MAKHZOUMI FOUNDATION
Beirut - Lebanon

Report and Financial Statements
for the Year Ended December 31, 2018
MAKHZOUMI FOUNDATION  
Beirut - Lebanon  

Report and Financial Statements  
for the Year Ended December 31, 2018  

1 – 3  Independent Auditor’s Report  

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

7 – 17  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 Assets  
7 - Tangible Fixed Assets  
8 - Cash and Cash Equivalents  
9 - Accounts Receivable and Prepayments  
10 - Micro Credit Loans  
11 - Provision for End of Service Indemnity  
12 - Accounts Payable and Accruals  
13 - Related Party Transactions
INDEPENDENT AUDITOR’S REPORT  
TO THE EXECUTIVE BOARD OF MAKHZOUMI FOUNDATION, BEIRUT - LEBANON

Opinion

We have audited the financial statements of MAKHZOUMI FOUNDATION, BEIRUT – LEBANON (hereinafter referred to as “the Foundation”), which comprise the statements of financial position as of December 31, 2018, 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 17.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Foundation as at December 31, 2018, and 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
May 10, 2019
## MAKHZOUMI FOUNDATION, Beirut - Lebanon

### Statements of Activities

For the Years Ended December 31,

<table>
<thead>
<tr>
<th>Notes</th>
<th>US$</th>
<th>US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td></td>
<td>2017</td>
</tr>
</tbody>
</table>

### Revenues and Support

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Membership dues</td>
<td>1,260</td>
<td>1,227</td>
</tr>
<tr>
<td>Projects and contributions</td>
<td>4,646,088</td>
<td>5,340,747</td>
</tr>
<tr>
<td>Donations</td>
<td>2,425,152</td>
<td>1,599,834</td>
</tr>
<tr>
<td>Health contributions and programs</td>
<td>654,349</td>
<td>664,728</td>
</tr>
<tr>
<td>Training center and other small projects</td>
<td>237,379</td>
<td>273,540</td>
</tr>
<tr>
<td>Administrative fees - Micro Credit Units</td>
<td>376,977</td>
<td>364,471</td>
</tr>
<tr>
<td>Foreign exchange differences, net</td>
<td>16,963</td>
<td>32,142</td>
</tr>
<tr>
<td>Interest revenues</td>
<td>18,995</td>
<td>11,835</td>
</tr>
<tr>
<td>Other revenues</td>
<td>4,260</td>
<td>8,918</td>
</tr>
<tr>
<td><strong>Total Revenues and Support</strong></td>
<td><strong>8,381,423</strong></td>
<td><strong>8,297,442</strong></td>
</tr>
</tbody>
</table>

### Expenses

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projects and contributions expenses</td>
<td>2,264,859</td>
<td>2,762,273</td>
</tr>
<tr>
<td>Medicine, supplies and laboratories</td>
<td>418,843</td>
<td>265,208</td>
</tr>
<tr>
<td>Medical support</td>
<td>171,951</td>
<td>141,667</td>
</tr>
<tr>
<td>Schooling and other support</td>
<td>104,929</td>
<td>140,900</td>
</tr>
<tr>
<td>Salaries and benefits</td>
<td>2,253,029</td>
<td>2,220,427</td>
</tr>
<tr>
<td>Material for trainees</td>
<td>68,650</td>
<td>107,831</td>
</tr>
<tr>
<td>Staff training</td>
<td>19,029</td>
<td>5,759</td>
</tr>
<tr>
<td>Service expenses</td>
<td>723,271</td>
<td>771,725</td>
</tr>
<tr>
<td>Professional fees</td>
<td>131,527</td>
<td>137,124</td>
</tr>
<tr>
<td>Fines and penalties</td>
<td></td>
<td>39,648</td>
</tr>
<tr>
<td>Bad debt expense</td>
<td>4,926</td>
<td>111,594</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>2,186,064</td>
<td>1,529,145</td>
</tr>
<tr>
<td>Previous year expenses</td>
<td>32,202</td>
<td></td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>8,379,280</strong></td>
<td><strong>8,233,301</strong></td>
</tr>
</tbody>
</table>

### Expenses not requiring outlay of funds:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amortisation expense</td>
<td>6</td>
<td>618</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>7</td>
<td>99,803</td>
</tr>
<tr>
<td>Provision for end of service indemnity</td>
<td>11</td>
<td>43,588</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>144,009</strong></td>
<td><strong>224,221</strong></td>
</tr>
</tbody>
</table>

