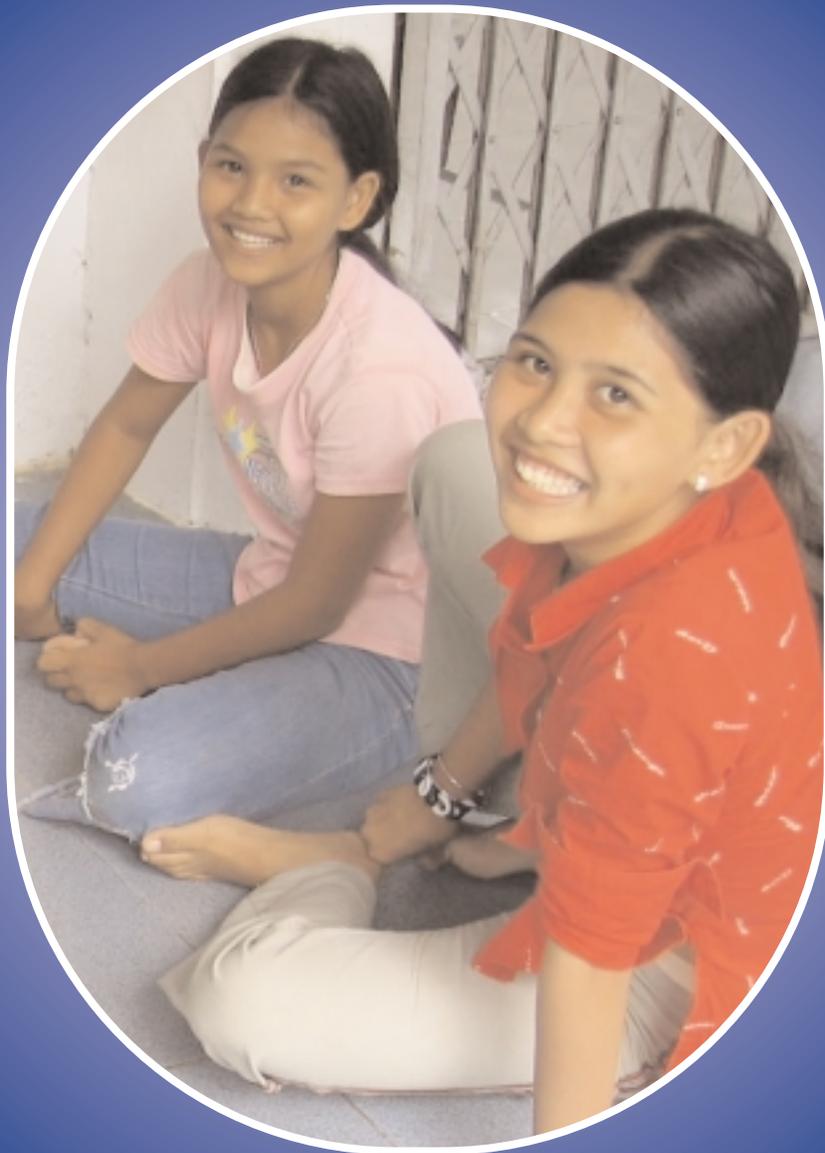


2004 Annual Report



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



Mercy-USA Carries Out Second US Government-Funded School Lunch Program in Albania

From September 2004 to June 2005, under a \$3.2 million grant from the United States Department of Agriculture (USDA), Mercy-USA for Aid and Development (M-USA) provided daily lunch to over 32,000 vulnerable school children in ten districts in the economically depressed northern and central regions of Albania. The objectives of this project, like a similar one in the 2002/2003 academic year, were to improve the children's nutrition and encourage attendance, reduce drop out rates, especially among girls, and improve academic performance. In addition, M-USA improved the hygiene and health knowledge and awareness of these students and their teachers through seminars conducted by our health monitors.

The project has made significant progress toward achieving the above objectives. All student achievement indicators increased at the end of the first semester when compared to the same period in the previous school year. Total student enrollment increased 4% (from 30,846 in 2003/2004 to 32,091 in 2004/2005). Among girls, enrollment increased 4.7% (from 15,103 in 2003/2004 to 15,805 in 2004/2005). Total student attendance increased 1.5% (from 98.2% in 2003/2004 to 99.7% in 2004/2005).



Primary school children in Albania enjoying lunch provided by M-USA through a USDA grant.



A young girl in Albania eating lunch in her classroom.

Moreover, the total average number of students who were passing, based on semester I results, increased 8% (from 90% who were passing in 2003/2004 to 98% in 2004/2005) and 5.5% among girls (from 93% in semester I 2003/2004 to 98.5% in 2004/2005). Total student average marks have also increased 8.6% (from 7 out of 10 in semester I 2003/2004 to 7.6 in 2004/2005) and specifically over 9% among girls (from 7.2 out of 10 to 7.9).

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

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

transporting, preparing, serving and monitoring the lunches for the children.

Protecting the Health of Mothers and Children in Somalia



A M-USA staff member in Somalia preparing to chlorinate a well.

Since 1997, Mercy-USA for Aid and Development has operated a mother/child health clinic (MCH) in the Jilib District of southern Somalia. The MCH not only serves mothers, children, and women of childbearing age, but also the general public. The clinic provides curative services, labor and delivery, pre-natal and post-natal care, immunizations, and micronutrients like vitamin A supplements. During 2004, over 2,000 infants, children under age five, and pregnant women were inoculated against measles, diphtheria, pertussis, tetanus, polio and tuberculosis. Additionally, M-USA distributed 800 insecticide-treated bed nets to pregnant women and children to prevent the transmission of malaria (a disease that kills many children and other vulnerable persons in Somalia and throughout Africa).



