

**FONKOZE USA, INC.
NEW YORK, NEW YORK**

**AUDITED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED
DECEMBER 31, 2006 AND 2005**



CRAFT, NOBLE & COMPANY
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Fonkoze USA, Inc.
New York, New York

We have audited the accompanying statement of financial position of Fonkoze USA, Inc. (a not-for-profit organization) as of December 31, 2006 and 2005 and the related statements of activities, 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 audit.

We conducted our audit 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, 2006 and 2005 and the changes in its net assets and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Craft, Noble & Company, PLLC

Craft, Noble & Company, PLLC
July 23, 2007



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FONKOZE USA, INC.
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2006 AND 2005

ASSETS

	<u>2006</u>	<u>2005</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 348,557	\$ 123,236
Interest receivable	26,072	7,070
Loans receivable - current portion	291,500	329,770
Prepaid expenses	1,821	403
Other receivables	<u>3,967</u>	<u>-</u>
TOTAL CURRENT ASSETS	671,917	460,479
INVESTMENTS	79,184	137,039
LOANS RECEIVABLE - less current portion	<u>1,050,660</u>	<u>934,410</u>
TOTAL ASSETS	<u>\$ 1,801,761</u>	<u>\$ 1,531,928</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 4,715	\$ 944
Grants payable	168,051	25,299
Interest payable	10,403	7,246
Loans payable - investors, current portion	<u>291,500</u>	<u>359,770</u>
TOTAL CURRENT LIABILITIES	474,669	393,259
LOANS PAYABLE - INVESTORS, less current portion	<u>1,090,660</u>	<u>974,410</u>
TOTAL LIABILITIES	<u>1,565,329</u>	<u>1,367,669</u>
NET ASSETS		
Unrestricted	182,128	103,474
Unrestricted - Board designated	<u>54,304</u>	<u>60,785</u>
TOTAL NET ASSETS	<u>236,432</u>	<u>164,259</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,801,761</u>	<u>\$ 1,531,928</u>

The accompanying notes are an integral part of these financial statements.

FONKOZE USA, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006			2005		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES						
Boards and staff contributions	\$ 144,157	\$ -	\$ 144,157	\$ 29,675	\$ -	\$ 29,675
Grants	6,354	151,427	157,781	5,573	63,528	69,101
Individual contributions	294,109	455,159	749,268	184,680	135,734	320,414
Local offices contributions	1,297	-	1,297	34,333	-	34,333
Conference fees	12,125	-	12,125	-	-	-
Interest and dividend income	34,398	-	34,398	32,984	-	32,984
In-kind contributions	16,165	-	16,165	317,976	-	317,976
Delegation income	12,650	-	12,650	-	-	-
Realized gain (loss) on investments	(760)	-	(760)	4,921	-	4,921
Unrealized gain (loss) on investments	4,128	-	4,128	(6,053)	-	(6,053)
Other income	1,115	-	1,115	967	-	967
Net assets released from restrictions; satisfaction of program restrictions	606,586	(606,586)	-	199,262	(199,262)	-
TOTAL REVENUES	<u>1,132,324</u>	<u>-</u>	<u>1,132,324</u>	<u>804,318</u>	<u>-</u>	<u>804,318</u>
EXPENSES						
PROGRAM SERVICES:						
Grants to Fondasyon Kole Zepol	553,527	-	553,527	144,646	-	144,646
Grants to Visitation House	-	-	-	10,076	-	10,076
Grants to Peasant Association of Fondwa	13,160	-	13,160	2,920	-	2,920
Grants to Haitian Health Allies	18,385	-	18,385	12,868	-	12,868
Grants to A Iznerly	40,600	-	40,600	-	-	-
Grants to NaSonje	12,154	-	12,154	-	-	-
Other grants	4,675	-	4,675	6,949	-	6,949
Education	130,849	-	130,849	70,392	-	70,392
Other Program Expenses	24,549	-	24,549	88,883	-	88,883
TOTAL PROGRAM SERVICES	<u>797,899</u>	<u>-</u>	<u>797,899</u>	<u>336,734</u>	<u>-</u>	<u>336,734</u>
SUPPORTING SERVICES						
Fundraising	169,784	-	169,784	388,244	-	388,244
Administration	92,468	-	92,468	62,348	-	62,348
TOTAL SUPPORTING SERVICES	<u>262,252</u>	<u>-</u>	<u>262,252</u>	<u>450,592</u>	<u>-</u>	<u>450,592</u>
TOTAL EXPENSES	<u>1,060,151</u>	<u>-</u>	<u>1,060,151</u>	<u>787,326</u>	<u>-</u>	<u>787,326</u>
CHANGE IN NET ASSETS	<u>72,173</u>	<u>-</u>	<u>72,173</u>	<u>16,992</u>	<u>-</u>	<u>16,992</u>
NET ASSETS AT BEGINNING OF YEAR	<u>164,259</u>	<u>-</u>	<u>164,259</u>	<u>147,267</u>	<u>-</u>	<u>147,267</u>
NET ASSETS AT END OF YEAR	<u>\$ 236,432</u>	<u>\$ -</u>	<u>\$ 236,432</u>	<u>\$ 164,259</u>	<u>\$ -</u>	<u>\$ 164,259</u>

