

Cooperative Housing Foundation
(Amen Program)
Financial Statements
and Independent Auditors' Report
as of September 30, 2003

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INDEPENDENT AUDITORS' REPORT
ON INTERNAL CONTROL

To the Board of Directors
Cooperative Housing Foundation
Lebanon - Ameen Program

We have audited the financial statements of Cooperative Housing Foundation Lebanon - Ameen Program as of and for the year ended September 30, 2003 and have issued our report thereon dated November 15, 2003.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of Cooperative Housing Foundation Lebanon - Ameen Program is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with the basis of accounting described in Note (2) to the

statements. Because of inherent limitations in any system of internal control, errors or irregularities may nevertheless occur and not be detected. Also, projections of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Financial in planning and performing our audit of the financial statement of Cooperative Housing Foundation Lebanon - Ameen Program for the year ended September 30, 2003, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.



(Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the U.S. Government. A material weakness is a reportable condition in which the design or operation of one or more of the specific control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving control structure and its operation that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of Cooperative Housing Foundation - AMBEN Program in a separate letter dated November 15, 2003.

This report is intended for the information of the management of Cooperative Housing Foundation Lebanon - Amen Program, and Cooperative Housing Foundation - Washington.

November 15, 2003

Grant Thornton

Mowafik Al Yah, Ph.D.

Managing Partner

**INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE**

To the Board of Directors
(Cooperative Housing Foundation
Lebanon - Ameen Program)

We have audited the financial statements of Cooperative Housing Foundation Lebanon - Ameen Program as of and for the year ended September 30, 2003 and have issued our report thereon dated November 15, 2003.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

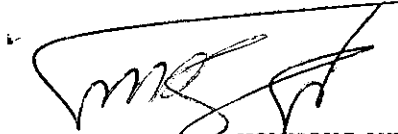
Compliance with agreement terms and laws and regulations applicable to Cooperative Housing Foundation Lebanon - Ameen Program is the responsibility of Cooperative Housing Foundation Lebanon - Ameen Program's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Cooperative Housing Foundation Lebanon - Ameen Program's compliance with certain provisions of agreement terms and laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests indicate that, with respect to the items tested, Cooperative Housing Foundation Lebanon - Ameen Program complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that Cooperative Housing Foundation Lebanon - Ameen Program had not complied, in all material respects, with those provisions.

This report is intended for the management of Cooperative Housing Foundation Lebanon - Ameen program and Cooperative Housing Foundation - Washington.

November 15, 2003

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**Independent Auditors' Report
Opinion on the Basic Financial Statements**

To the Board of Directors
Cooperative Housing Foundation
Lebanon - Ameen Program

We have audited the accompanying Statements of Financial Position of Cooperative Housing Foundation Lebanon-Ameen Program as of September 30, 2003, and the related statement of activities and changes in net assets and the statement of cash flows for the year ended September 30, 2003.

These financial statements are the responsibility of program's management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with International Standards of Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note (2) to the financial statements, the program uses both cash and accrual basis; International Accounting Standards require that accrual basis should be used.

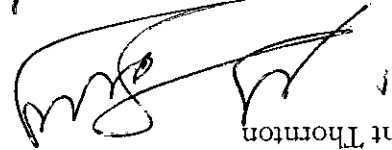
We did not receive confirmation letter from CL bank and from the company's lawyer as of September 30, 2003. Therefore, we are unable to satisfy ourselves that all assets, liabilities and obligations are included in the financial statements as of September.

We did not receive a letter from the company's lawyer for the year ended September 30, 2003. Thus, we are unable to satisfy ourselves that all assets, liabilities and obligations are included in the financial statements as of September.

In our opinion, except for the effects of the matters discussed in the preceding paragraphs, the financial statements referred to above present fairly, in all material respects, the financial position of Cooperative Housing Foundation Lebanon - Ameen program as of September 30, 2003 and the results of its operations and its cash flows for the year then ended, in accordance with International Accounting Standards.

November 15, 2003

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Cooperative Housing Foundation
(Amen Program)
Statement of Financial Position
As of September 30, 2003

30-Sep-03
U.S. \$

Notes

<u>Assets:</u>	
Cash and cash equivalents	869,886.20
Prepaid expenses and other assets	85.07
Other receivables and Advances	20,040.08
Loans Receivable	1,359,155.40
Due from CHF (HQ)	4,180.09
Allowance for bad debt	(25,654.31)
Total Assets	<u>2,227,692.53</u>
<u>Liabilities and Net Assets:</u>	
<u>Liabilities:</u>	
Accounts payable and accrued expenses	6,493.74
Inter-Company loan	131,488.25
Accrued employee benefits (Staff benefits)	11,190.11
Due to AMBEN S.A.T.	500,000.00
Total Liabilities	<u>649,172.10</u>
<u>Net Assets:</u>	
YTD net (loss)	(63,551.09)
Net assets @ 9/30/02	1,642,071.52
Total Net Assets	<u>1,578,520.43</u>
Total liabilities & Net Assets	<u>2,227,692.53</u>

See the accompanying notes to the financial statements.

