustment	40,387	4,517	15,378	20,492	0	35,870
Office Supplies & Equipment	10,835	3,159	0	7,676	0	7,676
Payroll Taxes	6,692	6,692	0	0	0	0
Loss on Sale of Assets	3,257	0	0	3,257	0	3,257
Indirect Cost	246,393	0	0	246,393	246,393	0
Depreciation	21,019	4,207	0	16,812	0	16,812
Total	2,162,385	195,909	77,461	1,889,015	466,485	1,499,991
Reclassify Overhead Charged to Program Costs	0	246,393	0	0	0	0
Total	\$2,162,385	\$442,302	\$77,461	\$1,889,015	\$466,485	\$1,499,991

Base = Total Direct Cost
 Pool Cost \$442,302
 Base Cost \$1,499,991
 Indirect Rate 29.49%

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