The year 2006 marked an important milestone for COAF. For the first time, total revenues exceeded US $2.6 million, a testimony to the support and confidence the organization enjoys from donors and partners. Today, across our multi-pronged comprehensive development program we are delivering focused, measurable results in six villages of the Republic of Armenia. Despite a growing number of challenges, including substantially higher cost of doing business in Armenia, principally due to the devaluation of the dollar, COAF is emerging as a leader in comprehensive rural development. Our unique and holistic approach to community revitalization has earned the attention of both governments and organizations alike. In our work, we have successfully engaged the local citizens, sharing and building knowledge with different village groups and have mobilized key partnerships to confront rural Armenia’s most pressing development issues.

In 2006, we touched the lives of more than 16,000 people, of whom 4,500 are children and youth. We expanded our program to Argina, Dalarik, Lernagog, Myasnikyan, and Shenik, which together with Karakert form our experimental Model Cluster. Our work was carried on in several areas, including health, infrastructure and economic development, civil society, social and municipal services, as well as special projects. We worked at the ground level with local municipalities, village councils, non-governmental organizations, and common citizens to promote learning and planning, organization and training. Ultimately, we shared the common goal of rebuilding community life.

Throughout program implementation, from planning to turn-key operation, we encouraged residents to take an active role in our program, to leverage their ideas, to set the community priorities, and to express their commitment through the village coordinating committees. Working closely with the village communities, our development model consistently promoted participation; encouraged people to draw on their own capabilities, to take ownership of their progress and to celebrate their successes; and ensured that they are equipped to manage effectively in the future.

We are committed to translating what we have learned and accomplished into a model that can help other rural communities in Armenia and throughout the world.

Garo H. Armen
COAF seeks to reverse the impoverished conditions affecting significant numbers of Armenia’s children by revitalizing Armenia’s villages and implementing projects that provide immediate and sustainable benefits to children and youth. We accomplish our mission by implementing a Comprehensive Rural Development Program that aims to improve the lives of vulnerable communities by providing the necessary infrastructure and essential resources for community-based sustainable development and providing villagers with the opportunities and tools to rebuild and revitalize their communities.

COAF’s Comprehensive Rural Development Model

In 2006, COAF focused its operations in the Republic of Armenia, a country that presents a multitude of development challenges. We adjusted our comprehensive development model based on the results of the evaluation of the Model Village project in Karakert, and expanded our program to the Model Cluster to include five neighboring villages in the Armavir district, namely Argina, Dalarik, Lernagog, Myasnikyan, and Shenik, which form a loop around Karakert. In the preliminary phase, COAF compiled the profile of the villages, which would form the Model Cluster. The selection of these villages was made on the basis of their proximity to Karakert and the short profile of each community, including the opportunities and challenges in each village community, and the level of available local expertise and technical know-how.

Subsequently, COAF initiated a Participatory Rural Assessment (PRA) to identify the specific needs of each village and the respective degree of criticality of the intervention. Through the PRAs, COAF explored existing opportunities and sources of competitive advantage and developed pre-intervention baseline data on key indicators. In a series of town hall meetings following the assessments, COAF facilitated a process through which the community validated the collected data, confirmed the most critical and high-impact projects, ranked the targeted interventions in the order of priority, and elected a Coordinating Committee to act on its behalf in the planning and implementation of projects.

Our development model is comprehensive and encompasses infrastructure, including reconstruction of water networks, renovation of public institutions, and establishment of telecommunications and municipal services; economic development, geared to increasing capacity and technical know-how through vocational and business training, helping villagers function productively, increasing access to lending institutions and new markets; health care, including modernization of facilities, equipment and specialized training of medical staff with emphasis on primary and preventive care, and community health education; and social development, geared to creation of social groups for organizing community recreational and cultural activities, increasing foreign language competency and computer literacy. We work in collaboration with a number of organizations, including advocacy groups, international and local non-governmental organizations, and regional governments and municipalities. This annual report will provide a summary of activities related to our Rural Development Methodology.
Infrastructure

The infrastructure component of COAF’s comprehensive rural development programs in Armenia is based on the principle that upgrading infrastructure is one of the essential ingredients to reducing poverty and achieving sustainable growth. COAF’s infrastructure projects aim at improving access to vital resources such as water, gas, and roads and at enabling access to other essential resources such as schools, health clinics and community centers.

