

MAKHZOUMI FOUNDATION
Beirut - Lebanon

Report and Financial Statements
for the Year Ended December 31, 2015

MAKHZOUMI FOUNDATION

Beirut - Lebanon

Report and Financial Statements for the Year Ended December 31, 2015

1 - 2 Independent Auditors' Report

Financial Statements

3 *Statements of Financial Position*

4 *Statements of Activities*

5 *Statements of Cash Flows*

6 - 13 **Notes to Financial Statements**

1 - Constitution and Purpose

2 - Summary of Significant Accounting Policies

3 - Accounts Receivable and Prepayments

4 - Micro Credit Loans, Net

5 - Intangible Assets, Net

6 - Tangible Fixed Assets, Net

7 - Accounts Payable and Accruals

8 - Provision for End of Service Indemnity

9 - Provision for Doubtful Loans

10 - Finance Costs, Net

11 - Related Party Transactions

12 - Projects managed by the Foundation in 2015

INDEPENDENT AUDITORS' REPORT TO THE EXECUTIVE BOARD OF MAKHZOUMI FOUNDATION, BEIRUT - LEBANON

We have audited the accompanying financial statements of **MAKHZOUMI FOUNDATION Beirut – Lebanon** ("the Foundation"), which comprise the statements of financial position as of December 31, 2015, and the related statements of activities and cash flows for the year ended December 31, 2015.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Generally Accepted Accounting Principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with Generally Accepted Auditing Standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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 our 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, we consider internal control relevant to the Foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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.

Opinion

*In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **MAKHZOUMI FOUNDATION Beirut - Lebanon** at December 31, 2015, and the changes in its net assets and its cash flows for the year ended December 31, 2015 in accordance with Generally Accepted Accounting Principles.*

*Beirut, Lebanon
June 25, 2016*

MAKHZOUMI FOUNDATION, Beirut - Lebanon

Statements of Financial Position

December 31,		2015	2014
Assets	Notes	US\$	US\$
Current Assets:			
Cash		1,007,530	785,235
Accounts receivable and prepayments	3	578,558	509,585
Micro credit loans, net	4	1,114,725	1,035,848
Total Current Assets		2,700,813	2,330,668
Fixed Assets:			
Intangible assets, net	5	-	67,879
Tangible fixed assets, net	6	519,960	525,422
Total Fixed Assets		519,960	593,301
Total Assets		3,220,773	2,923,969
Liabilities and Net Assets			
Current Liabilities:			
Accounts payable and accruals	7	494,840	340,483
Provision for End of Service Indemnity	8	259,314	245,954
Net Assets		2,466,619	2,337,532
Total Liabilities and Net Assets		3,220,773	2,923,969

The accompanying notes on pages 6 through 13 form an integral part of these financial statements

The financial statements on pages 3 to 13 were approved and signed by the president Mrs. May Fouad Makhzoumi on June 25, 2016:

