

**Return of Organization Exempt From Income Tax**

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

**2002**

Open to Public Inspection

Department of the Treasury  
Internal Revenue Service

The organization may have to use a copy of this return to satisfy state reporting requirements

**A** For the 2002 calendar year, or tax year period beginning **JUL 1, 2002** and ending **JUN 30, 2003**

<b>B</b> Check if applicable: <input type="checkbox"/> Address change <input type="checkbox"/> Name change <input type="checkbox"/> Initial return <input type="checkbox"/> Final return <input checked="" type="checkbox"/> Amended return <input type="checkbox"/> Application pending	Please use IRS label or print or type. See Specific Instructions.	<b>C</b> Name of organization <b>MERCY CORPS</b>		<b>D</b> Employer identification number <b>91-1148123</b>
		Number and street (or P O box if mail is not delivered to street address) Room/suite <b>3015 SW 1ST AVENUE</b>		<b>E</b> Telephone number <b>503 796-6800</b>
		City or town, state or country, and ZIP + 4 <b>PORTLAND, OR 97201</b>		<b>F</b> Accounting method: <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other (specify)

Section 501(c)(3) organizations and 4947(a)(1) nonexempt charitable trusts must attach a completed Schedule A (Form 990 or 990-EZ).

H and I are not applicable to section 527 organizations.

H(a) Is this a group return for affiliates?  Yes  No

H(b) If "Yes," enter number of affiliates

H(c) Are all affiliates included? (If "No," attach a list) **N/A**  Yes  No

H(d) Is this a separate return filed by an organization covered by a group ruling?  Yes  No

I Enter 4-digit GEN

M Check  if the organization is not required to attach Sch. B (Form 990, 990-EZ, or 990-PF)

**G** Web site: **WWW.MERCYCORPS.ORG**

**J** Organization type (check only one)  501(c) ( **3** ) (insert no)  4947(a)(1) or  527

**K** Check here  if the organization's gross receipts are normally not more than \$25,000. The organization need not file a return with the IRS, but if the organization received a Form 990 Package in the mail, it should file a return without financial data. Some states require a complete return.

**L** Gross receipts: Add lines 6b, 8b, 9b, and 10b to line 12 **116,666,412.**

**Part 1 Revenue, Expenses, and Changes in Net Assets or Fund Balances**

SCANNED MAR 04 '04

Revenue	<b>1</b> Contributions, grfts, grants, and similar amounts received:				
	<b>a</b> Direct public support	<b>1a</b>	<b>15,997,878.</b>		
	<b>b</b> Indirect public support	<b>1b</b>	<b>116,667.</b>		
	<b>c</b> Government contributions (grants)	<b>1c</b>	<b>99,476,669.</b>		
	<b>d</b> Total (add lines 1a through 1c) (cash \$ <b>95,137,370.</b> noncash \$ <b>20,453,844.</b> )			<b>1d</b>	<b>115,591,214.</b>
	<b>2</b> Program service revenue including government fees and contracts (from Part VII, line 93)			<b>2</b>	<b>803,842.</b>
	<b>3</b> Membership dues and assessments			<b>3</b>	
	<b>4</b> Interest on savings and temporary cash investments			<b>4</b>	<b>27,275.</b>
	<b>5</b> Dividends and interest from securities			<b>5</b>	
	<b>6 a</b> Gross rents	<b>6a</b>			
	<b>b</b> Less rental expenses	<b>6b</b>			
	<b>c</b> Net rental income or (loss) (subtract line 6b from line 6a)			<b>6c</b>	
<b>7</b> Other investment income (describe )			<b>7</b>		
<b>8 a</b> Gross amount from sale of assets other than inventory	(A) Securities		(B) Other		
	<b>212,349.</b>	<b>8a</b>			
	<b>213,793.</b>	<b>8b</b>			
	<b>&lt;1,444.&gt;</b>	<b>8c</b>			
<b>d</b> Net gain or (loss) (combine line 8c, columns (A) and (B))		<b>STMT 1</b>	<b>8d</b>	<b>&lt;1,444.&gt;</b>	
<b>9</b> Special events and activities (attach schedule)					
<b>a</b> Gross revenue (not including \$ _____ of contributions reported on line 1a)	<b>9a</b>				
<b>b</b> Less direct expenses other than fundraising expenses	<b>9b</b>				
<b>c</b> Net income or (loss) from special events (subtract line 9b from line 9a)			<b>9c</b>		
<b>10 a</b> Gross sales of inventory, less returns and allowances	<b>10a</b>				
	<b>b</b> Less cost of goods sold	<b>10b</b>			
<b>c</b> Gross profit or (loss) from sales of inventory (attach schedule) (subtract line 10b from line 10a)			<b>10c</b>		
<b>11</b> Other revenue (from Part VII, line 10B)			<b>11</b>	<b>31,732.</b>	
<b>12</b> Total revenue (add lines 1d, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11)			<b>12</b>	<b>116,452,619.</b>	
Expenses	<b>13</b> Program services (from line 44, column (B))		<b>13</b>	<b>106,653,965.</b>	
	<b>14</b> Management and general (from line 44, column (C))		<b>14</b>	<b>6,984,514.</b>	
	<b>15</b> Fundraising (from line 44, column (D))		<b>15</b>	<b>3,323,317.</b>	
	<b>16</b> Payments to affiliates (attach schedule)		<b>16</b>		
	<b>17</b> Total expenses (add lines 16 and 44, column (A))			<b>17</b>	<b>116,961,796.</b>
Net Assets	<b>18</b> Excess or (deficit) for the year (subtract line 17 from line 12)		<b>18</b>	<b>&lt;509,177.&gt;</b>	
	<b>19</b> Net assets or fund balances at beginning of year (from line 73, column (A))		<b>19</b>	<b>7,358,125.</b>	
	<b>20</b> Other changes in net assets or fund balances (attach explanation)		<b>20</b>	<b>&lt;155,204.&gt;</b>	
	<b>21</b> Net assets or fund balances at end of year (combine lines 18, 19, and 20)			<b>21</b>	<b>6,693,744.</b>

