

MAKHZOUMI FOUNDATION

Beirut - Lebanon

**Report and Financial Statements
for the Year Ended December 31, 2017**

MAKHZOUMI FOUNDATION

Beirut - Lebanon

Report and Financial Statements for the Year Ended December 31, 2017

1 – 3 Independent Auditor's Report

Financial Statements

4 *Statements of Activities*
5 *Statements of Financial Position*
6 *Statements of Cash Flows*

7 – 18 Notes to the Financial Statements

1 - *Constitution of the Foundation*
2 - *Purpose of the Foundation*
3 - *Summary of Significant Accounting Policies*
4 - *Projects and Contributions*
5 - *General and Administrative Expenses*
6 - *Intangible Fixed Assets*
7 - *Tangible Fixed Assets*
8 - *Bank Balances and Cash*
9 - *Accounts Receivable and Prepayments*
10 - *Micro Credit Loans, Net*
11 - *Provision for End of Service Indemnity*
12 - *Accounts Payable and Accruals*
13 - *Related Party Transactions*

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**INDEPENDENT AUDITOR'S REPORT
TO THE EXECUTIVE BOARD OF MAKHZOUMI FOUNDATION, BEIRUT - LEBANON**

Opinion

We have audited the accompanying financial statements of **MAKHZOUMI FOUNDATION, BEIRUT – LEBANON**, which comprise the statements of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 4 to 18.

In our opinion, the financial statements present fairly, in all material respects the financial position of the Foundation as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Lebanon, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Responsibilities of Management and Those Charged with Governance of the Financial Statements

Management is responsible for the preparation and the fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Management is responsible for overseeing the Foundation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control.

- *Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.*
- *Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.*
- *Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.*

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Beirut, Lebanon
December 21, 2018*



MAKHZOUMI FOUNDATION, Beirut - Lebanon

Statements of Activities

For the Years Ended December 31,		2017	2016
	Notes	US\$	US\$
Revenues and Support			
Membership dues		1,227	-
Projects and contributions	4	5,340,747	5,083,711
Donations		1,599,834	1,420,717
Health contributions and programs		664,728	819,248
Training center and other small projects		273,540	368,970
Administrative fees - Micro Credit Units		364,471	289,470
Foreign exchange differences, net		32,142	101
Interest revenues		11,835	-
Other revenues		2,584	707
Write-back of provisions for doubtful loans		-	2,789
Previous year adjustments		6,334	-
Total Revenues and Support		8,297,442	7,985,713
Expenses			
Projects and contributions expenses		2,762,273	3,352,343
Medicine, supplies and laboratories		265,208	315,050
Medical support		141,667	108,774
Schooling and other support		140,900	67,660
Events and entertainment		-	32,044
Salaries and benefits		2,220,427	1,970,419
Material for trainees		107,831	125,152
Staff training		5,759	3,740
Service expenses		771,725	619,507
Professional fees		137,124	116,500
Fines and penalties		39,648	-
Bad debt expense		111,594	-
General and administrative expenses	5	1,529,145	1,221,760
Previous year expenses adjustment		-	60,658
		8,233,301	7,993,607
Expenses not requiring outlay of funds:			
Amortisation expense	6	2,551	8,617
Depreciation expense	7	118,013	153,971
Provision for end of service indemnity	11	103,657	86,037
Provision for doubtful loans		-	5,965
		224,221	254,590
Total Expenses		8,457,522	8,248,197
Excess of (Expenses) over Revenues and Support		(160,080)	(262,484)
Adjustments on Previous Year Projects		(265,139)	-
Net Assets, at January 1		2,204,135	2,466,619
Net Assets, at December 31			
(to statements of financial position)		1,778,916	2,204,135

The accompanying notes on pages 7 through 18 form an integral part of these financial statements