A M-USA physician in Jilib, Somalia examining a young patient in his mother's arms.

Mercy-USA also continues to chlorinate over 100 wells and other water sources in Jilib and around Somalia's capital city Mogadishu to prevent waterborne illnesses like cholera. UNICEF provides M-USA with vaccines, medicines, bed nets, chlorine and other medical supplies.

Since 1990, Somalia has not had a widely recognized or strong central government, and has been ravaged by intermittent civil war, famine and drought. This tragic situation has led to a total collapse of the country's fragile public infrastructure, including the health care system. Non-governmental organizations, like Mercy-USA, have been filling the gap left by the absence of government institutions. M-USA is primarily responsible for health services in the Jilib District.

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

From August 2003 to March 2005, under a grant worth about \$2.7 million from the United States Department of Agriculture, Mercy-USA for Aid and Development distributed poultry (egg-layer and broiler) packages, fruit tree packages with hand tools, chainsaws, bees and beehives, hay trimmers, livestock feed mills or greenhouses to over 2,100 families living in the Brcko District of Bosnia.

During this period, M-USA also provided over 1,480 of these families with training specific to their choice of input through group seminars on poultry and orchard care, greenhouse production and beekeeping. Additionally, Mercy-USA has contracted with local agronomists to ensure that on-site consultation and technical support is available to any client family that needs it.

From March to October 2004, M-USA's subcontractor for the forestry and agri-training components, Counterpart International (CPI), assisted approximately 1,500 families under the forestry component, and about 75 acres of forest were cleaned and thinned out to restore biodiversity. Also, during that same period, CPI trained approximately 2,000 family farmers through technical support seminars on a variety of topics



Small farmers in Bosnia at a M-USA training seminar funded through a US Government grant.



A woman in Bosnia with her M-USA provided hay trimmer purchased with USDA funding.



A farmer in Brcko, Bosnia with his fruit tree and hand tool packages.

including: orchard planting; sunflower and rape seed oil production; medicinal herb production; protection of fruit trees from illnesses and pests; and the economics of fruit growing and oil seed and medicinal herb production, etc.

The projects, funded under this USDA agreement, have impacted approximately 15,000 people directly through the distribution of agricultural inputs and seedlings, as well as the provision of technical training. In addition, thousands more have indirectly benefited through general improvements to the Brcko District's environment. With USDA's support, Mercy-USA has already helped returnee and formerly displaced families take an important step towards a return to self-sufficiency in the near and long term by facilitating the production of food at home.

In February 2003, M-USA signed its third United States Government agricultural development grant agreement for Bosnia. With this new grant, Mercy-USA is continuing a USDA-funded project started in 1999 to revive the small farming businesses of returnee and displaced families in the Brcko District.

Controlling Tuberculosis in Somalia

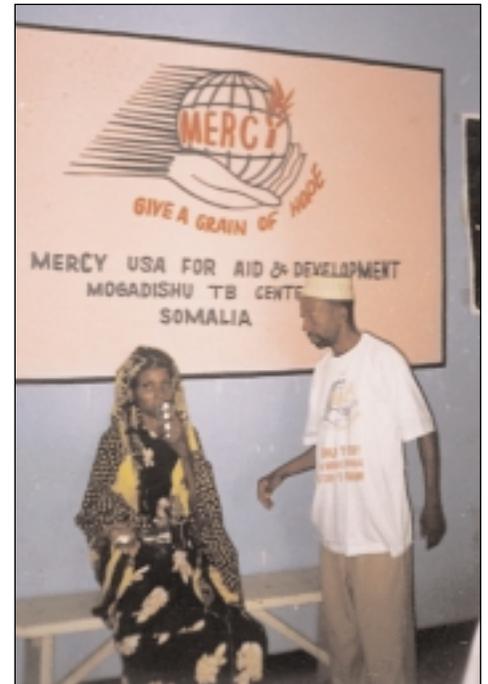
During 2004, Mercy-USA for Aid and Development continued carrying out its well-recognized tuberculosis (TB) treatment and prevention program in Somalia. This program consists of specialized treatment centers with public education and community outreach.

Opened in 1994, Mercy-USA's center in Mogadishu was the first specialized TB treatment facility to begin operation in Somalia after the outbreak of civil war in 1990. M-USA's second center opened in the northeastern city of Bossaso in 1995, and the third began in 1999 at our mother/child health clinic (MCH) in the southern town of Jilib. In 2005, M-USA began administering a fourth center in the northern city of Los Anod.

These centers, which have a cure rate of about 85%, treated over 2,300 TB patients in 2004. M-USA utilizes the most effective TB treatment strategy, the Directly Observed Treatment Short-course (DOTS) method.

In addition to testing and treatment, Mercy-USA's centers educate their local communities about TB prevention. During 2004, approximately 4,000 persons attended health education seminars, while about 40,000 others indirectly benefited through regular educational radio programs conducted by M-USA health personnel.

Through an agreement with the United Nations World Food Programme (WFP), M-USA's Bossaso and Mogadishu Centers also provided over 129,000 pounds of food for TB patients and their families. Since 1994, the World Health Organization (WHO) has been providing Mercy-USA with all TB medicines free-of-charge.



A woman suffering from TB receiving her daily medicine at M-USA's TB Treatment Center in Mogadishu, Somalia.

Assisting Flood Survivors in Bangladesh

From August to November 2004, Mercy-USA for Aid and Development, through our local partner organization Islamic Aid Bangladesh (IAB) assisted over 75,000 homeless flood survivors in 22 districts of Bangladesh.

