

FONKOZE USA, INC.

FINANCIAL STATEMENTS

and

INDEPENDENT AUDITOR'S REPORT

Years Ended December 31, 2000 and 1999

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Fonkoze USA, Inc.
Washington, D.C.

We have audited the accompanying balance sheets of Fonkoze USA, Inc. (a not-for-profit organization) as of December 31, 2000 and 1999 and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit 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 Fonkoze USA, Inc. as of December 31, 2000 and 1999 and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Kamerow, Weintraub & Swain, LLP

May 25, 2001

FONKOZE USA, INC.

BALANCE SHEETS

December 31, 2000 and 1999

	<u>2000</u>	<u>1999</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 48,392	\$ 52,321
Loans receivable - current portion	191,000	612,500
Interest receivable	<u>4,023</u>	<u>4,581</u>
TOTAL CURRENT ASSETS	243,415	669,402
LOANS RECEIVABLE - less current portion	<u>664,900</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 908,315</u>	<u>\$ 669,402</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Interest payable	\$ 3,858	\$ 7,772
Loans payable - investors, current portion	<u>191,000</u>	<u>53,500</u>
TOTAL CURRENT LIABILITIES	194,858	61,272
LOANS PAYABLE - INVESTORS, less current portion	<u>664,900</u>	<u>559,000</u>
TOTAL LIABILITIES	<u>859,758</u>	<u>620,272</u>
NET ASSETS		
Unrestricted	46,477	47,740
Temporarily restricted	<u>2,080</u>	<u>1,390</u>
TOTAL NET ASSETS	<u>48,557</u>	<u>49,130</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 908,315</u>	<u>\$ 669,402</u>

See accompanying notes.

FONKOZE USA, INC.

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2000 and 1999

	2000		1999	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
REVENUES				
Board and staff contributions	\$ 3,178	\$ 25,000	\$ 7,036	\$ -
Grants	-	125,000	215,500	-
Individual contributions	10,726	8,145	8,403	-
Local offices contributions	1,580	-	2,610	-
Major donors contributions	53,788	179,023	127,113	75,680
Amos fund	-	24,393	-	-
Interest income	16,910	-	15,652	-
In-kind contributions	77,269	-	67,614	-
Delegation income	-	-	5,145	-
Net assets released from restrictions:				
Satisfaction of program restrictions	360,871	(360,871)	74,290	(74,290)
TOTAL REVENUES	524,322	690	523,363	1,390
EXPENSES				
PROGRAM SERVICES				
Grants to Fonkoze Haiti	216,596	-	251,097	-
Grants to Visitation House	67,540	-	66,130	-
Grants to Peasant Association of Fondwa	35,953	-	24,177	-
Other grants	11,773	-	-	-
Education	60,724	-	55,559	-
TOTAL PROGRAM SERVICES	392,586	-	396,963	-
SUPPORTING SERVICES				
Fundraising	38,271	-	43,554	-
Administration	94,728	-	97,676	-
TOTAL SUPPORTING SERVICES	132,999	-	141,230	-
TOTAL EXPENSES	525,585	-	538,193	-
CHANGE IN NET ASSETS	(1,263)	690	(14,830)	1,390
NET ASSETS AT BEGINNING OF YEAR	47,740	1,390	62,570	-
NET ASSETS AT END OF YEAR	\$ 46,477	\$ 2,080	\$ 47,740	\$ 1,390

See accompanying notes.