MAKHZOUMI FOUNDATION, Beirut - Lebanon

Statements of Financial Position

December 31,		2017	2016
Assets	Notes	US\$	US\$
Fixed Assets			
Intangible fixed assets	6	1,525	3,626
Tangible fixed assets	7	347,468	392,979
		348,993	396,605
Current Assets			
Bank balances and cash	8	1,098,894	1,255,106
Accounts receivable and prepayments	9	709,902	452,239
Micro credit loans, net	10	1,284,056	1,293,998
		3,092,852	3,001,343
Total Assets		3,441,845	3,397,948
Liabilities and Net Assets	Notes	US\$	US\$
Non-Current Liabilities			
Provision for end of service indemnity	11	447,594	344,972
Current Liabilities			
Accounts payable and accruals	12	1,215,335	848,841
Net Assets		1,778,916	2,204,135
Total Liabilities and Net Assets		3,441,845	3,397,948

The accompanying notes on pages 7 through 18 form an integral part of these financial statements

The financial statements on pages 4 to 18 were approved and signed by the President Mrs. May Fouad Makhzoumi on December 21, 2018:

Mrs. May Fouad Makhzoumi
President

MAKHZOUMI FOUNDATION, Beirut - Lebanon

Statements of Cash Flows

For the Years Ended December 31,		2017	2016
	Notes	US\$	US\$
Operating Activities			
(Expenses) over revenues and support		(160,080)	(262,484)
<i>Adjustments to reconcile excess of (expenses) over revenues and support</i>			
Amortisation expense	6	2,551	8,617
Depreciation expense	7	118,013	153,971
Provision for end of service indemnity	11	103,657	86,037
Provision for doubtful loans		-	5,965
Write-back of provisions		-	(2,789)
Adjustments on previous year projects		(265,139)	-
Changes in working capital:			
(Increase) decrease in accounts receivable and prepayments	9	(257,663)	150,724
Decrease (increase) in micro credit loans, net	10	9,942	(206,855)
Increase in accounts payable and accruals	12	366,494	354,001
Cash from Operations		(82,225)	287,187
End of service indemnity paid	11	(1,035)	(379)
Net Cash (Used in) Provided by Operating Activities		(83,260)	286,808
Investing Activities			
Acquisition of intangible fixed assets	6	(450)	-
Acquisition of tangible fixed assets	7	(72,502)	(39,232)
Net Cash (Used in) Investing Activities		(72,952)	(39,232)
Cash and Cash Equivalents			
Increase in cash and cash equivalents		(156,212)	247,576
Cash and cash equivalents, at January 1		1,255,106	1,007,530
Cash and Cash Equivalents, at December 31	8	1,098,894	1,255,106

The accompanying notes on pages 7 through 18 form an integral part of these financial statements

MAKHZOUMI FOUNDATION, Beirut - Lebanon

Notes to the Financial Statements for the Year Ended December 31, 2017

Note 1. Constitution of the Foundation

Makhzoumi Foundation, Beirut - Lebanon (hereinafter referred to as 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, 2017, were approved and authorized for issuance by the President Mrs. May Fouad Makhzoumi on December 21, 2018.

The Foundation had 132 employees at December 31, 2017. (135 employees at December 31, 2016)

Note 2. Purpose of the Foundation

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.

Note 3. Summary of Significant Accounting Policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements to the extent they have not already been disclosed in the other notes below. These policies have been consistently applied to all the years presented, unless otherwise stated.

A - Accounting Method

The financial statements of the Foundations's accounts which have been prepared in accordance with "International Financial Reporting Standards" (IFRS) and interpretations issued by the "International Financial Reporting Standards Interpretations Committee" (IFRS IC) applicable to organizations reporting under "International Financial Reporting Standards" (IFRS). These financial statements comply with "International Financial Reporting Standards" (IFRS) as issued by the "International Accounting Standards Board" (IASB).

B - Accounting Convention

The financial statements are prepared under the historical cost convention.

The monetary units used in the accounting records is the US Dollar.

The accounting policies are consistent with those used in the previous year.

