

MAKHZOUMI FOUNDATION
Beirut - Lebanon

Report and Financial Statements
For the Year Ended December 31, 2007

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Beirut - Lebanon

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Independent Auditors' Report

To the Executive Board of
MAKHZOUMI FOUNDATION, Beirut - Lebanon

We have audited the accompanying statements of financial positions of **MAKHZOUMI FOUNDATION, Beirut - Lebanon** as of December 31, 2007 and 2006 and the related statements of activities and cash flows for the years then ended, as set out on pages 2 to 11.

These financial statements are the responsibility of the Executive Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Generally Accepted Auditing 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. 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, as well as evaluating the overall financial statements presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **MAKHZOUMI FOUNDATION, Beirut - Lebanon** as of December 31, 2007 and 2006, and the results of its activities and its cash flows for the years then ended, in accordance with Generally Accepted Accounting Principles.

Beirut, Lebanon
September 19, 2008

MAKHZOUMI FOUNDATION, Beirut - Lebanon

Statements of Financial Positions

December 31,		2007	2006
Assets	Notes	US\$	US\$
Current Assets:			
Cash and bank		640,589	738,600
Accounts receivable	3	58,341	35,030
Micro credit loans, net	4	254,903	99,606
Prepaid expenses	5	8,142	15,583
Total Current Assets		961,975	888,819
Fixed and Other Non-Current Assets:			
Intangible assets, net	6	5,609	9,789
Tangible fixed assets, net	7	227,900	279,694
Total Fixed Assets		233,509	289,483
Total Assets		1,195,484	1,178,302
Liabilities and Net Assets			
	Notes	US\$	US\$
Current Liabilities:			
Accounts payable	8	20,531	47,266
Deferred revenues	9	21,948	50,080
Accrued expenses	10	6,219	16,591
Accrued taxes and social security charges	11	22,737	25,285
Total Current Liabilities		71,435	139,222
Provision for End of Service Indemnity	12	82,254	86,091
Net Assets		1,041,795	952,989
Total Liabilities and Net Assets		1,195,484	1,178,302

The accompanying notes on pages 5 through 11 form an integral part of these financial statements

MAKHZOUMI FOUNDATION, Beirut - Lebanon

Statements of Activities

For the Years Ended December 31,	2007	2006
Note	US\$	US\$
Revenue and Support:		
Membership dues	2,056	3,915
Contributions	464,516	287,598
Donations	1,665,489	2,067,714
Bank charges and interest, net	10,959	5,784
Administrative fees	63,302	60,910
Write-back of provision	14,123	7,153
Other revenue	2,938	535
(Loss) gain on sale of tangible fixed assets	(913)	364
Total Revenue and Support	2,222,470	2,433,973
Expenses:		
Salaries and benefits	993,213	1,149,333
ISO audit fees	4,775	6,425
Communication expense	77,954	83,973
Use of office facilities	45,000	45,000
Insurance premiums	3,057	4,600
Material for trainees and staff training	78,970	152,797
Printings and stationery	24,803	56,233
Maintenance and repairs	37,719	71,993
Rent expense	92,113	93,517
Leasehold improvements	3,753	5,008
Publicity, advertising and public relations	305,643	189,391
Medicine, supplies and laboratories	69,985	-
Services expenses	120,187	147,222
Guarding services	74,261	61,512
Transportation	20,499	24,231
MCU workshops	235	250
Travel and accomodation	8,082	13,797
Negative exchange difference, net	(1,489)	844
External services and other disbursements	73,437	75,184
	2,032,197	2,181,310
Expenses not requiring outlay of funds:		
Depreciation and Amortization	74,685	88,234
Provision for end of service indemnity	21,417	31,183
Provision for doubtful loans	2,643	3,564
Previous year expenses adjustment	2,723	10,233
	101,468	133,214
Total Expenses	2,133,665	2,314,524
Excess of Revenue and Support over (Expenses)	88,805	119,449
Net Assets, at January 1	952,989	833,540
Net Assets, at December 31 (to Statements of Financial Position)	1,041,794	952,989

The accompanying notes on pages 5 through 11 form an integral part of these financial statements