Like in many other developing countries, farming is the primary source of sustainable income and security for the rural families in our Model Cluster. Thus, in 2006, our rural infrastructure development program focused on providing the resources necessary for increasing farming potential. In partnership with the World Bank, COAF realized the reconstruction of 10.3 kms (6 miles) of pipeline that improved the irrigation of 619 hectares of land.

In 2006, COAF rehabilitated Karakert’s water network, which is used for irrigation and other utilities. This network connected 1000 residents to the system and improved the water supply for 1300 residents. Parallel to this project, the rehabilitation of water networks in Dalarik, Lernagog and Myasnikyan was realized through a local public-private company. Similarly, COAF marshaled other partnerships for the construction of the natural gas distribution channels to reach Shenik and Argina residents for completion in 2007.

During the year, our building reconstruction projects ranged from completing those started in 2005, to launching new ones. In Karakert, the complete refurbishing of the Health Clinic was accomplished in partnership with the World Bank and the capital reconstruction of the Community Center and Public Library was adopted as a COAF/USAID/UNDP partnered project. The reconstruction projects launched in 2006 included the Shenik School as a COAF/USAID/UNDP partnered project and three others solely sponsored by COAF: the Shenik Sports Complex adjacent to the School, which will serve the local community and the neighboring villages; the Dalarik School, which will accommodate a projected student population of 650; and the Lernagog School, which will accommodate 275 students.

COAF was successful in bringing Internet connections to Karakert and Lernagog with the potential to reach out to the other villages in the Model Cluster. We also created an inter-village passenger transportation system that serves all six villages, facilitating the exchange and sharing of knowledge and expertise, while promoting social interaction among village families.
Economic Development

Rural Armenia faces challenges related to job creation, advanced management know-how and marketing protocols, access to new technology and financing, infrastructure, and optimal land use. COAF’s economic development program focuses on helping villagers address these challenges through various technical and intermediary assistance initiatives for economic growth.

Within the sphere of our development projects in 2006 and as a direct result of the improved economic activity, 562 new jobs were created. Of these, 78 percent were in agriculture (seasonal), 4 percent in education, and 18 percent in various other occupations. Additionally, 74 temporary jobs were created in construction. While the population in the cluster increased by an average 3 percent in 2006, there was also a concurrent drop in the number of laborers seeking employment abroad or families returning to their respective villages driven by the increased economic opportunity, especially in construction. Another derivative outcome is the increased demand for agricultural land in the Model Cluster villages and the average 98 percent increase in the price of land sold in 2006. Increased economic activity also is confirmed by private initiatives in the Model Cluster villages. In 2006, there were 18 private reconstruction projects in Karakert, 60 percent of which were creating or expanding small businesses and 40 percent were improvements to private homes.

COAF delivered technical assistance to 168 families in high-yield vegetable gardening. The beneficiaries were trained in the full range of gardening techniques, from how to start seedlings indoors to planting, watering, and fertilizing. At the end of the project, the villagers reported that their yield had quadrupled compared to the traditional gardening method, resulting in a 203 percent increase in the family income from the sale of the increased produce.

In the sphere of assisting families to increase their income earning capacity, COAF and Heifer International joined forces to realize the Passing on the Gift pilot project in the Shenik community. Twenty beneficiary families received assistance in constructing their backyard barn and each received one cow upon meeting the required standards of animal care. This project is expected to increase the beneficiary families’ income by 20% in the current year and by an additional 20% in the following year.

