

FINANCIAL STATEMENTS

COUNTERPART INTERNATIONAL, INC.

**FOR THE YEARS ENDED
SEPTEMBER 30, 2007 AND 2006**

COUNTERPART INTERNATIONAL, INC.

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GELMAN, ROSENBERG & FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Counterpart International, Inc.
Arlington, Virginia

We have audited the accompanying statements of financial position of Counterpart International, Inc. (Counterpart International, Inc.) as of September 30, 2007 and 2006, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Counterpart International, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Counterpart International, Inc. as of September 30, 2007 and 2006, and its changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2008 on our consideration of Counterpart International, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Gelman Rosenberg & Freedman

April 11, 2008

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

COUNTERPART INTERNATIONAL, INC.

STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2007 AND 2006

ASSETS

	<u>2007</u>	<u>2006</u>
Cash and cash equivalents:		
Cash - domestic	\$ 600,407	\$ 785,172
Cash - foreign	3,881,607	4,067,728
Investments (Note 2)	1,016,903	914,273
Grants receivable:		
USAID grants receivable	10,681,504	13,272,589
Other grants receivable	11,684,084	14,335,030
Accounts receivable	198,195	86,462
Travel and employee advances	177,119	53,797
Pledges receivable	22,150	-
Prepaid expenses	205,535	179,373
Furniture, fixtures, and equipment, net of accumulated depreciation (Note 4)	16,141	25,384
Security deposits and other assets	<u>38,661</u>	<u>38,661</u>
TOTAL ASSETS	<u>\$ 28,522,306</u>	<u>\$ 33,758,469</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Notes payable (Note 8)	\$ 393,667	\$ 393,667
Accounts payable and accrued expenses	1,445,786	1,082,226
Refundable advances	<u>25,815,543</u>	<u>31,742,167</u>
Total liabilities	<u>27,654,996</u>	<u>33,218,060</u>

NET ASSETS

Unrestricted	<u>867,310</u>	<u>540,409</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 28,522,306</u>	<u>\$ 33,758,469</u>

COUNTERPART INTERNATIONAL, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
UNRESTRICTED SUPPORT AND REVENUE		
Grants:		
Government grants	\$ 25,693,286	\$ 23,603,542
Non federal grants	1,271,986	1,421,185
Contributions	451,036	289,508
Contributed services and materials	81,159,536	95,960,647
Investment income (Note 2)	135,444	113,978
Miscellaneous income (Note 5)	<u>495,572</u>	<u>430,191</u>
Total unrestricted support and revenue	<u>109,206,860</u>	<u>121,819,051</u>
EXPENSES		
Program services (Note 6):		
Relief	74,092,910	93,244,681
Institution Building	19,334,811	13,987,037
Business Development	3,935,320	1,205,536
Natural Resources and Environment	2,646,370	1,386,278
Health and Nutrition	<u>8,527,996</u>	<u>6,708,960</u>
Total program services	<u>108,537,407</u>	<u>116,532,492</u>
Supporting services (Note 6):		
Management and General	131,696	669,131
Fundraising	<u>210,856</u>	<u>5,094,456</u>
Total supporting services	<u>342,552</u>	<u>5,763,587</u>
Total expenses	<u>108,879,959</u>	<u>122,296,079</u>
Changes in net assets	326,901	(477,028)
Net assets at beginning of year	<u>540,409</u>	<u>1,017,437</u>
NET ASSETS AT END OF YEAR	<u>\$ 867,310</u>	<u>\$ 540,409</u>

See accompanying notes to financial statements.