The accompanying notes are an integral part of these financial statements.

FONKOZE USA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 72,173	\$ 16,992
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized (gain) loss on investments	760	(4,921)
Unrealized (gain) loss on investments	(4,128)	6,053
(Increase) decrease in:		
Interest receivable	(19,002)	(346)
Loans receivable	(77,980)	(280,110)
Prepaid expenses	(1,418)	(403)
Other receivables	(3,967)	100
Increase (decrease) in:		
Accounts payable	3,771	(730)
Grants payable	142,752	(26,497)
Interest payable	3,157	2,973
Loans payable - investors	47,980	247,610
	<u>164,098</u>	<u>(39,279)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(34,437)	(53,757)
Proceeds from sales of investments	95,660	99,073
	<u>61,223</u>	<u>45,316</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH	225,321	6,037
CASH AT BEGINNING OF YEAR	<u>123,236</u>	<u>117,199</u>
CASH AT END OF YEAR	<u>\$ 348,557</u>	<u>\$ 123,236</u>
SUPPLEMENTAL DISCLOSURES		
Cash paid during the year for:		
Interest	\$ 21,392	\$ 17,551

The accompanying notes are an integral part of these financial statements.

FONKOZE USA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

NOTE 1 – 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 Fondasyon Kole Zepól (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 subsequent meetings 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, 2006 and 2005, the Organization had no temporarily restricted net assets.

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.

Investments

Investments are carried at market value. Accordingly, unrealized gains and losses, due to market fluctuations during the year, are recognized at year end. Realized gains and losses are recognized upon sale or disposal.

Receivables

The Organization does not maintain an allowance for doubtful accounts, as all amounts are deemed to be collectible. All amounts are due from Fondasyon Kole Zepól. Fondasyon Kole Zepól is contractually obligated to maintain a reserve invested in investment grade securities equal to fifteen percent of loans from Fonkoze USA.

Revenues 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.

FONKOZE USA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 related 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.

NOTE 2 – INVESTMENTS

Investments held by the Organization consisted of the following as of December 31, 2006:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Money market funds	\$ 421	\$ 421	\$ -
Mutual funds	30,868	32,989	2,121
Securities	<u>39,941</u>	<u>45,775</u>	<u>5,834</u>
Balance, December 31, 2006	<u>\$ 71,230</u>	<u>\$ 79,185</u>	7,955
Balance, December 31, 2005	<u>\$ 133,213</u>	<u>\$ 137,040</u>	<u>3,827</u>
Unrealized gain on investments			<u>\$ 4,128</u>

FONKOZE USA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

NOTE 2 – INVESTMENTS (CONTINUED)