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**Part II Statement of Functional Expenses**

All organizations must complete column (A). Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts but optional for others

Do not include amounts reported on line 6b, 8b, 9b, 10b, or 16 of Part I.		(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
22	Grants and allocations (attach schedule) cash \$ 30,364,383, noncash \$ 20,453,843.	50,818,226.	50,818,226.	STATEMENT 3	STATEMENT 4
23	Specific assistance to individuals (attach schedule)				
24	Benefits paid to or for members (attach schedule)				
25	Compensation of officers, directors, etc	522,784.	0.	522,784.	0.
26	Other salaries and wages	15,434,220.	11,427,100.	3,020,063.	987,057.
27	Pension plan contributions	544,666.	295,913.	194,465.	54,288.
28	Other employee benefits	4,260,806.	3,610,796.	506,706.	143,304.
29	Payroll taxes	1,278,525.	826,172.	353,647.	98,706.
30	Professional fundraising fees	148,763.			148,763.
31	Accounting fees	96,730.	42,423.	54,307.	
32	Legal fees				
33	Supplies				
34	Telephone				
35	Postage and shipping				
36	Occupancy	3,261,079.	2,396,452.	607,405.	257,222.
37	Equipment rental and maintenance				
38	Printing and publications				
39	Travel	4,214,539.	3,264,087.	832,541.	117,911.
40	Conferences, conventions, and meetings				
41	Interest				
42	Depreciation, depletion, etc (attach schedule)	107,822.	74,793.	24,247.	8,782.
43	Other expenses not covered above (itemize)				
a	SEE STATEMENT 8	36,273,636.	33,898,003.	868,349.	1,507,284.
b					
c					
d					
e					
44	Total functional expenses (add lines 22 through 43) Organizations completing columns (B)-(D), carry these totals to lines 13-15	116,961,796.	106,653,965.	6,984,514.	3,323,317.

Joint Costs. Check  if you are following SOP 98-2

Are any joint costs from a combined educational campaign and fundraising solicitation reported in (B) Program services?  Yes  No  
 If "Yes," enter (i) the aggregate amount of these joint costs \$ \_\_\_\_\_, (ii) the amount allocated to Program services \$ \_\_\_\_\_;  
 (iii) the amount allocated to Management and general \$ \_\_\_\_\_; and (iv) the amount allocated to Fundraising \$ \_\_\_\_\_

**Part III Statement of Program Service Accomplishments**

What is the organization's primary exempt purpose?

**INTERNATIONAL HUMANITARIAN RELIEF AND DEVELOPMENT**

All organizations must describe their exempt purpose achievements in a clear and concise manner. State the number of clients served, publications issued, etc. Discuss achievements that are not measurable. (Section 501(c)(3) and (4) organizations and 4947(a)(1) nonexempt charitable trusts must also enter the amount of grants and allocations to others.)

**Program Service Expenses**  
(Required for 501(c)(3) and (4) orgs., and 4947(a)(1) trusts, but optional for others)

a	SEE STATEMENT 9	(Grants and allocations \$ 50,818,226.)	106,653,965.
b		(Grants and allocations \$ )	
c		(Grants and allocations \$ )	
d		(Grants and allocations \$ )	
e	Other program services (attach schedule)	(Grants and allocations \$ )	
f	Total of Program Service Expenses (should equal line 44, column (B), Program services)		106,653,965.

**Part IV Balance Sheets**

Note: Where required, attached schedules and amounts within the description column should be for end-of-year amounts only.

		(A) Beginning of year		(B) End of year	
Assets	45	Cash - non-interest-bearing	11,070,226.	45	14,949,235.
	46	Savings and temporary cash investments	17,025,294.	46	15,478,033.
	47 a	Accounts receivable	930,138.	47c	
	47 b	Less: allowance for doubtful accounts			
	48 a	Pledges receivable		48c	
	48 b	Less: allowance for doubtful accounts			
	49	Grants receivable	10,289,160.	49	11,738,383.
	50	Receivables from officers, directors, trustees, and key employees		50	
	51 a	Other notes and loans receivable STMT 5	4,326,818.	51c	4,045,818.
	51 b	Less: allowance for doubtful accounts	281,000.		
	52	Inventories for sale or use	1,848,935.	52	5,472,924.
	53	Prepaid expenses and deferred charges	413,199.	53	764,854.
	54	Investments - securities <input type="checkbox"/> Cost <input type="checkbox"/> FMV		54	
	55 a	Investments - land, buildings, and equipment basis		55c	
	55 b	Less: accumulated depreciation			
56	Investments - other		56		
57 a	Land, buildings, and equipment, basis	1,620,814.	57c	444,380.	
57 b	Less: accumulated depreciation STMT 6	1,176,434.			
58	Other assets (describe <input type="checkbox"/> SEE STATEMENT 5)	144,824.	58	3,810,093.	
59	<b>Total assets</b> (add lines 45 through 58) (must equal line 74)	3,331,284.	59	56,703,720.	
Liabilities	60	Accounts payable and accrued expenses	3,155,660.	60	5,632,456.
	61	Grants payable		61	
	62	Deferred revenue	30,082,513.	62	36,326,677.
	63	Loans from officers, directors, trustees, and key employees		63	
	64 a	Tax-exempt bond liabilities		64a	
	64 b	Mortgages and other notes payable		64b	
	65	Other liabilities (describe <input type="checkbox"/> SEE STATEMENT 10)	8,411,517.	65	8,050,843.
66	<b>Total liabilities</b> (add lines 60 through 65)	41,649,690.	66	50,009,976.	
Net Assets or Fund Balances	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74				
	67	Unrestricted	4,736,610.	67	4,819,414.
	68	Temporarily restricted	2,621,515.	68	1,874,330.
	69	Permanently restricted		69	
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 70 through 74				
	70	Capital stock, trust principal, or current funds		70	
	71	Paid-in or capital surplus, or land, building, and equipment fund		71	
	72	Retained earnings, endowment, accumulated income, or other funds		72	
73	<b>Total net assets or fund balances</b> (add lines 67 through 69 or lines 70 through 72, column (A) must equal line 19, column (B) must equal line 21)	7,358,125.	73	6,693,744.	
74	<b>Total liabilities and net assets / fund balances</b> (add lines 66 and 73)	49,007,815.	74	56,703,720.	

