

Cooperative Housing Foundation

(AMEEN Program)

Financial Statements

And

Independent Auditors' Report

As of September 30, 2006

Talal Abu Ghazaleh & Co.

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**Independent Auditors' Report
On Internal Control**

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Al-Ain
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Sharjah
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Al-Fujaira
Doha
Manama
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Baghdad
Cairo
Amman
Sana'a
Beirut
Damascus
Tunis
Algeria
Tripoli
Khartoum
Ramallah
Ghaza
Nablus
Casablanca
Karachi
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Um Al-Quain
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**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, 2006 and have issued our report thereon dated October 27, 2006.

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 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, 2006, 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.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of Cooperative Housing Foundation – AMEEN Program in a separate letter dated October 27, 2006.

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.



Beirut October 27, 2006



**Independent Auditors' report
On Compliance**

Offices

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**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, 2006 and have issued our report thereon dated October 27, 2006.

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.

However, we noted certain immaterial of noncompliance that we have reported to the management of Cooperative Housing Foundation Lebanon – AMEEN Program in a separate letter dated October 27, 2006.

This report is intended for the management of Cooperative Housing Foundation Lebanon – AMEEN Program and Cooperative Housing Foundation – Washington.

Talal Abu-Ghazaleh & Co.

Beirut October 27, 2006



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

Offices

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**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, 2006, and the related statement of activities and changes in net assets and the statement of cash flows for the year ended September 30, 2006.

These financial statements are the responsibility of the 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 the accrual basis, except for fixed assets, Value Added Tax and loan portfolio. This is considered a departure from International Financial Reporting Standards.

In our opinion, except for the effect of the matter discussed in the preceding paragraph, the financial statement referred to above present fairly, in all material respects the financial position of Cooperative Housing Foundation Lebanon – AMEEN Program as of September 30, 2006 and the results of its operations and its cash flows for the year then ended, in accordance with Generally Accepted Accounting Standards.

General Purpose Financial Statements has been audited by another Audit firm, and unqualified reports have been issued.

Talal Abu-Ghazaleh & Co.

Beirut October 27, 2006

Cooperative Housing Foundation
(AMEEN Program)
Statement of Financial Position
As of September 30, 2006
(Amounts are in American Dollars)

<u>Description</u>	<u>Notes</u>	<u>30/9/2006</u>	<u>30/9/2005</u>
<u>Assets</u>			
<u>Non-Current Assets</u>			
Investment in Associates	3	559,603	-
<u>Current Assets</u>			
Cash and Cash Equivalents	4	318,138	402,322.78
Prepaid Expenses		-	4,720.00
Intercompany Accounts Receivables		-	3,649.42
Loans Receivable (Net)	5	510,591	1,239,588.99
Due from headquarter		7,800	-
Total Current Assets		836,529	1,650,281.19
Total Assets		1,396,132	1,650,281.19
<u>Liabilities and Net Assets</u>			
<u>Liabilities</u>			
Accounts Payable and Accrued Expenses	6	2,750	2,073.00
Inter – Company Loan	7	-	81,833.42
Accrued Employee Benefits	8	6,168	9,895.11
Due to AMEEN S.A.L		-	150,557.92
Total Liabilities		8,918	244,359.45
<u>Net Assets</u>			
YTD Net (Loss) Profit		(18,708)	54,158.43
Net Assets at Year End		1,405,922	1,351,763.31
Total Net Assets		1,387,214	1,405,921.74
Total Liabilities & Net Assets		1,396,132	1,650,281.19

The Financial Statements were approved for issue by the Program Director on October 27, 2006

Ziad Halaby
Program Director

Ussama Al Kaisi
Chief Financial Officer

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, 2006
(Amounts are in American Dollars)

<u>Description</u>	<u>Notes</u>	<u>30/9/2006</u>	<u>30/9/2005</u>
<u>Income:</u>			
Interest Income – Bank		1,969	1,210.72
Interest Income – Loans	9	330,272	725,636.40
Commission Income		201,844	285,364.00
Penalty Income		13,945	27,736.69
Other Income		5,903	8,767.54
Bad Debt (Recovered)		968	-
Total Income		<u>554,901</u>	<u>1,048,715.35</u>
<u>Expenses:</u>			
Subgrant Over 25k No OH	10	470,000	674,545.45
VAT Expense	11	(65,414)	67,754.55
Bad Debt Expense	12	115,316	6,088.38
International Travel		1,031	4,165.61
Per Diem		970	13,618.33
Housing & Utilities		13,200	13,000
Local Audit Fees		2,500	3,000
Bank Charges and Fees		2,929	1,015.80
Conferences & Registration		585	364
Insurance Expenses		1,076	1,317.30
Representation		-	116
Staff Development & Training		-	600
Telecommunications		165	219
Interest Inter Company Loan		3,042	8,487.49
Interco Expenses Billing		26,069	192,365.01
Settling-In Allowances		-	1,000
Dues & Membership		500	500
Local Fringe Expense		-	6,400
Legal Fees		1,541	-
Office Operating Expenses		99	-
Total Expenses		<u>573,609</u>	<u>994,556.92</u>
YTD Net (Loss) Profit		<u>(18,708)</u>	<u>54,158.43</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, 2006
(Amounts are in American Dollars)