(continued)

MAKHZOUMI FOUNDATION, Beirut - Lebanon

Notes to the Financial Statements (continued) for the Year Ended December 31, 2017

Note 3. Summary of Significant Accounting Policies (continued)

C - Translation of Foreign Currencies

(i) Functional and presentation currency

Items included in the financial statements of the Foundation are measured using the currency of the primary economic environment in which the entity operates ("the Functional Currency"). The financial statements are presented in Lebanese Pounds, which is the Foundation's functional and presentation currency, and converted to US Dollars.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the income statement. Foreign exchange gains and losses that relate to bank overdrafts (if any) are presented in the income statement, within finance costs, net.

D - Intangible Fixed Assets

The key criteria for determining whether intangible assets are to be recognised are:

- Whether the intangible asset can be identified separately from other aspects of the business entity;*
- Whether the use of the intangible asset is controlled by the entity as a result of its past actions and events;*
- Whether future economic benefits can be expected to flow to the entity; and*
- Whether the cost of the asset can be measured reliably.*

Under IAS 38, an intangible asset is identifiable when it is separable (i.e. capable of being separated or divided from the entity and sold, transferred, licensed, rented, or exchanged, either individually or together with a related contract, asset or liability); or when it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Under IAS 38, the capitalisation of any subsequent costs incurred on recognised intangible assets are subject to the same key recognition criteria as initial costs.

Software is amortised over a period of five (5) years using the straight-line method.

(continued)

MAKHZOUMI FOUNDATION, Beirut - Lebanon

Notes to the Financial Statements (continued) for the Year Ended December 31, 2017

Note 3. Summary of Significant Accounting Policies (continued)

E - Tangible Fixed Assets

Fixed assets are stated net of accumulated depreciation and recorded at their purchase cost together with any incidental expenses of acquisition and other costs directly attributable to bring the asset to working condition for its intended use.

Expenditure incurred to replace a component of an item of tangible fixed assets that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written-off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related asset. All other expenditure is recognised in the statement of comprehensive income as the expense is 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 results of comprehensive income.

The residual value and the useful life of an asset should be reviewed at least at each financial year-end and, if expectations differ from previous estimates, any change is accounted for prospectively as a change in estimate under IAS 8.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as determined by the income tax authorities.

Annual depreciation rates are as follows:

Furniture	8%
Vehicles	8%
Office equipment	8%
Medical equipment	10%
Computer equipment	20%

The depreciation method should be reviewed at least annually and, if the pattern of consumption of benefits has changed, the depreciation method should be changed prospectively as a change in estimate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

H - Impairment of Assets

Tangible and intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(continued)

MAKHZOUNI FOUNDATION, Beirut - Lebanon

Notes to the Financial Statements (continued) for the Year Ended December 31, 2017

Note 3. Summary of Significant Accounting Policies (continued)

H - Impairment of Assets (continued)

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

A reversal of an impairment loss is recognized immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as revaluation increase.

F - Cash and Cash Equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three (3) months or less that are ready convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. In the statement of financial position, bank overdrafts are shown under current liabilities.

G - Trade Receivables

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 amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Foundation will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income. When a trade receivable is uncollectible, it is written-off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written-off are credited in the statement of comprehensive income.

H - Employees' Termination Benefits

Provision for staff indemnity is made in accordance with National Social Security Fund legislation and is based on current remuneration rates and cumulative service at the balance sheet date less amounts actually contributed to the Fund.

I - 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.

(continued)

MAKHZOUMI FOUNDATION, Beirut - Lebanon

Notes to the Financial Statements (continued) for the Year Ended December 31, 2017

Note 3. Summary of Significant Accounting Policies (continued)

J - Provisions

Provisions are recognised when the Foundation has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The increase in the provision due to the passage of time is recognised as finance cost.

K - Membership Dues

General membership dues are credited to income when received.

L - 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.

M - Related Party Transactions

Advances and transactions with related parties are summarized under note 15.

