

FONKOZE USA, INC.
FINANCIAL STATEMENTS
and
INDEPENDENT AUDITOR'S REPORT
Years Ended December 31, 2001 and 2000

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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, 2001 and 2000 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, 2001 and 2000 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

June 17, 2002

FONKOZE USA, INC.

BALANCE SHEETS

December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 64,340	\$ 48,392
Interest receivable	5,894	4,023
Loans receivable - current portion	172,350	191,000
Other receivables	<u>22,500</u>	<u>-</u>
TOTAL CURRENT ASSETS	265,084	243,415
LOANS RECEIVABLE - less current portion	<u>972,925</u>	<u>664,900</u>
TOTAL ASSETS	<u>\$ 1,238,009</u>	<u>\$ 908,315</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 3,607	\$ -
Interest payable	4,760	3,858
Loans payable - investors, current portion	172,350	191,000
Other payables	<u>6,210</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	186,927	194,858
LOANS PAYABLE - INVESTORS, less current portion	<u>972,925</u>	<u>664,900</u>
TOTAL LIABILITIES	<u>1,159,852</u>	<u>859,758</u>
NET ASSETS		
Unrestricted	75,207	46,477
Temporarily restricted	<u>2,950</u>	<u>2,080</u>
TOTAL NET ASSETS	<u>78,157</u>	<u>48,557</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,238,009</u>	<u>\$ 908,315</u>

See accompanying notes.

FONKOZE USA, INC.

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2001 and 2000

	2001		2000	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
REVENUES				
Board and staff contributions	\$ 2,278	\$ -	\$ 3,178	\$ 25,000
Grants	-	174,000	-	125,000
Individual contributions	26,702	-	10,726	8,145
Local offices contributions	-	-	1,580	-
Major donors contributions	284,838	66,898	53,788	179,023
Amos fund	20,000	8,033	-	24,393
Interest income	26,366	-	16,910	-
In-kind contributions	100,797	-	77,269	-
Delegation income	-	-	-	-
Net assets released from restrictions:				
Satisfaction of program restrictions	248,061	(248,061)	360,871	(360,871)
TOTAL REVENUES	709,042	870	524,322	690
EXPENSES				
PROGRAM SERVICES				
Grants to Fonkoze Haiti	330,927	-	216,596	-
Grants to Visitation House	32,745	-	67,540	-
Grants to Peasant Association of Fondwa	78,594	-	35,953	-
Other grants	2,115	-	11,773	-
Education	58,025	-	60,724	-
TOTAL PROGRAM SERVICES	502,406	-	392,586	-
SUPPORTING SERVICES				
Fundraising	45,950	-	38,271	-
Administration	131,956	-	94,728	-
TOTAL SUPPORTING SERVICES	177,906	-	132,999	-
TOTAL EXPENSES	680,312	-	525,585	-
CHANGE IN NET ASSETS	28,730	870	(1,263)	690
NET ASSETS AT BEGINNING OF YEAR	46,477	2,080	47,740	1,390
NET ASSETS AT END OF YEAR	\$ 75,207	\$ 2,950	\$ 46,477	\$ 2,080

See accompanying notes.

FONKOZE USA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2001

	Grants	Education	Fundraising	Administration	Total
Consulting fees	\$ -	\$ -	\$ -	\$ 5,688	\$ 5,688
Grants to Fonkoze Haiti	330,927	-	-	-	330,927
Grants to Visitation House	32,745	-	-	-	32,745
Grants to Peasant Association of Fondwa	78,594	-	-	-	78,594
Other grants	2,115	-	-	-	2,115
Layout/design	-	686	686	-	1,372
Board meetings	-	-	-	13,624	13,624
Postage	-	2,643	1,586	1,056	5,285
Printing	-	7,010	7,010	-	14,020
Supplies	-	-	-	1,917	1,917
Telephone	-	2,450	1,470	979	4,899
Travel	-	946	1,419	2,365	4,730
Bank charges	-	-	-	131	131
Interest expense	-	-	-	15,975	15,975
Insurance	-	-	-	5,359	5,359
Professional services	-	19,461	12,974	39,644	72,079
Office rent	-	-	-	3,800	3,800
Amos fund expenses	-	2,825	2,825	-	5,650
Miscellaneous	-	1,429	1,429	-	2,858
Salaries	-	20,575	13,716	34,292	68,583
Donations	-	-	-	1,150	1,150
Payroll taxes	-	-	-	5,976	5,976
Advertising	-	-	2,835	-	2,835
TOTAL	\$ 444,381	\$ 58,025	\$ 45,950	\$ 131,956	\$ 680,312