### Net Assets, at January 1

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Excess of (Expenses) over Revenues and Support</strong></td>
<td>(<strong>141,866</strong>)</td>
<td>(<strong>160,080</strong>)</td>
</tr>
<tr>
<td><strong>Adjustments on Previous Year Projects</strong></td>
<td>-</td>
<td>(<strong>265,139</strong>)</td>
</tr>
<tr>
<td><strong>Net Assets, at January 1</strong></td>
<td><strong>1,778,916</strong></td>
<td><strong>2,204,135</strong></td>
</tr>
</tbody>
</table>

### Net Assets, at December 31

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>(to statements of financial position)</td>
<td><strong>1,637,050</strong></td>
<td><strong>1,778,916</strong></td>
</tr>
</tbody>
</table>

*The accompanying notes on pages 7 through 17 form an integral part of these financial statements*
### Statements of Financial Position

<table>
<thead>
<tr>
<th>December 31,</th>
<th>2018 US$</th>
<th>2017 US$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td>Notes</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible fixed assets</td>
<td>6</td>
<td>907</td>
</tr>
<tr>
<td>Tangible fixed assets</td>
<td>7</td>
<td>334,487</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank balances and cash</td>
<td>8</td>
<td>755,113</td>
</tr>
<tr>
<td>Accounts receivable and prepayments</td>
<td>9</td>
<td>647,577</td>
</tr>
<tr>
<td>Micro credit loans</td>
<td>10</td>
<td>1,407,927</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Liabilities and Net Assets</strong></td>
<td>Notes</td>
<td>US$</td>
</tr>
<tr>
<td>Non-Current Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provision for end of service indemnity</td>
<td>11</td>
<td>490,552</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accruals</td>
<td>12</td>
<td>1,018,409</td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Liabilities and Net Assets</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The accompanying notes on pages 7 through 17 form an integral part of these financial statements.

The financial statements on pages 4 to 17 were approved and signed by the President Mrs. May Fouad Makhzoumi on May 10, 2019:

Mrs. May Fouad Makhzoumi  
President
MAKHZOUMI FOUNDATION, Beirut - Lebanon

Statements of Cash Flows

<table>
<thead>
<tr>
<th>For the Years Ended December 31,</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notes</td>
<td>US$</td>
<td>US$</td>
</tr>
<tr>
<td><strong>Operating Activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Expenses) over revenues and support</td>
<td>(141,866)</td>
<td>(160,080)</td>
</tr>
<tr>
<td><strong>Adjustments to reconcile excess of (expenses) over revenues and support</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortisation expense</td>
<td>6</td>
<td>618</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>7</td>
<td>99,803</td>
</tr>
<tr>
<td>Provision for end of service indemnity</td>
<td>11</td>
<td>42,958</td>
</tr>
<tr>
<td>Adjustments on previous year projects</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Changes in working capital:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease (increase) in accounts receivable and prepayments</td>
<td>9</td>
<td>62,237</td>
</tr>
<tr>
<td>(Increase) decrease in micro credit loans, net</td>
<td>10</td>
<td>(123,871)</td>
</tr>
<tr>
<td>(Decrease) increase in accounts payable and accruals</td>
<td>12</td>
<td>(196,838)</td>
</tr>
<tr>
<td>Cash from Operations</td>
<td>(256,959)</td>
<td>(82,225)</td>
</tr>
<tr>
<td>End of service indemnity paid</td>
<td>11</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net Cash (Used in) Operating Activities</strong></td>
<td>(256,959)</td>
<td>(83,260)</td>
</tr>
<tr>
<td><strong>Investing Activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition of intangible fixed assets</td>
<td>6</td>
<td>-</td>
</tr>
<tr>
<td>Acquisition of tangible fixed assets</td>
<td>7</td>
<td>(86,822)</td>
</tr>
<tr>
<td><strong>Net Cash (Used in) Investing Activities</strong></td>
<td>(86,822)</td>
<td>(72,952)</td>
</tr>
<tr>
<td><strong>Cash and Cash Equivalents</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Decrease) in cash and cash equivalents</td>
<td>(343,781)</td>
<td>(156,212)</td>
</tr>
<tr>
<td>Cash and cash equivalents, at January 1</td>
<td>1,098,894</td>
<td>1,255,106</td>
</tr>
<tr>
<td><strong>Cash and Cash Equivalents, at December 31</strong></td>
<td>8</td>
<td>755,113</td>
</tr>
</tbody>
</table>

The accompanying notes on pages 7 through 17 form an integral part of these financial statements.
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, 2018, were approved and authorized for issuance by the President Mrs. May Fouad Makhzoumi on May 10, 2019.