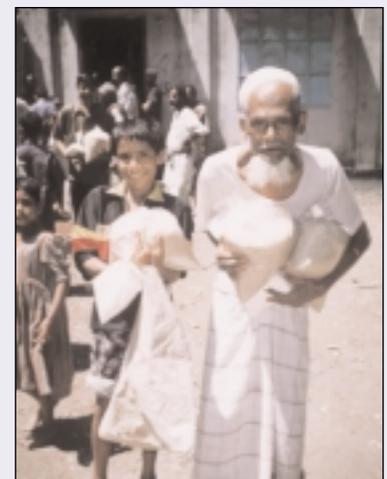
During August 2004, M-USA, in partnership with IAB, provided water purification tablets, oral rehydration salts (ORS) and various medicines to about 50,000 homeless persons in 17 flood-affected districts. These flood survivors received water purification tablets to provide them with safe, healthy water; ORS tablets to prevent the deadly dehydration caused by severe diarrhea; and additional medicines for diarrhea, dysentery and various other waterborne diseases.

During October and November 2004, Mercy-USA provided about 59,000 pounds of rice and 10,500 lb. of baby food to 5,335 families (over 25,000 persons) left homeless by floods in 11 districts.

Severe flooding during July and August 2004 adversely affected over 33.5 million people throughout Bangladesh, killing more than 725 persons, and forcing about 1.7 million people to seek refuge in homeless shelters. More than 300,000 persons left homeless by this severe flooding contracted illnesses like diarrhea and dysentery from drinking unsafe water.



A doctor in Bangladesh examining a young flood survivor.



An elderly flood survivor and his grandson in Bangladesh carrying rice provided through a M-USA grant.

Food Aid for Drought-Affected Families in Somalia

In January 2004, Mercy-USA for Aid and Development distributed food packages to 740 drought-affected families in the village of Mesegawein in the central Galgaduud Region of Somalia. Each package contained approximately 15 pounds of maize (corn), 15 lb. of sorghum (an important grain staple in Africa), 7.4 lb. of beans and 3 quarts of cooking oil.

The Somalia Aid Coordination Body (SACB), comprising donors, United Nations (UN) agencies and International NGOs (including M-USA) has stated that up to one million Somalis are at risk from continued and spreading drought conditions throughout the country. "Somalia has become one of the world's forgotten emergencies" Maxwell Gaylard, the acting chair of the SACB executive committee and the UN Humanitarian Coordinator, said in a statement. "In the context of the other crises in the region, there is a real danger that Somalis in need of assistance will once again suffer from international amnesia," he added.



M-USA distributing food to drought-affected villagers in Somalia.

Expanding Health Services in India



A newborn and her mother at the M-USA funded hospital in India.

From October 2004 to April 2005, Mercy-USA for Aid and Development, through a grant to our local partner organization AFMI Charitable Trust (AFMI-CT), funded the expansion of AFMI-CT's hospital in the city of Baroda in the State of Gujarat, India. This expansion included the addition of a new floor to the existing structure with a new operating theater, specialty treatment rooms, 23 more patient beds, new defibrillator, other medical equipment and furniture.

With this expansion, the hospital is now able to provide health services to approximately 22,000 patients annually, most of whom are low income and cannot afford such services at other medical facilities. In 2000, Mercy-USA helped this hospital with the purchase of an X-ray machine.



Patients in the newly expanded AFMI-CT Hospital in Baroda, India funded by M-USA.

Protecting the Health of School Children in Kosovo

During January and February 2004, Mercy-USA for Aid and Development continued its successful program to protect the health of school children in Kosovo by making repairs and upgrades to the water and sanitation system at Ismail Qemali Primary School in Pristina.

Since 2000, M-USA, with funding primarily from the United Nations Children's Fund (UNICEF), has made water and sanitation system and other repairs at 35 primary schools throughout Kosovo. These repairs are providing an environment that is far more conducive to education, as well as a safer, more sanitary one for over 13,000 children.

Seasonal Food Aid and Clothing Provided Around the World

During 2004, Mercy-USA for Aid and Development provided meat, rice, pasta, beans, cooking oil, flour, other food items and clothing to approximately 100,000 vulnerable persons in Albania, Bosnia, Kenya, Kosovo, Somalia, Bangladesh, India, and to Chechen refugees in Turkey. M-USA distributed the above food items and clothing to orphans, the elderly, displaced individuals, refugees, persons with disabilities and those living in poverty.

Food was provided as hot meals and food packages during the Muslim fasting month of Ramadan, while the clothing was distributed as gifts during Eid ul-Fitr, the holiday that marks the end of the fast. Fresh qurbani meat was distributed during the Muslim holiday of Eid ul-Adha.



Food distribution to vulnerable families in Somalia.



M-USA staff distributing fresh qurbani meat to vulnerable families in Bosnia.



Three generations of Chechen refugees in Turkey standing with their Ramadan food package.



Children in India receiving food packages funded by M-USA.

Constructing and Repairing Social Service Centers in Kosovo



The ground breaking ceremony for the new Social Service Center in Fushe Kosovo.



The new Social Service Center in Fushe Kosovo under construction by M-USA.

From January 2004 to March 2005, with grants from the United Nations Interim Administration Mission in Kosovo (UNMIK), Mercy-USA for Aid and Development renovated a Social Service Center in Decan and constructed a new center in Fushe Kosovo.

Improving Mobility and Access for Persons with Disabilities in Kosovo

From November 2004 to February 2005, Mercy-USA for Aid and Development repaired a wheelchair workshop in Pristina and built a new access ramp for the workshop.