FONKOZE USA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2000

	Grants	Education	Fundraising	Administration	Total
Consulting fees	\$ -	\$ 22,552	\$ 9,021	\$ 13,530	\$ 45,103
Grants to Fonkoze Haiti	216,596	-	-	-	216,596
Grants to Visitation House	67,540	-	-	-	67,540
Grants to Peasant Association of Fondwa	35,953	-	-	-	35,953
Other grants	11,773	-	-	-	11,773
Layout/design	-	1,473	1,472	-	2,945
Board meetings	-	-	-	8,723	8,723
Postage	-	2,111	1,267	844	4,222
Printing	-	5,316	5,316	-	10,632
Supplies	-	-	-	875	875
Telephone	-	1,823	1,094	729	3,646
Travel	-	2,383	2,383	1,192	5,958
Bank charges	-	-	-	867	867
Interest expense	-	-	-	9,444	9,444
Membership and resources	-	-	-	588	588
Insurance	-	-	-	1,237	1,237
Professional services	-	22,044	14,696	36,740	73,480
Annual filing fees	-	-	-	390	390
Office rent	-	-	-	4,068	4,068
Amos fund	-	3,022	3,022	-	6,044
CB Committee	-	-	-	13,355	13,355
Miscellaneous	-	-	-	2,146	2,146
TOTAL	\$ 331,862	\$ 60,724	\$ 38,271	\$ 94,728	\$ 525,585

See accompanying notes.

FONKOZE USA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 1999

	Grants	Education	Fundraising	Administration	Total
Consulting fees	\$ -	\$ 18,353	\$ 12,235	\$ 30,587	\$ 61,175
Grants to Fonkoze Haiti	251,097	-	-	-	251,097
Grants to Visitation House	66,130	-	-	-	66,130
Grants to Peasant Association of Fondwa	24,177	-	-	-	24,177
Layout/design	-	790	790	-	1,580
Board meetings	-	-	-	13,920	13,920
Postage	-	1,804	1,083	722	3,609
Printing	-	3,833	3,834	-	7,667
Supplies	-	-	-	642	642
Telephone	-	1,311	787	524	2,622
Travel	-	1,046	1,571	2,618	5,235
Bank charges	-	-	-	321	321
Interest expense	-	-	-	11,517	11,517
Membership and resources	-	-	-	135	135
Insurance	-	-	-	252	252
Professional services	-	15,504	10,336	31,043	56,883
Annual filing fees	-	-	-	320	320
Office rent	-	-	-	3,300	3,300
Delegation expense	-	2,918	2,918	-	5,836
Video production	-	10,000	10,000	-	20,000
Miscellaneous	-	-	-	1,775	1,775
TOTAL	\$ 341,404	\$ 55,559	\$ 43,554	\$ 97,676	\$ 538,193

See accompanying notes.

FONKOZE USA, INC.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2000 and 1999

	<u>2000</u>	<u>1999</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (573)	\$ (13,440)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
(Increase) decrease in:		
Loans receivable	(243,400)	(149,400)
Interest receivable	558	(2,994)
Increase (decrease) in:		
Loans payable - investors	243,400	149,400
Interest payable	(3,914)	6,317
Gain on sale of investments	-	(55)
	<u> </u>	<u> </u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(3,929)</u>	<u>(10,172)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	<u> -</u>	<u> 5,430</u>
	<u> -</u>	<u> 5,430</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u> -</u>	<u> 5,430</u>
	<u>(3,929)</u>	<u>(4,742)</u>
NET DECREASE IN CASH	<u>(3,929)</u>	<u>(4,742)</u>
CASH AT BEGINNING OF YEAR	<u> 52,321</u>	<u> 57,063</u>
	<u>\$ 48,392</u>	<u>\$ 52,321</u>
CASH AT END OF YEAR	<u>\$ 48,392</u>	<u>\$ 52,321</u>
SUPPLEMENTAL DISCLOSURES		
Cash paid during the year for:		
Interest	\$ 2,905	\$ 1,165
Income taxes	-	-

See accompanying notes.

FONKOZE USA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2000 and 1999

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Fonkoze USA, Inc. (the Organization) was established at the initiative of individuals in the United States to raise both donated and invested funds in order to provide grants, loans, and technical assistance to the organized poor of Haiti, and to promote education in the U.S. about alternative approaches to democratic and sustainable economic development in Haiti. At the first organizational meeting, the Board of Directors of Fonkoze USA, Inc. voted that Fonkoze Haiti (a Haitian Foundation) would be a recipient of such grants and loans approved by the Board to support programs and activities benefiting the poor. At a subsequent meeting of the Board of Directors, additional Haitian organizations were approved as Fonkoze USA, Inc. grant recipients.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At December 31, 2000 and 1999, the Organization had no permanently restricted net assets. Temporarily restricted net assets consisted of \$2,080 for Visitation House at December 31, 2000, and \$1,390 at December 31, 1999. In addition, the Organization is required to present a statement of cash flows.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash

For purposes of the financial statement presentation, cash includes all demand accounts.