MAKHZOUMI FOUNDATION, Beirut - Lebanon

Statements of Cash Flows

For the Years Ended December 31,	2007	2006
	US\$	US\$
Operating Activities:		
Increase in net assets	88,806	119,449
Adjustments to reconcile excess of Revenue and Support over Expenses		
Depreciation and Amortization	74,685	88,234
Adjustments	1,559	843
Provision for end of service indemnity, less deductions	(3,837)	23,929
Provision for doubtful loans, less deductions	2,278	(11)
Loss profit on sale of tangible fixed assets	913	(364)
(Increase) decrease in accounts receivable	(23,311)	16,455
(Increase) decrease in micro credit loans	(157,575)	78,321
Decrease in prepaid expenses	7,441	32,116
(Decrease) increase in accounts payable	(26,735)	18,709
(Decrease) increase in deferred revenues	(28,132)	(15,155)
(Decrease) increase in accrued expenses	(10,372)	4,441
(Decrease) increase in accrued taxes and social security charges	(2,548)	3,830
Net Cash (Used for) Provided by Operating Activities	(76,828)	370,797
Investing Activities:		
Purchase of tangible fixed assets	(20,998)	(195,285)
Proceed from sale of tangible fixed assets	(185)	364
Net Cash (Used for) Investing Activities	(21,183)	(194,921)
Cash and Cash Equivalents:		
(Decrease) increase in cash and cash equivalents	(98,011)	175,876
Cash and cash equivalents, at January 1	738,600	562,724
Cash and Cash Equivalents, at December 31	640,589	738,600
Cash and Cash Equivalents at the End of the Year Represent:		
Cash at bank	637,071	734,830
Cash on hand	3,518	3,770
Cash and Cash Equivalents, at December 31	640,589	738,600

The accompanying notes on pages 5 through 11 form an integral part of these financial statements

MAKHZOUMI FOUNDATION, Beirut - Lebanon

Notes to Financial Statements for the Year Ended December 31, 2007

Note 1. Constitution and Purpose

Makhzoumi Foundation, Beirut - Lebanon (the "Foundation") is a non-profit organization registered as an association at the Ministry of Interior, Department of Political and Administrative Affairs, under advice No. 22/AD dated February 7, 1997.

The address of the registered office of the Foundation is Al Kalaa Tower, Al Kalaa Street P.O. Box : 13/5009 - Beirut, Lebanon. The financial statements for the year ended December 31, 2007, were approved and authorized for issuance by the president Mrs. May Fouad Makhzoumi on September 19, 2008.

The purpose of the foundation is to provide the citizens with educational, cultural and social services and support, and to cooperate with similar associations in Lebanon and other countries.

The Foundation had 83 employees at December 31, 2007. (108 employees at December 31, 2006).

Note 2. Summary of Significant Accounting Policies

A - Accounting Method

The financial statements of the Foundation are prepared in accordance with the accounting guidance and reporting practices applicable to "Certain Nonprofit Organizations", prepared by the American Institute of Certified Public Accountants.

The monetary unit used in the accounting records is the US dollar.

B - Translation of Foreign Currencies

Transactions denominated in other currencies are translated into US dollars at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated at the rates ruling at the end of year. The resulting exchange gains or losses are booked to the statement of activities.

C - Intangible Assets

Computer software are amortized over a period of 4 years and ISO certificate is amortized over a period of 5 years using the straight-line method.

D - Tangible Fixed Assets

Tangible fixed assets, which are stated net of accumulated depreciation, are recorded at their purchase cost together with any incidental expenses of acquisition. Maintenance, repairs and minor renewals are expensed as incurred. Cost of assets sold or retired and the related amounts of accumulated depreciation are eliminated from the accounts in the year of disposal, and the resulting gain or loss is included in the statement of activities.

(cont'd)

MAKHZOUMI FOUNDATION, Beirut - Lebanon

Notes to Financial Statements (continued) for the Year Ended December 31, 2007

Note 2. Summary of Significant Accounting Policies (continued)

D - Tangible Fixed Assets (continued)

Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Annual depreciation rates are as follows:

Furniture	10 %
Office equipment	15 %
Computer equipment	25 %
Other assets	15 %
Books	100 %
Medical equipment.....	15 %

E - Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, banks current accounts and other banks deposits free of encumbrances and having maturity dates of three months or less from the respective dates of deposits.

F - Accrual Basis

The financial statements are prepared on the accrual basis of accounting.

G - Membership Dues

General membership dues are credited to income when received.

H - Donations

- Donations that are restricted by the donor for use in specific programs are transferred to an appropriate restricted fund.
- Donations that are unrestricted by donor institution, foundation or individual are recognized as general funds revenues.
- Services billed and donated and in kind support (contributions) are recognized as revenue at their current fair value, with an offset to an expense account.

(concluded)

MAKHZOUMI FOUNDATION, Beirut - Lebanon

Notes to Financial Statements (continued) for the Year Ended December 31, 2007

Note 3. Accounts Receivable

	December 31	
	2007	2006
	US\$	US\$
VAT to be reimbursed	30,514	17,675
Amount due from related party	24,853	12,464
Advances to personnel	2,974	4,602
Other debtors.....	-	289
	58,341	35,030

Note 4. Micro Credit Loans, Net

	December 31	
	2007	2006
	US\$	US\$
Micro credit loans*	266,045	108,470
Less: doubtful loans	(11,142)	(8,864)
	254,903	99,606

* The Micro Credit Unit (MCU) is a program that aims to serve micro enterprises in Lebanon by providing them access to short term credit.