From August 2003 through January 2004, M-USA built access ramps for persons with disabilities at 92 locations within 25 municipalities throughout Kosovo. These projects were funded by the Organization for Security and Cooperation in Europe (OSCE).

Safe and Sustainable Water Supply to Villages in Somalia

During 2003 and 2004, Mercy-USA for Aid and Development assisted over 7,000 inhabitants of villages near Jowhar in the Central Shabelle region of Somalia to develop a safe and sustainable water supply system. The objective of this activity was decreased risk of morbidity and mortality from waterborne diseases among children, women and the elderly.

Under this project, M-USA, in partnership with the local communities, dug one deep well, built watering canals for livestock, and constructed water tanks. An electric pump and kerosene-operated power generator were placed with the well for a stable, rapid and large-volume flow of water.

While community residents have access to the well-water free of charge for normal usage, user fees are being charged to livestock owners coming to the area to water their animals. These fees are funding the operation and maintenance costs associated with sustaining the water supply system. After covering all of these expenses, any surplus revenue is placed in a community development fund that is supporting educational initiatives and community infrastructure improvement projects. Since 1998, Mercy-USA has repaired and rehabilitated 48 wells in Somalia.

Computer Software and English Language Training in Bosnia



M-USA Director of International Programs Mohamed Ahmed visiting students at M-USA's software training course in Bosnia.

Since December 1998, through a mobile center (computers and other training materials are moved from one fixed site to another), Mercy-USA for Aid and Development has been providing computer software training to individuals in towns throughout the Tuzla Canton. Three-month training courses are given in the leading basic office software, Windows, Microsoft Word and Excel.

At the end of each training session, students are tested, and if they have mastered the required skills they receive a certificate. Employers in the region recognize the quality of the training and some have requested M-USA to setup specific courses for their employees. As of December 2004, over 1,000 persons have graduated from this program.

In February 2004, Mercy-USA initiated a series of two-month long intensive English language courses in Srebrenik Municipality in northeastern Bosnia. About 60 adults have successfully completed these courses.

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

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 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 general purpose financial statements of Mercy-USA For Aid & Development, Inc. (a nonprofit organization) as of December 31, 2004 and 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Mercy-USA For Aid & Development, Inc. as of December 31, 2004 and 2003 and the results of operations and changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2005 on our consideration of the Mercy-USA For Aid & Development, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Alan C. Young & Assoc.

May 11, 2005

Audit Letter from Certified Public Accountants

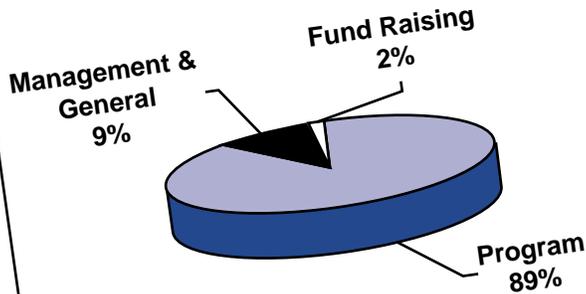
Year Ended
 December 31, 2004

MERCY - USA FOR AID & DEVELOPMENT, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2004
(WITH COMPARATIVE TOTALS FOR 2003)

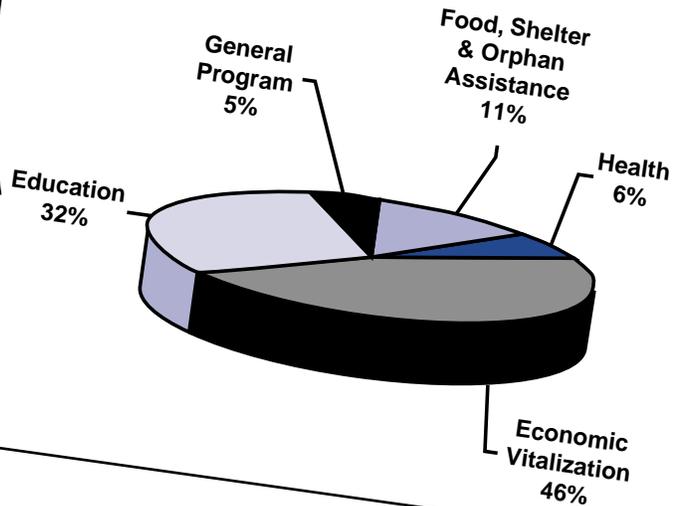
	USA OPERATIONS	OVERSEAS OPERATIONS	TOTAL 2004	TOTAL 2003
ASSETS				
Current Assets:	\$1,925,792	\$817,795	\$2,743,587	\$3,473,226
Cash and Cash Equivalents (Note 2)	406,103	0	406,103	364,591
Investments (Note 4)	9,058	216,448	225,506	133,287
Pledges & Accounts Receivable (Note 5)	0	15,309	15,309	15,308
Advances to Sub-Contractor	0	1,000	1,000	8,600
Notes Receivable - Micro-lending/SED	0	1,820,595	1,820,595	0
Inventory (Note 8)	8,219	0	8,219	4,840
Prepaid Insurance & Expenses	2,349,172	2,871,147	5,220,319	3,999,852
Total Current Assets			216,924	219,550
Fixed Assets:	50,326	166,598	(104,430)	(130,515)
Vehicles, Furniture & Equipment (Note 6)	(36,981)	62,168	75,513	89,034
Less: Accumulated Depreciation	13,345			
Total Fixed Assets			3,471	0
Other Assets:	0	0	5,600	5,600
Travel Advance	5,600	0	9,071	5,600
Security Deposits	5,600	3,471		
Total Other Assets			\$2,936,786	\$4,094,486
Total Assets	\$2,368,117	\$2,936,786	\$5,304,903	\$4,094,486
LIABILITIES AND NET ASSETS				
Current Liabilities:	\$147,207	\$354,556	\$501,763	\$131,989
Accounts Payable	0	2,305,475	2,305,475	1,711,018
Deferred Revenue (Note 9)	356	0	356	0
Accrued Payroll & Taxes	147,563	2,660,031	2,807,594	1,843,007
Total Current Liabilities			2,485,943	2,249,231
Net Assets:	2,215,205	270,738	11,366	2,248
Unrestricted	5,349	6,017	2,497,309	2,251,479
Temporarily Restricted	2,220,554	276,755		
Total Net Assets	\$2,368,117	\$2,936,786	\$5,304,903	\$4,094,486
Total Liabilities and Net Assets				

