

Mercy-USA
2020
annual
REPORT



Mercy-USA

Mercy-USA for Aid and Development



Table of CONTENTS

FOOD AID.....4

HEALTH CARE8

EDUCATION..... 16

SAFE WATER 24

AGRICULTURE 26

EMERGENCY RELIEF..... 28

SEASONAL FOOD AID..... 29

EXPENSE RATIO GRAPHS 30

AUDITOR'S REPORT..... 31

BOARD OF DIRECTORS..... 50

OFFICES..... 50

CONTRIBUTION FORM 51

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Food

The most basic
**human
RIGHT**

SYRIA

Food Aid for more than **250,000**

Not only are families suffering from the loss of family members, their livelihoods and homes, the emotional trauma continues in the camps where they find themselves unable to support their basic needs.

Every day without a reliable source of sustenance wears a parent down as they see their children go hungry. The hopelessness increases with each day of being uncertain of the next meal.

Through generous grants and in partnership with the World Food Program, UN Office for the Coordination of Humanitarian Affairs, the International Organization for Migration and USAID's Bureau for Humanitarian Assistance, Mercy-USA is serving approximately 250,000 people in northern Syria. This food aid was often the only reliable and healthy source of nutrition for these families.

In 2020, approximately 3.7 million people in Northwest Syria were food insecure, defined as lacking access to sufficient quantity of affordable and nutritious food.

The majority of Syrians living in either formal or informal encampments for internally displaced persons in northern Syria were laborers, small farmers or owners of small businesses. They left their land, homes and livelihoods not in search of better opportunities but out of fear of violence from airstrikes and government attacks.





Yemen

emergency

FOOD AID

Yemen Emergency Made Worse by the Pandemic in 2020

The war in Yemen has been raging since 2015. According to the World Food Program in February, 2020, “Despite ongoing humanitarian assistance, over 20 million Yemenis are food insecure, nearly 10 million of them are acutely food insecure.”

Then, the Pandemic caused Yemeni families to have even less money to feed their families. Remittances from abroad that typically supported half of Yemen’s economy shrunk by up to 70% due to COVID-19. The local currency fell to record lows. An estimated 17-19 million were in need of urgent help with food costing 140% more than before the conflict.



Mercy-USA provided monthly food baskets for families in Yemen with our implementing partner, Turkish Red Crescent. Distributions took place in Marib, Aden, Hadramawt and Taiz. These distributions helped locals in need as well as internally displaced persons from other areas like Sana’a, Hodeida, Hajjah, Amran, etc.



Cash transfers to build resiliency against food insecurity in Somalia

“Our main livelihood is livestock but the animals are very thin,” said Ayaan Mohammad, a 38-year-old mother of two children, “No one will buy them. The local markets are full of basic commodities but my family doesn’t have the money to buy what we need to eat.”

Like many families in Somalia’s Abduwak district, Ayaan Mohammad’s family had been directly impacted by the significant drought that lasted from late 2017 through mid-spring of 2019. The drought heightened food insecurity in poor households that were already vulnerable from their region’s protracted conflict and continued displacement.

In response to this humanitarian crisis, Mercy-USA in partnership with the World Food Program (WFP) developed the Baxnaano (Uplifting)/Shock Responsive Safety Nets for Human Capital (SNHC) project. The project was designed to provide poor and vulnerable rural households, like Ayaan’s family, with a direct cash transfer of \$20 per month. This program helped families meet their immediate dietary needs and helped increase resiliency against food insecurity or malnutrition. The project was implemented in forty-two separate villages and was facilitated through a local mobile money transfer service.

The Baxnaano/SNHC project helped turn Ayaan and her family’s lives around for the better. Immediately after learning that she met the project selection criteria, Ayaan walked for two kilometers to another village in order to access a strong mobile network connection to access the money transfer resulting in an immediate positive impact on her family’s life.

She purchased sacks full of foodstuffs, ranging from spaghetti, rice, and cooking oil. “My children will be happy for the first time in a long while. My husband will also have peace of mind and fewer worries about our next meal.”

HEALTH CARE

protecting futures

future



Nawal's Story

Nawal, a 31-year-old mother in the Galgaduud region of Somalia said, "I thought delivering my baby at the hospital would lower my dignity. My family didn't believe in hospital delivery, either."

Like many in her community, Nawal hesitated to consider a hospital delivery due to the surrounding misconceptions and stigma. Instead, she delivered her children at home with the assistance of traditional birth attendants who often lack the rigorous training of hospital midwives. Many women who have home births risk significant dangers to their health, including death, as a result.

When Nawal agreed to accompany her friend to a Mercy-USA referral hospital she connected with a hospital midwife. The midwife clarified common misconceptions about hospital deliveries and helped her understand the advantages of a qualified midwife. She also learned that the hospital provides services for all stages of her pregnancy and delivery would be free. Her perception of hospital deliveries changed and she decided to begin her prenatal care at the facility.

With the support of trained midwives, Nawal delivered a healthy baby boy. She and her family were grateful to Mercy-USA for providing these services for a healthy birth and beyond.

SOMALIA

nutrition support

HEALTHCARE

covid-19

MITIGATION

perfect example of the interventions our clinics provide to women in rural areas who have no other reliable and trained healthcare professionals.

Since the worldwide pandemic hit in 2020, Mercy-USA healthcare personnel are vigilant in screening for COVID-19 related symptoms. If staff members suspect a case, the patient is referred to another facility for further tests and treatment.

The Care They Need

"This Health Center has made my family's life so much better. I don't have to be filled with worry when one of my children falls sick. We get the care we need when we come here." 25 year-old Farhiyo is expecting her fourth child and gets her postnatal care and nutrition counseling at the Nageyle Health Center in Karaan District on the outskirts of Mogadishu. Farhiyo wasn't there that day for herself but for her youngest daughter, 2 year-old Hamda, (pictured above) who was suffering from a high fever and cough.

The baby was examined by a Mercy-USA physician and prescribed medicine which Farhiyo filled free of charge at the health center's pharmacy. As per the doctor's direction, Hamda was brought back in two weeks for a follow-up appointment.

Mercy-USA has been providing vital health and nutrition services to vulnerable families, especially women and children in Somalia for nearly 30 years.

Our health clinics, nutrition centers and birthing centers dot the landscape in some of the most remote, least secure and under-served cities, towns and villages in Somalia.

In partnership with UNICEF and the United Kingdom's Foreign, Commonwealth and Development Office, FCDO, Mercy-USA helped tens of thousands of women and children in our Mother and Child Health Clinics in Somalia. Services provided include immunizations for mothers and their children, pre- and postnatal and birthing services, and primary healthcare. Nawal's story in the inset at right, is a

SOMALIA

nutrition support

In partnership with UNICEF, UNOCHA and the UK's FCDO, Mercy-USA operated dozens of Mother and Child Health and Nutrition Centers in Somalia during 2020.

The nutrition centers offer life-saving interventions for infants and children suffering from malnutrition. Baby Ahmed's story is like that of tens of thousands of children we helped.

Anfac, a young mother of three brought her very sick baby into the nearby Mercy-USA Mother and Child Health and Nutrition facility in Jalalaqsi, Somalia not knowing what to do for him. Little ten-month-old Ahmed was extremely weak and suffering from a high fever and no appetite.

The baby was examined by a Mercy-USA health worker and found to be severely malnourished. He was immediately admitted into the Severe Acute Malnutrition program in the clinic. For five days, Ahmed was given



specialized malnutrition treatment and when stable he was transferred to the Outpatient Therapeutic Program at the Mercy-USA facility where he was carefully monitored until he reached a stable and healthy weight.

Mercy-USA Community Health Workers also followed up with a visit to the family's home to assess the root cause of the baby's malnutrition. Anfac was given beneficial training on the feeding of infants and young children, which helped her to access more nutritious



food options for her young children.