Artur Yengibaryan is the owner of ArtVillShin LLC, the furniture manufacturing plant in Karakert. Established in 2005, the plant initially functioned in a 250 sq.m. rented facility and began training a few local residents in furniture manufacturing. From making simple chairs at first for limited retail sale, the company has achieved competitive standing in 2006. While in 2005, ArtVillShin solely filled COAF orders of furniture for the Karakert School and kindergartens, its 2006 clientele has grown to include establishments throughout the country — to mention a few, the Association of Young Attorneys, UN-WFP, Armenia Lada, Italian Embassy, and Yerevan State University. Artur has been successful in improving the quality of his products and increasing manufacturing speed, thus lowering his costs. Also, ArtVillShin’s revenues have grown by 28 percent in 2006. Artur has reinvested his 2006 profit into the business, acquiring 15,000 sq.m. real estate where his plant is currently located. ArtVillShin employs up to 14 local residents.
Health Care

The prevailing health care system in rural communities of the Republic of Armenia is built on the practice of responding to acute problems, attending to urgent needs or pressing concerns. COAF’s health care program focuses on reversing that practice by way of increasing access to primary healthcare, including testing, diagnosing, and follow-on referrals. Additionally, given that many conditions are preventable, our health care interface with village health units centers on prevention support. Village communities are systematically provided with information and skills to reduce health risks, to stop using tobacco products, to eat healthy foods, and to lead a healthy lifestyle.

In 2006, COAF provided continuous coaching, on-the-job and specialized training to 28 local health staff, which improved the level and quality of service recording an average 26 percent increase in access throughout the Model Cluster health units. Further, as part of the community health education, 30 trainers were trained to train 528 women in reproductive health and rights; 158 community volunteers and educators were trained in first aid, healthy life style, management of chronic diseases, and prevention of infectious diseases; and 1,187 villagers received free medicine.

Special attention focused on measuring children’s health for two reasons: first, because young people are basically unable to act as self-advocates; and second, because their health determines the health of the future population. COAF expanded its health care program to address the health and rights of children. Access to primary health care included complete physicals of 1,898 children; dental screening of 233 children in partnership with the Armenian Dental Society of California; eye care of 1,143 children and 433 adults in partnership with the Armenian Eye Care Project; Microbac training of 2,830 pre-school and school children in basic hygiene in partnership with Fighting Against Infectious Diseases in Emerging Countries; training of 150 professionals and parents in early detection and prevention of children’s disabilities, along with availing them of guidelines on integration of disabled children in society. Additionally, in partnership with UNICEF, COAF established a psycho-social center in the Dalarik Municipality for helping children diagnosed with psycho-social problems.

True to the concept of clustering and with financial support from the Armenian Medical Fund (New York), COAF strengthened the Myasnikyan Polyclinic with new diagnostic equipment, including a portable X-Ray machine to serve all cluster populations. This polyclinic will serve as the center for providing expert and specialized health care to the entire cluster. The Polyclinic specialized services will include ears/nose/throat, ophthalmology, X-Ray, cardiology, general surgery, oncology, dermatology, therapeutic dentistry, emergency care, and physiotherapy.

Karineh is one of 9 health staff members working in the Karakert outpatient clinic. She recounts the way she was trained to work before she was retrained in family nursing and integrated case management. “Not only did I learn a lot during the six-month retraining that COAF registered me to attend, but I grew my competencies through hands-on training as well…. Unlike other villages throughout Armenia, Karakert not only is rebounding from the economic and social transition of the 1990s, but our primary health care facility is one of the best in country. I love coming to work. My colleagues feel the same. As we got better, users of our ambulatory services grew. We are now receiving 19 patients a day. They come to us from all neighboring villages, because they know that we offer top notch care.” Karineh is proud of her work and tells how she has helped so many. “My self confidence has improved so much that I am now able to deal with my father’s hypertension, whereas before I’d rush him to the doctor for emergency care.”
COAF’s social development program is geared to helping youth develop to their full potential through participation in clubs and community activities. Our program views the village Community Center as the heart of youth and adult activities — a place of interaction for the full spectrum of community members. Recognizing that the most effective means to insure a life outside poverty is through the careful upbringing of the next generation, our social development program caters to the wellbeing, education, and advancement of the village population. We aim at reinforcing the focus on a healthy environment for the whole family, where self-esteem, social interaction, cultural exposure, and life skills are enriched.