Statement of
 Financial Position
 December 31, 2004

**Functional Expenses
Jan. 1 to Dec. 31, 2004**



Program Expenses (By Service Category) Jan. 1 to Dec. 31, 2004



Graphs of Functional Expenses and Program Service Expenses

Year Ended December 31, 2004

**MERCY - USA FOR AID & DEVELOPMENT, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2004
(WITH COMPARATIVE TOTALS FOR 2003)**

Expenditures	Food, Shelter & Orphan Assistance	Health	Economic Vitalization	Education	General Program	Total Program Services	Management & General	Fund Raising	Total 2004 Expenditures	Total 2003 Expenditures
						\$213,920	\$0	\$0	\$213,920	\$26,430
Grants	\$155,920	\$58,000	\$0	\$0	\$0	2,640	0	0	2,640	1,950
Scholarships	0	0	0	2,640	0	0	192,265	0	706,095	499,767
Salaries & Wages	25,748	89,834	137,738	118,116	142,394	513,830	40,353	0	73,477	52,667
Employee Benefits	1,027	1,997	15,332	8,166	6,602	33,124	29,522	24,758	54,280	22,147
Advertising & Promotion	0	0	0	0	0	0	879	0	55,331	72,399
Transportation Expenses	4,876	4,111	17,089	18,887	9,489	54,452	6,519	0	8,519	8,321
Commercial Insurance	0	0	0	0	0	0	2,802	0	2,802	2,202
Conference, Meeting & Seminars	0	0	26,825	5,381	149	35,416	0	0	35,416	5,790
Consultants & Other Professional Services	2,966	95	0	0	0	0	7,358	0	7,358	7,570
Dues, Subscriptions, Fees, etc.	0	0	0	1,628	1,949	7,090	20,388	0	27,478	2,374
Legal	325	1,138	2,050	0	0	2,473	31,250	0	33,723	31,947
Accounting	0	0	2,473	0	0	0	33,249	0	105,299	60,630
Occupancy & Warehousing	6,929	17,789	9,211	19,665	18,456	72,050	7,868	19,357	28,887	24,818
Postage & Shipping, etc.	209	0	567	839	51	1,666	8,685	7,132	17,483	19,044
Printing & Copying	0	0	0	0	0	0	0	0	3,276,223	3,243,005
Program Materials	280,602	67,130	1,771,245	1,151,190	6,056	3,276,223	4,604	0	49,460	49,451
Telephone	3,200	3,209	10,896	20,122	7,429	44,856	5,811	26,958	102,781	78,471
Travel	13,834	7,419	12,600	15,698	20,461	70,012	11,888	13,524	16,823	52,017
Bank Charges/Currency Adjustment	687	2,661	7,406	598	(19,941)	(8,589)	3,910	0	27,604	45,694
Office Supplies and Equipment	1,306	7	7,467	5,243	9,671	23,694	16,675	0	16,675	16,904
Payroll Taxes	0	0	0	0	0	0	0	0	1,897	0
Loss on Sale of Assets	0	0	0	0	1,897	1,897	0	0	49,480	26,983
Indirect cost	0	0	20,948	28,532	0	49,480	0	0	23,286	26,573
Depreciation	0	0	0	0	19,393	19,393	3,893	0	0	0
Total	\$497,629	\$253,390	\$2,042,728	\$1,396,949	\$224,593	\$4,415,289	\$427,919	\$91,729	\$4,934,937	\$4,377,154

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

Statement of Functional Expenses
Year Ended December 31, 2004

2004 Financial Audit

MERCY - USA FOR AID & DEVELOPMENT, INC.
STATEMENTS OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2004
(WITH COMPARATIVE TOTALS FOR 2003)