These health centers provide vital nutrition services to reduce malnutrition, illness and death among children under five years of age as well as pregnant and lactating mothers. Typically these Mercy-USA facilities provide health and nutrition services to over 100 beneficiaries a day and on average the Infants and Young Children and Severe Case programs support 10 to 20 beneficiaries per day.



COVID-19 MITIGATION

Hygiene kits were distributed to the internally displaced persons living in makeshift camps.

Beyond PPE and hygiene programs, we also worked hard throughout the year to educate as many people as possible

with up-to-the-minute information on how the virus spreads as well as how to recognize the symptoms of Covid-19 and what to do if one becomes sick to prevent spreading it to family, friends and the greater community.

During the early months of 2020, Mercy-USA implemented safety protocols to try to slow the spread of Covid-19 in the communities where we work. We built hand-washing stations in health clinics, public markets and camps for internally displaced people.

Personal protective equipment and non-contact thermometers were swiftly dispatched to our healthcare facilities.

Mercy-USA supported a Covid-19 isolation center as well.



Combating Stigma and Discrimination around TB & HIV/AIDS

In Somalia, there is still widespread stigma and discrimination toward Tuberculosis and HIV/AIDS patients which prevents many people from seeking testing and treatment. With generous support from UNICEF and the Global Fund to Fight HIV/AIDS, Tuberculosis and Malaria, Mercy-USA operates 14 clinics offering free testing, counseling and treatment.

Leila's story is not uncommon. A divorced mother of two found herself very sick and as she began losing a significant amount of weight, she went from one informal clinic to another only to be prescribed over-the-counter medications instead of being properly

tested and diagnosed. As her symptoms worsened, her father took her to a private hospital where she was referred to the Mercy-USA TB & HIV/AIDS clinic. She was admitted and shortly after she was confirmed to be positive for HIV/AIDS.

"I was shocked beyond words when I received the results. I had thoughts about the stigma and misconceptions about the disease all running through my mind. I wanted to die."

Because Leila's father was a clan leader, Mercy-USA community health workers took the initiative to educate him about the disease and how it is transmitted and urged him to share the information

with his community. It was not easy for her father to accept his daughter's illness but through counseling he came to terms with it and has become an advocate for reducing stigma in his community about HIV/AIDS.

Now Leila gets her monthly medication and psychosocial support at the Mercy-USA center. Health workers at all our specialized health facilities are working together with patients and their families to address stigma and discrimination towards people living with HIV/AIDS and Tuberculosis.



SYRIA

nutrition support
HEALTHCARE
covid-19
MITIGATION

Since we began working inside Syria, Mercy-USA has deepened its commitment to providing healthcare services. 2020 saw a marked increase in our outreach to mothers and children, especially as it relates to prevention of malnutrition.

Several million people are crowded into informal camps for internally displaced persons in Northwest Syria. These camps lack employment opportunities, a basic standard of living and healthcare. Families, often headed by single women, have lost their familial support system and lack coping skills and strategies to adapt to a different way of survival. Our healthcare support aims to alleviate the barriers to accessing healthcare and prevent malnutrition among children and pregnant and nursing mothers.

The Mercy-USA Kelly Primary Healthcare Center, with support from the United Nations Office for the Coordination of Humanitarian Affairs (OCHA), is located in Ariha in the southern countryside of Idlib province. The clinic is staffed with physicians and nurses who provide free healthcare to over 20,000 people living around the facility.

The center also features a birthing clinic, a lab and pharmacy.



The Mercy-USA Kelly Primary Health Clinic serves the needs of internally displaced Syrian families in Idlib province. The clinic provides free healthcare for all ages. The facility includes a lab and pharmacy as well as a maternity ward providing pre-natal care as well as birthing services.

Mercy-USA Rapid Response Teams find and treat malnutrition in hard to reach parts of rural Syria

Tens of thousands of internally displaced families are surviving without access to healthcare. With generous support from UNICEF, Mercy-USA Rapid Response Teams travel to remote encampments screening children and babies for malnutrition. Nutritionists counsel parents and treat moderate cases of malnutrition and refer more severe cases like that of 6-month old Samar for intensive treatment. Her young mother, struggling with her own nutrition, lost her ability to breastfeed Samar and as a result the baby was severely malnourished. She was transported to the nearest health center and after a month, her condition began to improve. Our team did a follow-up and were happy to see she had begun to recover. Samar's mother was counseled on strategies for maintaining the baby's health and nutrition as well as supplied with nutritional supplements.





LEBANON HEALTHCARE COVID-19 MITIGATION



In Lebanon, displaced persons such as Syrian and Palestinian refugees and migrant workers make up approximately 30% of the population, many of whom live in substandard housing, camps or dispersed among host communities. This population is especially vulnerable since Lebanon's economic crisis has directly impacted the country's healthcare system.

Mercy-USA has been operating a mobile medical unit in the under-served area of Wadi Khaled for a decade. Staffed with a physician and nurses, the mobile unit travels throughout the valley

providing free primary medical care to Syrian refugee families as well as local Lebanese families.

The ongoing economic and healthcare crisis in Lebanon makes this free mobile medical unit even more important to the local population who struggle to meet their basic needs.

Covid-19 Makes Lebanon's Healthcare Crisis Worse.

Mercy-USA worked to alleviate the impact of Covid-19 on an already

extremely vulnerable population in the Wadi Khaled region.

Our mobile medical unit provided hygiene supplies and screened patients for symptoms at the point of care.

We also conducted awareness campaigns in cooperation with UNICEF and the Ministry of Health to educate the population on recognizing symptoms of Covid-19 as well as how to stop the spread of the virus.

Syria Covid-19 Mitigation

The families Mercy-USA works to support are isolated, forced into crowded, and often substandard living situations lacking basic sanitation with little access to fact-based public health information or education from the outside world. When the Covid-19 pandemic hit around the world, our first concern was to make sure the

food aid and other goods transported into the camps were distributed safely by our staff and volunteers. We made sure our staff were fitted with PPE as they moved through distribution points and interacted with vulnerable internally displaced people. We implemented safety protocols at every relief distribution point, hand washing stations were installed and beneficiaries

were screened for symptoms at our medical facility as well as aid distribution points.

Mercy-USA community health workers conducted door-to-door education campaigns as well SMS messaging campaigns to inform the population on helping to stop the spread of Covid-19. We also distributed hygiene products and masks.

Nearby Free Healthcare with Lasting Positive Impact

Murad and Hamza were both sick with common childhood ailments but the nearby brick and mortar primary health clinic had closed. Their mother was relieved to know she could bring the

boys to our physician in the Mercy-USA mobile unit during its weekly visit to her village. The children were treated and a follow-up visit was scheduled for the following week. This continuity of

care is also an important feature of our mobile medical unit. Patients are seen and followed up by the same doctors and nurses who know them and will follow their health status, young or old.





Education the key to EVERYONE'S **FUTURE**



make sure the children continued to learn during the time in-person school was not in session. TCF implemented a “Continuity of Learning” program that kept students engaged in learning through a television program and an edutainment magazine. The school reopened in February, 2021 and all TCF schools including this newly inaugurated Mercy-USA school are running an accelerated learning program for all students returning to the classroom while implementing new health and safety operating protocols.

Pakistan A secondary school from the **GROUND UP!**



In Piyaro Lundh, District Tando Allahyar, Sindh province of Pakistan there were two primary schools that only went until grade six. Children had to travel nine miles to attend the nearest secondary school. The hardship of distance made attendance low for any child whose family didn't have resources or resolve toward higher education. In partnership with The Citizens Foundation, Mercy-USA for Aid and Development has built a secondary school in the town and

the results are a wonderful boon for students in the area. The new building houses classrooms, a library and all the facilities needed to teach high school including a computer lab and two science labs.