In partnership with the Center for Agribusiness and Rural Development (CARD), COAF established two youth clubs in Argina and Lernagog. Twenty youngsters were recruited as club members and were trained in caring for the sheep they received. By the sixth month from start, all club members had mastered animal care and were successful in more than doubling the weight of their animals, exceeding the required standards.

To improve communication and social interaction among the Model Cluster villages, COAF established an inter-village transportation system in partnership with the Lernagog non-governmental organization Hay Mshak. The 14-seater van makes three daily round trips servicing all six villages, six days a week. In the four month period from September to December 2006, the number of users has grown by 144 percent, attaining a high of 280 users per week.

COAF conducted sessions with the municipality staff and members of the council of all six villages to survey individual civic education training needs. Subsequently, through a partnership with The Eurasia Foundation, municipality staff was trained in financial management and legal provisions related to the governance of village municipalities. Additionally, COAF initiated hands-on training of village Coordinating Committees for the preparation of project proposals and budgets.

While focusing on helping youth develop to their full potential through education and social activities, COAF paid attention to also providing a clean environment. This meant that the streets had to be cleaned of accumulated debris and a system established to maintain a clean environment. The successful experience and lessons learned from the waste-management operation established in Karakert in 2005 was extended to all six villages of the Model Cluster. The expanded waste management operation is managed by a local non-governmental organization from Lernagog and operates on a fee-for-service basis. Paid participation in this cluster community service has grown to cover 41 percent of the total cluster population within four months from launch in the second half of 2006.

Rouzanna Gokhchyan is a 35-year resident of Karakert. She recalls the conditions of the village in the late nineties as everything began to crumble. “The economy, the industrial plants, the buildings, everything changed face. I couldn’t believe my eyes! People lost hope and faith in themselves. When my son was still in school, he would stay home for so many days in the year. The School closed for days in the winter because of the cold, and so many more days because of one reason or the other; whether it was something broken or because there were no books. It’s so much better now. Our School stayed open in the coldest days, when all the others were closed. My son is older now, and drives a car. Well, he can’t enjoy the heated school as the younger kids do, but he is happy about the improvements in our village. Not a day goes by that he doesn’t mention about the street potholes that have been filled. … We have so much to look forward to.”
Education

Education reform is a part of the mainstream of COAF’s development program. Through this component, COAF promotes high academic achievement for every child in the Model Cluster. The elements of this program include (a) preparing and retraining the next generation of outstanding teachers and administrators for the kindergartens and schools; and (b) establishing after-school programs that challenge children and youth by upgrading language and computer skills and offering age-appropriate activities in safe, productive and healthy environments. Both elements are expected to help improve the academic performance of children and increase academic performance.

COAF also initiated English as a Second Language course. A pilot group limited to 6-8 year old children took part in English as a second language during the summer of 2006. Building upon the success of the pilot program, COAF added a second age group of 9-11 year olds. There are 141 children currently enrolled in the program.

An eight-month computer literacy and journalism program was offered to a select group of 15 village residents who established a press club and are publishing the cluster monthly paper Shrjadartz (transformation). With a press-run of 1,000 copies, the monthly has helped villagers throughout the Model Cluster become aware of various activities organized in their own or neighboring communities, read about items for sale, or simply keep abreast of ongoing projects and events.