	USA OPERATIONS		OVERSEAS OPERATIONS		TOTAL 2004		TOTAL 2003	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
SUPPORT AND REVENUE								
Contributions From Public	\$303,456	\$1,198,038	\$0	\$8,801	\$303,456	\$1,204,839	\$313,709	\$849,433
US Governmental Grants	0	0	0	2,328,133	0	2,328,133	0	832,694
US Department of Agriculture (USDA)	0	0	0	0	0	0	0	286,073
US Agency for International Development (USAID)	0	0	0	0	0	0	0	0
United Nation (UN) Grants	0	0	0	0	0	0	0	0
UNMIK/CA/MEST	0	0	0	0	0	0	0	0
UNMIK/CA/MPS	0	0	0	0	0	0	0	0
UNMIK/CA/MSW	0	0	0	0	0	0	0	0
Other UN Grants	0	0	0	4,697	0	4,697	0	0
Organization for Security & Cooperation in Europe (OSCE) Grants	0	0	0	0	0	0	0	0
NGO/Foundation Grants	0	0	0	150,609	0	150,609	0	73,413
Contribution In-Kind - Public	0	0	0	0	0	0	0	127,285
Contribution In-Kind - UN agencies	0	0	0	8,175	0	8,175	0	11,059
Contribution In-Kind - NGO/Foundation	0	0	0	0	0	0	0	88,483
Contribution In-Kind - US Government (USDA)	0	0	0	0	0	0	0	0
Dividend Income	0	0	0	44,231	0	44,231	0	31,608
Gain/Loss on Foreign Currency Fluctuation	0	0	0	0	0	0	0	0
Unrealized Gain (Loss) on Investments	20,422	0	0	1,014,299	0	1,014,299	0	321,890
Gain (Loss) on Sale of Equipment	0	0	235	0	0	0	0	0
Sales	54,811	0	37,786	0	20,657	57,786	16,494	30,082
Program Fees	100	0	0	0	0	6,694	0	0
Transfer-In/(Out)	40	0	1,610	0	54,811	0	161,595	0
Net Assets Released From Restrictions (Note 1):	0	0	0	0	1,710	0	54,648	0
Satisfaction of Service Restrictions	0	0	0	0	40	0	4,530	0
Total Support and Revenue	46,249	(46,249)	4,706,310	1,251,127	4,752,559	(4,752,559)	4,092,767	(4,002,767)
EXPENSES	985,078	(99,338)	4,185,571	(4,706,310)	108,456	5,171,649	9,118	(4,644,353)
Program Services:								
Food, Shelter and Orphan Assistance	0	0	497,629	0	497,629	0	341,181	0
Economic Vitalization	0	0	2,042,728	0	2,042,728	0	812,485	0
Health	0	0	253,390	0	253,390	0	812,485	0
Education	0	0	1,396,949	0	1,396,949	0	449,594	0
General	0	0	224,593	0	224,593	0	2,072,582	0
Total Program Services	0	0	4,415,289	0	4,415,289	0	3,900,347	0
Management and General	427,919	0	0	0	427,919	0	396,954	0
Fund Raising	519,248	0	0	0	519,248	0	80,243	0
Total Supporting Expenses	947,167	0	0	0	947,167	0	487,197	0
Total Expenses	985,078	(99,338)	4,185,571	(4,706,310)	108,456	5,171,649	9,118	(4,644,353)
Change In Net Assets	519,648	0	4,415,289	0	4,934,937	0	4,377,154	0
Net Assets - Beginning of Year	466,430	(99,338)	(229,716)	108,456	236,712	9,118	267,199	(1,440,747)
Net Assets - End of Year	986,078	(99,338)	4,185,571	(102,439)	2,249,231	2,248	1,982,032	1,442,995

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

Statement of Activities Year Ended December 31, 2004

MERCY - USA FOR AID & DEVELOPMENT, INC.
STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2004
(WITH COMPARATIVE TOTALS FOR 2003)

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES	\$245,630	(\$1,173,548)
Change in Net Assets		
Adjustments to reconcile change in net asset to cash provided by operations	(1,710)	(4,530)
(Gain) Loss on Sale of Asset	23,286	26,573
Depreciation	(54,811)	(54,648)
Unrealized (Gain)/Loss from Investments	(1,820,595)	1,464,016
Change in:	(3,379)	(248)
Inventory	(92,219)	42,724
Prepaid Insurance and Expenses	(1)	114,873
Pledges and Accounts Receivable	369,774	8,399
Advances to Sub Contractor	594,457	1,516,405
Accounts Payable	356	(643)
Deferred Revenue	(739,012)	1,939,373
Accrued Payroll Taxes		
Net Cash Provided by (Used in) Operating Activities	0	(4,686)
CASH FLOWS FROM INVESTING ACTIVITIES	(17,665)	(32,750)
Investments	19,438	10,288
Purchase of Equipment	1,773	(27,128)
Proceeds from Sale of Assets		
Net Cash Provided by (Used in) Investing Activities	7,600	(6,400)
CASH FLOWS FROM FINANCING ACTIVITIES	7,600	(6,400)
Proceeds(Payments) from Notes Receivable		
Net Cash Provided by (Used in) Financing Activities	(729,639)	1,905,845
Increase/(Decrease) in Cash	3,473,226	1,567,381
Cash and Cash Equivalents - Beginning of Year	\$2,743,587	\$3,473,226
Cash and Cash Equivalents - End of Year	\$2,743,587	\$3,473,226

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

Statement of Cash Flows Year Ended December 31, 2004

MERCY-USA FOR AID & DEVELOPMENT, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2004 AND 2003

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 and California to solicit public funds. Mercy-USA is involved in the relief and development for individuals and communities providing economic vitalization, health care, food and shelter and education mainly in Kenya, Somalia, Bosnia, Kosovo and Albania and also in the United States and other countries around the world with the help of United States Department of Agriculture (USDA), United Nations Interim Administration Mission in Kosovo (UNMIK), United Nations Children Fund (UNICEF) and other United Nations grants as well as through public contributions.

