

Cooperative Housing Foundation

(AMEEN Program)

Financial Statements

And

Independent Auditors' Reports

As of September 30, 2007

Talal Abu Ghazaleh & Co.

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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, 2007 and have issued our report thereon dated October 17, 2007.

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

In planning and performing our audit of the financial statements of Cooperative Housing Foundation Lebanon – AMEEN Program for the year ended September 30, 2007, 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 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 weakness 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 internal 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 the internal control structure and its operation that we consider to be material weaknesses as defined above.

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

Talal Abu-Ghazaleh & Co.

 Talal Abu-Ghazaleh & Co.

Beirut October 17, 2007



**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, 2007 and have issued our report thereon dated October 17, 2007.

We conducted our audit in accordance with International Financial Reporting Standards. 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.

Talal Abu-Ghazaleh & Co.

Talal Abu-Ghazaleh & Co.

Beirut October 17, 2007



طالال أبو غزالة وشركاه

Talal Abu-Ghazaleh & Co.

Société Civile (R.C. 67)
Certified Public Accountants

شركة مدنية (س.م. ٦٧)
محاسبون قانونيون

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 financial statements of **Cooperative Housing Foundation Lebanon – AMEEN Program** which comprise the Statement of Financial Position as at September 30, 2007, and the statement of activities and changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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In our opinion, the financial statements present fairly, in all material respects, the financial position of **Cooperative Housing Foundation Lebanon – AMEEN Program**, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Talal Abu-Ghazaleh & Co.

Talal Abu-Ghazaleh & Co.

Beirut October 17, 2007

Cooperative Housing Foundation
(AMEEN Program)
Statement of Financial Position
As of September 30, 2007
(Amounts are in American Dollars)

<u>Description</u>	<u>Notes</u>	<u>30/9/2007</u>	<u>30/9/2006</u>
<u>Assets</u>			
<u>Non-Current Assets</u>			
Investment in Associates	3	559,603	559,603
<u>Current Assets</u>			
Cash at Banks	4	826,187	318,138
Loans Receivable (Net)	5	-	510,591
Due from headquarter		4,966	7,800
Total Current Assets		831,153	836,529
Total Assets		1,390,756	1,396,132
<u>Liabilities and Net Assets</u>			
<u>Liabilities</u>			
Accounts Payable and Accrued Expenses	6	2,750	2,750
Accrued Employee Benefits	7	-	6,168
Total Liabilities		2,750	8,918
<u>Net Assets</u>			
YTD Net Profit (Loss)		792	(18,708)
Net Assets at Year End		1,387,214	1,405,922
Total Net Assets		1,388,006	1,387,214
Total Liabilities & Net Assets		1,390,756	1,396,132

The accompanying accounting policies and notes
Form an integral part of these financial statements

Cooperative Housing Foundation
(AMEEN Program)
Statement of Activities and Changes in Net Assets
For the Year Ended September 30, 2007
(Amounts are in American Dollars)

<u>Description</u>	<u>Notes</u>	<u>30/9/2007</u>	<u>30/9/2006</u>
<u>Income:</u>			
Interest Income – Bank		35,707	1,969
Interest Income – Loans	8	-	330,272
Commission Income		-	201,844
Penalty Income		-	13,945
Other Income		9,585	5,903
Bad Debt (Recovered)		16,284	968
Total Income		<u>61,576</u>	<u>554,901</u>
<u>Expenses:</u>			
Subgrant Over 25k No OH	9	13,848	470,000
VAT Expense	10	(26,365)	(65,414)
Bad Debt Expense	11	(73,383)	115,316
International Travel		4,390	1,031
Per Diem		5,261	970
Housing & Utilities		13,200	13,200
Local Audit Fees		2,500	2,500
Bank Charges and Fees		2,709	2,929
Conferences & Registration		1,495	585
Insurance Expenses		530	1,076
Representation		1,204	-
Telecommunications		-	165
Interest Inter Company Loan		-	3,042
Intercompany Expenses Billing	12	111,666	26,069
Dues & Membership		500	500
Local Consultants		850	-
Legal Fees		1,193	1,541
Office Operating Expenses		-	99
Other Expenses		1,186	-
Total Expenses		<u>60,784</u>	<u>573,609</u>
YTD Net Profit (Loss)		<u>792</u>	<u>(18,708)</u>

The accompanying accounting policies and notes
Form an integral part of these financial statements