Form 990 is available for public inspection and, for some people, serves as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the return is complete and accurate and fully describes, in Part III, the organization's programs and accomplishments.



**Part VI Other Information**

		Yes	No
76	Did the organization engage in any activity not previously reported to the IRS? If "Yes," attach a detailed description of each activity	76	X
77	Were any changes made in the organizing or governing documents but not reported to the IRS? If "Yes," attach a conformed copy of the changes	77	X
78 a	Did the organization have unrelated business gross income of \$1,000 or more during the year covered by this return?	78a	X
b	If "Yes," has it filed a tax return on Form 990-T for this year? N/A	78b	
79	Was there a liquidation, dissolution, termination, or substantial contraction during the year? If "Yes," attach a statement	79	X
80 a	Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc., to any other exempt or nonexempt organization?	80a	X
b	If "Yes," enter the name of the organization <b>MERCY ENTERPRISE CORPORATION 93-1315010</b> and check whether it is <input checked="" type="checkbox"/> exempt or <input type="checkbox"/> nonexempt		
81 a	Enter direct or indirect political expenditures. See line 81 instructions <b>81a</b> 0.		
b	Did the organization file Form 1120-POL for this year?	81b	X
82 a	Did the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value?	82a	X
b	If "Yes," you may indicate the value of these items here. Do not include this amount as revenue in Part I or as an expense in Part II (See instructions in Part III.) <b>82b</b>		
83 a	Did the organization comply with the public inspection requirements for returns and exemption applications?	83a	X
b	Did the organization comply with the disclosure requirements relating to quid pro quo contributions?	83b	X
84 a	Did the organization solicit any contributions or gifts that were not tax deductible? N/A	84a	
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible? N/A	84b	
85	<b>501(c)(4), (5), or (6) organizations.</b> a Were substantially all dues nondeductible by members? N/A	85a	
b	Did the organization make only in-house lobbying expenditures of \$2,000 or less? N/A If "Yes" was answered to either 85a or 85b, do not complete 85c through 85h below unless the organization received a waiver for proxy tax owed for the prior year	85b	
c	Dues, assessments, and similar amounts from members <b>85c</b> N/A		
d	Section 162(e) lobbying and political expenditures <b>85d</b> N/A		
e	Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices <b>85e</b> N/A		
f	Taxable amount of lobbying and political expenditures (line 85d less 85e) <b>85f</b> N/A		
g	Does the organization elect to pay the section 6033(e) tax on the amount on line 85f? N/A	85g	
h	If section 6033(e)(1)(A) dues notices were sent, does the organization agree to add the amount on line 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year? N/A	85h	
86	<b>501(c)(7) organizations.</b> Enter a Initiation fees and capital contributions included on line 12 <b>86a</b> N/A		
b	Gross receipts, included on line 12, for public use of club facilities <b>86b</b> N/A		
87	<b>501(c)(12) organizations.</b> Enter a Gross income from members or shareholders <b>87a</b> N/A		
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them.) ... <b>87b</b> N/A		
88	At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership, or an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If "Yes," complete Part IX	88	X
89 a	<b>501(c)(3) organizations.</b> Enter Amount of tax imposed on the organization during the year under section 4911 <b>0.</b> , section 4912 <b>0.</b> , section 4955 <b>0.</b>		
b	<b>501(c)(3) and 501(c)(4) organizations.</b> Did the organization engage in any section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If "Yes," attach a statement explaining each transaction	89b	X
c	Enter: Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958 <b>0.</b>		
d	Enter: Amount of tax on line 89c, above, reimbursed by the organization <b>0.</b>		
90 a	List the states with which a copy of this return is filed <b>SEE STATEMENT 13</b>		
b	Number of employees employed in the pay period that includes March 12, 2002 <b>90b</b> 251		
91	The books are in care of <b>RICHARD SORENSEN, CONTROLLER</b> Telephone no <b>503 796-6800</b>		

Located at **3015 SW FIRST AVENUE, PORTLAND, OREGON**

ZIP + 4 **97201**

92 Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041- Check here   
and enter the amount of tax-exempt interest received or accrued during the tax year **92** N/A

**Part VII Analysis of Income-Producing Activities** (See page 31 of the instructions)

Note: Enter gross amounts unless otherwise indicated.

	Unrelated business income		Excluded by section 512, 513, or 514		(E) Related or exempt function income
	(A) Business code	(B) Amount	(C) Exclu- sion code	(D) Amount	
93 Program service revenue					
a <b>LOAN INTEREST AND FEES</b>					627,146.
b <b>OTHER PROGRAM INCOME</b>					176,696.
c					
d					
e					
f Medicare/Medicaid payments					
g Fees and contracts from government agencies					
94 Membership dues and assessments					
95 Interest on savings and temporary cash investments			14	27,275.	
96 Dividends and interest from securities					
97 Net rental income or (loss) from real estate:					
a debt-financed property					
b not debt-financed property					
98 Net rental income or (loss) from personal property					
99 Other investment income					
100 Gain or (loss) from sales of assets other than inventory			18	<1,444.>	
101 Net income or (loss) from special events					
102 Gross profit or (loss) from sales of inventory			01		
103 Other revenue:					
a <b>MISCELLANEOUS INCOME</b>			01	31,732.	
b					
c					
d					
e					
104 Subtotal (add columns (B), (D), and (E))		0.		57,563.	803,842.
105 Total (add line 104, columns (B), (D), and (E))					861,405.