Basis of Accounting

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

Financial Statement Presentation

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

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

Unrestricted Fund:

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

Temporarily Restricted Fund:

Temporarily restricted net assets are those assets received with donor stipulations that limit the use of the donated assets. When stipulated time restrictions expire or purposes 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, 2004 AND 2003
 (Continued)

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

Contributions

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

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

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

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

Grants

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

Inventory

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

Investments

The Organization has adopted SFAS No. 124, Accounting for Certain Investments Held by Not-for-Profit Organizations. Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Accordingly, donated marketable securities are recorded as contributions at their estimated fair market values at the date of donation. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage 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, 2004 AND 2003
 (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:

<u>Purpose Restriction Accomplished:</u>	
Albania Programs	\$1,543,176
Bosnia Programs	2,344,679
Kosovo Programs	295,613
Somalia & Kenya Programs	304,715
Bangladesh Programs	99,694
Chechen Refugees	20,718
India Programs	128,998
Other Programs	14,966
Total Restrictions Released	<u><u>\$4,752,559</u></u>

MERCY-USA FOR AID & DEVELOPMENT, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2004 AND 2003
 (Continued)

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

Temporarily restricted net assets are available for specific programs and have a balance of \$11,366 at December 31, 2004.

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, 2004, includes \$2,434,393 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, 2004 AND 2003
 (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, 2004. Dividends and capital gains earned on the shares are reinvested in the fund.

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

	Cost	Fair Value	Unrealized Gain (Loss)
Cash & Money Market Funds	\$16,177	\$16,177	\$0
Stocks	311,151	365,874	54,723
Corporate Fixed Income	23,964	24,052	88
Total	\$351,292	\$406,103	\$54,811

5) PLEDGES AND ACCOUNTS RECEIVABLE

Accounts Receivable / Pledges Receivable – USA Operations

Accounts receivable at December 31, 2004 were collected in 2005. Unconditional pledges receivable at December 31, 2003 and 2004 were collected in 2004 and 2005, respectively.

MERCY-USA FOR AID & DEVELOPMENT, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2004 AND 2003
 (Continued)

5) PLEDGES AND ACCOUNTS RECEIVABLE (Continued)

Accounts Receivable - Overseas Operations

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

6) FIXED ASSETS

The fixed assets comprised of the following:

	USA Operations	Overseas Operations	Total 2004	Total 2003
Automobiles				
Office Equipment	\$17,301	\$96,661	\$113,962	\$115,199
Office Furniture	23,372	56,736	80,108	83,135
Audio Visual	2,620	4,997	7,617	5,862
Others	6,583	4,009	10,592	10,709
	450	4,195	4,645	4,645
Less: Accumulated Depreciation	50,326	186,598	216,924	219,550
	(36,981)	(104,430)	(141,411)	(130,516)
Total	\$13,345	\$62,168	\$75,513	\$89,034

7) PENSION PLAN

The Organization started a 401(k) pension plan from January 1, 2000 for all employees who have attained the age of 20 ½ years. Employee may join the plan on January 1 or July 1 that coincides with or follows the date of employment after the completion of one year of service. Employer provides a 50% match on eligible employee contributions to the plan up to a maximum allowable by the plan. The Organization contributed \$7,306 and \$7,313 in the year 2004 and 2003 respectively to the Plan.

8) INVENTORY

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

9) DEFERRED REVENUE

Deferred revenue shows advances from grants awarded for assistance programs in Albania, Bosnia, and Somalia.

2004 Financial Audit

Supplemental
Statement of
Revenues and
Program
Expenses

Year Ended
December 31,
2004

MERCY - USA FOR AID & DEVELOPMENT, INC.
SUPPLEMENTAL STATEMENTS OF REVENUES AND PROGRAM EXPENSES
YEAR ENDED DECEMBER 31, 2004
(WITH COMPARATIVE TOTALS FOR 2003)

REVENUES	ALBANIA	KOSOVO	BOSNIA	SOMALIA & KENYA	INDIA	BANGLADESH	CHECHEN REFUGEES	OTHERS*	NOT DESIGNATED	TOTAL 2004	TOTAL 2003
	Contributions from Public:										
General											
Food Aid	\$126,982	\$47,134	\$156,047	\$63,341	\$7,326	\$101,129	\$3,082	\$202,636	\$113,220	\$820,897	\$598,343
Orphan Fund	28,000	28,000	23,000	24,000	8,000	8,687	9,163	0	24,230	151,080	140,059
Zakat	500	0	360	1,720	0	0	500	0	6,550	9,630	11,645
US Government Grants	25,000	0	100,000	200,000	25,000	5,000	1,000	0	170,687	526,687	413,095
US Department of Agriculture (USDA)											
US Agency for International Development (USAID)	326,468	0	2,001,665	0	0	0	0	0	0	2,328,133	832,694
UN Grants	0	0	0	0	0	0	0	0	0	0	286,073
UNMIK/CAMEST	0	4,697	0	0	0	0	0	0	0	4,697	0
UNMIK/CAMPS	0	0	0	0	0	0	0	0	0	0	73,413
UNMIK/CAMLSW	0	150,609	0	0	0	0	0	0	0	150,609	127,265
Other UN Grants	0	0	0	0	0	0	0	0	0	0	11,059
Organization for Security & Cooperation in Europe (OSCE)	0	0	0	0	0	0	0	0	0	0	88,483
NGO/Foundation Grants	0	8,175	0	0	0	0	0	0	0	8,175	0
Gifts In Kind - Public	0	0	0	0	0	0	0	0	0	0	0
Gifts In Kind - UN Agencies	0	0	0	0	0	0	0	0	0	0	0
Gifts In Kind - NGO/Foundation	0	0	0	44,232	0	0	0	0	0	44,232	31,608
Gifts In Kind - US Govt (USDA)	0	0	0	0	0	0	0	0	0	0	0
Dividend Income	1,014,299	0	0	0	0	0	0	0	0	1,014,299	0
Gain/Loss on Foreign Currency Fluctuation	0	235	6,694	0	0	0	0	0	0	7,164	321,890
Unrealized Gain/Loss on Investments	109	(2,174)	39,851	0	0	0	0	0	0	47,786	0
Gain/Loss on Sale of Equipment	0	0	0	0	0	0	0	0	0	0	0
Sales	0	0	110	1,500	0	0	0	0	20,422	27,351	46,575
Program Fees	0	0	0	0	0	0	0	0	54,811	37,786	161,595
Total Revenues	630	0	0	0	0	0	0	0	100	54,811	54,648
	\$1,521,988	\$234,676	\$2,327,727	\$334,793	\$40,326	\$114,816	\$13,745	\$202,636	\$390,060	\$5,180,767	\$3,203,605
EXPENDITURES											
Program Services:											
Food, Shelter & Orphan Assistance	\$48,059	\$205,312	\$20,649	\$43,297	\$80,000	\$75,920	\$20,230	\$4,162	\$0	\$497,629	\$341,181
Economic Vitalization	151	0	2,042,577	0	0	0	0	0	0	2,042,728	812,485
Health	0	18,072	0	177,318	48,000	10,000	0	0	0	263,390	449,594
Education	1,385,474	5,683	5,792	0	0	0	0	0	0	1,396,949	2,072,582
General	80,083	43,307	25,964	75,239	0	0	0	0	0	224,593	224,505
Total Program Services	\$1,513,767	\$272,374	\$2,094,962	\$295,854	\$128,000	\$85,920	\$20,230	\$4,162	\$0	\$4,415,289	\$3,900,347