N - Taxes

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

(concluded)

MAKHZOUMI FOUNDATION, Beirut - Lebanon

Notes to the Financial Statements (continued) for the Year Ended December 31, 2017

Note 4. Projects and Contributions

During 2017, the Foundation executed the following projects:

- “Vocational Training for Near East Foundation”

Makhzoumi Foundation provided Near East Foundation with vocational training in accounting, clothes repair and beauty services, within the framework of the project “Reducing Economic and Social Vulnerability of Syrian Refugees and Lebanese in Lebanon” from July 1, 2017 till August 30, 2017. The grant amounted to US\$ 15,740.

- “Leaders - Promoting inclusive local economic empowerment and development to enhance resilience and social stability”

The Danish Refugee Council has received a grant from The Ministry of Foreign Affairs of Denmark - Regional Development and Protection Programme - RDPP for a project concerning economic livelihoods development for refugees and host communities in Lebanon, where Makhzoumi Foundation is the subgrantee and was granted DKK 2,167,956 (US\$ 325,193) for the implementation of the project from June 1, 2016 till November 30, 2017.

- “The Lebanon Host Communities Support Project - Enhancing Youth Employability in the Area of Coastal Metn”

UNDP’s Livelihoods and Local Economic Development Strategy seeks to address the challenges faced by Lebanon, in light of the Syrian crisis, in relation to the deteriorating economic conditions in the country and the increasing unemployment rates, poverty levels and consequently social instability. The project includes identifying and supporting at least one hundred and seventy (170) vulnerable youth to improve their employability through vocational and technical training. Makhzoumi Foundation, has been granted US\$ 119,612 for the implementation of this project from November 2016 till March 2017.

- “Vocational Training Program for Youth in Lebanon”

Within the framework of the project: “Vocational Training Program for Youth in Lebanon” funded by UNICEF from March 27, 2017 till March 26, 2018, AVSI as consortium leader, and CESVI, as implementing partner, establish a partnership with Makhzoumi Foundation. The project will contribute to transfer to vulnerable Syrian and Lebanese youth, life skills and vocational skills to develop their abilities, build their knowledge and improve their living conditions. The beneficiaries of the program is a total 3,915 vulnerable youth, directors and teachers of the vocational training centers. AVSI granted Makhzoumi Foundation US\$ 142,770 for the implementation of the project.

- “Support to Emergency Affected Women and Children in Lebanon’s Beirut/Mount Lebanon Governates”.

The International Rescue Committee (IRC) via UNICEF granted Makhzoumi Foundation an amount of US\$ 212,200 in 2017 for the protection of vulnerable girls, boys, women and caregivers from violence, exploitation, abuse and neglect, including gender-based violence.

(continued)

MAKHZOUNI FOUNDATION, Beirut - Lebanon

Notes to the Financial Statements (continued) for the Year Ended December 31, 2017

Note 4. Projects and Contributions (continued)

- “Qudra - Resilience for Syrian Refugees, IDPs and Host Communities in Response to the Syrian and Iraqi Crises”

Makhzoumi Foundation and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH entered into an agreement for the project “Qudra - Resilience for Syrian Refugees, IDPs and Host Communities in Response to the Syrian and Iraqi Crises”. The primary aim of the project is “Supporting host communities and displaced Syrians in non-formal vocational technical training” by reaching to identify sixty five (65) vulnerable Lebanese youth and Syrian refugee youth, females and males equally, and designing accelerated vocational training. Makhzoumi Foundation was granted US\$ 61,534 to implement the project from May 01, 2017 till August 31, 2017.

- “Training on Volunteerism Among Youth NGOs in Arab Region”

The United National Educational, Scientific and Cultural Organization (UNESCO) and Makhzoumi Foundation entered into an agreement to implement a training workshop which will cover the concept of volunteerism and its role in society, emphasizing on the mutually beneficial relationship between the volunteer and the organization, the management of volunteers, explaining how to plan a volunteer program, and ensure a positive relationship between volunteers and staff. Makhzoumi Foundation has been granted US\$ 31,922 for the implementation of the workshop from July 4, 2017 till July 7, 2017.