Mrs. May Fouad Makhzoumi
President

MAKHZOUMI FOUNDATION, Beirut - Lebanon

Statements of Activities

For the Years Ended December 31,		2015	2014
	Notes	US\$	US\$
Revenue and Support:			
Membership dues		1,228	1,194
Contributions		2,708,478	1,800,216
Donations		2,248,619	4,525,290
Finance costs, net	10	(5,064)	(4,522)
Foreign exchange differences, net		(5,788)	(256)
Administrative fees - Micro Credit		302,653	277,963
Other revenue - projects		349,912	865
(Loss) on sale of tangible fixed assets		(59,262)	-
Previous year adjustment		28,936	13,039
Total Revenue and Support		5,569,712	6,613,789
Expenses:			
Salaries and benefits		1,347,569	1,151,853
Professional fees		130,150	127,700
Communication expense		91,377	82,709
Insurance premiums		12,614	10,291
Material for trainees		263,013	134,305
Staff training		11,023	5,976
Printings and stationery		51,697	49,891
Maintenance and repairs		59,118	76,748
Rent expense		210,385	132,413
Entertainment		1,387,220	1,667,926
Leasehold improvements		32,666	463,107
Publicity, advertising and public relations		170,332	229,127
Medicine, supplies and laboratories		393,094	696,483
Medical support		86,224	266,303
Schooling & other support		19,838	176,252
Services expenses		486,409	470,975
Guarding services		81,392	93,280
Transportation		201,187	186,433
Travel and accommodation		30,330	24,632
External services and other disbursements		170,154	172,197
Previous year expenses adjustment		42,976	(134,682)
		5,278,768	6,083,919
Expenses not requiring outlay of funds:			
Depreciation and amortization		131,386	123,910
Provision for end of service indemnity	8	15,330	60,789
Provision for doubtful loans	9	14,276	16,329
		160,992	201,028
Total Expenses		5,439,760	6,284,947
Excess of Revenue and Support over (Expenses)		129,952	328,842
Opening adjustment 2014		(865)	-
Net Assets, at January 1		2,337,532	2,008,690
Net Assets, at December 31 <i>(to statements of financial position)</i>		2,466,619	2,337,532

The accompanying notes on pages 6 through 13 form an integral part of these financial statements

MAKHZOUMI FOUNDATION, Beirut - Lebanon

Statements of Cash Flows

For the Years Ended December 31,		2015	2014
	Notes	US\$	US\$
Operating Activities:			
Increase in net assets		129,952	328,842
<i>Adjustments to reconcile excess of Revenue and Support over Expenses</i>			
Amortization expense	5	8,618	8,486
Depreciation expense	6	122,768	115,424
Provision for end of service indemnity	8	15,330	60,789
Provision for doubtful loans	9	14,276	16,329
Finance costs, net	10	5,064	4,522
Adjustments		(865)	-
Changes in working capital:			
(Increase) in accounts receivable and prepayments	3	(68,973)	(171,728)
(Increase) in micro credit loans, net	4	(93,153)	(3,811)
Increase in accounts payable and accruals	7	154,357	139,276
Cash from operations		287,374	498,129
Interest paid	10	(8,440)	(6,381)
End of service indemnity paid	8	(1,970)	(3,937)
Net Cash Provided by Operating Activities		276,964	487,811
Investing Activities:			
Purchase of intangible assets	5	-	(51,200)
Purchase of tangible fixed assets	6	(117,306)	(152,912)
Loss on adjustment / disposal of fixed assets		59,261	(38,714)
Interest received	10	3,376	1,859
Net Cash (Used in) Investing Activities		(54,669)	(189,767)
Cash and Cash Equivalents:			
Increase in cash and cash equivalents		222,295	298,044
Cash and cash equivalents, at January 1		785,235	538,391
Cash and Cash Equivalents, at December 31		1,007,530	836,435
Cash and Cash Equivalents at the End of the Year Represent:			
Cash at bank		996,043	773,080
Cash on hand		11,487	12,155
Cash and Cash Equivalents, at December 31		1,007,530	785,235

The accompanying notes on pages 6 through 13 form an integral part of these financial statements

MAKHZOUMI FOUNDATION, Beirut - Lebanon

Notes to Financial Statements for the Year Ended December 31, 2015

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 Barbour, Zreik Street, Makhzoumi building, P.O.Box: 13/5009, Beirut, Lebanon. The financial statements for the year ended December 31, 2015, were approved and authorized for issuance by the president Mrs. May Fouad Makhzoumi on June 25, 2016.

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 111 employees at December 31, 2015. (80 employees at December 31, 2014).

Note 2. Summary of Significant Accounting Policies

The significant accounting policies adopted in the preparation of the financial statements are set out below:

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.

B - Accounting Convention

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

C - 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.

D - Intangible Assets

Computer software is amortized over a period of 4 years using the straight-line method. ISO certificate is stated net of accumulated amortization (20%), is fully depreciated.