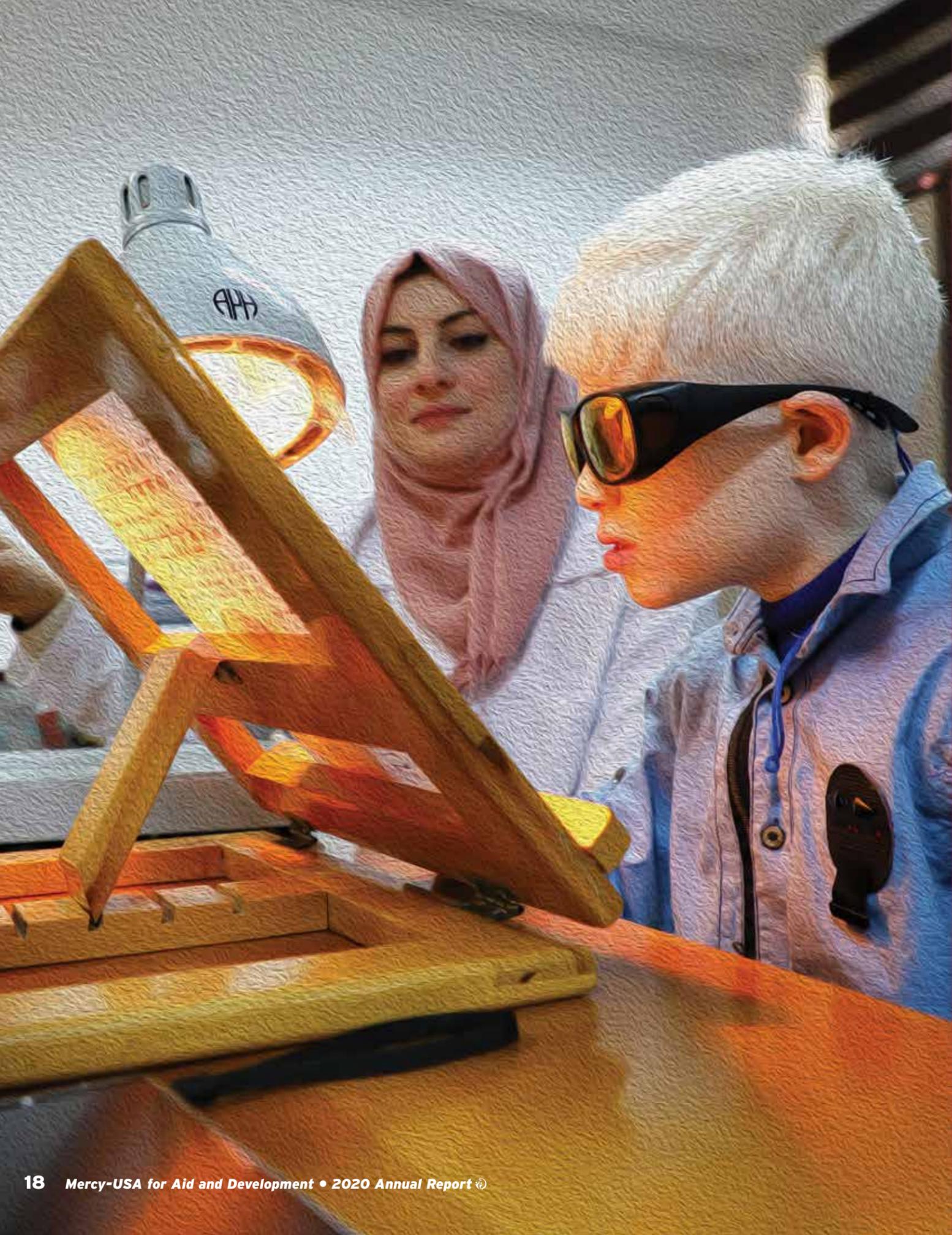
Mercy-USA continues to support the operation of the school including teacher salaries, school supplies, text books, and uniforms for all the students, plus day to day operation and maintenance of the school.

The Citizens Foundation has a long proven track record of educating Pakistan's youth with particular emphasis on girls' education. The school Mercy-USA supports is in a poor region of Pakistan and often girls are not encouraged to continue their secondary education and end up working at home to help the family manage. The Citizens Foundation has an outreach committee that works very hard to keep girls and boys in school by making sure the school is accessible and understanding of the challenges a family endures keeping their children out of the workforce in favor of the longer term goal of education for their offspring.

The Pandemic created many challenges for all schools in the country; however, The Citizens Foundation scrambled in between openings and closures to



Chanesar, a construction laborer, worked on the Mercy-USA Campus as it was being built. The school was completed at the same time his daughter, Afshan (above) was completing her last year at primary school. She assumed she would need to stay at home to help the family due to the financial crisis brought on by the Pandemic, but her father, inspired by the school and all that it could offer his daughter, made sure she continued despite any hardship. Their home is outside the farthest reaches of the school, but her joy at being able to continue her education makes her long walk easy and worth every step! She now has ambitions to become a doctor.



GAZA

SCHOOL FOR THE blind & visually IMPAIRED

The Covid-19 pandemic has made the lives of Palestinians more difficult but Palestinians who are blind or visually impaired are at an even worse disadvantage. Seen as a burden to the struggling community, blind or visually impaired persons are often marginalized from society and don't have access to resources for self-sufficiency. Mercy-USA is supporting an important education project operated by the United Nations Relief and Works Agency for Palestine Refugees (UNRWA) to offer blind or visually impaired children early intervention and subsequent integration into mainstream schools. This special school provides material and technical support to the children to access learning.

In 2020, 500 visually impaired children in the Gaza Strip were able to receive quality education and support through this project.

Mercy-USA covered staff salaries, regular vision assessment for students, assistive devices including eyeglasses and magnifiers, as well as recreational activities. The school also distributed supplies and activities for the children and their families while in lockdown so that the students could keep learning and know they were missed at school.



SOMALIA VOCATIONAL Training



The Mercy-USA Youth Friendly Center in Mogadishu offered free vocational training to young people for the second year, even during the onset of the worldwide Pandemic. The Center offered training in high-demand fields such as computer skills courses, tailoring, cosmetology classes and handicrafts. These skills provide a chance at self-sufficiency for at-risk youth who lack resources otherwise. Additionally, entrepreneurship classes teach how to start and maintain a small business, market trends, record keeping and fiscal responsibility.

Tailoring students switched gears in the Spring of 2020 to cloth mask-making to provide protection from COVID-19 for their communities.

Beyond vocational training, the Center offers health and wellness counseling covering topics such as early child marriages, drug and substance abuse, information and guidance on seeking treatment for sexually transmitted diseases, female genital mutilation prevention and support for survivors of gender based violence.

SYRIA SPORTS Center



The total renovation of this athletic complex in Afrin, Syria was completed just as the Pandemic struck.

Mercy-USA renovated a dilapidated sports center to serve the needs of the wider population in Afrin, a town of more than 350,000 people.

Young Syrians have grown up only knowing war and strife, so Mercy-USA wanted to ensure a safe space for teens and young adults to play and exercise with this dedicated Youth Sports Center.

The facility features a new soccer field, running track and gymnasium for basketball and volleyball as well as stadium seats for team competition. When Covid-19 is under control in north west Syria, this complex will be a refreshing oasis of recreation, exercise and sportsmanship.





ALBANIA

Reading to succeed after-school Support for at-risk kids

or university. Families are expected to provide after-school tutoring to earn the required certificates and instruction in English as a second language and computer skills. Mercy-USA is providing these courses free of charge for orphaned and poor children who do not have the ability to pay for these classes. This program also includes lectures and counseling from trained professionals to help the students navigate their futures successfully despite financial and social challenges.

Our program to encourage Roma families to prioritize education for their children and keep them out of the workplace was continued with success. Families are given a monthly food basket in exchange for making sure their children have good attendance at school. Writing competitions and other activities designed to encourage academic and cultural pride are part of this initiative.