COUNTERPART INTERNATIONAL, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Program Services			
	Relief	Institution Building	Business Development	Natural Resources and Environment
Personnel (Note 7)	\$ 1,435,655	\$ 4,024,229	\$ 100,205	\$ 548,178
Training	17,656	719,865	74,093	57,858
Travel	63,045	317,814	204,640	99,231
Equipment	25,705,064	570,057	27,414	7,409
Transportation and warehousing	45,202,572	3,358,346	2,827,408	1,233,115
Space and other	359,218	1,190,518	10,569	124,099
Pass through	362,901	1,398,256	32,795	236,726
Technical assistance	35,736	278,061	547,328	2,491
Unallowable - fundraising	-	-	-	-
Program loans	-	908	-	-
Small grants	178,931	5,547,523	26,613	163,494
Indirect costs (Note 6)	<u>732,132</u>	<u>1,929,234</u>	<u>84,255</u>	<u>173,769</u>
TOTAL	<u>\$ 74,092,910</u>	<u>\$19,334,811</u>	<u>\$ 3,935,320</u>	<u>\$ 2,646,370</u>

<u>Supporting Services</u>					
<u>Health and Nutrition</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>
\$ 2,154,796	\$ 8,263,063	\$ 2,975,661	\$ -	\$ 2,975,661	\$ 11,238,724
21,715	891,187	18,410	-	18,410	909,597
184,324	869,054	221,320	-	221,320	1,090,374
114,706	26,424,650	24,236	-	24,236	26,448,886
3,611,720	56,233,161	45,675	-	45,675	56,278,836
665,962	2,350,366	828,462	-	828,462	3,178,828
529,502	2,560,180	-	-	-	2,560,180
9,521	873,137	30,110	-	30,110	903,247
-	-	116,562	209,760	326,322	326,322
27,423	28,331	-	-	-	28,331
73	5,916,634	-	-	-	5,916,634
<u>1,208,254</u>	<u>4,127,644</u>	<u>(4,128,740)</u>	<u>1,096</u>	<u>(4,127,644)</u>	<u>-</u>
<u>\$ 8,527,996</u>	<u>\$108,537,407</u>	<u>\$ 131,696</u>	<u>\$ 210,856</u>	<u>\$ 342,552</u>	<u>\$108,879,959</u>

See accompanying notes to financial statements.

COUNTERPART INTERNATIONAL, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Program Services			
	Relief	Institution Building	Business Development	Natural Resources and Environment
Personnel (Note 7)	\$ 1,642,833	\$ 4,772,976	\$ 532,574	\$ 430,629
Training	16,136	533,098	52,663	227,011
Travel	238,441	341,676	50,888	79,131
Equipment	47,029,050	261,594	25,527	2,314
Transportation and warehousing	42,844,391	926,094	163,727	217,875
Space and other	565,166	1,062,928	45,039	92,828
Pass through	225,737	796,587	85,360	158,965
Technical assistance	34,384	118,470	31,740	9,182
Unallowable - fundraising	-	-	-	-
Program loans	-	-	1,933	-
Small grants	33,941	3,246,180	36,604	48,204
Indirect costs (Note 6)	<u>614,602</u>	<u>1,927,434</u>	<u>179,481</u>	<u>120,139</u>
TOTAL	<u>\$ 93,244,681</u>	<u>\$13,987,037</u>	<u>\$ 1,205,536</u>	<u>\$ 1,386,278</u>

Supporting Services					
Health and Nutrition	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
\$ 2,354,523	\$ 9,733,535	\$ 3,304,361	\$ -	\$ 3,304,361	\$ 13,037,896
51,821	880,729	70,836	-	70,836	951,565
160,835	870,971	292,169	600	292,769	1,163,740
212,510	47,530,995	50,541	-	50,541	47,581,536
1,589,398	45,741,485	156,996	4,894,195	5,051,191	50,792,676
665,086	2,431,047	931,223	-	931,223	3,362,270
466,155	1,732,804	-	-	-	1,732,804
66,490	260,266	23,531	-	23,531	283,797
-	-	46,390	199,661	246,051	246,051
51,887	53,820	-	-	-	53,820
(275,005)	3,089,924	-	-	-	3,089,924
<u>1,365,260</u>	<u>4,206,916</u>	<u>(4,206,916)</u>	<u>-</u>	<u>(4,206,916)</u>	<u>-</u>
<u>\$ 6,708,960</u>	<u>\$116,532,492</u>	<u>\$ 669,131</u>	<u>\$ 5,094,456</u>	<u>\$ 5,763,587</u>	<u>\$122,296,079</u>

See accompanying notes to financial statements.