Note: Line 105 plus line 1d, Part I, should equal the amount on line 12, Part I.

**Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes** (See page 32 of the instructions)

Line No.	Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes).
▼	SEE STATEMENT 14

**Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities** (See page 32 of the instructions)

(A) Name, address, and EIN of corporation, partnership, or disregarded entity	(B) Percentage of ownership interest	(C) Nature of activities	(D) Total income	(E) End-of-year assets
N/A	%			
	%			
	%			
	%			

**Part X Information Regarding Transfers Associated with Personal Benefit Contracts** (See page 33 of the instructions)

(a) Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?  Yes  No

(b) Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?  Yes  No

Note: If "Yes" to (b), file Form 8870 and Form 4720 (see instructions).

accompanying schedules and statements, and to the best of my knowledge and belief, it is true,  
 all information of which preparer has any knowledge

2-20-04  
 Date

STEPHEN MITCHELL, VP FINANCE  
 Type or print name and title

Date  
 Check if self-

Preparer's SSN or PTIN

**SCHEDULE A**  
**(Form 990 or 990-EZ)**

Department of the Treasury  
Internal Revenue Service

**Organization Exempt Under Section 501(c)(3)**

(Except Private Foundation) and Section 501(e), 501(f), 501(k),  
501(n), or Section 4947(a)(1) Nonexempt Charitable Trust

**Supplementary Information-(See separate instructions.)**  
▶ **MUST be completed by the above organizations and attached to their Form 990 or 990-EZ**

OMB No 1545-0047

**2002**

Name of the organization

MERCY CORPS

Employer identification number

91 1148123

**Part I Compensation of the Five Highest Paid Employees Other Than Officers, Directors, and Trustees**

(See page 1 of the instructions. List each one. If there are none, enter "None.")

(a) Name and address of each employee paid more than \$50,000	(b) Title and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefit plans & deferred compensation	(e) Expense account and other allowances
ELLSWORTH CULVER ----- PORTLAND, OREGON	VP INTL REL FULL-TIME	99,000.	17,092.	
NORA BAZZY ----- BEIRUT, LEBANON	REGIONAL DIR FULL-TIME	92,000.	9,815.	
EKKEHARD ESSER ----- ULAANBATAAR, MONGOLIA	CEO G EKHLEL FULL-TIME	91,284.	10,698.	
STEPHEN MITCHELL ----- PORTLAND, OREGON	VP FINANCE FULL-TIME	89,000.	13,308.	
MATTHEW DEGALAN ----- PORTLAND, OREGON	CDO FULL-TIME	84,000.	8,168.	
Total number of other employees paid over \$50,000	42			

**Part II Compensation of the Five Highest Paid Independent Contractors for Professional Services**

(See page 2 of the instructions. List each one (whether individuals or firms). If there are none, enter "None.")

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
GRANT THORNTON, LLP ----- 111 SW COLUMBIA, STE 800, PORTLAND, OR 97201	AUDIT & TAX SVCS	92,730.
MDS COMMUNICATIONS ----- 5005 S ASH AVE, TEMPE, AZ 85282	DONOR SOLICITATION SVCS	97,826.
----- ----- ----- ----- -----		
Total number of others receiving over \$50,000 for professional services	0	

**Part III Statements About Activities** (See page 2 of the instructions.)

	Yes	No
<b>1</b> During the year, has the organization attempted to influence national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum? If "Yes," enter the total expenses paid or incurred in connection with the lobbying activities ► \$ _____ \$ _____ (Must equal amounts on line 38, Part VI-A, or line i of Part VI-B.) Organizations that made an election under section 501(h) by filing Form 5768 must complete Part VI-A. Other organizations checking "Yes," must complete Part VI-B AND attach a statement giving a detailed description of the lobbying activities.		X
<b>2</b> During the year, has the organization, either directly or indirectly, engaged in any of the following acts with any substantial contributors, trustees, directors, officers, creators, key employees, or members of their families, or with any taxable organization with which any such person is affiliated as an officer, director, trustee, majority owner, or principal beneficiary? (If the answer to any question is "Yes," attach a detailed statement explaining the transactions.)		
<b>a</b> Sale, exchange, or leasing of property?		X
<b>b</b> Lending of money or other extension of credit?		X
<b>c</b> Furnishing of goods, services, or facilities?		X
<b>d</b> Payment of compensation (or payment or reimbursement of expenses if more than \$1,000)? SEE PART V, FORM 990	X	
<b>e</b> Transfer of any part of its income or assets?		X
<b>3</b> Does the organization make grants for scholarships, fellowships, student loans, etc? (See Note below)		X
<b>4</b> Do you have a section 403(b) annuity plan for your employees?	X	
<b>Note:</b> Attach a statement to explain how the organization determines that individuals or organizations receiving grants or loans from it in furtherance of its charitable programs "qualify" to receive payments.		

**Part IV Reason for Non-Private Foundation Status** (See pages 3 through 5 of the instructions.)

The organization is not a private foundation because it is (Please check only ONE applicable box.)

- 5  A church, convention of churches, or association of churches Section 170(b)(1)(A)(i).
- 6  A school Section 170(b)(1)(A)(ii). (Also complete Part V.)
- 7  A hospital or a cooperative hospital service organization Section 170(b)(1)(A)(iii).
- 8  A Federal, state, or local government or governmental unit. Section 170(b)(1)(A)(v).
- 9  A medical research organization operated in conjunction with a hospital Section 170(b)(1)(A)(iii) Enter the hospital's name, city, and state ► \_\_\_\_\_
- 10  An organization operated for the benefit of a college or university owned or operated by a governmental unit Section 170(b)(1)(A)(iv) (Also complete the **Support Schedule** in Part IV-A.)
- 11a  An organization that normally receives a substantial part of its support from a governmental unit or from the general public. Section 170(b)(1)(A)(vi) (Also complete the **Support Schedule** in Part IV-A.)
- 11b  A community trust Section 170(b)(1)(A)(vi) (Also complete the **Support Schedule** in Part IV-A.)
- 12  An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc., functions - subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See section 509(a)(2). (Also complete the **Support Schedule** in Part IV-A.)
- 13  An organization that is not controlled by any disqualified persons (other than foundation managers) and supports organizations described in (1) lines 5 through 12 above, or (2) section 501(c)(4), (5), or (6), if they meet the test of section 509(a)(2) (See section 509(a)(3).)