Resources in Albanian public schools are woefully inadequate. Mercy-USA has been stocking public school libraries since 2011. The other area that public schools lack is specialized instruction in preparation for higher education



Bosnia

Support for KG to College

Mercy-USA supports at risk youth with English certification for university. The public high schools do not provide adequate instruction and private instruction is out of reach for poor students. Tuition-free Mercy-USA classes have been a needed resource that make going to college a possibility for hundreds of students.

Public schools require that parents provide basic school supplies for the first day of school in Bosnia. Mercy-USA provides new backpacks plus all the needed supplies for children coming from poor families before classes begin. The children arrive at the first day of school carrying a new backpack filled with all the tools and supplies they need.



CLEAN WATER IN Somalia

Since 1997, Mercy-USA has played a vital role in providing safe drinking water in Somalia, digging and repairing over 750 wells. These wells now positively impact the lives of hundreds of thousands.

In Somalia, the task of fetching water typically falls on women and children and a nearby well saves them from traveling long distances that puts them at risk of attack from strangers or wild animals. Their days are no longer consumed with the backbreaking task of fetching water, freeing them for school and self development. A nearby well also insures that the water is not shared by livestock which eliminates the risk of contamination and waterborne diseases, one of the main causes of death for children under five in Somalia. The time saved, the lives saved and the sense of pride a well gives to a village or town has immeasurable impact.

In 2020, despite limitations due to the worldwide Pandemic, Mercy-USA dug 30 new wells. These wells added to the existing wells we built in earlier years have an impact on communities with a combined population of over 750,000 persons providing safe drinking water for children and their families.

Before being hampered by the Pandemic, Mercy-USA's East Africa team produced a beautiful informational video featuring a day in the life of one girl in Somalia and the impact clean water made on her life. The video can be viewed on Mercy-USA's Youtube channel or search, "A Life Changed with Clean Water in Somalia".



SUSTAINABLE AGRICULTURE Development



SUSTAINABLE AGRICULTURE Development in the Balkans



In 2020, Mercy-USA's Agricultural Education Center in Bosnia marked another successful year with a 10,900 square-foot greenhouse that serves as a teaching center for future agronomists from the local university as well as a seedling center for small farmers. This project also provided vegetable seedlings to seniors who have been

permanently displaced from Srebrenica were given valuable technical advice for backyard kitchen gardens to help sustain their meager incomes with fresh vegetables. In Albania, small family wheat farmers

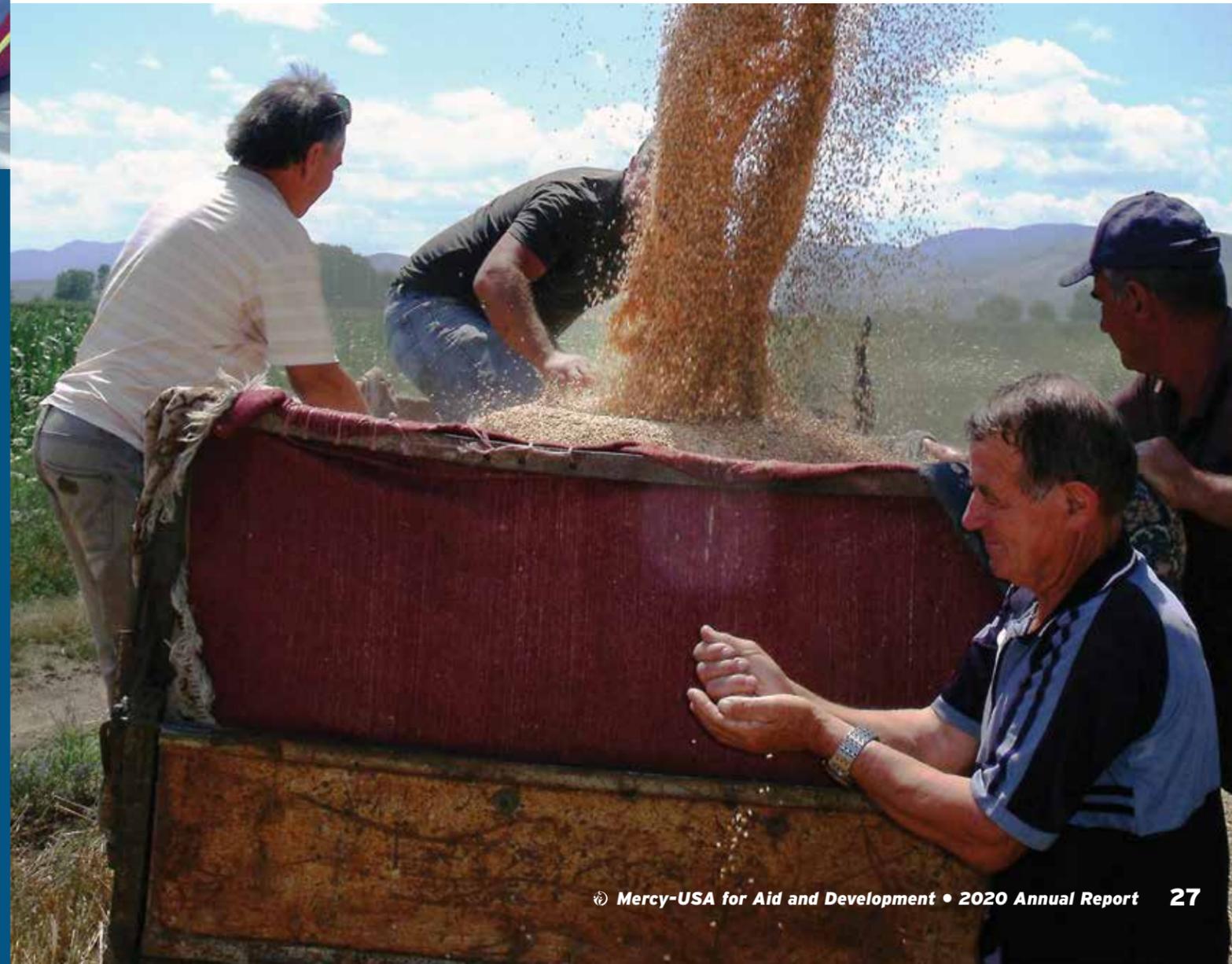
were given valuable technical advice and guidance from an experienced agronomist who has helped the farmers increase their yields each year since the program began.

Indonesia Organic Inputs & Cooperative Heifer Programs Create SUCCESSFUL FARMERS

In 2020, Mercy-USA launched a new initiative to farmers in Indonesia, providing organic fertilizer and inputs plus training so that the farmers could get their farms certified organic and compete in a new and more profitable market for organic rice. One village is well on its way to being completely certified organic thanks to this project. Mercy-USA plans to expand this organic program each year to even



more communities. The Mercy-USA Dairy project in Indonesia supports co-op farmers with breeding cows, technical expertise and equipment. In addition to their heifers, they were supplied with fodder machines, advice on feed storage and more so that now they have a successful operation that produces milk for sale, helping to mitigate the financial impact of the Pandemic lockdowns.



Disaster RELIEF Beirut Blast



On August 4, 2020, a gigantic explosion occurred at the port in Beirut, Lebanon flattening entire sections of the city. Over 200 were killed and thousands injured. While the hospitals had already been overwhelmed with COVID-19 patients, the blast created a catastrophe in terms of healthcare and emergency services.

In response, Mercy-USA dispatched our mobile medical unit to the area from our normal location of Wadi Khaled on an emergency basis and began offering emergency first aid and relief to victims.

Within days, we returned the long-running mobile unit back to Wadi Khaled, where it is desperately needed, after securing an additional mobile unit to serve those injured in Beirut.

Our emergency disaster teams also distributed drinking water in the crushing heat and masks in an effort to stop the spread of COVID-19.