- “Strengthening the Protection Environment for Syrian Refugees in Beirut, Iraqi and other Nationalities”.

The UNHCR and Makhzoumi Foundation have agreed to establish a collaborative partnership to protect refugees and other persons of concern and endeavor to find solutions for refugees and other persons of concern. The UNHCR and Makhzoumi Foundation undertake to jointly develop and maintain a quality partnership based on a shared humanitarian commitment to the protection of refugees and other persons of concern and enhancing the human dignity and well-being of the persons served. The UNHCR grant amounted to US\$ 1,202,436 in 2017 for this project.

- “Lebanese Youth as Messengers for Sustainability” or “Afkar 3”

The Office of the Minister of State for Administrative Reform (OMSAR), and funded by the European Union, granted Makhzoumi Foundation an amount of US\$ 228,363 for the promotion of a culture of sustainability among young Lebanese children, their families and local communities.

- “Economic Empowerment of Syrian Refugees and Hosting Communities”

Positive Planet and Makhzoumi Foundation entered into an agreement where Makhzoumi Foundation will deliver training to three hundred and eighty (380) Syrian refugees and host communities on selected vocational skills as well as business skills training according to the agreed segmentation between Syrians and Lebanese (50:50); men and women (30:70) and age groups above eighteen years of age. Makhzoumi Foundation was granted US\$ 228,492 for the implementation of this project from August 1, 2016 till October 31, 2017.

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MAKHZOUMI FOUNDATION, Beirut - Lebanon

Notes to the Financial Statements (continued) for the Year Ended December 31, 2017

Note 4. Projects and Contributions (continued)

- “Community Based Integrated Health and Nutrition Programme”

United Nations Children’s Fund (UNICEF) granted Makhzoumi Foundation US\$ 100,000 to enable the most disadvantaged children to have access to enhanced health practices by the end of 2020, and improve equitable use of health services through appropriate community-based mobilization, in six (6) vulnerable localities in the Beirut Governate for the period from April 30, 2017 till March 30, 2018.

- “Enhanced Capacities to Promote Reproductive Health and to Prevent and Respond to GBV in Lebanon”

United Nations Population Fund (UNFPA) partnered with Makhzoumi Foundation towards enhancing the Ministry of Social Affairs’ Social Development Centres by scaling-up/diversifying gender based violence interventions in order to build resilience, raise awareness, mitigate risks and meet the need of all survivors and women/girls at risk. Makhzoumi Foundation was granted US\$ 180,160 for the implementation of this project from June 1, 2017 till November 30, 2017.

The Foundation also entered into other various small agreements, projects and contributions.

Note 5. General and Administrative Expenses

	2017	2016
	US\$	US\$
Rent expense	185,748	188,583
Publicity, advertising and public relations	192,805	197,472
Communication expenses	184,468	136,620
Guarding expenses	89,929	118,258
Transportation	360,521	230,922
Printings and stationery	105,369	49,231
Maintenance and repairs	63,403	54,933
Utilities expenses	70,000	53,303
Insurance premiums	19,505	13,523
Leasehold improvements	82,464	20,694
Travel and accommodation	21,625	30,076
Cleaning and kitchen expenses.....	32,592	25,317
Bank charges	7,969	-
External services and other disbursements.....	112,747	102,828
	<u>1,529,145</u>	<u>1,221,760</u>

(concluded)

MAKHZOUMI FOUNDATION, Beirut - Lebanon

Notes to the Financial Statements (continued) for the Year Ended December 31, 2017

Note 6. Intangible Fixed Assets

<u>Classification</u>	<u>December 31, 2016</u>	<u>Additions</u>	<u>December 31, 2017</u>
	US\$	US\$	US\$
Cost:			
Software	35,970	450	36,420
Amortisation:			
Software	32,344	2,551	34,895
Net Book Value	<u>3,626</u>		<u>1,525</u>

