

MERCY CENTER FOUNDATION USA, INC.

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**For the years ended
July 31, 2008 and 2007**

Contents

	Page
Independent Auditors' Report	
Financial Statements	
Statements of financial position	1
Statements of activities	2
Statements of cash flows	3
Notes to financial statements	4
Supplemental schedule by program	7

GOLD, LEINS & ADOFF, LLP

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Mercy Center Foundation USA, Inc.

We have audited the accompanying statement of financial position of Mercy Center Foundation USA, Inc. (the Organization) as of July 31, 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Mercy Center Foundation USA, Inc. as of July 31, 2007, were audited by other auditors whose report dated March 19, 2008, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mercy Center Foundation USA, Inc. as of July 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

February 10, 2009

Gold, Leins & Adoff LLP

MERCY CENTER FOUNDATION USA, INC.

STATEMENTS OF FINANCIAL POSITION

July 31, 2008 and 2007

	2008		2007	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
<u>ASSETS</u>				
Current assets:				
Cash and equivalents	\$ 105,677	\$ 16,439	\$ 64,285	\$ -
Fixed assets:				
Equipment	1,822	-	1,822	-
Less: accumulated depreciation	(546)	-	(182)	-
Net fixed assets	<u>1,276</u>	<u>-</u>	<u>1,640</u>	<u>-</u>
Total assets	<u>\$ 106,953</u>	<u>\$ 16,439</u>	<u>\$ 65,925</u>	<u>\$ -</u>
<u>NET ASSETS</u>				
Unrestricted	\$ 106,953	\$ -	\$ 65,925	\$ -
Temporarily restricted	-	16,439	-	-
Total net assets	<u>\$ 106,953</u>	<u>\$ 16,439</u>	<u>\$ 65,925</u>	<u>\$ -</u>

See accompanying notes and independent auditors' report.

MERCY CENTER FOUNDATION USA, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended July 31, 2008 and 2007

	2008			2007		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues:						
Contributions	\$ 46,310	\$ 19,156	\$ 65,466	\$ 160,465	\$ -	\$ 160,465
Grants	-	20,000	20,000	-	-	-
Special events	75,527	-	75,527	-	-	-
Special events expenses	(16,996)	-	(16,996)	-	-	-
In-kind contributions	20,534	-	20,534	30,267	-	30,267
Investment income	1,375	-	1,375	660	-	660
Releases from restrictions	22,717	(22,717)	-	-	-	-
Total revenues	149,467	16,439	165,906	191,392	-	191,392
Expenses:						
Programs	78,767	-	78,767	127,305	-	127,305
Administration	18,458	-	18,458	31,115	-	31,115
Fundraising	11,214	-	11,214	11,053	-	11,053
Total expenses	108,439	-	108,439	169,473	-	169,473
Change in net assets	41,028	16,439	57,467	21,919	-	21,919
Net assets, beginning of year	65,925	-	65,925	44,006	-	44,006
Net assets, end of year	\$ 106,953	\$ 16,439	\$ 123,392	\$ 65,925	\$ -	\$ 65,925

See accompanying notes and independent auditors' report.

MERCY CENTER FOUNDATION USA, INC.

STATEMENTS OF CASH FLOWS

July 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in net assets	\$ 57,467	\$ 21,919
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	364	182
Net cash provided by operating activities	<u>57,831</u>	<u>22,101</u>
Cash flows from investing activities:		
Purchase of equipment	<u>-</u>	<u>(1,822)</u>
Net increase in cash	57,831	20,279
Cash, beginning of year	<u>64,285</u>	<u>44,006</u>
Cash, end of year	<u><u>\$ 122,116</u></u>	<u><u>\$ 64,285</u></u>

See accompanying notes and independent auditors' report.

MERCY CENTER FOUNDATION USA, INC.