Weeks after the blast, the mobile medical unit provided follow up care for wounds and even treatment for non-injuries for those not able to be seen in the local clinics and hospitals due to the disabled health system. A chronic medicine distribution program was also implemented in the severely affected areas of Beirut, providing prescriptions such as those to treat diabetes and heart disease.

SEASONAL food Aid

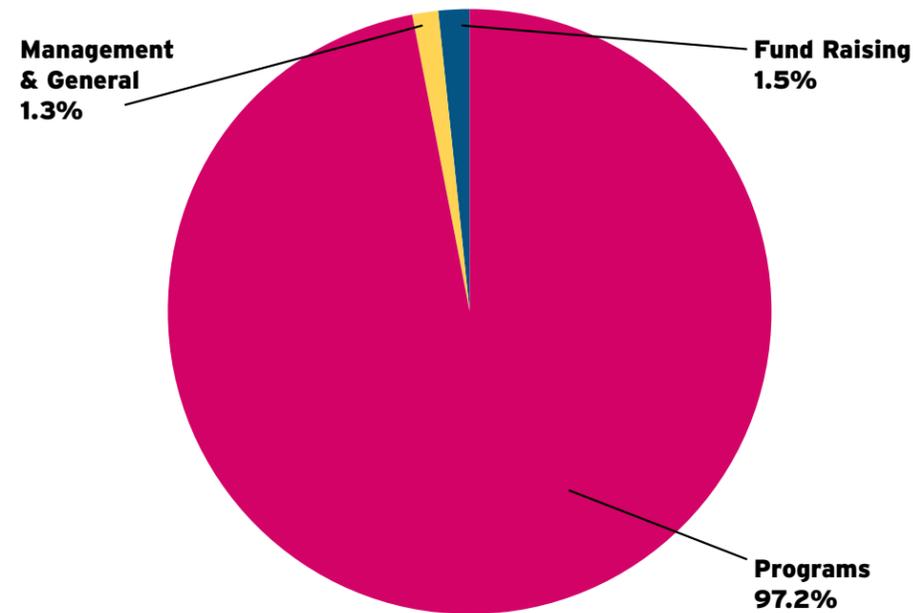
Mercy-USA provided seasonal food aid for needy families around the world and the USA in observance of Ramadan, Eid Al Fitr and Eid Al Adha. In 2020, we provided food to families in 10 countries in all.

Since our founding, Mercy-USA has served hundreds of thousands of needy people each year for these special observances.



Functional Expenses

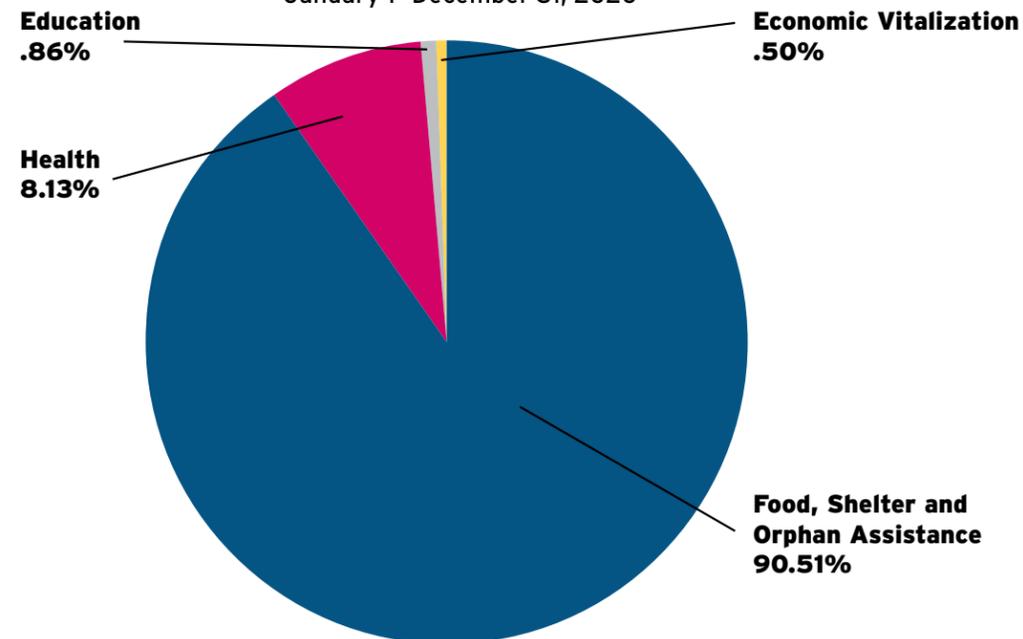
January 1- December 31, 2020



Program Expenses

(By Service Category)

January 1- December 31, 2020



Alan C. Young & Associates, P.C.

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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, 2020 and 2019, the related consolidated statements of activities, and cash flows for the years then ended, functional expenses for the year ended December 31, 2020 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, 2020 and 2019, 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 October 22, 2021 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 the effectiveness of the Organization's 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
October 22, 2021

MERCY-USA FOR AID AND DEVELOPMENT, INC.

Consolidated Statements of Financial Position
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents (Note 2)	\$ 4,971,885	\$ 3,239,268
Pledges & Grants Receivable (Note 5)	1,723,052	2,061,260
Advance to Subcontractor	-	3,362
Notes Receivable - Micro-lending/SED (Note 1)	-	4,000
Prepaid Insurance and Expenses	18,938	83,486
Total Current Assets	<u>6,713,875</u>	<u>5,391,376</u>
Fixed Assets (Note 6)		
Building, Vehicles, Furniture & Equipment	1,605,969	1,592,517
Less: Accumulated Depreciation	(735,544)	(627,262)
Total Fixed Assets	<u>870,425</u>	<u>965,255</u>
Other Assets		
Security Deposits	12,871	12,871
Total Other Assets	<u>12,871</u>	<u>12,871</u>
Total Assets	<u>\$ 7,597,171</u>	<u>\$ 6,369,502</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 1,269,088	\$ 1,503,921
Refundable Advances (Note 1)	1,132,801	596,260
Tenant Security Deposit	7,110	7,110
Payroll Liabilities	28,257	24,126
Accrued Payroll & Taxes	24,377	36,943
Advance Rent	-	5,700
Total Current Liabilities	<u>2,461,633</u>	<u>2,174,060</u>
Net Assets		
Without Donor Restrictions	3,602,607	3,041,009
With Donor Restrictions (Note 9)	1,532,931	1,154,433
Total Net Assets	<u>5,135,538</u>	<u>4,195,442</u>
Total Liabilities and Net Assets	<u>\$ 7,597,171</u>	<u>\$ 6,369,502</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, 2020 and 2019**