The Foundation had 129 employees at December 31, 2018. (132 employees at December 31, 2017)

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 Foundation’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)
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 US Dollars, which is the Foundation’s functional and presentation currency.

(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)
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)
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.
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 13.

N - Taxes

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

(concluded)
During 2018, the Foundation executed the following projects:

- “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$ 618,075 for the implementation of the project.

- “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.

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

United Nations High Commissioner for Refugees (UNHCR) granted Makhzoumi Foundation US$ 2,203,022 to support a favourable protection environment for Syrian refugees in Beirut through the provision of legal services, support of registration of civil events, community empowerment activities and empowering refugee and host communities to address common protection concerns at the community level. The implementation period of this project is from January 1, 2018 till December 31, 2018.

- “Civil Society in Action for Sustainable Development”

The Office of the Minister of State for Administrative Reform (OMSAR) granted Makhzoumi Foundation EUR 505,949.5 to be implemented from May 28, 2016 till November 27, 2018.

- “Digital Freedom Series”

Freidrich Naumann Foundation for Freedom granted Makhzoumi Foundation US$ 10,502 for the implementation of the project from October 26, 2018 till October 28, 2018, in order to host a three day hackathon with coaching, to develop and challenge the technical and creative skills of young Lebanese and Syrians, and to encourage them to discover and proceed further in the digital world as well as to connect them with more likeminded people.

- “Rehabilitation of Primary Healthcare”

The Lebanese Ministry of Health granted Makhzoumi Foundation US$ 108,590 for the implementation of the project from September 7, 2016 till December 30, 2018. The project aims to provide a variety of healthcare services for 150,000 individuals of poor families.
Note 4. Projects and Contributions (continued)

• “Protection, Community Empowerment and Shelter Support to Syrian Refugees in North Lebanon”

The Danish Refugee Council (DRC) granted Makhzoumi Foundation US$ 70,000 for the implementation of this project from January 1, 2018 till December 31, 2018. This project aims for the usage of a community based protection and self-reliance model, community-driven activities will include lifeskills, skill training, public events, awareness, recreational activities and information dissemination for Syrian refugees in North Lebanon.

• “Response to Measles Outbreak Program”

United Nations Children’s Fund (UNICEF) granted Makhzoumi Foundation US$ 87,749 for the implementation of this project from May 31, 2018 till June 6, 2018. Makhzoumi Foundation aims to proceed in the implementation of outreach activities targeting low EPI coverage and Measles affected cadasters. The target is all families having children from 0 to 15 years living in the identified cadasters in Beirut and Mount Lebanon.

• “Response to Measles Outbreak Program”

United Nations Children’s Fund (UNICEF) granted Makhzoumi Foundation US$ 108,326 for the implementation of this project from September 27, 2018 till December 31, 2018. Makhzoumi Foundation aims to proceed in the implementation of outreach activities targeting low EPI coverage and Measles affected cadasters. The target is all families having children from 0 to 15 years living in the identified cadasters in Beirut and Mount Lebanon.

• “Educational, Economic and Social Development for Syrian and Lebanese Youth”

Action Aid Denmark - Arab Regional Initiative (AA ARI) granted Makhzoumi Foundation US$ 68,798 for the implementation of this project from March 1, 2018 till February 29, 2020. Makhzoumi Foundation aims to build the capacity of youth aged 18 to 29 years to design and sustain micro and small enterprises. The Foundation also aims to support at least 5 existing start-ups (especially those led by young women) to sustain their businesses and build a network for influencing.

• “Training for Hair Dressing, Make Up, Jewelry, Mobile Repair and Secretary”

Young Men’s Christian Association granted Makhzoumi Foundation US$ 26,351 for the implementation of this project from September 24, 2018 till November 16, 2018. Makhzoumi Foundation aims to provide training in different crafts for beneficiaries selected from the vulnerable cadasters in the Bekaa area.