Cooperative Housing Foundation
(AMEEN Program)
Statement of Cash Flows
For the Year Ended September 30, 2007
(Amounts are in American Dollars)

<u>Description</u>	<u>30/9/2007</u>	<u>30/9/2006</u>
<u>Cash flow from Operating Activities and Working Capital:</u>		
a- <u>Cash Flow from Operating Activities:</u>		
YTD Net Profit (Loss)	792	(18,708)
Allowance for Doubtful Loans	(110,370)	105,029
Accrued Employee Benefits	(6,168)	(3,727)
Total Cash from Operating Activities	<u>(115,746)</u>	<u>82,594</u>
b- <u>Cash Flow from Working Capital:</u>		
<u>Prepaid Expenses</u>		
Prepaid Expenses	-	4,720
Intercompany Accounts Receivable	-	3,649
Loans Receivable	620,961	623,969
Accounts Payable and Accrued Expenses	-	677
Inter-company Loan	-	(81,833)
Due to AMEEN SAL	-	(150,558)
Due from Headquarter	2,834	(7,800)
Total Cash Invested in Working Capital	<u>623,795</u>	<u>392,824</u>
<u>Cash Flow from Financing Activities:</u>		
Investment in Associates	-	(559,603)
Net Cash Flow	508,049	(84,185)
Cash at Banks Balance at the Beginning of the Year	<u>318,138</u>	<u>402,323</u>
Cash at Banks Balance at the End of the Year	<u>826,187</u>	<u>318,138</u>

The accompanying accounting policies and notes
Form an integral part of these financial statements

Cooperative Housing Foundation

(AMEEN Program)

Notes to the Financial Statements

as of September 30, 2007

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, implemented the AMEEN program in support of USAID strategic objective.

2- Significant Accounting Policies:

a- Basis of Preparation:

The organization is using accrual basis except for the loan portfolios, VAT paid and fixed assets which are measured/ revalued at a basis other than accrual basis.

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 the approximated the prevailing rates of exchange.

3- Investment in Associates:

This account represents the amount invested in AMEEN S.A.L. as a capital increase solely subscribed by Cooperative Housing Foundation after the other shareholders had relinquished their preemptive right to subscribe to the increase of capital.

4- Cash at Banks:

Cash at Banks as of September 30 comprise of the following:

	<u>2007</u>	<u>2006</u>
	<u>USD</u>	<u>USD</u>
JTB S.A.L. Time Deposit	809,203	250,773
JTB S.A.L. Operations	15,407	24,820
JTB S.A.L. Capital Repaid	1,453	42,489
CL S.A.L. Interest Revenue	88	56
CL S.A.L. Commission	36	-
Total	<u>826,187</u>	<u>318,138</u>

5- **Loans Receivable (Net):**

Loans Receivable as of September 30 comprise of the following:

	<u>2007</u>	<u>2006</u>
	<u>USD</u>	<u>USD</u>
Loans Receivable	2,771	623,732
Allowance for Doubtful Loans	<u>(2,771)</u>	<u>(113,141)</u>
Total	<u>-</u>	<u>510,591</u>

6- **Accounts Payable and Accrued Expenses:**

Accounts Payable and Accrued Expenses as of September 30 comprise of the following:

	<u>2007</u>	<u>2006</u>
	<u>USD</u>	<u>USD</u>
Accrued Audit fees	<u>2,750</u>	<u>2,750</u>
Total	<u>2,750</u>	<u>2,750</u>

7- **Accrued Employee Benefits:**

This account represents end of service indemnity for employees. This account has been closed since during the year 2003, the company terminated all its employees' contracts and signed a management agreement with AMEEN SAL, a subsidiary of CHF International operating in Lebanon.

8- **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. This account is balancing to Zero since no more loans are given from CHF-Ameen program.

9- **Subgrant Over 25K No OH:**

This account represents amounts transferred to AMEEN SAL. It is a grant expense on which overhead may not be taken.

10- **VAT Expense:**

This account represents amounts of VAT reimbursed that refer to VAT expensed in current and previous fiscal years.

11- **Bad Debt Expense:**

This amount is credit due to a material decreasing in loans receivable portfolio, and according to CHF manual of Finance and Accounting it can't be considered as revenue.

12- **Intercompany Expenses Billing:**

This account represents reimbursement from field to Head Quarter for expenses paid outside the field office.

13- **General:**

The figures in the financial statements are rounded to the nearest United States Dollars (USD).