COUNTERPART INTERNATIONAL, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 326,901	\$ (477,028)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation	20,205	20,882
Unrealized gain	(53,750)	(10,396)
(Increase) decrease in:		
USAID grants receivable	2,591,085	6,416,611
Other grants receivable	2,650,946	(5,977,710)
Accounts receivable	(111,733)	173,284
Travel and employee advances	(123,322)	197,418
Pledges receivable	(22,150)	-
Prepaid expenses	(26,162)	2,324
Increase (decrease) in:		
Accounts payable and accrued expenses	363,560	(2,776,417)
Refundable advances	<u>(5,926,623)</u>	<u>(76,970)</u>
Net cash used by operating activities	<u>(311,043)</u>	<u>(2,508,002)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	(10,962)	(2,609)
Purchase of investments	(225,344)	(823,442)
Proceeds from sale of investments	<u>176,463</u>	<u>600,619</u>
Net cash used by investing activities	<u>(59,843)</u>	<u>(225,432)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for the line of credit	<u>-</u>	<u>(16,666)</u>
Net cash used by financing activities	<u>-</u>	<u>(16,666)</u>
Net decrease in cash and cash equivalents	(370,886)	(2,750,100)
Cash and cash equivalents at beginning of year	<u>4,852,900</u>	<u>7,603,000</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,482,014</u>	<u>\$ 4,852,900</u>

See accompanying notes to financial statements.

COUNTERPART INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2007 AND 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Counterpart International, Inc., formerly Counterpart Foundation, Inc., is a nonprofit organization whose primary purpose is to work with the people of the Western European Newly Independent States (WESTNIS) and the Pacific Basin in programs that assist human development. Counterpart International, Inc. has programs and local field offices located in the former Soviet Union, Balkans, Europe, South-East Asia, South Pacific and Africa. A major source of funding for Counterpart International, Inc. is through grants received from the Agency for International Development (AID) and the State Department. Counterpart International, Inc.'s programs are defined below.

EnviroVentures, Inc. (EVI) is a wholly owned for-profit subsidiary of Counterpart International, Inc. whose primary purpose is to invest in small and medium sized businesses that promote environmental well being in the Philippines. The major sources of funding for EVI are through grants received from AID and the Overseas Private Investment Corporation. EVI's accounts have not been included in the accompanying financial statements. Management believes the omission of these accounts to be immaterial to the financial statements.

Relief:

Relief programs acquire and distribute donated medical equipment, food, clothing and other in-kind resources to vulnerable groups to meet critical humanitarian and related development needs.

Institution Building:

The Institution Building division builds the capacity of non-governmental organizations (NGOs) as service providers and advocates of citizen interests by providing them with an integrated and mutually reinforcing assistance package which includes training, technical assistance, grants, partnership development and public education through the media.

Business Development:

These programs support the development of small businesses, primarily in the Ukraine, by providing entrepreneurs with the training, technical assistance, and business support services they need to create, manage or expand a small or micro enterprise.

Natural Resources and Environment:

A current key global issue is the preservation of tropical rainforests and other environmental systems. Preservation efforts seek to maintain a variety of sustainable resources found in these ecosystems.

Health and Nutrition:

Programs that improve health and nutrition are those programs that center on improving the feeding of infants, formulating family planning services, training in nutrition, and disease control.

COUNTERPART INTERNATIONAL, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007 AND 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations".

Cash and cash equivalents -

Counterpart International, Inc. considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

At times during the year, Counterpart International, Inc. maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

Investments -

The fair value of investments is based on quoted market prices with realized and unrealized gains and losses included in the Statements of Activities and Changes in Net Assets.

Furniture, fixtures and equipment -

Furniture, fixtures and equipment purchased in excess of \$1,000 are capitalized and stated at cost. Furniture, fixtures and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. Any gains or losses recognized from the disposal of fixed assets are included in the Statements of Activities and Changes in Net Assets.

Counterpart International, Inc. also purchases certain equipment in accordance with provisions of specific local and government grants. This equipment is expensed when purchased and charged to the applicable grant. At the end of the grant period, the equipment continues to be used to carry out the purposes and objectives of the grant project, or in another project funded by governmental grants if approved by AID, or retired if its useful life has expired. Upon request, the equipment is returned to the grantor.