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions From Public	\$ 1,199,322	\$ 4,098,952	\$ 5,298,274	\$ 912,119	\$ 3,733,521	\$ 4,645,640
US Agency for International Development (USAID)	-	1,450,826	1,450,826	-	2,967,621	2,967,621
NGO Grants	-	723,386	723,386	-	1,231,106	1,231,106
United Nation (UN) Grants	-	12,431,207	12,431,207	-	6,247,954	6,247,954
Global Fund to Fight AIDS, Tuberculosis & Malaria (GFATM) Grants	-	369,060	369,060	-	352,197	352,197
Contribution In-Kind - UN agencies (Note 4)	-	30,985,212	30,985,212	-	14,001,626	14,001,626
Rental Income	89,080	-	89,080	82,070	-	82,070
Dividend Income	11,840	-	11,840	19,876	-	19,876
Gain/Loss on Foreign Currency Fluctuation	114,809	-	114,809	61,344	-	61,344
Events Ticket Sale	-	-	-	1,500	-	1,500
Net Assets Released From Restrictions:						
Satisfaction of Service Restrictions (Note 9)	49,680,145	(49,680,145)	-	28,685,636	(28,685,636)	-
Total Support and Revenue	51,095,196	378,498	51,473,694	29,762,545	(151,611)	29,610,934
EXPENSES						
Program Services:						
Food, Shelter and Orphan Assistance	44,963,797	-	44,963,797	22,196,935	-	22,196,935
Health	4,041,327	-	4,041,327	5,702,612	-	5,702,612
Economic Vitalization	246,830	-	246,830	251,033	-	251,033
Education	428,191	-	428,191	850,860	-	850,860
Total Program Services	49,680,145	-	49,680,145	29,001,440	-	29,001,440
Supporting Services:						
Management and General	528,487	-	528,487	480,057	-	480,057
Fund Raising	324,966	-	324,966	261,852	-	261,852
Total Supporting Expenses	853,453	-	853,453	741,909	-	741,909
Total Expenses	50,533,598	-	50,533,598	29,743,349	-	29,743,349
Change In Net Assets	561,598	378,498	940,096	19,196	(151,611)	(132,415)
Net Assets - Beginning of Year	3,041,009	1,154,433	4,195,442	3,021,813	1,306,044	4,327,857
Net Assets - End of Year	\$ 3,602,607	\$ 1,532,931	\$ 5,135,538	\$ 3,041,009	\$ 1,154,433	\$ 4,195,442

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, 2020 and 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 940,096	\$ (132,415)
Adjustments to Reconcile Change in Net Asset to Cash Provided by (Used in) Operations:		
Depreciation	116,517	116,162
Uncollectible Accounts Receivable	3,902	12,614
Change in:		
Prepaid Insurance and Expenses	64,548	(70,474)
Pledges and Grants Receivable	334,306	(1,120,337)
Notes Receivable - Micro-lending/SED	4,000	2,000
Other Assets	3,362	(7,064)
Accounts Payable	(234,833)	801,778
Refundable Advances	536,541	142,354
Accrued Payroll and Taxes	(8,435)	56,301
Tenant Security Deposits	-	1,500
Advance Rent	(5,700)	1,500
Net Cash Provided by (Used in) Operating Activities	1,754,304	(196,081)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(21,687)	(121,338)
Net Cash Used in Investing Activities	(21,687)	(121,338)
Net Increase (Decrease) in Cash	1,732,617	(317,419)
Cash and Cash Equivalents - Beginning of Year	3,239,268	3,556,687
Cash and Cash Equivalents - End of Year	\$ 4,971,885	\$ 3,239,268

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

Statement of Consolidated Functional Expenses
Year Ended December 31, 2020
(With Combined Comparative Totals for 2019)

Expenditures	Food, Shelter & Orphan Assistance	Health	Economic Vitalization	Education	Total Program Services	Management & General	Fundraising	Total Expenditures	2019 Total Expenditures
Grants	\$ 245,625	\$ -	\$ 6,666	\$ 293,015	\$ 545,306	\$ -	\$ -	\$ 545,306	\$ 620,970
Salaries & Wages	5,280,280	1,983,024	83,069	61,037	7,407,410	210,827	4,266	7,622,503	6,243,005
Employee Benefits	62,562	127,826	22,436	-	212,824	94,526	-	307,350	444,067
Advertising & Promotion	-	-	-	-	-	643	188,757	189,400	155,566
Transportation Expenses	1,365,130	301,365	4,052	1,338	1,671,885	1,513	-	1,673,398	1,155,340
Commercial Insurance	5,900	36,351	-	-	42,251	2,228	-	44,479	39,313
Conference, Meeting & Seminars	1,600	1,127	357	-	3,084	-	-	3,084	16,247
Consultants & Other Professional Services	5,556	-	8,721	8,968	23,245	1,244	39,100	63,589	81,044
Dues, Subscriptions, Fees, etc.	664	9,480	650	-	10,794	21,910	5,000	37,704	22,044
Legal	289	-	466	-	755	2,007	-	2,762	29,552
Accounting	23,712	11,959	-	-	35,671	9,215	-	44,886	46,010
Occupancy & Warehousing	180,697	126,050	11,785	10,756	329,288	21,909	550	351,747	383,138
Postage & Shipping, etc.	874	97	536	282	1,789	19,538	3,583	24,910	21,019
Printing & Copying	10,370	12,680	1,527	33	24,610	12,336	6,479	43,425	29,808
Program Materials	36,867,441	826,707	61,734	22,199	37,778,081	-	-	37,778,081	18,421,918
Telephone	50,516	13,224	1,541	1,105	66,386	5,773	-	72,159	103,827
Travel	109,170	29,475	12,445	-	151,090	8,075	-	159,165	497,247
Bank Charges/Currency Adjustment	87,081	106,679	7,344	2,822	203,926	5,273	77,231	286,430	252,062
Office Supplies and Equipment	83,798	81,697	7,498	635	173,628	26,592	-	200,220	171,557
Payroll Taxes	94,486	602	-	5,088	100,176	18,239	-	118,415	65,845
Uncollectible Accounts Receivables	-	-	-	-	-	3,902	-	3,902	12,614
Indirect cost	463,964	348,830	12,924	18,448	844,166	-	-	844,166	814,994
Depreciation	24,082	24,154	3,079	2,465	53,780	62,737	-	116,517	116,162
Total	\$ 44,963,797	\$ 4,041,327	\$ 246,830	\$ 428,191	\$ 49,680,145	\$ 528,487	\$ 324,966	\$ 50,533,598	\$ 29,743,349

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

Notes to Financial Statements
December 31, 2020 and 2019

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), United Nations Office for Coordination of Humanitarian Affairs (OCHA) 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

A new branch was set up in Canada during the previous year. There was no operational activity in Canada during the year.

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 restrictions and net assets with donor restrictions.

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

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. From time to time, the Board designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion. The Organization did not have board designated net assets as of December 31, 2020, or 2019, respectively.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resources was restricted has been fulfilled, or both.

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, 2020 and 2019, which approximates fair value due to the relatively short maturity of these instruments.

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, 2020 or 2019. 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, 2020 and 2019. 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.

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

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 over \$3,000 and a useful life in excess of one year are capitalized.

Advertising

The Organization expenses advertising costs as incurred. Advertising expense was \$189,400 and \$155,566 for the years ending December 31, 2020 and 2019, 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

Contributions - Contribution revenue is accounted for under FASB Accounting Standards Update ("ASU") 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08). Contributions, including unconditional promises to give, are recognized in the period received. Contributions received are considered to be available for use unless specifically restricted by the donor. Amounts received that are designated for a future period or are restricted by the donor for specific purposes are reported as contributions with donor restrictions. These contributions also increase net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Contributions are reported at fair value, which is net of estimated uncollectible amounts. The Organization uses the allowance method to determine uncollectible, unconditional pledges receivable. The allowance is based on experience as well as management's analysis of specific pledges made, including such factors as prior collection history, type of contribution, and nature of fundraising activity.

MERCY-USA FOR AID AND DEVELOPMENT, INC.

Notes to Financial Statements (Continued)
December 31, 2020 and 2019

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

Revenue Recognition (Continued)

Conditional promises to give, including those received under multi-year grant agreements are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. A promise is considered conditional only if the donor has stipulated one or more barriers that must be overcome before the Organization is entitled to the assets transferred or promised, and there also exists a right of return to the donor of any assets transferred or a right of release of the donor's obligation to honor the promise.

Grant Revenue - Under ASU 2018-08, these arrangements constitute contributions since the customer does not receive commensurate value for the consideration received by the Organization; rather, the purpose of an arrangement is for the benefit of the general public. Therefore, Organization management concluded that the agreements are conditional due to rights of return/ release and barriers to entitlement to funds. Revenue is recognized when the condition is satisfied. Because the nature of conditions is either based on incurring qualifying expenses or satisfying a milestone or other deliverable, the pattern of revenue recognition remained consistent with previous years. Under ASU 2018-08, a refundable advance is recorded when the Organization receives assets (i.e., cash) in advance of the satisfaction of the conditions within these arrangements.