Cooperative Housing Foundation
 (Amen Program)
 Statements of Activities and Changes in Net Assets
 For the year ending September 30, 2003

30-Sep-03	Notes	U.S. \$
9,655.78		Interest income - Bank
631,352.46	10	Interest income - Loans
273,132.25		Commission income
25,881.76		Penalty income
954.84		Other income
940,977.09		Total Income
		Expenses:
285,000.00	11	Subgrant over 25K No OH
25,000.00	11	Subgrant < 25K per grnt
9,072.73		International Travel
70.00		Per Diem
25,052.48		Housing & utilities
8,901.66		Education Allowance
1,155.00		Local Consultants
6,692.62		Legal Fees
4,400.00		Local Audit fees
0.00		Advertising
8,137.12		Transportation Expenses
0.00		Vehicle Purchase
1,707.71		Bank charges and fees
251.00		Conferences & Regist
0.00		Equipment lease & Rent
2,464.00		Equipment & furniture
1,788.33		Insurance Expenses
320,343.43		Local staff and consultant
2,839.87		Office Operating Expenses
89.00		Participant Train & Wk
731.46		Postage & court
6,011.13		Printing & Duplication
333.33		Publication & Book
19,144.64		Rent & Utilities
565.83		Repairs and Maintenance
776.14		Representation
4.00		Staff Dev. & Training
6,199.17		Supplies
8,450.34		Telecommunications
12,178.86		Temporary Help
23,363.00		Software Programming
14,708.03		Interest inter company loan
209,097.30		Interco Exp. Billing
1,004,528.18		Total Expenses
(63,551.09)		YTD net loss

See the accompanying notes to the financial statements.

Cooperative Housing Foundation
(Amen Program)
Statements of Cash Flows
For the year ending September 30, 2003

30-Sep-03
U.S.\$

1-	Cash flow from operating activities and working capital:	
a-	Cash flow from operating activities:	YTD net income
b-	Cash flow from working capital:	
	Contribution and contract receivable	379,636.03
	Prepaid expenses and other assets	(85.07)
	Other receivables and advances	(20,040.08)
	Net loans Receivable	(214,383.70)
	Due from CHF (HQ)	14,708.03
	Accounts payable and accrued expenses	936.33
	Inter - company loan	(27,055.78)
	Accrued employees benefits	835.00
	Due to AMEHN S.A.L.	500,000.00
	Total cash invested in working capital	<u>634,550.76</u>
	Net cash flow invested in operating & working capital	<u>570,999.67</u>
2-	Cash flow from financing activities:	
	Inter - Company payable	(307,945.39)
	Net cash flow provided from financing activities	<u>(307,945.39)</u>
	Net cash flow	263,054.28
	Cash balance at the beginning of the year	<u>606,831.92</u>
	Cash balance at the end of the year	<u>869,886.20</u>

See the accompanying notes to the financial statements.

**Cooperative Housing Foundation
(Ameen Program)
Notes To The Financial Statements
As of September 30, 2003**

1 - Formation and objective of the program :

The foundation is a US organization where H.Q. is located in Washington. Lebanon Branch is a field office located in Beirut for "Access to micro finance and enhanced enterprise Niches" (Ameen) Program in Lebanon. The program is designed to enhance the access to micro financial services for the low-income group of the population; enhance the institutional capacity of private commercial banks to deliver micro financial products and create and support a financially sustainable organization by the end of the project.

The Cooperative Housing Foundation, in partnership with Jammal Trust Bank and Credit Libanais, will implement the Ameen program in support of USAID strategic objective.

2 - Summary of significant accounting policies:

A - Accounting Policy:

The organization is using accrual basis. An exception to this is the loan portfolio, and fixed assets.

B - Main Currency:

The U.S. \$ is considered the main currency. Expenses denominated in Lebanese pounds are translated during the year at the exchange rates that approximate the prevailing rates of exchange.

C - Fixed Assets and their Depreciation:

Fixed Assets are directly expensed upon purchase.

3 – Cash and cash equivalents:

The following bank accounts comprise the balance as of September 30, 2003

JTB capital Fund	368,780.30
JTB Oper.	103,490.06
JTB Penalty Fund	37,111.09
JTB Commissions	25,951.00
JTB capital Repaid	42,574.56
JTB Interest on Loans Receivable	83,469.55
JTB Employees Benefits	779.73
JTB - I/G	0.00
CL Guarantee Deposit	25,723.05
CL Interest Revenue	107,453.17
JTB Bank Interest	23,793.88
CL Commission	47,998.92
CL Bank Interest	2,260.76
Petty cash	500.13
Total	<u>869,886.20</u>

U.S.\$

4 – Other receivables and advances:

This amount represents the share of CHF International in AMBEN S.A.L. that was settled by CHF AMBEN.

5 – Loans receivable:

The balance represents the disbursements made by CHF related to loan portfolio less the paid capital settled by the debtors – Interest calculated in advance on the face value of notes receivable was not recorded in books as per cash basis policy.

6 – Accounts payable and accrued expenses:

Accrued expenses	5,182.00
Miscellaneous Accounts Payable	683.10
AMBEN S.A.L.	628.64
Total	<u>6,493.74</u>

7 - Accrued employee benefits (Staff benefits):

This account represents the income tax and social security contribution on employees salaries not yet paid and end of service liability.

8 - Due to AMBEN S.A.T.:

Following is a list of transfers from CHF Head Quarters during the year ended September 30, 2003:

Date received	18/3/2003	Total
	<u>500,000.00</u>	<u>500,000.00</u>
	U.S. \$	
		Amount received

9- Prior Year Adjustment:

CHF - international requested change of its method for treating transfers received from Head Quarters. Thus, balance brought forward was previously classified under transfers in the liability side was reclassified under net assets. The result was an adjustment of \$585,634.61 to the opening balance of net assets:

Balance as of 30/9/2002 before adjustment	1,056,436.91
Net effect of change in accounting policy	585,634.61
Balance as of 30/9/2002 after adjustment	<u>1,642,071.52</u>
YTD Net loss	<u>(63,551.09)</u>
Balance as of 30/9/2003	<u>1,578,520.43</u>

10- Interest income - Loans:

This amount represents interest received on notes receivable settled. The interest on notes not due yet was not recorded as per cash basis policy.

11- Subgrant:

This account represents amounts transferred to AMBEN S.A.T.