(cont'd)

MAKHZOUMI FOUNDATION, Beirut - Lebanon

Notes to Financial Statements *(continued)* for the Year Ended December 31, 2015

Note 2. Summary of Significant Accounting Policies *(continued)*

E - Tangible Fixed Assets

Tangible fixed assets are stated net of accumulated depreciation and 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.

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

Annual depreciation rates are as follows:

Vehicles	20 %
Furniture	10 %
Office equipment	15 %
Computer equipment & software	25 %
Other assets	15 %
Books	100 %
Medical equipment.....	15 %

F - Cash

Cash comprise cash on hand and held in bank accounts.

G – Accounts Receivable and Prepayments

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one (1) year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

H - Accrual Basis

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

I - Membership Dues

General membership dues are credited to income when received.

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MAKHZOUMI FOUNDATION, Beirut - Lebanon

Notes to Financial Statements *(continued)* for the Year Ended December 31, 2015

Note 2. Summary of Significant Accounting Policies *(continued)*

J - 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.

K - Accounts Payable and Accruals

Liabilities are obligations to be paid in the future for consumables or services that have been acquired in the ordinary course of business whether billed by the supplier or not. Accounts payable are classified as current liabilities if payment is due within one (1) year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

L - Related Party Transactions

Advances and transactions with related parties are summarized under note 11.

M - Taxes

The Foundation qualifies as a tax-exempt organization and, accordingly, is not subject to income taxes.

N - Fair Value Estimation

The carrying value less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one (1) year are assumed to approximate their fair values.

(concluded)

MAKHZOUMI FOUNDATION, Beirut - Lebanon

Notes to Financial Statements *(continued)* for the Year Ended December 31, 2015

Note 3. Accounts Receivable and Prepayments

	<u>2015</u>	<u>2014</u>
	US\$	US\$
VAT to be reimbursed	242,185	293,809
Due from related parties	127,106	62,957
Advances to suppliers	46,891	955
Advances to personnel	7,308	16,485
	<u>423,490</u>	<u>374,206</u>
Prepaid expenses:		
Rent	24,281	42,528
Inhouse programs	130,787	92,851
	<u>155,068</u>	<u>135,379</u>
	<u>578,558</u>	<u>509,585</u>

Note 4. Micro Credit Loans, Net

	<u>2015</u>	<u>2014</u>
	US\$	US\$
Micro credit loans*	1,139,131	1,090,009
Less: allowance for doubtful loans (Refer to note 9)	(24,406)	(54,161)
	<u>1,114,725</u>	<u>1,035,848</u>

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

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MAKHZOUMI FOUNDATION, Beirut - Lebanon

Notes to Financial Statements *(continued)* for the Year Ended December 31, 2015

Note 5. Intangible Assets, Net

	Computer software	ISO certificate	Total
	US\$	US\$	US\$
<i>Year ended 31 December 2014</i>			
Opening net book amount	25,165	-	25,165
Additions for the year	51,200	-	51,200
Amortization charges	(8,486)	-	(8,486)
Closing net book amount	<u>67,879</u>	<u>-</u>	<u>67,879</u>
<i>At 31 December 2014</i>			
Cost	136,250	-	136,250
Accumulated amortization	(68,371)	-	(68,371)
Net book amount	<u>67,879</u>	<u>-</u>	<u>67,879</u>
<i>Year ended 31 December 2015</i>			
Opening net book amount	67,879	-	67,879
Amortization charges	(8,618)	-	(8,618)
Retirements	(59,261)	-	(59,261)
Closing net book amount	<u>-</u>	<u>-</u>	<u>-</u>
<i>At 31 December 2015</i>			
Cost	136,250	-	136,250
Retirements	(59,261)	-	(59,261)
Amortization charges	(8,618)	-	(8,618)
Accumulated amortization	(68,371)	-	(68,371)
Net book amount	<u>-</u>	<u>-</u>	<u>-</u>

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MAKHZOUMI FOUNDATION, Beirut - Lebanon