Hripsimeh Kocharyan is a young mother who moved to Lernagog fifteen months ago after marrying a local young man. Prior to that, she was interning with H2 Television and hoping to have a career in journalism. While her career goal was interrupted, she seized the opportunity when COAF started the training program in journalism. “I learned so much in eight months, that I don’t feel that my move to Lernagog has deprived me of the opportunity to grow and to have a career. I gained confidence in interviewing and am able to cover events and activities in our village. I know what questions to ask, whom to ask, and how to present issues.” Hripsimeh is very proud of the monthly Shrjadartz, to which she contributes regularly and is a member of the core team. “A few of my colleagues and I are discussing ways in which we could increase the revenue from sale and advertising. It is very important that we continue publishing the monthly without interruption. I have talked to many families that are willing to subscribe to our paper. I am confident we will do well!”
COAF’s accomplishments in 2006 in the 6 villages of Karakert, Argina, Dalarik, Lernagog, Myasnikyan, and Shenik

✓ Through 31 projects in 6 villages, COAF’s direct contribution to rural development efforts amounted to $1,520,018

✓ 562 new jobs were created: 78 percent in agriculture (seasonal), 4 percent in education, and 18 percent in various other occupations. Also 74 temporary jobs were created in construction

✓ 168 families received training and hands-on assistance to improve their crops and increase their family income

✓ 798 children benefited from reconstruction projects that provided healthy schools and increased attendance

✓ 136 vulnerable families received humanitarian assistance

✓ 194 women gained access to health care and information to better plan pregnancies, have safe deliveries and enjoy healthy newborn care

✓ 2,300 villagers improved their life gaining access to technical water

✓ 535 farmers improved their crops gaining access to irrigation water

✓ 2,800 families received information that helped them manage hypertension, hepatitis A, and asthma

✓ 1,187 villagers gained access to medication

✓ 2,830 children learned about maintaining good hygiene to avoid health problems

✓ 158 community volunteers and educators were trained in first aid, healthy life style, management of chronic diseases, and prevention of infectious diseases

✓ 150 parents and educators were trained in child rights and learned communication skills for dealing with stress in children and for solving conflicts in the school

✓ 26 health care professionals acquired best practices in prenatal care, healthy life style, first aid, cervical and breast cancer prevention

✓ 2,800 families received information on family planning, early marriage concerns, sexually transmitted diseases and violence

✓ 279 children and adults prevented future eyesight problems through early diagnosis and treatment

1 In 2005-2006, COAF developed a set of indicators of sustainable community. Our indicators measure the degree to which a community is healthy and vibrant. We monitor overall health such that negative trends are caught and dealt with before they become problematic. We also measure the impact of our economic, social, and educational programs to know the degree to which we have made progress toward building a better quality of life and a sustainable community.
Financial Summary

We are pleased to present a summary of the financial statement for the Children of Armenia Fund for the period ending December 31, 2006 which bear an unqualified auditing statement from the accounting firm Lutz and Carr, LLP. The audit was conducted in accordance with auditing standards generally accepted in the United States.

COAF’s Balance Sheet and Income Statement (December 31, 2006)

<table>
<thead>
<tr>
<th>Assets</th>
<th>Liabilities and Net Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$1,111,986</td>
</tr>
<tr>
<td>Investments</td>
<td>$578,325</td>
</tr>
<tr>
<td>Unconditional promises to give (unrestricted)</td>
<td>$197,825</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>$22,594</td>
</tr>
<tr>
<td>Non Marketable Investment</td>
<td>$386,100</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>$2,296,830</strong></td>
</tr>
<tr>
<td><strong>Total Revenue:</strong></td>
<td><strong>$2,570,668</strong></td>
</tr>
<tr>
<td><strong>Total Program Expenses:</strong></td>
<td><strong>$1,520,018</strong></td>
</tr>
</tbody>
</table>

| Total Liabilities & Net Assets: | $2,296,830 |

84% of expenditures were directed to Program Services in the Cluster of 6 villages.

A full audit report is available at www.coafkids.org or by writing to:

Children of Armenia Fund, Inc.
162 Fifth Avenue Suite 900
New York, NY 10010