Provide the following information about the supported organizations. (See page 5 of the instructions.)

(a) Name(s) of supported organization(s)	(b) Line number from above

- 14  An organization organized and operated to test for public safety. Section 509(a)(4) (See page 5 of the instructions.)

**Part IV-A Support Schedule** (Complete only if you checked a box on line 10, 11, or 12.) Use cash method of accounting.  
 Note: You may use the worksheet in the instructions for converting from the accrual to the cash method of accounting.

Calendar year (or fiscal year beginning in)	(a) 2001	(b) 2000	(c) 1999	(d) 1998	(e) Total
<b>15</b> Gifts, grants, and contributions received. (Do not include unusual grants. See line 28.)	109,447,353.	80250497.	119,799,226.	79547198.	389044274.
<b>16</b> Membership fees received					
<b>17</b> Gross receipts from admissions, merchandise sold or services performed, or furnishing of facilities in any activity that is related to the organization's charitable, etc., purpose					
<b>18</b> Gross income from interest, dividends, amounts received from payments on securities loans (section 512(a)(5)), rents, royalties, and unrelated business taxable income (less section 511 taxes) from businesses acquired by the organization after June 30, 1975	797,639.	1,208,958.	71,262.	344,370.	2,422,229.
<b>19</b> Net income from unrelated business activities not included in line 18					
<b>20</b> Tax revenues levied for the organization's benefit and either paid to it or expended on its behalf					
<b>21</b> The value of services or facilities furnished to the organization by a governmental unit without charge. Do not include the value of services or facilities generally furnished to the public without charge.					
<b>22</b> Other income. Attach a schedule. Do not include gain or (loss) from sale of capital assets	22,385.	28,466.	SEE STATEMENT 7 222,930.	330,831.	604,612.
<b>23</b> Total of lines 15 through 22	110,267,377.	81487921.	120,093,418.	80222399.	392071115.
<b>24</b> Line 23 minus line 17	110,267,377.	81487921.	120,093,418.	80222399.	392071115.
<b>25</b> Enter 1% of line 23	1,102,674.	814,879.	1,200,934.	802,224.	
<b>26</b> Organizations described on lines 10 or 11: a Enter 2% of amount in column (e), line 24					<b>26a</b> 7,841,422.
b Prepare a list for your records to show the name of and amount contributed by each person (other than a governmental unit or publicly supported organization) whose total gifts for 1998 through 2001 exceeded the amount shown in line 26a. Do not file this list with your return. Enter the sum of all these excess amounts					<b>26b</b> 0.
c Total support for section 509(a)(1) test Enter line 24, column (e)					<b>26c</b> 392071115.
d Add. Amounts from column (e) for lines: 18 <u>2,422,229.</u> 19 _____ 22 <u>604,612.</u> 26b _____					<b>26d</b> 3,026,841.
e Public support (line 26c minus line 26d total)					<b>26e</b> 389044274.
f Public support percentage (line 26e (numerator) divided by line 26c (denominator))					<b>26f</b> 99.2280%
<b>27</b> Organizations described on line 12: a For amounts included in lines 15, 16, and 17 that were received from a "disqualified person," prepare a list for your records to show the name of, and total amounts received in each year from, each "disqualified person." Do not file this list with your return. Enter the sum of such amounts for each year	(2001) N/A	(2000) N/A	(1999) N/A	(1998) N/A	
b For any amount included in line 17 that was received from each person (other than "disqualified persons"), prepare a list for your records to show the name of, and amount received for each year, that was more than the larger of (1) the amount on line 25 for the year or (2) \$5,000 (Include in the list organizations described in lines 5 through 11, as well as individuals.) Do not file this list with your return. After computing the difference between the amount received and the larger amount described in (1) or (2), enter the sum of these differences (the excess amounts) for each year	(2001) N/A	(2000) N/A	(1999) N/A	(1998) N/A	
c Add Amounts from column (e) for lines 15 _____ 16 _____ 17 _____ 20 _____ 21 _____					<b>27c</b> N/A
d Add Line 27a total _____ and line 27b total _____					<b>27d</b> N/A
e Public support (line 27c total minus line 27d total)					<b>27e</b> N/A
f Total support for section 509(a)(2) test Enter amount on line 23, column (e)					<b>27f</b> N/A
g Public support percentage (line 27e (numerator) divided by line 27f (denominator))					<b>27g</b> N/A %
h Investment income percentage (line 18, column (e) (numerator) divided by line 27f (denominator))					<b>27h</b> N/A %

**28 Unusual Grants:** For an organization described in line 10, 11, or 12 that received any unusual grants during 1998 through 2001, prepare a list for your records to show, for each year, the name of the contributor, the date and amount of the grant, and a brief description of the nature of the grant. Do not file this list with your return. Do not include these grants in line 15