Note 5. Prepaid Expenses

	December 31	
	2007	2006
	US\$	US\$
Rent	1,771	8,449
Inhouse programs	6,371	7,134
	8,142	15,583

(concluded)

MAKHZOUMI FOUNDATION, Beirut - Lebanon

Notes to Financial Statements *(continued)* for the Year Ended December 31, 2007

Note 6. Intangible Assets, Net

	Computer software	ISO certificate	Total
	US\$	US\$	US\$
<i>Year ended 31 December 2006</i>			
Opening net book amount	10,795	5,790	16,585
Amortization charges / Adjustments.....	(4,797)	(1,999)	(6,796)
Closing net book amount	<u>5,998</u>	<u>3,791</u>	<u>9,789</u>
<i>At 31 December 2006</i>			
Cost	39,700	9,650	49,350
Accumulated amortization	(33,702)	(5,859)	(39,561)
Net book amount	<u>5,998</u>	<u>3,791</u>	<u>9,789</u>
<i>Year ended 31 December 2007</i>			
Opening net book amount	5,998	3,791	9,789
Amortization charges	(2,250)	(1,930)	(4,180)
Closing net book amount	<u>3,748</u>	<u>1,861</u>	<u>5,609</u>
<i>At 31 December 2007</i>			
Cost	39,700	9,650	49,350
Accumulated amortization	(35,952)	(7,789)	(43,741)
Net book amount	<u>3,748</u>	<u>1,861</u>	<u>5,609</u>

(concluded)

MAKHZOUMI FOUNDATION, Beirut - Lebanon

Notes to Financial Statements (continued) for the Year Ended December 31, 2007

Note 7. Tangible Fixed Assets, Net

<u>Classification</u>	December	Additions	Retirements	December
	31, 2006			31, 2007
	US\$	US\$	US\$	US\$
Cost:				
Furniture	115,229	1,075	(740)	115,564
Office equipment	176,616	13,658	(8,715)	181,559
Computer equipment	271,584	6,265	(3,990)	273,859
Other assets	3,085	-	-	3,085
Books	3,250	-	-	3,250
Medical equipment.....	122,023	-	-	122,023
	691,787	20,998	(13,445)	699,340
Depreciation:				
Furniture	59,662	11,452	(470)	70,644
Office equipment	114,690	15,851	(8,509)	122,032
Computer equipment	216,759	22,894	(2,179)	237,474
Other assets	1,252	500	-	1,752
Books	3,250	-	-	3,250
Medical equipment.....	16,480	19,808	-	36,288
	412,093	70,505	(11,158)	471,440
Net Book Value	279,694			227,900

Note 8. Accounts Payable

	December 31	
	2007	2006
	US\$	US\$
Suppliers	2,700	13,953
Amounts due to related parties	11,907	32,720
Other creditors.....	5,924	593
	20,531	47,266

Note 9. Deferred Revenues

These represent prepaid contributions amounting to 21,948 US\$ from trainees during 2007, for the first 2008 training term.

(concluded)

MAKHZOUMI FOUNDATION, Beirut - Lebanon

Notes to Financial Statements *(continued)* for the Year Ended December 31, 2007

Note 10. Accrued Expenses

	December 31	
	2007	2006
	US\$	US\$
Communications expenses	3,070	15,001
Electricity expenses	-	1,590
Other	3,149	-
	<u>6,219</u>	<u>16,591</u>

Note 11. Accrued Taxes and Social Security Charges

The accrued taxes and social security charges are currently payable and consist of the following:

	December 31	
	2007	2006
	US\$	US\$
Withholding tax on salaries	4,873	4,750
Other taxes	3,617	7,097
	<u>8,490</u>	<u>11,847</u>
National Social Security Fund	14,247	13,438
	<u>22,737</u>	<u>25,285</u>

Note 12. Provision for End of Service Indemnity

	December 31	
	2007	2006
	US\$	US\$
Balance at January 1,	86,091	62,162
Provision charge for the year	21,417	40,327
Settlements	(25,254)	(16,398)
	<u>82,254</u>	<u>86,091</u>

(concluded)

MAKHZOUMI FOUNDATION, Beirut - Lebanon

Notes to Financial Statements *(continued)* for the Year Ended December 31, 2007

Note 13. Related Party Transactions

The Foundation enters into transactions with entities related to the Foundation's founder that fall within the definition of a related party contained in International Accounting Standard 24. (Reference should be made to notes 3 and 8).

At the balance sheet date, the balance with related parties was as follows :

	December 31	
	2007	2006
	US\$	US\$
Included in accounts receivable	24,853	12,464
Included in accounts payable	11,907	32,720

The nature and significant related party transactions during the year and the amounts involved were as follows:

	December 31	
	2007	2006
	US\$	US\$
Donations received	1,556,679	2,052,321
Rent expense	64,017	64,017
Use of office facilities	45,000	45,000
Guarding services	74,261	61,512

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