<u>Description</u>	<u>Notes</u>	<u>30/9/2006</u>	<u>30/9/2005</u>
<u>Cash flow from Operating Activities and Working Capital:</u>			
<u>a- Cash Flow from Operating Activities:</u>			
YTD Net (Loss) Profit		(18,708)	54,158.43
Allowance for Bad Debt		105,029	6,088.38
Write-off of Provision		-	(3,120)
Accrued Employee Benefits		(3,727)	-
Total Cash from Operating Activities		<u>82,594</u>	<u>57,126.43</u>
<u>b- Cash Flow from Working Capital:</u>			
<u>Prepaid Expenses</u>			
Prepaid Expenses		4,720	(45.70)
Intercompany Accounts Receivable		3,649	51,732.58
Loans Receivable		623,969	172,791.97
Accounts Payable and Accrued Expenses		677	(764)
Inter-company Loan		(81,833)	8,487.49
Due to AMEEN SAL		(150,558)	(50,102)
Due from Headquarter		(7,800)	-
Total Cash Invested in Working Capital		<u>392,824</u>	<u>182,100.45</u>
<u>Cash Flow from Financing Activities:</u>			
Investment in Associates		(559,603)	-
Net Cash Flow		(84,185)	239,227.01
Cash Balance at the Beginning of the Year	4	<u>402,323</u>	<u>163,095.77</u>
Cash Balance at the End of the Year	4	<u>318,138</u>	<u>402,322.78</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, 2006

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- Summary of Significant Accounting Policies:

a- Accounting Policy:

The organization is using accrual basis. An exception to this is the loan portfolio, VAT paid 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 the approximated the prevailing rates of exchange.

3- Investment in Associates:

This account represents the amount invested in AMEEN SAL 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 and Cash Equivalents:**

This account represents the following:

<u>Description</u>	<u>30/9/2006</u>	<u>30/9/2005</u>
	<u>USD</u>	<u>USD</u>
JTB Time Deposit	250,773	-
JTB Capital Fund	-	77,565.32
JTB Operations	24,820	60,269.16
JTB Penalty Fund	-	25,713.68
JTB Commissions	-	73,178
JTB Capital Repaid	42,489	86,640.73
JTB Interest on Loans Receivable	-	6,263.50
JTB Employees Benefits	-	779.73
JTB Bank Interest	-	1,523.88
CL Guarantee Deposit	-	1,000
CL Interest Revenue	56	39,154.39
CL Commission	-	26,970.26
CL Bank Interest	-	3,263.78
Total	<u>318,138</u>	<u>402,322.78</u>

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

This account represents the following:

<u>Description</u>	<u>30/9/2006</u>	<u>30/9/2005</u>
	<u>USD</u>	<u>USD</u>
Loans Receivable	623,732	1,247,700.99
Allowance for Bad Debt	(113,141)	(8,112)
Total	<u>510,591</u>	<u>1,239,588.99</u>

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

This account represents the following:

<u>Description</u>	<u>30/9/2006</u>	<u>30/9/2005</u>
	<u>USD</u>	<u>USD</u>
Accrued Car Insurance	-	573
Accrued Audit fees	2,750	1,500
Total	<u>2,750</u>	<u>2,073</u>

* The car insurance account was closed because the property has been transferred to AMEEN SAL.

7- **Inter-company Loan:**

This account represents the loan from Mac Arthur Foundation that was settled in January 2006.

8- **Accrued Employee Benefits:**

This account represents end of service indemnity for employees. However, 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.

9- **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.

10- **Subgrant:**

This account represents amounts transferred to AMEEN SAL.

11- **VAT Expense:**

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

12- **Bad Debt Expense:**

This amount has materially increased due to July 2006 Lebanese war that had a negative economical effect.

13- **Lawyer's Letter:**

As per Lawyer's letter, Cooperative Housing Foundation is prosecuting a lawsuit against Mr. Hussein Hassan Mokbel for embezzlement.

14- **General:**

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