* Primarily Indian Ocean Tsunami and Earthquake.

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MERCY - USA FOR AID & DEVELOPMENT, INC.
INDIRECT COST ALLOCATION SCHEDULE
YEAR ENDED DECEMBER 31, 2004

Expenditures	Total Cost	Allowable Indirect	Fund Raising Cost	Program Cost	Excluded Program Cost*	Total Direct Cost
		\$0	\$0	\$213,920	\$0	\$213,920
	\$213,920	0	0	2,640	0	513,830
	2,640	0	0	513,830	0	33,124
Grants	708,095	192,265	0	33,124	0	24,758
Scholarships	73,477	40,353	24,758	0	0	54,452
Salaries & Wages	54,280	29,522	0	54,452	0	0
Employee Benefits	55,331	879	0	0	0	0
Advertising & Promotion	6,519	6,519	0	0	0	35,416
Transportation Expenses	2,802	2,802	0	35,416	0	0
Commercial Insurance	35,416	0	0	0	0	7,090
Conference, Meetings & Seminars	7,358	7,358	0	7,090	0	2,473
Consultants & Other Professional Services	27,478	20,388	0	2,473	0	72,050
Dues, Subscription, Fees etc.	33,723	31,250	0	72,050	0	21,019
Legal	105,299	33,249	19,357	1,662	0	8,798
Accounting	28,987	7,868	7,132	1,666	(1,058,531)	2,217,692
Occupancy & Warehousing	17,483	8,685	0	3,276,223	0	44,856
Postage & Shipping	3,276,223	0	0	44,856	0	96,970
Printing & Copying	49,460	4,604	0	70,012	0	4,935
Program Materials	102,781	5,811	26,958	(8,589)	0	23,694
Telephone	16,823	11,888	13,524	23,694	0	0
Travel	27,604	3,910	0	0	0	1,897
Bank Charges/Currency Adjustment	16,675	16,675	0	1,897	(36,635)	12,845
Office Supplies & Equipment	1,897	0	0	49,480	0	19,393
Payroll Taxes	49,480	0	0	19,393	0	3,411,852
Loss on Sale of Assets	23,286	3,893	0	4,415,289	(1,095,166)	0
Indirect Cost	4,934,937	427,919	91,729	0	0	\$3,411,852
Depreciation	0	36,635	0	0	0	0
Total	\$4,934,937	\$464,554	\$91,729	\$4,415,289	(\$1,095,166)	\$3,411,852
Reclassify Overhead Charged to Program Costs						
Total						
Base = Total Direct Cost	\$464,554					
Pool Cost	\$3,411,852					
Base Cost	13.62%					
Indirect Rate						

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

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Indirect Cost
Allocation
Schedule

Year Ended
December 31,
2004

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

Board of Directors

Ms. Zakia Mahasa, *Chairperson*
Mr. Syed Salman, *Treasurer*

Mr. Faizil Baksh
Dr. Ali El-Menshawi

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

Mr. Umar al-Qadi, *President & CEO*

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

MERCY-USA FOR AID AND DEVELOPMENT

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

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

Facsimile 734-454-0303

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

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

Other Mercy-USA Offices

Albania
Tirana

Bosnia
Tuzla

Indonesia
Jakarta
Banda Aceh

Kenya
Nairobi

Somalia
Mogadishu

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

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

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

Please call us at

1-800-55MERCY

(1-800-556-3729)

to discuss options.

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

Contribution / Pledge Form

Personal Information

Name _____

Address _____

City _____

State/Province _____ Zip/Postal Code _____

Country _____ Work Phone _____

Home Phone _____ Fax _____

E-mail _____

One Time Donation Monthly Donation

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

Check

Credit Card (Fill out Section A)

Bank Auto Withdrawal (Fill out Section B)

Pledge

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

A) Credit Card Information (Charged in US Currency)



Account No. _____

Expiration Date _____

Signature _____

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

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

Checking Account

Savings Account

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

Account No. _____

Starting with the ____/____/20____

Signature _____

Date _____

Important!

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

US Federal Tax # 38-2846307

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

OR

Mercy-USA for Aid and Development (Canada)

Canadian Federal Tax # 89458-5553-RR0001

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

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