**Part V Private School Questionnaire** (See page 7 of the instructions)

N/A

**(To be completed ONLY by schools that checked the box on line 6 in Part IV)**

		Yes	No
29	Does the organization have a racially nondiscriminatory policy toward students by statement in its charter, bylaws, other governing instrument, or in a resolution of its governing body?		
30	Does the organization include a statement of its racially nondiscriminatory policy toward students in all its brochures, catalogues, and other written communications with the public dealing with student admissions, programs, and scholarships?		
31	Has the organization publicized its racially nondiscriminatory policy through newspaper or broadcast media during the period of solicitation for students, or during the registration period if it has no solicitation program, in a way that makes the policy known to all parts of the general community it serves? If "Yes," please describe, if "No," please explain (If you need more space, attach a separate statement )		
<hr/> <hr/> <hr/>			
32	Does the organization maintain the following		
a	Records indicating the racial composition of the student body, faculty, and administrative staff?	32a	
b	Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis?	32b	
c	Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships?	32c	
d	Copies of all material used by the organization or on its behalf to solicit contributions? If you answered "No" to any of the above, please explain. (If you need more space, attach a separate statement.)	32d	
<hr/> <hr/> <hr/>			
33	Does the organization discriminate by race in any way with respect to:		
a	Students' rights or privileges?	33a	
b	Admissions policies?	33b	
c	Employment of faculty or administrative staff?	33c	
d	Scholarships or other financial assistance?	33d	
e	Educational policies?	33e	
f	Use of facilities?	33f	
g	Athletic programs?	33g	
h	Other extracurricular activities? If you answered "Yes" to any of the above, please explain. (If you need more space, attach a separate statement.)	33h	
<hr/> <hr/> <hr/>			
34 a	Does the organization receive any financial aid or assistance from a governmental agency?	34a	
b	Has the organization's right to such aid ever been revoked or suspended? If you answered "Yes" to either 34a or b, please explain using an attached statement.	34b	
35	Does the organization certify that it has complied with the applicable requirements of sections 4.01 through 4.05 of Rev. Proc. 75-50, 1975-2 C B 587, covering racial nondiscrimination? If "No," attach an explanation	35	

**Part VI-A Lobbying Expenditures by Electing Public Charities** (See page 9 of the instructions)

(To be completed ONLY by an eligible organization that filed Form 5768)

Check  **a** if the organization belongs to an affiliated group Check  **b** if you checked "a" and "limited control" provisions apply

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred)		(a) Affiliated group totals	(b) To be completed for ALL electing organizations
		N/A	
36	Total lobbying expenditures to influence public opinion (grassroots lobbying)	36	0.
37	Total lobbying expenditures to influence a legislative body (direct lobbying)	37	0.
38	Total lobbying expenditures (add lines 36 and 37)	38	0.
39	Other exempt purpose expenditures	39	0.
40	Total exempt purpose expenditures (add lines 38 and 39)	40	0.
41	Lobbying nontaxable amount. Enter the amount from the following table -		
	<b>If the amount on line 40 is -</b>		
	<b>The lobbying nontaxable amount is -</b>		
	Not over \$500,000	20% of the amount on line 40	
	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000	
	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	
	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000	
	Over \$17,000,000	\$1,000,000	
41		41	0.
42	Grassroots nontaxable amount (enter 25% of line 41)	42	0.
43	Subtract line 42 from line 36. Enter -0- if line 42 is more than line 36	43	0.
44	Subtract line 41 from line 38. Enter -0- if line 41 is more than line 38	44	0.

Caution: If there is an amount on either line 43 or line 44, you must file Form 4720.

**4-Year Averaging Period Under Section 501(h)**

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below See the instructions for lines 45 through 50 on page 11 of the instructions)

Calendar year (or fiscal year beginning in)	Lobbying Expenditures During 4-Year Averaging Period				N/A
	(a) 2002	(b) 2001	(c) 2000	(d) 1999	(e) Total
45	Lobbying nontaxable amount				0.
46	Lobbying ceiling amount (150% of line 45(e))				0.
47	Total lobbying expenditures				0.
48	Grassroots nontaxable amount				0.
49	Grassroots ceiling amount (150% of line 48(e))				0.
50	Grassroots lobbying expenditures				0.

**Part VI-B Lobbying Activity by Nonelecting Public Charities**

(For reporting only by organizations that did not complete Part VI-A) (See page 11 of the instructions)

During the year, did the organization attempt to influence national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of	Yes	No	Amount
a Volunteers		X	
b Paid staff or management (include compensation in expenses reported on lines c through h.)		X	
c Media advertisements		X	
d Mailings to members, legislators, or the public		X	
e Publications, or published or broadcast statements		X	
f Grants to other organizations for lobbying purposes		X	
g Direct contact with legislators, their staffs, government officials, or a legislative body		X	
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any other means		X	
i Total lobbying expenditures (Add lines c through h.)			0.



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FOOTNOTES

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THIS RETURN IS BEING AMENDED SOLELY FOR PURPOSES OF  
RESTATING THE LIST OF OFFICERS, DIRECTORS, TRUSTEES, AND KEY  
EMPLOYEES ON PART V OF THE 990.

**MERCY CORPS**

**91-1148123**

**Statement 1**

**2002 Form 990 - Part I, Line 8**

**Net Gain/(Loss) on Sale of Assets Other than Inventory**

**Sale of Publicly Traded Securities Received as Gifts**

Gross Sales Price	\$ 212,349
less: Basis	<u>213,793</u>
Net gain/(loss) on sale	<u><u>\$ (1,444)</u></u>

**MERCY CORPS**

**91-1148123**

**Statement 2**

**2002 Form 990 - Part I, Line 20**

**Other Changes in Net Assets or Fund Balances**

Mercy Enterprise Corporation's net assets included in Mercy Corps' 2001 990

\$ (155,204)

**MERCY CORPS**  
**Statements 3 and 4**  
**2002 Form 990 - Part II, Line 22**  
**Grants and Allocations to Others**

91-1148123

**Statement 3 - Cash Grants**

<b>Project Area</b>	<b>Amount</b>
Africa	\$ 520,525
Caucasus	9,920,160
Central and South America	1,909,171
Central Asia	2,698,545
Eastern Asia	1,941,881
Europe/Eastern Europe	7,577,803
Middle East	4,656,841
Russia	471,731
South Asia	666,486
United States of America	1,240
<b>Total Cash Grants</b>	<b>30,364,383</b>