Contributed Services - Contributed services are recognized as revenue if the services received create or enhance nonfinancial assets, require specialized skills provided by individuals possessing those skills and typically need to be purchased if not provided by donation. Contributed services are recorded at the fair market value of the services provided. There were no contributed services for the years ended December 31, 2020, and 2019.

Refundable Advances - On December 31, 2020, and 2019, the Organization had refundable advances on grants and contracts for sponsored projects of \$1,132,801 and \$596,260, respectively. These balances are recognized as liabilities and will be recognized as revenue as the projects progress and conditions are met, generally as expenses are incurred.

MERCY-USA FOR AID AND DEVELOPMENT, INC.

Notes to Financial Statements (Continued)
December 31, 2020 and 2019

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

Revenue Recognition (Continued)

Conditional promises to give, including those received under multi-year grant agreements are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. A promise is considered conditional only if the donor has stipulated one or more barriers that must be overcome before the Organization is entitled to the assets transferred or promised, and there also exists a right of return to the donor of any assets transferred or a right of release of the donor's obligation to honor the promise.

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MERCY-USA FOR AID AND DEVELOPMENT, INC.

Notes to Financial Statements (Continued)
December 31, 2020 and 2019

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, 2020, and 2019, were \$0 and \$4,000, respectively. There was no allowance for uncollectible against these loans.

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

	<u>2020</u>	<u>2019</u>
Bosnia	\$ -	\$ 4,000

Prepaid Expenses

Prepaid expenses primarily represent cash payments made in advance of when the related expenditures are recognized for financial statement purposes.

Accounting Pronouncement Adopted in Fiscal Year 2019

On January 1, 2019, the Organization adopted a new accounting standard for Financial Instruments (ASU 2016-01) which requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. Upon adoption, equity securities previously classified as available for sale will be presented separately on the balance sheet as Equity securities. The amount of unrealized gain/(loss), net of tax, related to these securities will be reclassified from accumulated other comprehensive to retained earnings. The investment that the Organization had as of December 31, 2018 did not include any available for sale investments. Accordingly, no adjustment to beginning retained earnings was necessary.

In June 2018, FASB issued ASU 2018-08, to improve the scope and accounting guidance for contributions received and contributions made. The standard should be used to assist entities in 1) evaluating whether transactions should be accounted for as contributions or as other exchange guidance subject to other guidance. The implementation of this standard did not have a material impact on the Organization's financials statements. Accordingly, no adjustments were necessary.

MERCY-USA FOR AID AND DEVELOPMENT, INC.

Notes to Financial Statements (Continued)
December 31, 2020 and 2019

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

Accounting Pronouncement Adopted in Fiscal Year 2020

For the year ended December 31, 2020, the Organization adopted Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the prior revenue recognition requirements in Topic 605, Revenue Recognition. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The Organization adopted Accounting Standards Codification (ASC) 606 effective January 1, 2020, using the modified retrospective transition method. The adoption of ASU No. 2014-09 did not have a material impact on the financial statements.

2) CASH AND CASH EQUIVALENTS

The total cash held by the organization in the bank accounts (excluding outstanding checks and deposit in transit) total \$4,595,533 and \$3,550,611 of which \$3,903,021 and \$2,932,910 is not insured through federal depository insurance in fiscal years 2020 and 2019, respectively.

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.

Health Services

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

MERCY-USA FOR AID AND DEVELOPMENT, INC.

Notes to Financial Statements (Continued)
December 31, 2020 and 2019

3) PROGRAM AND SUPPORTING SERVICES (Continued)

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 statements of activities are based on fair value of the goods received at the time of donation. The Organization received \$30,985,212 and \$14,001,626 in fiscal years 2020 and 2019, respectively.

5) PLEDGES AND GRANTS RECEIVABLE

Accounts receivable consist of Somalia, Kenya and Syria grant funding receivable from the USAID and the United Nations Grant agencies. Details of Accounts Receivable as of December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Grants Receivable	\$ 1,614,317	\$ 2,034,134
Pledges Receivable	108,735	27,126
	<u>\$ 1,723,052</u>	<u>\$ 2,061,260</u>

MERCY-USA FOR AID AND DEVELOPMENT, INC.

Notes to Financial Statements (Continued)
December 31, 2020 and 2019

6) FIXED ASSETS

Fixed assets are comprised of the following:

	<u>Balance January 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2020</u>
Fixed Assets				
Building	\$ 1,120,403	\$ 1,450	\$ -	\$ 1,121,853
Office Equipment	192,984	5,237	(510)	197,711
Office Furniture	11,467	-	-	11,467
Audio Visual Equipment	7,225	-	-	7,225
Automobiles	243,805	15,000	-	258,805
Others	16,633	-	(7,725)	8,908
TOTAL	1,592,517	21,687	(8,235)	1,605,969
Less Accumulated Depreciation	(627,262)	(116,517)	8,235	(735,544)
Net Fixed Assets	<u>\$ 965,255</u>	<u>\$ (94,830)</u>	<u>\$ -</u>	<u>\$ 870,425</u>

	<u>Balance January 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2019</u>
Fixed Assets				
Building	\$ 1,071,903	\$ 48,500	\$ -	\$ 1,120,403
Office Equipment	153,553	42,131	(2,700)	192,984
Office Furniture	10,024	1,443	-	11,467
Audio Visual Equipment	7,225	-	-	7,225
Automobiles	218,311	25,494	-	243,805
Others	12,863	3,770	-	16,633
TOTAL	1,473,879	121,338	(2,700)	1,592,517
Less Accumulated Depreciation	(513,800)	(116,162)	2,700	(627,262)
Net Fixed Assets	<u>\$ 960,079</u>	<u>\$ 5,176</u>	<u>\$ -</u>	<u>\$ 965,255</u>

Depreciation expense was \$116,517 and \$116,162 for the year ended December 31, 2020 and 2019, respectively.

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 \$58,335 and \$54,017 in fiscal years 2020 and 2019, respectively, to the plan.

MERCY-USA FOR AID AND DEVELOPMENT, INC.

Notes to Financial Statements (Continued)
December 31, 2020 and 2019

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, 2020 and 2019 the Organization collected \$29,575 and \$25,930 respectively, on behalf of Mercy-USA for Aid & Development, (Canada) and received \$59,068 and \$57,425, respectively, from Mercy-USA for Aid & Development, (Canada). As at December 31, 2020 and 2019, an amount of \$2,219 and \$195, 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:

	2020	2019
Albania Programs	\$ 118,333	\$ 143,165
Bosnia Programs	113,907	147,954
Indonesia Programs	186,230	118,711
Lebanon Programs	332,878	311,500
Somalia & Kenya Programs	13,733,789	14,312,211
Syria Programs	34,652,452	12,914,218
United States Programs	55,928	158,277
Gaza Programs	159,666	162,268
Rohingya Refugees Program	-	182,831
Pakistan	172,325	56,547
Yemen	154,637	163,492
India Programs	-	14,462
Total Restrictions Released	\$ 49,680,145	\$ 28,685,636

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

	2020	2019
Albania	\$ 696	\$ -
Bosnia	1,146	-
Indonesia	2,408	2,399
Lebanon	30,209	-
Somalia and Kenya	6,269	-
Syria	315,835	-
USA	34,780	58,408
Gaza	302,673	373,069
Rohingya Refugees	279,775	262,283
Pakistan	188,871	326,712
Yemen	367,592	131,562
Other	2,677	-
Total	\$ 1,532,931	\$ 1,154,433

MERCY-USA FOR AID AND DEVELOPMENT, INC.

Notes to Financial Statements (Continued)
December 31, 2020 and 2019

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.