Notes to Financial Statements (continued) for the Year Ended December 31, 2015

Note 6. Tangible Fixed Assets, Net

<u>Classification</u>	<i>December</i> 31, 2014	<i>Additions</i>	<i>December</i> 31, 2015
	US\$	US\$	US\$
Cost:			
Vehicles	103,910	-	103,910
Furniture	169,028	13,345	182,373
Office equipment	178,864	25,210	204,074
Computer equipment	220,470	22,608	243,078
Medical equipment.....	296,671	56,143	352,814
	968,943	117,306	1,086,249
Depreciation:			
Vehicles	49,962	20,782	70,744
Furniture	34,310	15,590	49,900
Office equipment	58,493	24,459	82,952
Computer equipment	90,779	38,367	129,146
Medical equipment.....	209,977	23,570	233,547
	443,521	122,768	566,289
Net Book Value	525,422		519,960

Note 7. Accounts Payable and Accruals

	<u>2015</u>	<u>2014</u>
	US\$	US\$
Accounts payable:		
Suppliers	53,408	4,956
Due to related parties	375,236	237,224
Other creditors.....	6,550	47,690
	435,194	289,870
Accrued taxes and social security charges:		
Withholding tax on salaries	10,121	7,200
National Social Security Fund	22,087	15,917
Other taxes	27,438	27,496
	59,646	50,613
	494,840	340,483

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MAKHZOUMI FOUNDATION, Beirut - Lebanon

Notes to Financial Statements *(continued)* for the Year Ended December 31, 2015

Note 8. Provision for End of Service Indemnity

	<i>December 31, 2014</i>	<i>Provision Charged to Operations</i>	<i>Deductions</i>	<i>December 31, 2015</i>
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
<i>Employees.....</i>	<u>245,954</u>	<u>15,330</u>	<u>(1,970)</u>	<u>259,314</u>

Note 9. Provision for Doubtful Loans

	<i>December 31, 2014</i>	<i>Provision Charged to Operations</i>	<i>Deductions</i>	<i>December 31, 2015</i>
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
<i>Allowance for doubtful loans</i>	<u>54,161</u>	<u>14,276</u>	<u>(44,031)</u>	<u>24,406</u>

Note 10. Finance Costs, Net

	<u>2015</u>	<u>2014</u>
	<i>US\$</i>	<i>US\$</i>
<i>Interest paid.....</i>	<u>(8,440)</u>	<u>(6,381)</u>
<i>Interest received.....</i>	<u>3,376</u>	<u>1,859</u>
	<u>(5,064)</u>	<u>(4,522)</u>

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MAKHZOUMI FOUNDATION, Beirut - Lebanon

Notes to Financial Statements *(continued)* for the Year Ended December 31, 2015

Note 11. Related Party Transactions

At the statement of financial position date, the balances with related parties were as follows :

	<u>2015</u>	<u>2014</u>
	US\$	US\$
Included in accounts receivable and prepayments (Note 3)	127,106	62,957
Included in accounts payable and accruals (Note 7)	375,236	237,224

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

	<u>2015</u>	<u>2014</u>
	US\$	US\$
Donations received	3,232,168	4,603,499
Rent expense	99,834	56,000
Guarding services	81,392	93,280

Note 12. Projects managed by the Foundation in 2015

During 2015, the Foundation executed the following projects:

- 1) "UNHCR Syrian Refugees Assistance" funded by the United Nations High Commissioner for Refugees. The project budget amounted to US \$ 932,168 and the grant balance amounted to US\$ 118,541 at December 31, 2015.
 - 2) "UNHCR Iraqi Refugees Assistance" funded by the United Nations High Commissioner for Refugees. The project budget amounted to US \$ 759,014 and the grant balance amounted to US\$ 54,639 at December 31, 2015.
 - 3) "Afkar 3" / Lebanese Youth as Messengers for Sustainability funded by European Union. The project budget amounted to EU 212,871 And the grant balance amounted to 16,644,126 L.L at December 31, 2015.
 - 4) "Armadilla tavola Valdese" funded by Waldesian Church. The project budget amounted to EU 89,638 and the grant balance amounted to 43,810,302 L.L at December 31, 2015.
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