Income taxes -

Under provisions of Section 501(c)(3) of the Internal Revenue Code and the applicable income tax regulations of the District of Columbia, Counterpart International, Inc. is exempt from taxes on income, other than taxes on unrelated business income. Accordingly, no provision for income taxes has been made in the accompanying financial statements. Counterpart International, Inc. is not a private foundation.

Refundable advances -

Refundable advances represent the balance of obligated awards received for exchange transactions on government and private grants for which allowable expenditures have not yet been incurred.

COUNTERPART INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2007 AND 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Contributed services and materials -

Counterpart International, Inc. receives contributed services, equipment and supplies which are recorded in the period received as unrestricted support and expenses, based on their estimated fair value. Contributed services, equipment and supplies are also received by the field offices, and are recorded as support and expenses. Services, equipment and supplies contributed to field offices totaled \$81,159,536 and \$95,960,647 for the years ended September 30, 2007 and 2006, respectively.

Contributions and grants -

Grants received from AID and the State Department are funded in increments, as determined by the granting agency. Funding is accomplished through the use of a letter of credit, which Counterpart International, Inc. draws upon as funds are needed for grant activities. All letter of credit drawdowns and the related expenses are subject to government audit. Other grants are fixed price contracts or cost reimbursable grants. Grants from AID and other exchange-type grants are recognized as support only to the extent of actual expenses incurred in compliance with the purposes specified in the grant. Unrestricted grants and contributions are recorded as support in the period when notified.

Use of estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Concentration of credit risk -

Financial instruments which potentially subject Counterpart International, Inc. to a concentration of credit risk principally consist of cash and cash equivalents. Cash and cash equivalents include demand deposits which are maintained at various financial institutions in the United States and foreign countries or on hand at the local field offices. The total deposits at institutions in the United States at times exceed the amount guaranteed by federal agencies and therefore, bear some risk since they are not collateralized. Deposits held at institutions or on hand outside of the United States are not guaranteed by federal agencies. Counterpart International, Inc. has not historically experienced losses on these funds.

COUNTERPART INTERNATIONAL, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007 AND 2006**

2. INVESTMENTS

Investments consisted of the following at September 30, 2007 and 2006:

	<u>2007</u>		<u>2006</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Mutual Funds	\$ 743,217	\$1,013,020	\$ 694,334	\$ 914,271
Money Funds	<u>3,883</u>	<u>3,883</u>	<u>2</u>	<u>2</u>
	<u>\$ 747,100</u>	<u>\$1,016,903</u>	<u>\$ 694,336</u>	<u>\$ 914,273</u>

Included in investment income are the following:

	<u>2007</u>	<u>2006</u>
Interest and dividends	\$ 81,694	\$ 103,582
Unrealized gain	<u>53,750</u>	<u>10,396</u>
TOTAL INVESTMENT INCOME	<u>\$ 135,444</u>	<u>\$ 113,978</u>

3. LEASE COMMITMENTS

Counterpart International, Inc. has entered into several noncancellable operating leases expiring between 2002 and 2008. Future minimum lease payments required under these leases are as follows:

Year Ended September 30,

2008	<u>\$ 57,228</u>
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Counterpart International, Inc. subleases to the U.S. Committee for UNIFEM for office space in the headquarters building. Sublease income for the years ended September 30, 2007 and 2006 was \$12,000 and \$12,036, respectively, and is included in miscellaneous income in the accompanying financial statements.

In November 2007, Counterpart International, Inc. entered into a new ten year lease agreement. The the total of future minimum lease payments under the new lease agreement is \$7,348,507.