Investments held by the Organization consisted of the following as of December 31, 2005:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Money market funds	\$ 2,973	\$ 2,973	\$ -
Mutual funds	123,695	126,831	3,136
Securities	<u>6,545</u>	<u>7,236</u>	<u>691</u>
Balance, December 31, 2005	<u>\$ 133,213</u>	<u>\$ 137,040</u>	3,827
Balance, December 31, 2004	<u>\$ 173,607</u>	<u>\$ 183,487</u>	<u>9,880</u>
Unrealized loss on investments			<u>\$ 6,053</u>

NOTE 3 – UNINSURED CASH BALANCES

At December 31, 2006, the Organization had deposit accounts at CNB Bank, Newark, New Jersey whose balance exceeded the amount insured by the Federal Deposit Insurance Corporation by the amount of \$233,251.

NOTE 4 – AFFILIATED ORGANIZATIONS

The Organization shares a common mission with Fondasyon Kole Zepól. Donations and loans acquired by the Organization are donated through grants and loans to Fondasyon Kole Zepól. One of nineteen board members is common to the Organization and Fondasyon Kole Zepól. For the years ended December 31, 2006 and 2005, grants in the amount of \$553,527 and \$144,646, respectively, were made to Fondasyon Kole Zepól. At December 31, 2006 and 2005, loans receivable from Fondasyon Kole Zepól were \$1,342,160 and \$1,264,180, respectively. Interest income from loans to Fondasyon Kole Zepól was \$28,137 and \$27,865, respectively, for the years ended December 31, 2006 and 2005. Interest receivable from Fondasyon Kole Zepól at December 31, 2006 and 2005 was \$26,072 and \$7,070, respectively.

NOTE 5 – DONATED SERVICES

The services of law firms have been donated to the Organization for various corporate matters for the years ended December 31, 2006 and 2005 in the amounts of \$16,165 and \$317,976, respectively. For the year ended December 31, 2006, the value of the donated legal services has been reflected in the financial statements as in-kind contributions with related expense of \$16,165 recorded as professional fees (classified as fundraising).

NOTE 6 – LEASE

The Organization occupies office space in New York, NY. 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, 2006 and 2005, was \$13,250 and \$13,500, respectively.

FONKOZE USA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

NOTE 7 – LOANS PAYABLE – INVESTORS

The loans payable balances of \$291,500 and \$359,770, current portion, and \$1,090,660 and \$974,410, long-term portion, as of December 31, 2006 and 2005, 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 October 2011. Interest expense on loans payable was \$24,549 and \$20,500 for the years ended December 31, 2006 and 2005, respectively.

Maturity on the loans is as follows:

2007	\$	291,500
2008		104,350
2009		570,310
2010		296,000
2011		<u>120,000</u>
Total		1,382,160
Less: current portion		<u>291,500</u>
Loans Payable – Investors – Long-term	\$	<u>1,090,660</u>

NOTE 8 – OFFER TO REPURCHASE

The Organization raises funds for use in its programs by soliciting loans from the public. In its last two solicitations dated 2003 and 2004, Fonkoze USA informed investors of the impending split between Fondasyon Kole Zepól and the newly created entity Fonkoze Financial Services and promised these investors an opportunity to request a refund of their investment once the split had occurred. As a result, in 2004, Fonkoze USA began preparing an Offer to Repurchase with the assistance of its attorneys. This Offer to Repurchase was finalized in April 2005 and mailed out to investors who had investments outstanding totaling over \$600,000. The offer expired on May 23, 2005, and resulted in refunds to two investors totaling \$55,000. These loans were repaid in May 2005.

NOTE 9 – BOARD DESIGNATED FUNDS

The Board has designated certain investments as an endowment fund and has required that the principal amount of these funds be set aside and made unavailable for expenditure. The balance of these funds at December 31, 2006 and 2005 was \$54,304 and \$60,785, respectively.

NOTE 10 – ALLOCATION OF JOINT COSTS

Joint costs for all activities have been allocated between the appropriate activities. These allocations may be found in the Statement of Functional Expenses found in the Additional Information section of this report.