• “HPA Livelihoods Lebanon”

Oxfam GB granted Makhzoumi Foundation US$ 183,455 for the implementation of this project from June 2, 2017 till May 31, 2020. Makhzoumi Foundation will contribute to the economic self-reliance and resilience of 10,860 individuals affected by the Syrian crisis, including 8% at risk women, and 8% of people living with disabilities in Lebanon, through livelihood activities and protection mainstreaming.

The Foundation also entered into other various small agreements, projects and contributions.
### Note 5. General and Administrative Expenses

<table>
<thead>
<tr>
<th>Expense</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent expense</td>
<td>348,046</td>
<td>185,748</td>
</tr>
<tr>
<td>Publicity, advertising and public relations</td>
<td>787,111</td>
<td>192,805</td>
</tr>
<tr>
<td>Communication expenses</td>
<td>180,708</td>
<td>184,468</td>
</tr>
<tr>
<td>Guarding expenses</td>
<td>161,109</td>
<td>89,929</td>
</tr>
<tr>
<td>Transportation</td>
<td>296,326</td>
<td>360,521</td>
</tr>
<tr>
<td>Printings and stationery</td>
<td>77,322</td>
<td>105,369</td>
</tr>
<tr>
<td>Maintenance and repairs</td>
<td>52,619</td>
<td>63,403</td>
</tr>
<tr>
<td>Utilities expenses</td>
<td>83,303</td>
<td>70,000</td>
</tr>
<tr>
<td>Insurance premiums</td>
<td>30,814</td>
<td>19,505</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>19,655</td>
<td>82,464</td>
</tr>
<tr>
<td>Travel and accommodation</td>
<td>6,836</td>
<td>21,625</td>
</tr>
<tr>
<td>Cleaning and kitchen expenses</td>
<td>34,304</td>
<td>32,592</td>
</tr>
<tr>
<td>Bank charges</td>
<td>10,136</td>
<td>7,969</td>
</tr>
<tr>
<td>External services and other disbursements</td>
<td>97,775</td>
<td>112,747</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,186,064</td>
<td>1,529,145</td>
</tr>
</tbody>
</table>

### Note 6. Intangible Assets

<table>
<thead>
<tr>
<th>Classification</th>
<th>December 31, 2017</th>
<th>Additions</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US$</td>
<td>US$</td>
<td>US$</td>
</tr>
<tr>
<td><strong>Cost</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Software</td>
<td>36,420</td>
<td>-</td>
<td>36,420</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Amortisation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Software</td>
<td>34,895</td>
<td>618</td>
<td>35,513</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Book Value</strong></td>
<td>1,525</td>
<td></td>
<td>907</td>
</tr>
</tbody>
</table>

(concluded)
### Note 7. Tangible Fixed Assets

<table>
<thead>
<tr>
<th>Classification</th>
<th>December 31, 2017</th>
<th>Additions</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>US$</td>
<td>US$</td>
<td>US$</td>
</tr>
<tr>
<td>Vehicles</td>
<td>103,910</td>
<td>-</td>
<td>103,910</td>
</tr>
<tr>
<td>Furniture</td>
<td>203,228</td>
<td>2,448</td>
<td>205,676</td>
</tr>
<tr>
<td>Office equipment</td>
<td>228,218</td>
<td>11,373</td>
<td>239,591</td>
</tr>
<tr>
<td>Computer equipment</td>
<td>256,232</td>
<td>30,001</td>
<td>286,233</td>
</tr>
<tr>
<td>Medical equipment</td>
<td>370,426</td>
<td>43,000</td>
<td>413,426</td>
</tr>
<tr>
<td><strong>Total Cost</strong></td>
<td><strong>1,162,014</strong></td>
<td><strong>86,822</strong></td>
<td><strong>1,248,836</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Depreciation</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Vehicles</td>
<td>103,910</td>
<td>-</td>
<td>103,910</td>
</tr>
<tr>
<td>Furniture</td>
<td>83,619</td>
<td>19,532</td>
<td>103,151</td>
</tr>
<tr>
<td>Office equipment</td>
<td>137,120</td>
<td>26,861</td>
<td>165,801</td>
</tr>
<tr>
<td>Computer equipment</td>
<td>198,656</td>
<td>26,377</td>
<td>225,033</td>
</tr>
<tr>
<td>Medical equipment</td>
<td>291,241</td>
<td>25,213</td>
<td>316,454</td>
</tr>
<tr>
<td><strong>Total Depreciation</strong></td>
<td><strong>814,546</strong></td>
<td><strong>99,803</strong></td>
<td><strong>914,349</strong></td>
</tr>
</tbody>
</table>