Note 7. Tangible Fixed Assets, Net

<u>Classification</u>	<u>December 31, 2016</u>	<u>Additions</u>	<u>December 31, 2017</u>
	US\$	US\$	US\$
Cost:			
Vehicles	103,910	-	103,910
Furniture	189,692	13,536	203,228
Office equipment	220,101	8,117	228,218
Computer equipment	222,767	33,465	256,232
Medical equipment.....	353,042	17,384	370,426
	<u>1,089,512</u>	<u>72,502</u>	<u>1,162,014</u>
Depreciation:			
Vehicles	91,583	12,327	103,910
Furniture	65,975	17,644	83,619
Office equipment	110,467	26,653	137,120
Computer equipment	164,789	33,867	198,656
Medical equipment.....	263,719	27,522	291,241
	<u>696,533</u>	<u>118,013</u>	<u>814,546</u>
Net Book Value	<u>392,979</u>		<u>347,468</u>

(concluded)

MAKHZOUMI FOUNDATION, Beirut - Lebanon

Notes to the Financial Statements (continued) for the Year Ended December 31, 2017

Note 8. Cash and Cash Equivalents

	<u>2017</u>	<u>2016</u>
	US\$	US\$
Bank balances	1,086,055	1,243,518
Cash on hand	12,839	11,588
	<u>1,098,894</u>	<u>1,255,106</u>

Note 9. Accounts Receivable and Prepayments

	<u>2017</u>	<u>2016</u>
	US\$	US\$
Accounts Receivable:		
VAT to be reimbursed	133,085	135,146
Due from related parties	172,513	144,132
Advances to suppliers	-	886
Advances to personnel	51,817	39,208
Receivables from projects	243,448	-
Other receivables	1,160	-
	<u>602,023</u>	<u>319,372</u>
Prepayments:		
Rent	32,800	21,900
Inhouse programs	75,079	110,968
	<u>107,879</u>	<u>132,868</u>
	<u>709,902</u>	<u>452,240</u>

Note 10. Micro Credit Loans, Net

	<u>2017</u>	<u>2016</u>
	US\$	US\$
Micro credit loans*	1,298,927	1,321,580
Less: allowance for doubtful loans	(14,871)	(27,582)
	<u>1,284,056</u>	<u>1,293,998</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.

(concluded)

MAKHZOUMI FOUNDATION, Beirut - Lebanon

Notes to the Financial Statements (continued) for the Year Ended December 31, 2017

Note 11. Provision for End of Service Indemnity

	<i>December 31, 2016</i>	<i>Provision Charged to Operations</i>	<i>Deductions</i>	<i>December 31, 2017</i>
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Employees.....	<u>344,972</u>	<u>103,657</u>	<u>(1,035)</u>	<u>447,594</u>

Note 12. Accounts Payable and Accruals

	<i>2017</i>	<i>2016</i>
	<i>US\$</i>	<i>US\$</i>
Accounts Payable:		
Suppliers	29,624	1,652
Due to related parties	603,826	477,409
Payables for projects	406,035	-
Other creditors.....	73,534	293,703
	<u>1,113,019</u>	<u>772,764</u>
Accrued Taxes and Social Security Charges:		
Withholding tax on salaries	16,255	13,106
National Social Security Fund	31,639	25,964
Other taxes	54,422	37,007
	<u>102,316</u>	<u>76,077</u>
	<u>1,215,335</u>	<u>848,841</u>

(concluded)

MAKHZOUMI FOUNDATION, Beirut - Lebanon

Notes to the Financial Statements (continued) for the Year Ended December 31, 2017

Note 13. Related Party Transactions

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

	<u>2017</u>	<u>2016</u>
	US\$	US\$
<i>Included in accounts receivable and prepayments (note 9)</i>	172,513	144,132
<i>Included in accounts payable and accruals (note 12)</i>	603,826	477,409

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

	<u>2017</u>	<u>2016</u>
	US\$	US\$
<i>Donations received</i>	1,599,834	1,300,000
<i>Rent expense</i>	90,879	99,834
<i>Guarding services</i>	89,829	118,258

(concluded)