INDEPENDENT AUDITORS' REPORT
ON ADDITIONAL INFORMATION

To the Board of Directors
Fonkoze USA, Inc.
New York, New York

Our report on our audit of the basic financial statements of Fonkoze USA, Inc. for the years ended December 31, 2006 and 2005 appears on page 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of functional expenses are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Craft, Noble & Company, PLLC

Craft, Noble & Company, PLLC
July 23, 2007



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FONKOZE USA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2006

	Grants	Other Program Expenses				Total
		Education	Expenses	Fundraising	Administration	
Grants to Fonkoze Haiti	\$ 553,527	\$ -	\$ -	\$ -	\$ -	\$ 553,527
Grants to Visitation House	-	-	-	-	-	-
Grants to Peasant Association of Fondwa	13,160	-	-	-	-	13,160
Grants to Haitian Health Allies	18,385	-	-	-	-	18,385
Grants to A Izmerly	40,600	-	-	-	-	40,600
Grants to NaSonje	12,154	-	-	-	-	12,154
Other grants	-	-	-	-	-	-
Technology	-	-	-	1,545	4,922	6,467
Board meetings	-	2,943	-	2,943	2,942	8,828
Postage and delivery	-	10,367	-	12,791	3,723	26,881
Printing	-	37,071	-	26,802	8,412	72,285
Supplies	-	764	-	764	763	2,291
Telephone	-	667	-	668	668	2,003
Travel	-	1,750	-	22,813	1,750	26,313
Bank charges	-	-	-	-	104	104
Interest expense	-	-	24,549	-	-	24,549
Insurance	-	1,298	-	2,498	4,394	8,190
Professional services	-	5,452	-	23,184	7,500	36,136
Rent	-	4,417	-	4,417	5,188	14,022
Amos fund expenses	4,675	-	-	-	-	4,675
Miscellaneous	-	435	-	417	14,665	15,517
Salaries	-	33,132	-	63,750	33,132	130,014
Payroll taxes	-	3,124	-	6,011	3,124	12,259
Contract labor	-	1,181	-	1,181	1,181	3,543
Delegation expense	-	11,555	-	-	-	11,555
Conference expense	-	16,693	-	-	-	16,693
TOTAL	\$ 642,501	\$ 130,849	\$ 24,549	\$ 169,784	\$ 92,468	\$ 1,060,151

The accompanying notes are an integral part of these financial statements.

FONKOZE USA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2005

	Grants	Education	Other Program Expenses			Administration	Total
			Fundraising	Administration	Total		
Grants to Fonkoze Haiti	\$ 144,646	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 144,646
Grants to Visitation House	10,076	-	-	-	-	-	10,076
Grants to Peasant Association of Fondwa	2,920	-	-	-	-	-	2,920
Grants to Haitian Health Allies	12,868	-	-	-	-	-	12,868
Other grants	6,949	-	-	-	-	-	6,949
Technology	-	817	-	800	453	-	2,070
Board meetings	-	3,318	-	3,318	3,317	-	9,953
Postage and delivery	-	3,961	-	9,712	2,138	-	15,811
Printing	-	21,909	-	6,360	1,089	-	29,358
Supplies	-	2,463	-	755	754	-	3,972
Telephone	-	193	-	193	192	-	578
Travel	-	1,141	-	1,141	1,141	-	3,423
Bank charges	-	-	-	-	77	-	77
Interest expense	-	-	20,524	-	-	-	20,524
Insurance	-	-	4,851	-	7,998	-	12,849
Professional services	-	-	8,751	328,246	6,000	-	342,997
Rent	-	4,500	-	4,500	5,304	-	14,304
Amos fund expenses	-	-	-	-	-	-	-
Miscellaneous	-	2,136	-	1,571	2,236	-	5,943
Salaries	-	26,569	50,000	28,138	28,139	-	132,846
Payroll taxes	-	2,504	4,757	2,629	2,629	-	12,519
Contract labor	-	881	-	881	881	-	2,643
TOTAL	\$ 177,459	\$ 70,392	\$ 88,883	\$ 388,244	\$ 62,348	\$ -	\$ 787,326

The accompanying notes are an integral part of these financial statements.