**Statement 4 - Noncash Grants**

<b>Project Area</b>	<b>Commodity</b>	<b>Amount</b>
Africa	Medical and household supplies and food commodities	\$ 6,572,885
Caucasus	Household supplies	191,972
Central and South America	Construction and rehabilitation materials and medical and household supplies	1,236,742
Central Asia	Household supplies and food commodities	2,244,038
Eastern Asia	Construction and rehabilitation materials, medical and household supplies, and food commodities	2,941,280
Europe/Eastern Europe	Construction and rehabilitation materials, medical and household supplies, and food commodities	264,210
Middle East	Household supplies and food commodities	6,694,776
South Asia	Construction and rehabilitation materials and medical and household supplies	307,940
<b>Total Noncash Grants</b>		<b>20,453,843</b>

**Total Grants and Allocations** \$ 50,818,226

**MERCY CORPS**  
**Statement 5**

**91-1148123**

**2002 Form 990 - Part IV, Line 51a,b,c**  
**Other Notes and Loans Receivable**

**Notes and Loans**

Borrower(s):	Numerous individuals and cooperatives of individuals in Bosnia, Central Asia, and Portland, Oregon.	
Purpose of loan.	Microcredit loans to encourage livelihood and economic development	
Original amount of loans:	Ranging from \$80 - \$25,000	
Repayment terms:	Due in monthly installments over 3 yrs, plus interest	
Interest rate.	Market rate in each country	
Security:	Real & personal property and personal guarantees	
Relation of borrower:	No relation to Mercy Corps	
Balance due, Line 51a		\$ 4,326,818
Allowance for doubtful accounts, Line 51b		<u>281,000</u>
Net other notes and loans receivable, Line 51c		<u><u>\$ 4,045,818</u></u>

**2002 Form 990 - Part IV, Line 58**  
**Other Assets**

**Other Notes Receivable**

Borrower(s)	Partner, a nonprofit organization in Bosnia	
Purpose of loan	Initial capital for Partner, a spin-off of Mercy Corps' Bosnia microcredit loan programs.	
Repayment terms:	Due on demand	
Security:	Partner's loan portfolio	
Relation of borrower.	None.	
Balance due.		\$ 3,577,777
Borrower(s):	Mercy Corps Scotland, Mercy Corps' European affiliate.	
Purpose of loan.	To fund Mercy Corps Scotland's exempt program activities	
Repayment terms.	Due on demand	
Security:	None.	
Relation of borrower.	Related party.	
Balance due		<u>232,316</u>
Total other assets, Line 58		<u><u>\$ 3,810,093</u></u>

**MERCY CORPS**  
**Statement 6**  
**2002 Form 990 - Part IV, Line 57**  
**Land, Buildings and Equipment**

91-1148123

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net book value</u>
Vehicles	\$ 1,227,885	\$ 888,014	\$ 339,871
Equipment			
Computers	106,144	106,144	-
Other	84,398	74,373	10,025
Furniture & Fixtures	86,127	55,265	30,862
Leasehold Improvements	116,260	52,638	63,622
	<u>\$ 1,620,814</u>	<u>\$ 1,176,434</u>	<u>\$ 444,380</u>

**Note** Depreciation is provided based on the estimated useful lives of the related assets using the straight-line method. Amortization of leasehold improvements is provided using the straight-line method over the estimated service lives or the lease commitment, whichever is shorter.

**Depreciation Expense**

Vehicles	\$ 78,742
Equipment	
Computers	790
Other	5,154
Furniture & Fixtures	12,119
Leasehold Improvements	<u>11,017</u>
<b>Total Depreciation Expense, Line 42</b>	<u><u>\$ 107,822</u></u>

**MERCY CORPS**

**91-1148123**

**Statement 7**

**2002 Schedule A - Part IV-A, Line 22**

**Other Income**

	(A)	(B)	(C)	(D)	(E)
	2001	2000	1999	1998	Total
<b>Description</b>					
Other Income	\$ 22,385	\$ 28,466	\$ 222,930	\$ 330,831	\$ 604,612

**Note:** Other income consists primarily of program service revenue and other revenue reported on Form 990, Part VII - Analysis of Income-Producing Activities.

**MERCY CORPS**

91-1148123

**Statement 8****2002 Form 990 - Part II, Line 43****Statement of Functional Expenses - Other Expenses**

<b>Line 43</b>	<b>Total</b>	<b>Program services</b>	<b>Management and general</b>	<b>Fundraising</b>
a Consultants and contract labor	\$ 2,725,011	\$ 2,186,108	\$ 320,891	\$ 218,012
b Legal and other professional fees	295,139	222,680	37,324	35,135
c Consumable supplies	17,522,280	17,289,813	186,513	45,954
d Operating expense	1,284,135	842,521	248,816	192,798
e Housing reconstruction	10,607,167	10,607,167	-	-
f Capital projects	2,749,714	2,749,714	-	-
g Donor communication	1,011,861	-	-	1,011,861
h Cash grants and allocations	78,329	-	74,805	3,524
<b>Totals</b>	<b>\$ 36,273,636</b>	<b>\$ 33,898,003</b>	<b>\$ 868,349</b>	<b>\$ 1,507,284</b>

**MERCY CORPS**

91-1148123

**Statement 9****2002 Form 990 - Part III****Statement of Program Service Accomplishments**

	<b>Grants and Allocations</b>	<b>Total Program Service Expenses</b>
<b>a</b> Provided humanitarian assistance relief in the form of food and non-food emergency commodities and health and agricultural supplies to needy individuals and families in Eastern Europe, Africa, Central Asia, Asia, Middle East and Central America.	\$ 21,243,100	\$ 29,759,719
<b>b</b> Provided life sustaining aid for humanitarian assistance recovery in the form of food commodities, shelter and infrastructure, and health and educational services to needy individuals and families in Eastern Europe, Africa, Central Asia, Asia, the Middle East and Central America.	10,070,849	24,719,281
<b>c</b> Provided assistance for livelihood/economic development, health and civil society activities in the form of microlending and business development programs, agribusiness, child survival, health, and development education and civil society initiatives for individuals, families, communities and local organizations in Eastern Europe, Central Asia, Central America and the Middle East.	19,504,277	52,174,965
<b>Totals</b>	<b>\$ 50,818,226</b>	<b>\$ 106,653,965</b>