NOTES TO FINANCIAL STATEMENTS

July 31, 2008 and 2007

1. DESCRIPTION OF THE ORGANIZATION

Mercy Center Foundation USA, Inc. (the Organization) is a non-profit organization that is exempt from federal income tax under Internal Revenue Code Section 501(c)(3). The Organization was founded and incorporated on August 1, 2003. The Organization's primary focus is the development of Mercy Center Lare, a community center in the heart of Lare, Kenya. The mission of the Organization is to provide funds to help combat disease and poverty in Lare by providing compassionate and humanitarian assistance toward sustainable and affordable clean water, healthcare, education and micro enterprise initiatives.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis. Accordingly, revenues are recognized when earned and expenses are recognized as they are incurred.

Cash and cash equivalents

The Organization considers all highly liquid instruments, which are to be used for current operations and which have an original maturity of three months or less, to be cash and cash equivalents.

Property and equipment

Property and equipment are recorded at cost and are depreciated over their estimated useful lives. The straight-line method of depreciation is followed for all assets.

Support recognition

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

MERCY CENTER FOUNDATION USA, INC.

NOTES TO FINANCIAL STATEMENTS

July 31, 2008 and 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Donated services

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets; or (b) require specialized skills, are performed by individuals with those skills, and would otherwise be purchased by the Organization.

Unrestricted Net Assets

Unrestricted net assets consist of amounts which are currently available to support the Organization's daily operations.

Temporarily restricted:

Net assets which include pledges of future contributions or amounts which have been received and are associated with donor-imposed restrictions which permits the donee organization to use up or expend the donated assets as specified, and is satisfied either by the passage of time or by actions of the Organization.

During the year a private foundation awarded a grant of \$20,000 to the Organization in support of the cost of construction of staff housing next to the clinic in Lare, Kenya. Qualifying expenditures were made during the year and the grant was fully released from temporarily restricted assets as shown below.

Temporarily restricted net assets consist of the following:

	Balance			Balance
	<u>07/31/07</u>	<u>Additions</u>	<u>Releases</u>	<u>07/31/08</u>
Grant for staff housing	\$ -	\$ 20,000	\$ 20,000	\$ -
Rent in Kenya	-	344	344	-
Road repairs	-	1,712	1,712	-
Land purchase	-	14,000	-	14,000
Pavilion construction	-	3,100	661	2,439
	<u>\$ -</u>	<u>\$ 39,156</u>	<u>\$ 22,717</u>	<u>\$ 16,439</u>

MERCY CENTER FOUNDATION USA, INC.

NOTES TO FINANCIAL STATEMENTS

July 31, 2008 and 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Allocation of expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Leases

The Organization entered into a new lease for office space beginning November 1, 2006 for a term of 3 years. The lease space is considered an in-kind contribution. Jocelyn Bell, President of the Organization owns the building along with Bell Builders and donates the space to the Organization for its use. The lease expires on October 31, 2009. Total in-kind rent expense for the years ended July 31, 2008 and 2007 was \$14,400 and \$10,800, respectively.

SUPPLEMENTAL SCHEDULE

MERCY CENTER FOUNDATION USA, INC.

SCHEDULE OF EXPENSES

Year ended July 31, 2008

	<u>Program Expenses</u>	<u>General Management Expenses</u>	<u>Fundraising Expenses</u>	<u>Total Expenses</u>
Accounting	\$ -	\$ 8,200	\$ -	\$ 8,200
Bank and credit card fees	310	127	1,193	1,630
Board meeting expenses	-	1,096	-	1,096
Depreciation	-	364	-	364
Dues and subscriptions	-	450	-	450
Education and training	-	100	-	100
Gifts	-	150	-	150
Grants	62,033	-	-	62,033
In-kind expenses	7,943	5,180	7,411	20,534
Office expenses	1,055	1,665	-	2,720
Postage	182	-	354	536
Printing and publications	-	556	1,819	2,375
Promotional materials	-	-	437	437
Supplies	-	180	-	180
Taxes and licenses	-	200	-	200
Travel	7,244	-	-	7,244
Website	-	190	-	190
	<u>\$ 78,767</u>	<u>\$ 18,458</u>	<u>\$ 11,214</u>	<u>\$ 108,439</u>