COUNTERPART INTERNATIONAL, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007 AND 2006**

3. LEASE COMMITMENTS (Continued)

Future minimum lease payments required under the new lease are as follows:

Year Ended September 30,

2008		\$ 431,311
2009		483,461
2010		497,965
2011		512,904
2012		528,291
Thereafter		<u>4,894,575</u>
		<u>\$7,348,507</u>

Rental expense under lease agreements for the years ended September 30, 2007 and 2006 consisted of the following:

	<u>2007</u>	<u>2006</u>
Local field and affiliates office rentals	\$ 618,513	\$ 659,228
Headquarters administration office	<u>415,616</u>	<u>396,808</u>
	<u>\$ 1,034,129</u>	<u>\$1,056,036</u>

A portion of the leased space is subleased to an unaffiliated not-for-profit organization. The above lease expense will be offset by payments due under the sublease as follows:

Year Ended September 30,

2008		\$ 12,000
2009		<u>2,400</u>
		<u>\$ 14,400</u>

4. FURNITURE, FIXTURES AND EQUIPMENT

Furniture, fixtures and equipment for the years ended September 30, 2007 and 2006 are summarized by major classification as follows:

	<u>2007</u>	<u>2006</u>
Furniture and fixtures	\$ 30,890	\$ 30,890
Equipment	244,832	233,870
Deferred leasing costs	<u>12,594</u>	<u>12,594</u>
	288,316	277,354
Less: Accumulated depreciation	<u>(272,175)</u>	<u>(251,970)</u>
	<u>\$ 16,141</u>	<u>\$ 25,384</u>

COUNTERPART INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2007 AND 2006

4. FURNITURE, FIXTURES AND EQUIPMENT (Continued)

Depreciation expense totaled \$20,205 and \$20,882 for the years ended September 30, 2007 and 2006, respectively.

5. FOREIGN CURRENCY ACCOUNTS

Cash deposited in local currencies in foreign banks is translated into U.S. dollars at rates of exchange in effect at year end. For the years ending September 30, 2007 and 2006, Counterpart International, Inc. incurred foreign currency translation gains of \$368,628 and \$365,597, respectively. These amounts are included in miscellaneous income in the Statements of Activities and Changes in Net Assets.

6. ALLOCATION OF GENERAL AND ADMINISTRATIVE COSTS

A portion of total indirect costs is allocated to specific grants based on the allowed percentages included in the grant agreement. Total costs allocated for the years ended September 30, 2007 and 2006 were \$4,127,644 and \$4,206,916, respectively.

7. PENSION PLAN

Counterpart International, Inc. maintains a defined contribution 403(b) retirement plan for its employees. This plan allows participants, subject to certain service requirements, to defer pre-tax income into a qualified plan. An eligible employee may defer pre-tax earnings annually, up to a limit of \$15,000 for employees under 50 years old and \$20,000 for employees 50 years and older. Counterpart International, Inc. contributes ten percent of the employee's salary. Counterpart International, Inc.'s contribution vests immediately. Counterpart International, Inc.'s contributions to this plan totaled \$451,416 and \$476,575 for fiscal years ended September 30, 2007 and 2006, respectively.

8. COMMITMENTS AND CONTINGENCIES

Counterpart International, Inc. is substantially dependent on U.S. government grants and subcontracts that are subject to audit. The ultimate determination of amounts received under these programs generally is based upon allowable costs incurred, required to be reported to and subject to audit by the government. Until such audits have been completed and final settlement reached, there exists a contingent liability to refund any amounts received in excess of allowable costs. Counterpart International, Inc.'s management is of the opinion that no significant adjustment to these financial statements, if any, would result from audit findings.

Counterpart International, Inc. maintains an unsecured line of credit that allows borrowings up to \$350,000. Interest accrues on any outstanding balances at 8.25 percent per annum. As of September 30, 2007 and 2006, Counterpart International, Inc. had zero balances outstanding.

Counterpart International, Inc. and EVI entered into a facility agreement on July 1, 2001 with the Overseas Private Investment Corporation (OPIC) under which OPIC has agreed to provide up to \$750,000 to enable Counterpart International, Inc. to conduct an enterprise program in the Philippines. Interest accrues on outstanding balances at the rate specified by each note; 1.5% over the US Department of Treasury rate. As of September 30, 2007 and 2006, Counterpart International, Inc. had borrowings of \$393,667 and \$393,667, respectively, under this facility agreement.