	2020	2019
Current Assets, at Year End	\$ 6,713,875	\$ 5,391,376
Less:		
Prepaid Insurance Expenses	(18,938)	(83,486)
Assets with Donor Restrictions	(1,532,931)	(1,154,433)
Financial assets available within one year to meet needs for general expenditures within one year	<u>\$ 5,162,006</u>	<u>\$ 4,153,457</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.

12) NEW ACCOUNTING PRONOUNCEMENTS

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, Leases, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Organization's year ending December 31, 2022, and will be applied using a modified retrospective transition method to either the beginning of the earliest period presented or the beginning of the year of adoption. The effect of applying the new lease guidance on the consolidated financial statements has not yet been determined but is expected to significantly increase long-term assets and lease liabilities upon adoption. The effects on the results of operations are not expected to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

MERCY-USA FOR AID AND DEVELOPMENT, INC.

Notes to Financial Statements (Continued) December 31, 2020 and 2019

13) SUBSEQUENT EVENTS

The Organization has evaluated events through October 22, 2021, 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 except as noted below.

In early March 2020, the COVID-19 virus was declared a global pandemic, and it unfortunately continues to impact business operations. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, could be severely impacted for months or more, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

MERCY-USA FOR AID AND DEVELOPMENT, INC.

Supplemental Statement of Revenues and Program Expenses Year Ended December 31, 2020 (With Combined Comparative Totals for 2019)

	ALBANIA	BOSNIA	INDONESIA	LEBANON*	SOMALIA & KENYA	SYRIA	USA	GAZA	ROHINGYA REFUGEES	PAKISTAN	YEMEN	OTHER	NOT DESIGNATED	TOTAL	TOTAL 2019
REVENUES															
Contributions from Public:															
General	\$ 18,790	\$ 24,753	\$ 24,139	\$ 168,070	\$ 296,318	\$ 729,923	\$ 17,425	\$ 89,270	\$ 17,492	\$ 13,484	\$ 318,207	\$ 2,677	\$ 1,114,429	\$ 2,834,977	\$ 2,580,557
Food Aid	14,000	14,000	15,500	28,160	101,000	75,290	14,875	-	-	21,000	72,460	-	84,893	441,178	351,629
Orphan Fund	10,000	11,300	600	-	657	-	-	-	-	-	-	-	-	22,557	9,645
Education	6,239	-	-	-	-	-	-	-	-	-	-	-	-	6,239	15,797
Zakat	70,000	65,000	146,000	-	966,470	700,000	-	-	-	-	-	-	-	1,947,470	1,688,012
COVID-19	-	-	-	-	45,853	-	-	-	-	-	-	-	-	45,853	-
US Government Grants															
US Agency for International Development (USAD)	-	-	-	-	-	1,450,826	-	-	-	-	-	-	-	1,450,826	2,967,621
NGO Grants	-	-	-	-	723,386	-	-	-	-	-	-	-	-	723,386	1,231,106
United Nations (UN) Grants	-	-	-	166,857	5,604,131	6,660,219	-	-	-	-	-	-	-	12,431,207	6,247,954
Global Fund to Fight AIDS, Tuberculosis & Malaria (GFATM) Grants	-	-	-	-	369,060	-	-	-	-	-	-	-	-	369,060	352,197
Contributions In-Kind - UN Agencies	-	-	-	-	5,633,183	25,352,029	-	-	-	-	-	-	-	30,985,212	14,001,626
Rental Income	-	-	-	-	-	-	-	-	-	-	-	-	89,090	89,090	82,070
Dividend Income	-	-	-	-	-	-	-	-	-	-	-	-	11,840	11,840	19,876
Gain/Loss on Foreign Currency Fluctuation	-	-	-	-	-	-	-	-	-	-	-	-	114,809	114,809	61,344
Events Ticket Sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,500
Total Revenues	\$ 119,029	\$ 115,053	\$ 186,239	\$ 363,087	\$ 13,740,058	\$ 34,968,287	\$ 32,300	\$ 89,270	\$ 17,492	\$ 34,484	\$ 390,667	\$ 2,677	\$ 1,415,051	\$ 51,473,694	\$ 29,610,934
EXPENDITURES															
Program Services:															
Food, Shelter & Orphan Assistance	\$ 22,550	\$ 22,685	\$ 27,088	\$ 61,826	\$ 11,123,113	\$ 33,480,691	\$ 49,262	\$ -	\$ -	\$ 21,945	\$ 154,637	\$ -	\$ -	\$ 44,963,797	\$ 22,196,935
Economic Vitalization	9,032	60,560	159,142	11,430	-	-	6,666	-	-	-	-	-	-	246,830	251,033
Health	-	-	-	258,690	2,610,676	1,171,761	-	-	-	-	-	-	-	4,041,327	5,702,612
Education	86,751	30,662	-	732	-	-	-	159,666	-	150,380	-	-	-	428,191	650,860
Total Program Services	\$ 118,333	\$ 113,907	\$ 186,230	\$ 332,678	\$ 13,733,789	\$ 34,652,452	\$ 55,928	\$ 159,666	\$ -	\$ 172,325	\$ 154,637	\$ -	\$ -	\$ 49,680,145	\$ 29,001,440

*Includes Palestinian refugees in Lebanon.

MERCY-USA FOR AID AND DEVELOPMENT, INC.

Indirect Cost Allocation Year Ended December 31, 2020

Expenditures	Total Cost	Allowable Indirect	Unallowable Indirect	Fundraising Cost	Program Cost	Excluded Program Cost*	Total Direct Cost
Grants	\$ 545,306	\$ -	\$ -	\$ -	\$ 545,306	\$ -	\$ 545,306
Salaries & Wages	7,622,503	210,827	-	4,266	7,407,410	-	7,411,676
Employee Benefits	307,350	94,526	-	-	212,824	-	212,824
Advertising & Promotion	189,400	643	-	188,757	-	-	188,757
Transportation Expenses	1,673,398	1,513	-	-	1,671,885	-	1,671,885
Commercial Insurance	44,479	2,228	-	-	42,251	-	42,251
Conference, Meetings & Seminars	3,084	-	-	-	3,084	-	3,084
Consultants & Other Professional Services	63,589	1,244	-	39,100	23,245	-	62,345
Dues, Subscription, Fees etc.	37,704	21,910	-	5,000	10,794	-	15,794
Legal	2,762	2,007	-	-	755	-	755
Accounting	44,886	9,215	-	-	35,671	-	35,671
Occupancy & Warehousing	351,747	21,909	-	550	329,288	-	329,838
Postage & Shipping	24,910	19,538	-	3,583	1,789	-	5,372
Printing & Copying	43,425	12,336	-	6,479	24,610	-	31,089
Program Materials	37,778,081	-	-	-	37,778,081	30,985,212	6,792,869
Telephone	72,159	5,773	-	-	66,386	-	66,386
Travel	159,165	8,075	-	-	151,090	-	151,090
Bank Charges/Currency Adjustment	286,430	5,273	-	77,231	203,926	-	281,157
Office Supplies & Equipment	200,220	26,592	-	-	173,628	-	173,628
Payroll Taxes	118,415	18,239	-	-	100,176	-	100,176
Uncollectible Accounts Receivables	3,902	-	3,902	-	-	-	-
Indirect Cost	844,166	-	-	-	844,166	-	844,166
Depreciation	116,517	62,737	-	-	53,780	-	53,780
Total	50,533,598	524,585	3,902	324,966	49,680,145	30,985,212	19,019,899
Reclassify Overhead Charged to Program Costs	-	844,166	-	-	-	-	(844,166)
Total	\$ 50,533,598	\$ 1,368,751	\$ 3,902	\$ 324,966	\$ 49,680,145	\$ 30,985,212	\$ 18,175,733
Base = Total Direct Cost							
Pool Cost	\$ 1,368,751						
Base Cost	\$ 18,175,733						
Indirect Rate	7.53%						

* 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
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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

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