**MERCY CORPS**  
**Statement 10**  
**2002 Form 990, Part IV, Line 65**  
**Other Liabilities**

**91-1148123**

Microcredit loan proceeds refundable to donors	\$ 7,961,214
Due to Mercy Corps Scotland, a related-party	20,758
Due to Mercy Enterprise Corporation, consolidated on financial statements	<u>68,871</u>
<b>Total Other Liabilities</b>	<b><u><u>\$ 8,050,843</u></u></b>

**MERCY CORPS**

91-1148123

**Statement 11**

**2002 Form 990 - Parts IV-A and IV-B**

**Reconciliation of Revenue per Audited Financial**

**Statements with Revenue per Return**

**Reconciliation of Expenses per Audited Financial**

**Statements with Expenses per Return**

**Part IV-A - Reconciliation of Revenue**

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b Amounts included on line a but not on line 12, Form 990:

(4) Other:

Net assets released from restrictions

\$ 1,763,763

Mercy Enterprise Corporation revenue consolidated on financial statements

476,922

Total

\$ 2,240,685

d Amounts included on line 12, Form 990, but not on line a:

(2) Other:

Contributions - temporarily restricted

\$ 1,060,951

**Part IV-B - Reconciliation of Expenses**

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b Amounts included on line a but not on line 17, Form 990:

(4) Other:

Mercy Enterprise Corporation expense consolidated on financial statements

\$ 444,624

**MERCY CORPS**

91-1148123

**Statement 12****2002 Form 990 - Part V****List of Officers and Directors and Key Employees**

<b>Name and Address</b>	<b>Title</b>	<b>Hours Wrkd</b>	<b>Compensation Paid</b>	<b>Contrib Benefits</b>	<b>Expense Account</b>
Senator Mark O Hatfield c/o Mercy Corps 3015 SW First Avenue Portland, OR 97201	Honorary Chair	Part-time	\$ -	\$ -	None
Dr Jay Barber c/o Mercy Corps 3015 SW First Avenue Portland, OR 97201	Vice-Chair	Part-time	-	-	None
Robert D Newell, J D. c/o Mercy Corps 3015 SW First Avenue Portland, OR 97201	Board Chair	Part-time	-	-	None
Phyllis Dobyns c/o Mercy Corps 3015 SW First Avenue Portland, OR 97201	Secretary/Treasurer	Part-time	-	-	None
Brigadier Allan Alstead, CBE, DL c/o Mercy Corps 3015 SW First Avenue Portland, OR 97201	Director	Part-time	-	-	None
Ed Bartholomew c/o Mercy Corps 3015 SW First Avenue Portland, OR 97201	Director	Part-time	-	-	None
Elizabeth Goebel c/o Mercy Corps 3015 SW First Avenue Portland, OR 97201	Director	Part-time	-	-	None
Arthur W. Johnson c/o Mercy Corps 3015 SW First Avenue Portland, OR 97201	Director	Part-time	-	-	None
Neal Keny-Guyer Mercy Corps 3015 SW First Avenue					

**MERCY CORPS**

91-1148123

**Statement 12****2002 Form 990 - Part V****List of Officers and Directors and Key Employees**

<b>Name and Address</b>	<b>Title</b>	<b>Hours Wrkd</b>	<b>Compensation Paid</b>	<b>Contrib Benefits</b>	<b>Expense Account</b>
Portland, OR 97201	CEO and Director	Full-time	152,755	22,474	None
Dusty Kidd c/o Mercy Corps 3015 SW First Avenue Portland, OR 97201	Director	Part-time	-	-	None
Nancy Lindborg Mercy Corps 1730 Rhode Island Avenue, NW, Suite 707 Washington, DC 20036	Executive Vice-President	Full-time	111,600	9,824	None
Linda A. Mason c/o Mercy Corps 3015 SW First Avenue Portland, OR 97201	Director	Part-time	-	-	None
R Stephen Nicholson, PhD c/o Mercy Corps 3015 SW First Avenue Portland, OR 97201	Director	Part-time	-	-	None
Daniel O'Neill President and Co-founder Mercy Corps 3015 SW First Avenue Portland, OR 97201	President and Director	Full-time	151,829	22,418	None
Raymond E. Vath, MD c/o Mercy Corps 3015 SW First Avenue Portland, OR 97201	Director	Part-time	-	-	None
Steve Zimmerman Mercy Corps 3015 SW First Avenue Portland, OR 97201	COO	Full-time	106,600	9,524	None
<b>Total</b>			<b>\$ 522,784</b>	<b>\$ 64,240</b>	

MERCY CORPS

91-1148123

Statement 13

2001 Form 990 - Part VI, Line 90a

Other Information

**List the states with which a copy of this return is filed**

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Alaska	Louisiana	Ohio
Alabama	Maine	Oklahoma
Arizona	Maryland	Oregon
Arkansas	Massachusetts	Pennsylvania
California	Michigan	Rhode Island
Colorado	Minnesota	South Carolina
Connecticut	Mississippi	Tennessee
Florida	New Hampshire	Utah
Georgia	New Jersey	Virginia
Illinois	New Mexico	Washington
Indiana	New York	West Virginia
Kansas	North Carolina	Wisconsin
Kentucky	North Dakota	

**MERCY CORPS**

**91-1148123**

**Statement 14**

**2002 Form 990 - Part VIII**

**Relationship of Activities to the Accomplishment of Exempt Purposes**

**Line Explanation**

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**93A** Income represents loan interest and fees earned in administration of revolving microcredit loan funds. Microcredit loan programs are part of on-going livelihood and economic development programs. Loan income generated is used to further fund the programs from which the income was generated.

**93B** Additional income from sale of services provided in the course of conducting program activities. Income generated is used to provide additional funding for programs from which the income was generated and/or other programs fulfilling the exempt purpose of the Organization.