FONKOZE USA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2000 and 1999

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Receivables

The Organization does not maintain an allowance for doubtful accounts, as all amounts are deemed to be collectible. All amounts are due from Fonkoze Haiti.

Revenue and Expenses

The Organization's financial statements are prepared using the accrual method of accounting. In accordance with this method of accounting, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred. All revenue and expenses which are applicable to future periods have been presented as deferred or prepaid on the accompanying balance sheets.

Restricted and Unrestricted Revenue

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Donor-restricted revenue is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction.

Income Taxes

The Institute has been granted exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation.

FONKOZE USA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2000 and 1999

NOTE B - AFFILIATED ORGANIZATIONS

The Organization shares a common mission with Fonkoze Haiti. Donations and loans acquired by the Organization are donated through grants and loans to Fonkoze Haiti. Two of sixteen Board members are common to the Organization and Fonkoze Haiti. Grants made to Fonkoze Haiti were \$216,596 and \$251,097 for the years ended December 31, 2000 and 1999, respectively. Loans made to Fonkoze Haiti were \$855,900 and \$612,500 for the years ended December 31, 2000 and 1999, respectively. Interest received on loans from Fonkoze Haiti was \$5,703 and \$4,358 for the years ended December 31, 2000 and 1999, respectively.

One Board member of the Organization is also a Board member of the Peasant Association of Fondwa, located in Haiti. Grants made to the Peasant Association of Fondwa equaled \$35,953 and \$24,177 for the years ended December 31, 2000 and 1999, respectively.

NOTE C - DONATED SERVICES

The services of an attorney have been donated to the Organization for various corporate matters for the years ended December 31, 2000 and 1999 in the amounts of approximately \$68,953 and \$51,680, respectively. The value of these services has been allocated to various functional areas based on management's estimation on the statements of activities. Additional services for design and layout of printed matter, room and board provided for board members, and video production were donated by various professionals. The total estimated value of these donations for the years ended December 31, 2000 and 1999 are \$8,316 and \$15,934, respectively. All donated services have been reflected as in-kind contributions in the accompanying financial statements.

NOTE D - ALLOCATION OF JOINT COSTS

The Organization conducts program activities that also include requests for contributions. These joint program and fundraising activities include a delegation to Haiti, production of informational videotape and brochures. The costs of conducting these activities are allocated equally to education and fundraising as shown on the statements of functional expenses in the amounts of \$0 and \$25,836 for the years ended December 31, 2000 and 1999 respectively.

FONKOZE USA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2000 and 1999

NOTE E - LEASE

The Organization occupies office space in Washington, D.C. The rental payments are made under lease terms that are in force on a month-to-month basis. Rent expense for the years ended December 31, 2000 and 1999 were \$4,068 and \$3,300, respectively.

NOTE F - LOANS PAYABLE - INVESTORS

The loans payable balances of \$191,000 and \$53,500, current portion, and \$664,900 and \$559,000, long-term portion, as of December 31, 2000 and 1999, respectively, are comprised of payables to various investors who have made loans to Fonkoze USA, Inc. to support its programs and activities. The interest rate on these loans payable vary between zero and four percent, and the maturity dates vary up to November 2008. Interest expense on loans payable was \$9,444 and \$11,517 for the years ended December 31, 2000 and 1999, respectively.

Maturity on the loans is as follows:

2001	\$ 191,000
2002	87,300
2003	194,000
2004	149,000
2005	216,500
Thereafter	<u>18,100</u>
	855,900
Less: current portion	<u>191,000</u>
LOANS PAYABLE - INVESTORS, less current portion	<u>\$ 664,900</u>