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.

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 29,600	\$ (573)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
(Increase) decrease in:		
Interest receivable	(1,871)	558
Loans receivable	(289,375)	(243,400)
Other receivables	(22,500)	-
Increase (decrease) in:		
Accounts payable	3,607	-
Interest payable	902	(3,914)
Loans payable - investors	289,375	243,400
Other payables	6,210	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>15,948</u>	<u>(3,929)</u>
NET INCREASE (DECREASE) IN CASH	15,948	(3,929)
CASH AT BEGINNING OF YEAR	<u>48,392</u>	<u>52,321</u>
CASH AT END OF YEAR	<u>\$ 64,340</u>	<u>\$ 48,392</u>
SUPPLEMENTAL DISCLOSURES		
Cash paid during the year for:		
Interest	\$ 15,073	\$ 2,905
Income taxes	-	-

See accompanying notes.

FONKOZE USA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2001 and 2000

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, 2001 and 2000, the Organization had no permanently restricted net assets. Temporarily restricted net assets consisted of:

	<u>2001</u>	<u>2000</u>
Visitation House	\$ 450	\$ 2,080
Fonkoze Haiti	<u>2,500</u>	<u>-</u>
Total temporarily restricted net assets	<u>\$ 2,950</u>	<u>\$ 2,080</u>

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, 2001 and 2000

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 Organization 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, 2001 and 2000

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 \$330,927 and \$216,596 for the years ended December 31, 2001 and 2000, respectively. Loans made to Fonkoze Haiti were \$1,145,275 and \$855,900 for the years ended December 31, 2001 and 2000, respectively. Interest received on loans from Fonkoze Haiti was \$24,277 and \$5,703 for the years ended December 31, 2001 and 2000, 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 \$78,594 and \$35,953 for the years ended December 31, 2001 and 2000, 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, 2001 and 2000 in the amounts of approximately \$95,800 and \$68,953, respectively. In the year 2001, \$31,000 of the total donated attorney services was devoted solely to loans to Fonkoze Haiti and the related expense was allocated to grants to Fonkoze Haiti. The expenses related to the remaining value of these services has been allocated to various functional areas based on management's estimation on the statements of activities. Additional services for travel, room, and board provided for a Fonkoze student were donated by various professionals. The total estimated value of these donations for the years ended December 31, 2001 and 2000 are \$4,997 and \$8,316, respectively. All donated services have been reflected as in-kind contributions in the accompanying financial statements.

NOTE D - 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, 2001 and 2000 were \$3,800 and \$4,068, respectively.

FONKOZE USA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2001 and 2000

NOTE E - LOANS PAYABLE - INVESTORS

The loans payable balances of \$172,350 and \$191,000, current portion, and \$972,925 and \$664,900, long-term portion, as of December 31, 2001 and 2000, 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 \$15,975 and \$9,444 for the years ended December 31, 2001 and 2000, respectively.

Maturity on the loans is as follows:

2002	\$ 172,350
2003	188,325
2004	269,500
2005	262,100
2006	188,000
Thereafter	<u>65,000</u>
	1,145,275
Less: current portion	<u>172,350</u>
LOANS PAYABLE - INVESTORS, less current portion	<u>\$ 972,925</u>