| Net Book Value       | 347,468           |           | 334,487           |

### Note 8. Cash and Cash Equivalents

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>US$</td>
<td>US$</td>
</tr>
<tr>
<td>Bank balances</td>
<td>743,207</td>
<td>1,086,055</td>
</tr>
<tr>
<td>Cash on hand</td>
<td>11,906</td>
<td>12,839</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>755,113</strong></td>
<td><strong>1,098,894</strong></td>
</tr>
</tbody>
</table>

(concluded)
Note 9. Accounts Receivable and Prepayments

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Accounts Receivable</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>VAT to be reimbursed</td>
<td>227,062</td>
<td>133,085</td>
</tr>
<tr>
<td>Due from related parties</td>
<td>188,921</td>
<td>172,513</td>
</tr>
<tr>
<td>Advances to personnel</td>
<td>68,123</td>
<td>51,817</td>
</tr>
<tr>
<td>Receivables from projects</td>
<td>64,304</td>
<td>243,448</td>
</tr>
<tr>
<td>Other receivables</td>
<td>8</td>
<td>1,160</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>548,418</td>
<td>602,023</td>
</tr>
<tr>
<td><strong>Prepayments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rent</td>
<td>33,550</td>
<td>32,800</td>
</tr>
<tr>
<td>Inhouse programs</td>
<td>65,609</td>
<td>75,079</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>99,159</td>
<td>107,879</td>
</tr>
<tr>
<td><strong>Accounts Receivable and Prepayments</strong></td>
<td>647,577</td>
<td>709,902</td>
</tr>
</tbody>
</table>

Note 10. Micro Credit Loans

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro credit loans*</td>
<td>1,427,730</td>
<td>1,298,927</td>
</tr>
<tr>
<td>Less: allowance for doubtful loans</td>
<td>(19,803)</td>
<td>(14,871)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,407,927</td>
<td>1,284,056</td>
</tr>
</tbody>
</table>

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 11. Provision for End of Service Indemnity

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2017</th>
<th>Provision Charged to Operations</th>
<th>Deductions</th>
<th>December 31, 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>447,594</td>
<td>43,588</td>
<td>(630)</td>
<td>490,552</td>
</tr>
</tbody>
</table>

(concluded)
## Note 12. Accounts Payable and Accruals

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Accounts Payable</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Suppliers</td>
<td>31,801</td>
<td>29,624</td>
</tr>
<tr>
<td>Due to related parties</td>
<td>761,450</td>
<td>603,826</td>
</tr>
<tr>
<td>Payables for projects</td>
<td>106,192</td>
<td>406,035</td>
</tr>
<tr>
<td>Other creditors</td>
<td>5,316</td>
<td>73,534</td>
</tr>
<tr>
<td><strong>Accrued Taxes and Social Security Charges</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Withholding tax on salaries</td>
<td>15,294</td>
<td>16,255</td>
</tr>
<tr>
<td>Non-resident and other taxes</td>
<td>67,288</td>
<td>54,422</td>
</tr>
<tr>
<td>National Social Security Fund</td>
<td>31,068</td>
<td>31,639</td>
</tr>
<tr>
<td><strong>Accounts Payable and Accruals</strong></td>
<td>1,018,409</td>
<td>1,215,335</td>
</tr>
</tbody>
</table>

## Note 13. Related Party Transactions

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

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Included in accounts receivable and prepayments (note 9)</strong></td>
<td>188,921</td>
<td>172,513</td>
</tr>
<tr>
<td><strong>Included in accounts payable and accruals (note 12)</strong></td>
<td>761,450</td>
<td>603,826</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donations received</td>
<td>2,636,321</td>
<td>1,599,834</td>
</tr>
<tr>
<td>Rent expense</td>
<td>97,679</td>
<td>90,879</td>
</tr>
<tr>
<td>Guarding services</td>
<td>161,109</td>
<td>89,829</td>
</tr>
</tbody>
</table>